



Sacramento Suburban
Water District

Sacramento, CA

**Annual Comprehensive
Financial Report**

For the Fiscal Years Ended December 31, 2021 and 2020



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Annual Comprehensive Financial Report

For The Fiscal Years Ended December 31, 2021 and 2020



Sacramento Suburban Water District

Sacramento, California

Prepared by:

The Finance Department

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Introductory Section

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April 14, 2022

Board of Directors
Sacramento Suburban Water District
Sacramento, California

We are pleased to present this Annual Comprehensive Financial Report (Annual Report) of the Sacramento Suburban Water District (District) for the years ended December 31, 2021 and 2020. The District is required under State law to publish, within six months of the close of each fiscal year, a complete set of basic financial statements presented in conformity with generally accepted accounting principles (GAAP). These basic financial statements are required to be audited in accordance with generally accepted auditing standards, 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 and the State Controller's *Minimum Audit Requirements for California Special Districts*.

This Annual Report consists of management's representations concerning the District's finances. Consequently, management assumes full responsibility for the completeness and reliability of the information presented in this Annual Report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework designed to protect the District's assets from loss, theft, and misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatement. As management, we assert that, to the best of our knowledge and belief, this Annual Report is complete and reliable in all material respects.

The District's basic financial statements have been audited by Maze & Associates, an independent firm of licensed certified public accountants. In their role as independent auditors, Maze & Associates worked directly for the Board of Directors and the Board's standing Finance and Audit Committee. The goal of the independent audit is to provide reasonable assurance that the District's basic financial statements for the years ended December 31, 2021 and 2020, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's basic financial statements for the years ended December 31, 2021 and 2020, are fairly presented in conformity with GAAP. The Independent Auditor's Report is presented as the first component in the Financial Section of this Annual Report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This transmittal letter is



designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the Independent Auditor's Report in the Financial Section of this Annual Report.

District Profile

The District's Mission is "to deliver a high quality, reliable supply of water and superior customer service at the lowest responsible water rate." District goals in support of this mission include: assuring a safe and reliable supply of high quality water in an environmentally responsible and sustainable manner for District customers; planning, constructing, operating and maintaining the District water system facilities embracing sustainable practices to provide reliable delivery of high quality water; assuring superior customer service; ensuring effective and efficient management and public reporting of all District financial processes; and providing leadership on regional, statewide and national water management issues that may affect the District.

The District was formed on February 1, 2002 under the State of California's County Water District Law by the consolidation of the Northridge Water District and the Arcade Water District. The consolidation was approved and ordered by the Sacramento County Local Agency Formation Commission. The District is located in Sacramento County, north of the American River and serves a large suburban area including portions of Citrus Heights, Carmichael, North Highlands, City of Sacramento (City), and Antelope, as well as McClellan Business Park (formerly McClellan Air Force Base). The District's service area covers approximately 36 square miles (23,032 acres of land) and serves water to an estimated population of approximately 194,444 (based on the 2020 census) through 47,102 connections. The District's territory is substantially built out and other than residential and commercial in-fill projects, and industrial and commercial development at the McClellan Business Park, the District does not expect significant additional development within its territory.

The District is governed by a 5-member Board of Directors, each of which is elected to four-year terms from geographical divisions by the registered voters residing in each division of the District. The terms of the Directors are staggered, with the Directors from Divisions 1 and 2 elected at the same statewide general election and the Directors from Divisions 3, 4 and 5 elected at the general election two years later.

The service area experiences cool and humid winters and hot and dry summers. The combination of hot and dry weather results in higher water demands during the summer than in winter. Fluctuation in water production from year-to-year typically results from weather conditions in the spring and fall. Demand during the summer and winter generally does not vary significantly from one year to the next with the notable exception of recent drought conservation efforts.

The distribution system, including storage, pump stations and interconnections, has roughly 691 miles of pipeline that range in size from 48-inch transmission mains down to 4-inch distribution mains. There are 49 emergency interties with neighboring agencies along the District's service boundary. The District has 6 storage tanks with a collective capacity to hold approximately 15.8 million gallons of water. There are a total of 7 booster pumping stations in the District, three of which are co-located with major storage tanks.

Water Supplies and Management

The water supply of the District is a combination of both groundwater and surface water. Historically, the District had used only groundwater as its water supply source; however, in 1997, the District initiated a conjunctive use program, supplementing its groundwater supply with surface water to address the declining groundwater table using in-lieu recharge. The District has made significant investments to put surface water supply and conjunctive use facilities in place, and as a result of these investments, groundwater levels have stabilized or improved.

The District pumps its groundwater from approximately 70 operational wells, which are capable of producing 100% of the annual District water demand. All of the wells pump directly into the distribution system and range between 270 and 1,036 feet deep. The wells of the District are located in the North American Sub-basin, which is part of the Sacramento Valley Groundwater Basin. While groundwater levels fluctuate based on hydrological conditions, groundwater levels historically declined within the District over the 50 years prior to the millennium at an average rate of approximately 1.5 to 2.0 feet per year. Since 2000, however, groundwater levels in the portion of the North American Sub-basin from which the District pumps water have stabilized, in large part because of increasing surface water acquisitions by the District in addition to customer conservation practices. Peak season average daily demand from the District's wells is approximately 136 acre-feet and is sufficient to supply 100% of water demand within the District. Under the Sustainable Groundwater Management Act (SGMA) local agencies and other water users in specified groundwater basins are required to implement measures to regulate groundwater extractions. The District is part of the Sacramento Groundwater Authority (the "SGA"), a regional entity formed to manage, stabilize and sustain the North American Groundwater Basin. Pursuant to the groundwater pumping measures established by the SGA, the District's annual average pumping allotment for groundwater is 35,035 acre-feet. Amounts pumped in excess of this target are subtracted from the District's "Exchangeable Water Balance," which is groundwater banked by the District. Amounts of groundwater pumped below this target that are replaced with purchased surface water are added to the District's "Exchangeable Water Balance," with the District being credited for the in-lieu groundwater banked. As of December 1, 2021, the District has banked approximately 235,426 acre-feet of Exchange Water Balance that the District may use at its discretion subject to any future regulations imposed under SGMA or other legislative or executive action. Under SGMA, SGA was required to submit a Groundwater Sustainability Plan (GSP) for the North American Groundwater Basin for DWR's approval by January 31, 2022. The SGA approved its GSP on December 9, 2021, and submitted it to DWR on January 28, 2022. The GSP for the North American Groundwater Basin will be evaluated every 5 years as additional information becomes available. The GSP for the North American Groundwater Basin was developed cooperatively by five GSAs in the region, with SGA serving as the plan manager and lead agency for the preparation and implementation of the GSP. The District does not currently expect its groundwater extraction rights, or costs in the South Portion of the North American Groundwater Basin, to change significantly as a result of the implementation of the GSP for the North American Groundwater Basin.

In addition to groundwater, the District currently imports surface water from two supply sources when available, Folsom Reservoir and the Lower American River. The District purchases surface water from Placer County Water Agency (PCWA), supplied from the Middle Fork American River and delivered to Folsom Reservoir, Section 215 Central Valley Water Project water from the United States Bureau of Reclamation (USBR), when available, and starting in 2020 the District entered into an agreement with San Juan Water District (SJWD) to purchase excess surface water, when available. The PCWA, USBR and SJWD water are treated by San Juan Water District at the Peterson Water Treatment Plant pursuant to contract and then conveyed through District-owned transmission pipelines, or purchased pipeline capacity, into the District's water distribution system in the North Service Area. Commencing in 2007, the District also began receiving Lower American River water purchased pursuant to a 2004 contract with the City of Sacramento (City). The City water is diverted and treated by the City at its E.A. Fairbairn Water Treatment Plant and conveyed through District-owned pipeline capacity for distribution to customers in the District's South Service Area. All of these sources of surface water ultimately depend upon unimpaired inflow to Folsom Reservoir, or releases from Folsom Reservoir to the Lower American River, and are not available in all years, or at all times. The District generally plans to increase surface water deliveries and reduce groundwater deliveries during wet hydrological years and to rely on groundwater deliveries and reduce surface water deliveries during dry hydrological years in a conjunctively managed fashion. This supply flexibility positions the District very favorably with California's SGMA.

Revenue Sources

The District's annual revenues come primarily from water sales. Operating revenues segregate water sales into two components used by the District in setting its water rate structure: consumption charges and fixed charges. In addition, the District receives operating revenues from treated water passed through its conveyance system to neighboring water districts as well as from fees charged for certain District services, including penalty charges. Periodically, the District also receives operating revenue from water transfer sales.

The District is in the final phases of transition as water meters are installed on unmetered residential connections and customers are converted from flat rate accounts to metered rate accounts. Presently, 99.6 percent of the District is metered, with all connections expected to be fully metered before the year 2025. Current flat rate accounts include a "variable" charge based on parcel size, which is intended to reflect an estimate of water consumption for irrigation purposes. The fixed portion of the charge, based on connection size, reflects the estimated fixed costs of service, a charge to cover pay-as-you-go capital improvements, and debt service charges. The District offers a water meter and metered billing to any flat-rate customer upon request. All non-residential customers are on metered accounts.

January 1, 2020, was the start of the first year of a planned 5-year annual rate increase based on the results of the 2019 Rate Study that was approved by the Board of Directors in November 2019 after a Public Hearing. Rates will increase on average 5%, 4%, 3%, 3%, and 3% from 2020 – 2024, unless the Board of Directors approve lower increases. The first three increases of 5%, 4%, and 3% were placed into effect on January 1, 2020, 2021, and 2022, respectively. Current single-family residential metered rates include a fixed charge (service charge) based on meter size, plus a two-tier water consumption rate. The tier structure includes 15 cubic feet (CCF) per month at a lower initial rate with water consumption in excess of 15 CCF at a higher rate. Multi-family residential and non-residential customers are subject to a fixed charge based on meter size and a single tier rate based on consumption.

The District's sources of non-operating revenue come primarily from state and federal capital grants, developer contributions, rental income and investment income.

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. The COVID-19 outbreak is still disrupting supply chains and is affecting production and sales across a range of industries. In that same month, the District took several steps in an effort to prepare for the effects of the pandemic. A COVID-19 task force was created and empowered to develop operational procedures for the District's response to the pandemic. This task force developed many procedures to address and implement the Executive Orders that were issued by the Governor of California, as well as regulations established by the California Division of Occupational Safety and Health (Cal/OSHA). As an "Essential Business" the District has remained in operation to provide vital services to our customers and the public. However, operational steps have been taken to minimize the risk of the spread of COVID-19 including but not limited to social distancing, requiring masks and enhanced cleaning procedures. The District's customer service counter was closed to the public in March 2020 and staff have been allowed to telework when feasible. As of March 2022, the customer service counter has been reopened. The District has been able to respond to the various governmental mandates while still being able to operate the District. Supply chain issues continue to delay the completion of several of the District's major projects.

On April 2, 2020, the Governor of California issued Executive Order N-42-20 that imposed a moratorium on water service terminations of residential and small businesses in the critical infrastructure sectors for the duration of the COVID-19 emergency. The District responded by adopting a Resolution suspending the imposition of late fees and suspending collection activities for all customers until such time that the Executive Order is rescinded. Without the

repercussion of service termination, customers are free from the consequences of not paying their water bill. The District immediately implemented procedures to track and monitor the effects of this Executive Order and Board Resolution on the District's revenues and receivables. In September 2021, the Governor signed SB 155 into law which established, among other items, the end date on the water service termination moratorium. In December 2021, the District received a grant through the California Water and Wastewater Arrearage Payment Program through funding from the State Water Resources Control Board using federal America Rescue Plan Act funds to assist customers with delinquent water bills that were accrued from March 4, 2020 to June 15, 2021. As of December 31, 2021, the moratorium on water service terminations has expired. At the January 24, 2022 Board meeting, the Board approved Resolution No. 22-03 rescinding the 2020 resolution and reinstating all previous collections activities in accordance with the guidance provided in SB 155. The District continues to monitor and respond to the effects of the COVID-19 pandemic while maintaining operational and capital improvement activities. The financial effects of the pandemic will be addressed in the MD&A section of this report.

Local Economy¹

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the District operates. Sacramento County (County) is the eighth most populous county in California with a population of roughly 1.56 million and is home to the state's capital. The County sits in the middle of the agriculturally rich 400-mile long Central Valley of California. Sacramento's four-county metropolitan statistical area (metro-area) is the largest metro-area in the Central Valley and is the fifth largest metro-area in the state. From 2010-2020, the population of the County grew at an annual average rate of 1.17%. Employment in the County consists of a labor force of 713,300 with a 2021 unemployment rate of 4.8% down from 8.5% in 2020. Employment and population are projected to grow by an average 1.7% and 1.1% per annum, respectively, over the next five years in the County.

The County's economy is broadly based. Government and health and education are the largest sectors of employment, while professional services, leisure, retail and construction activities follow. Because it contains the state capital, the County's economy is highly influenced by the public sector. Government jobs account for roughly 25% of total employment. Healthcare providers such as Kaiser Permanente, UC Davis Health Systems, Sutter Health, and Dignity Health, along with technology based Intel and Apple, and grocery store chains Raley's and Safeway are large private employers in the county. Job creation over the next five years is expected to come predominantly from education and healthcare, followed by government and professional services.

Long-Term Financial Planning

The District currently has several major construction projects underway. These projects involve rehabilitation or replacement of existing facilities to ensure system reliability, to enhance operational efficiency, to protect the environment and public health, and to comply with water quality regulations. With an aging infrastructure, the District has dedicated significant resources to develop a comprehensive infrastructure assessment and has established specific asset management plans for the ultimate needs of its facilities (typically to the end of each asset's useful service life). These asset plans are intended to allow the District to better plan and budget for future capital facility needs, consisting primarily of capital replacements, which is one of the most significant challenges facing the District. As the future capital needs of the District are primarily repair and replacement projects, the District intends to fund such projects through pay-as-you-go financing rather than the issuance of additional debt.

¹ Population data from U.S. Census Bureau (2020); Labor force and unemployment data from California Employment Development Department, Sacramento County Profile (2021); Forecast data from State of California, Department of Transportation, Socio Economic Files, Sacramento County Economic Forecast (2020).

Relevant Financial Policies and Controls

Key District Financial Policies include the Water Service Rates, Fees and Charges Setting Policy, Reserve Policy, Debt Management Policy, Investment Policy and the Budget Policy. Such policies, when coupled with the District's Internal Control Structure, guide and protect the financial position of the District.

Water Service Rates, Fees and Charges Setting Policy

This policy serves to provide guidance and consistency in District financial planning and the rate setting decision-making process for the Board of Directors and staff. The policy also provides a foundation for the long-term financial sustainability of the District, while providing the outside financial community with a better understanding of the District's commitment to managing itself in a financially prudent and sustainable manner.

Reserve Policy

The purpose of this policy is to establish a reserve fund level that is specific to the needs and risks of the District; to identify when and how reserve funds are utilized and replenished; and to recognize the long-term nature of such funds and their relationship to current and projected customer rates. The District's financial reserve fund comprises various funds established for specific purposes and to mitigate certain risks. Collectively, these funds enable the District to operate in a safe and prudent manner, with the policy providing for appropriate oversight.

Debt Management Policy

The District recognizes the issuance of long-term debt is a valuable funding source. Used appropriately and prudently, long-term debt can minimize the District's water system rates, fees and charges over time. To minimize dependency on debt financing, the District strives to fund annual renewal and replacement capital projects from rates. The District intends to manage itself to exceed the minimum target debt service coverage requirements imposed by bond covenants. The District will not issue long-term debt to support operating costs.

Investment Policy

This policy provides guidance to the Board of Directors and Staff for the proper and legal investing of District assets. The District's reserves and excess operating cash are invested in accordance with the policy that is reviewed at least biennially for compliance with California Law. The Director of Finance and Administration/District Treasurer is responsible for the regular reporting of the transactions and balances of the District's investment portfolio and for compliance with the policy to the Board of Directors. The policy allows for delegation of investment authority to a professional investment advisor of which the District does employ. Assets exempt from this policy include operating cash held at the District's commercial bank, debt proceeds, pension, and other post-employment benefits held in trust.

Budget Policy

The District's budget serves as the foundation for financial planning and control. The budget is a one-year financial plan for operating and maintenance expenses, capital projects, debt service and revenues, and is adopted by the Board of Directors prior to each new calendar year. The budget is based on certain policies set by the Board of Directors and is reviewed monthly as part of the District's regular financial reporting process. The Board of Directors must approve all supplemental amendments to the budgets and transfers between budgets. The General Manager directs the Director of Finance and Administration in transfers between category levels within individual adopted budgets throughout the fiscal year with subsequent reporting to the Board of Directors.

Internal Controls

District management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft, or misuse. The internal control composition is designed to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in

conformity with generally accepted accounting principles and other reporting, including regulatory reporting, in accordance with the requirements of such reporting. The internal control structure is also designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Changes in Accounting Principles

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 83 – Certain Asset Retirement Obligations during fiscal year 2021. This statement resulted in the creation of a new liability and deferred outflow of resources. As the standard was effective for fiscal years beginning after June 15, 2019, with retroactive application, this Annual Report contains restated financial information for 2019 and 2020. Please refer to Note 2 and 15 for more information.

Major Initiatives

Major initiatives the District is pursuing include regional efforts regarding water supply and quality, including water conservation. Selected from the recently developed asset management plans, the 2022 budget calls for certain capital improvement projects totaling \$22.2 million. Major projects include well replacements and rehabilitation of \$13.8 million, and distribution main replacements and improvements of \$5.2 million, which includes water meter installations.

Awards and Acknowledgments

For the tenth straight year, the Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its Annual Report for the year ended December 31, 2020. In order to be awarded a Certificate of Achievement, a government agency must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

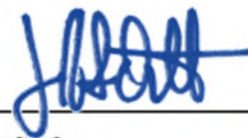
A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Report continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Preparation of this Annual Report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that our staff members bring to the District. We would also like to thank the Board of Directors for their continued support in the planning, implementation and oversight of the financial and internal control policies of the District.

Respectfully submitted,



Daniel R. York
General Manager



Jeffery S. Ott
Director of Finance and Administration



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Sacramento Suburban Water District
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2020

Christopher P. Morrill

Executive Director/CEO

Principal District Officials

Board of Directors - Elected Officials

| <u>Title</u> | <u>Name</u> | <u>Division</u> | <u>Current Term</u> |
|----------------|--------------------|-----------------|---------------------|
| President | Craig M. Locke | Division 5 | 12/2018-12/2022 |
| Vice President | David A. Jones | Division 1 | 12/2020-12/2024 |
| Director | Kathleen McPherson | Division 2 | 12/2020-11/2021 |
| Director | Jay N. Boatwright | Division 2 | 01/2022-12/2022 |
| Director | Robert P. Wichert | Division 3 | 12/2018-12/2022 |
| Director | Kevin M. Thomas | Division 4 | 12/2018-12/2022 |

Staff - Appointed Officials

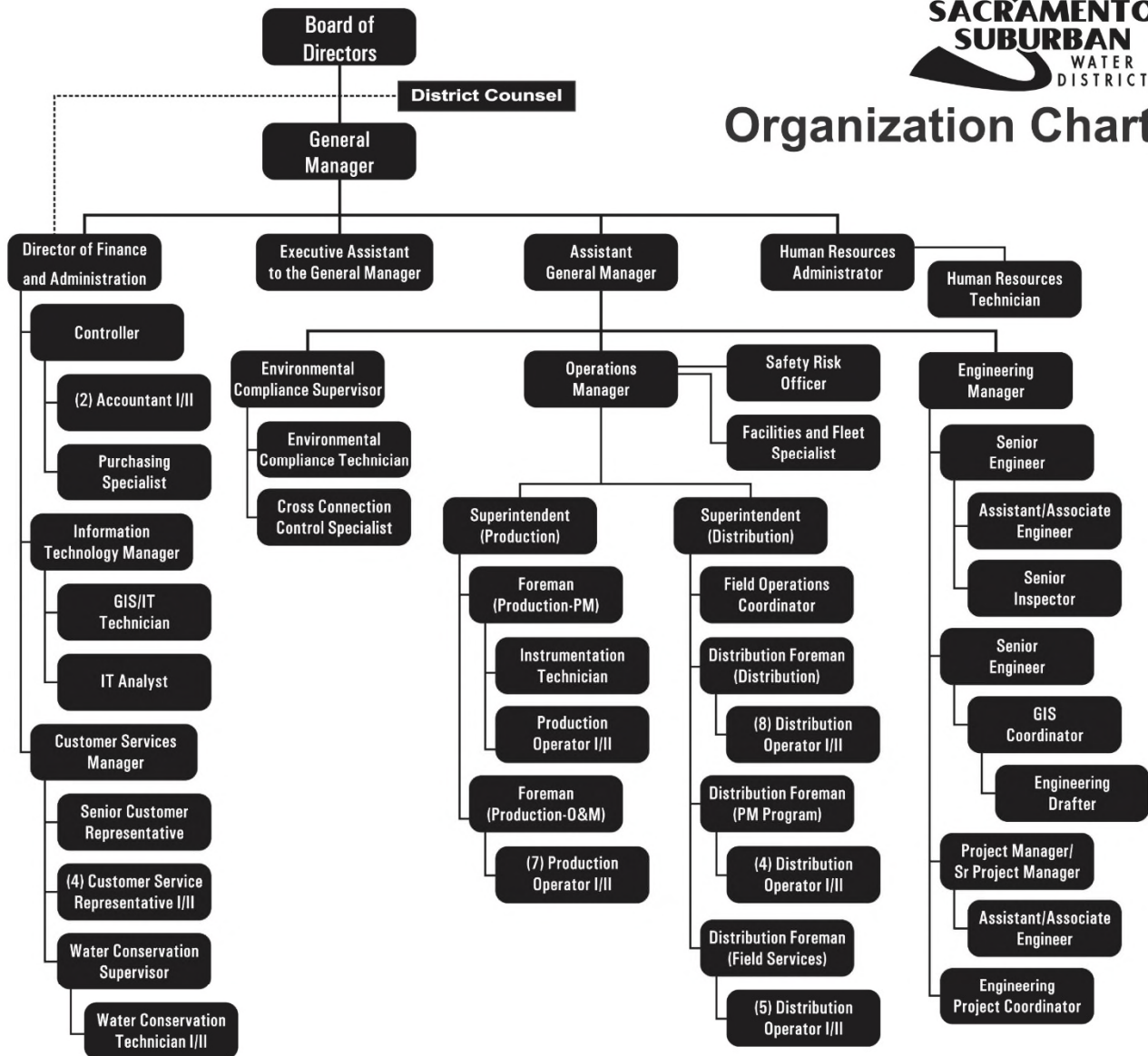
| <u>Title</u> | <u>Name</u> |
|--|--|
| General Manager and Secretary | Daniel R. York |
| Director of Finance and Administration and Treasurer | Jeffery S. Ott |
| District Counsel | Bartkiewicz, Kronick & Shanahan, Joshua M. Horowitz |

Additional Key Management Staff

| <u>Title</u> | <u>Name</u> |
|---------------------------|----------------------|
| Assistant General Manager | Matthew T. Underwood |
| Operations Manager | Todd Artrip |
| Engineering Manager | Dana S. Dean |
| Customer Services Manager | Julie H. Nemitz |



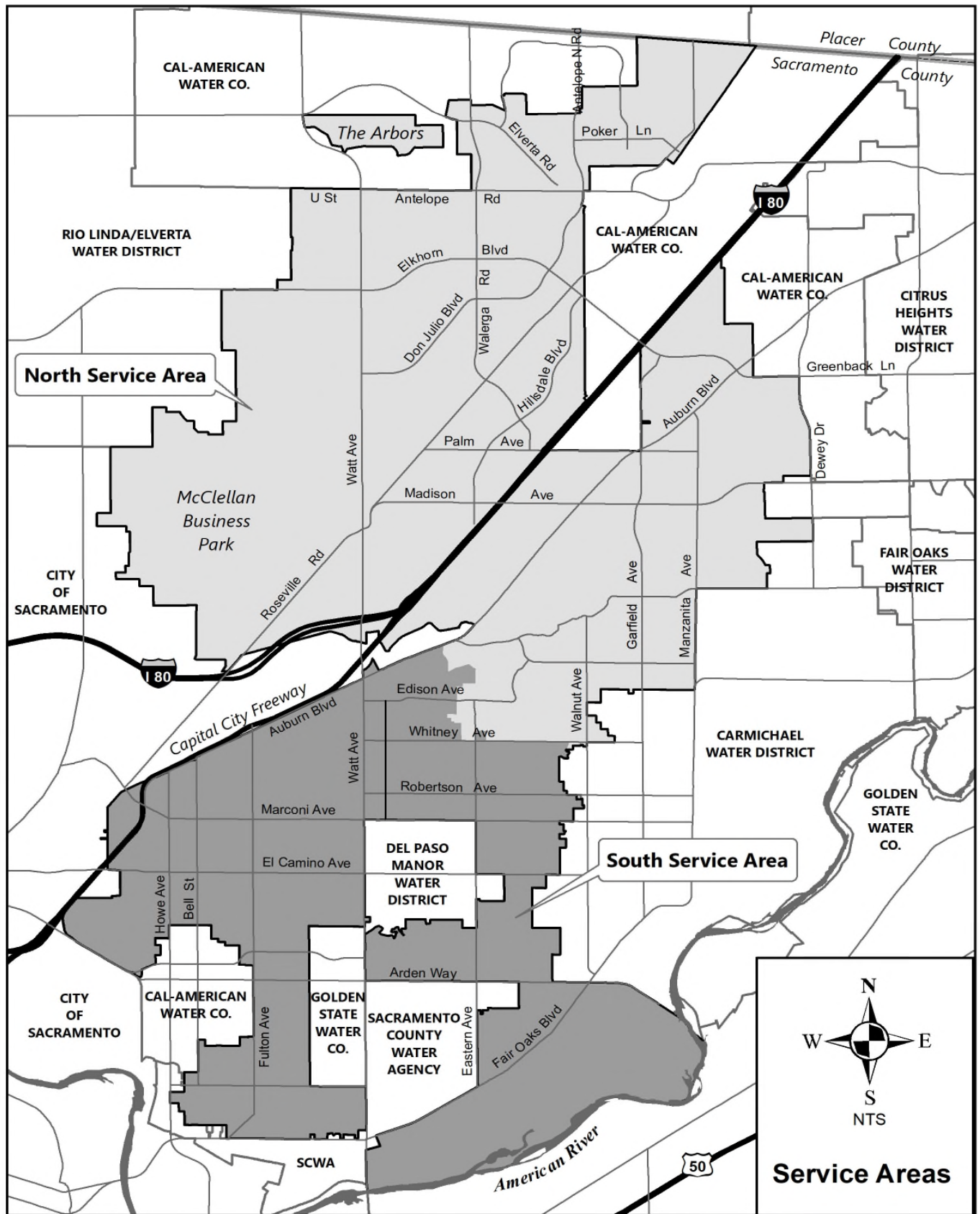
Organization Chart



SSWD Administrative Office

3701 Marconi Avenue, Suite 100 | Sacramento, CA 95821-5346
 Phone: 916.972.7171 | Fax: 916.972.7639
 Office Hours: 8:00 a.m. to 4:30 p.m. Monday-Friday
 Web site: sswd.org

12/20/2021



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Financial Section



INDEPENDENT AUDITOR'S REPORT

Board of Directors of the
Sacramento Suburban Water District
Sacramento, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the Sacramento Suburban Water District (District), as of and for the years ended December 31, 2021 and 2020 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the business-type activities of the District as of December 31, 2021 and 2020 and the respective changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in the *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 District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 District's ability to continue as a going concern for twelve months after the date that financials statements are issued.

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 opinion. 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 GAAS 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, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 District'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 District'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.

Emphasis of Matter and Restatement

During the year ended December 31, 2021, Management adopted the provisions of Governmental Accounting Standards Board Statement No. 83 – Certain Asset Retirement Obligations, which became effective during the year ended December 31, 2020 and required a restatement as described in Note 2.

Required Supplementary Information


Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 Information Included in the Annual Comprehensive Financial Report (ACFR)

Management is responsible for the other information included in the ACFR. The other information comprises the Introductory Section and Statistical Section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2022 on our consideration of the District'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 the effectiveness of 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 District's internal control over financial reporting and compliance.



Pleasant Hill, California
April 14, 2022

**Sacramento Suburban Water District
Management’s Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2021 and 2020**

The following Management’s Discussion and Analysis (MD&A) provides a general overview and analysis of the financial activities and performance of the District for the years ended December 31, 2021 and 2020. Readers are encouraged to consider the information presented here in conjunction with the Transmittal Letter and the Independent Auditor’s Report which precedes this analysis, and the Basic Financial Statements and related Notes to the Basic Financial Statements (Notes), which follow.

Operational Activities and Financial Highlights

Operating activity of the District varies from year to year with the resulting changes affecting District revenues, expenses, capital project expenditures and overall cash flows. Those activities that tend to drive District costs most notably for the periods ending December 2021, 2020, and 2019, are highlighted below.

Water Activities and Highlights

- For the period ended December 31, 2021 the District produced 32,154 acre-feet of water (2,228 surface and 29,976 ground) for 47,102 retail connections, compared to 33,087 acre-feet of water (4,015 surface and 29,072 ground) for 46,573 connections in 2020, and 30,610 acre-feet of water (17,248 surface and 13,362 ground) for 46,575 connections in 2019.
- In 2020, the District joined with other local water purveyors to transfer surface water to several other water agencies outside of the Sacramento area. The District’s portion of the transfer resulted in net proceeds of \$217,216 (gross proceeds of \$979,431 less costs of \$762,215). Costs comprise the pumping of 6,667 acre-feet of ground water delivered to the City of Sacramento and administrative expenses (legal and consulting). However, the 6,667 acre-feet of ground water provided to the City of Sacramento will be returned to the District in the future at no cost to the District. This will result in economic, as well as aquifer, benefit to the District by not having to pump additional groundwater. At the current contract price for wholesale water (662.34 per acre-foot) the savings would be approximately \$4.4 million.
- In 2019, the District executed a Successor Agreement with McClellan Business Park that entailed, in part, the District paying \$2.6 million to McClellan Business Park (recorded as an operating expense) to settle a 1999 Agreement between the County of Sacramento and the former Northridge Water District for the Conveyance of the McClellan Water Distribution System.
- The District has sufficient capacity to meet customer demand now and for the foreseeable future. The water delivered to District customers meets the regulatory maximum contaminant level (MCL) requirements established by the USEPA and State Water Resources Control Board’s Division of Drinking Water. The District also adheres to federal, state, and local regulations that govern the operation of the water system. If the concentration of a constituent exceeds its regulatory MCL, that source is immediately removed from active service. The District regularly tests for over 120 different constituents in its raw and treated water. The results of any detected constituents are published in the “Consumer Confidence Report” or, “Annual Water Quality Report” that is distributed to customers each year.

**Sacramento Suburban Water District
Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2021 and 2020**

Capital Project Activities and Highlights

- The District is continuously working on various major construction projects, most of which for the past twenty years have been related to the replacement of distribution system mainlines that are near the end of their useful service life and the installation of water meters to meet state law requirements as discussed more fully below. However, the District is beginning to transition away from the majority of capital project dollars being spent on system mainlines and meter installations to groundwater well rehabilitation and replacement.
- In 2021, approximately 0.7 miles of pipeline and appurtenance replacements were installed at a cost of \$2.3 million, compared to 5.2 miles in 2020 and 5.6 miles in 2019 at costs of \$10.1 million and \$10.5 million, respectively. As of December 31, 2021, the District has three new wells under construction and the property acquired to begin construction on four additional wells. Total 2021 spending on well rehabilitation and replacement was \$6.1 million compared to \$1.6 million and \$2.4 million in 2020 and 2019, respectively. Total expenditures for all capital projects in 2021, 2020, and 2019 were \$15.4 million, \$15.6 million and \$17.2 million, respectively.
- In accordance with state law, the District is continuing its progress to have all its connections on water meters by the year 2025. During 2021, 989 new meters were installed, compared to 1,140 in 2020 and 2,170 in 2019. As of December 31, 2021, approximately 99.6 percent of the District's connections are on water meters compared to 97 percent at the end of 2020 and 95 percent at the end of 2019. Accordingly, the District is on track to meet this mandate.

Description of the Basic Financial Statements

The Basic Financial Statements are designed to provide readers with a broad overview of the District's finances. Since the District's primary function is to deliver a high quality, reliable supply of water to its consumers and recover the associated costs through customer rates, fees and charges, the Basic Financial Statements report activities in a manner similar to a private-sector business. The Basic Financial Statements are as follows:

The Statements of Net Position present information on all the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position, some of which is restricted in accordance with debt covenants. Over time, increases or decreases in net position may serve as a useful indicator of whether the District's financial position is improving or deteriorating.

The Statements of Revenues, Expenses and Changes in Net Position present information showing how the District's net position changed during the years ended December 31, 2021 and 2020. All changes in net position are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of the related cash flows. In other words, the District reports expenses and revenues on an accrual basis rather than a cash basis.

The Statements of Cash Flows present information on the sources and uses of cash within the District throughout the year that serves to explain the change in the amount of the District's cash and cash equivalents that are on hand at the end of each year. Cash generation and/or usage from four different activity-types of the District are provided: operations, non-capital financing, capital and related financing, and investing.

**Sacramento Suburban Water District
Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2021 and 2020**

The Notes to the Basic Financial Statements (Notes) provide additional information that is essential to a full understanding of the data provided in the Basic Financial Statements.

The Required Supplementary Information Section of this Annual Comprehensive Financial Report includes information describing the District's contributions to, and funding progress of, the pension plan and postemployment benefits other than pensions for District employees.

The Statistical Section of this Annual Report provides selected financial and operational data over the last ten years where available, which includes the Schedule of Net Revenues showing the District's debt service coverage ratio.

Condensed Statements of Net Position

(Dollars in Thousands)

| Assets | 2021 | Restated 2020 | Change | Restated 2019 | Change |
|----------------------------------|-------------------|--------------------------|------------------|--------------------------|------------------|
| Current assets | \$ 21,270 | \$ 14,796 | \$ 6,475 | \$ 13,382 | \$ 1,414 |
| Non-current assets | 41,956 | 41,212 | 744 | 39,097 | 2,115 |
| Capital assets, net | 309,062 | 304,848 | 4,214 | 303,326 | 1,522 |
| Total assets | 372,289 | 360,856 | 11,432 | 355,805 | 5,051 |
| Deferred outflows | 7,307 | 9,072 | (1,765) | 8,809 | 263 |
| Liabilities | | | | | |
| Current liabilities | 13,276 | 12,578 | 699 | 15,719 | (3,141) |
| Non-current liabilities | 74,833 | 87,833 | (13,000) | 92,953 | (5,120) |
| Total liabilities | 88,110 | 100,411 | (12,301) | 108,672 | (8,261) |
| Deferred inflows | 7,784 | 1,594 | 6,191 | 839 | 755 |
| Net position | | | | | |
| Net investment in capital assets | 247,828 | 238,712 | 9,116 | 232,469 | 6,243 |
| Restricted for debt service fund | - | - | - | 2 | (2) |
| Unrestricted | 35,874 | 29,212 | 6,662 | 22,632 | 6,580 |
| Total net position | \$ 283,702 | \$ 267,923 | \$ 15,778 | \$ 255,103 | \$ 12,821 |

Referring to the table above, total assets increased by \$11.4 million compared to December 31, 2020, to a total of \$372.2 million as of December 31, 2021. The principal reason for the increase is related to an increase in cash and cash equivalents and from continued investments in capital assets as the District replaces its aging infrastructure. The source of funds for capital projects is primarily a portion of customer fixed rate charges collected monthly, as well as state and federal grants when available.

Current assets increased by \$6.5 million in 2021 compared to a \$1.4 million increase in 2020. The 2021 increase was primarily attributable to increases in cash and cash equivalents of 7.4 million related primarily to underspending of the capital budget by approximately \$6.6 million, while the 2020 increase was primarily the result of an increase

**Sacramento Suburban Water District
Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2021 and 2020**

in receivables that was attributable to the billing of \$1.1 million from the City of Sacramento on the 2020 water transfer referred to above.

Non-current assets increased by \$0.7 million in 2021 after having increased by \$2.1 million in 2020. The 2021 increase is due primarily to a \$370,462 increase in the investment portfolio (net of investment earnings of \$0.65 million, additions of \$0.65 million unspent cash from General Fund and \$0.93 million in unrealized investment loss) and to a \$373,563 positive value in the interest rate swap. The 2020 increase is due to investment earnings (\$1.1 million), unrealized investment gains (\$0.5 million) and the movement of commercial paper into other non-cash investments (\$0.5 million). The District continues to invest most of its excess cash in the capital markets and tries to maintain a minimal investment in the state's investment pool (LAIF). However, excess operating cash related to delays in capital project spending is kept in the LAIF account. The investment portfolio and cash equivalents had an unrealized fair value loss of \$969,810 as of December 31, 2021 compared to an unrealized gain of \$522,390 as of December 31, 2020.

Capital assets, net, increased \$4.2 million in 2021 due primarily to an increase in non-depreciable assets of \$7.7 million (easements and construction-in-progress (CIP)), capitalization of assets of \$10.2 million and depreciation of \$13.6 million. The 2020 increase of \$1.5 million is due primarily to an increase in non-depreciable assets (land, easements and CIP) of \$0.96 million, capitalized assets of \$9.4 million and depreciation of \$8.8 million. Expenditures for 2021 and 2020 continue to be primarily for the construction and replacement of a portion of the District's transmission and distribution system (\$4.4 and \$9.7 million, respectively), the addition and/or improvements to well facilities (\$6.1 and \$1.6 million, respectively), and the addition of \$3.1 and \$3.4 million, respectively, of new water meter equipment. Several other capital asset construction projects are in various stages of completion with costs incurred during 2021 amounting to \$2.1 million and \$0.7 million in 2020 (see Note 6). In 2020, the District wrote-off approximately \$1.3 million in net book value of abandoned well facilities and meter equipment that had not yet reached the end of their depreciable life.

As of December 31, 2021 and 2020, deferred outflows of resources primarily include deferred gains and losses on advance debt refundings, the recognition of pension expense in accordance with the provisions of GASB Statements No. 68 and 71, the recognition of Other Post-employment Benefits (OPEB) expense in accordance with the provisions of GASB Statement No. 75 as well as the recognition of asset retirement obligations in accordance with GASB Statement No. 83.

Total liabilities decreased by \$12.3 million and \$8.3 million as of December 31, 2021 and 2020, respectively. The 2021 decrease is almost exclusively due to decreases in long-term liabilities related to decrease in long-term debt (\$5.7 million), decrease in net pension liability (\$4.8 million), decrease in net OPEB liability (\$1.1 million) and decrease in the fair value of the interest rate swap (\$1.2 million). The 2020 decrease was primarily due to a \$3.1 million decrease in current liabilities, which resulted from an accounts payable decrease of \$5.1 million including the \$2.6 million payment of the settlement with McClellan Business Park, and a \$1.8 million increase in unearned revenue and customer deposits. In addition, long-term liabilities decreased by \$4.9 million resulting primarily from a decrease in long-term debt of \$5.5 million, which includes the payment of \$4.8 million in scheduled principal payments, a \$1.5 million decrease in net other post-employment benefits payable, an increase of \$1.0 million of net pension liability and an increase of 1.2 million in the fair value of the District's interest rate swap.

Non-current liabilities - As part of its debt management strategy, the \$60.3 million debt principal outstanding as of December 31, 2021 includes both fixed-rate debt - \$18.3 million, and variable-rate debt - \$42.0 million (as of

**Sacramento Suburban Water District
Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2021 and 2020**

December 31, 2021 and 2020, the District had debt outstanding of \$65.3 million and \$70.8 million, respectively). The variable-rate debt is supported by an irrevocable direct-pay Letter of Credit provided with an international bank that expires in June 2023, and is partially hedged by a pay-fixed, receive-variable interest rate swap with a notional amount of \$33.3 million as of December 31, 2021, 2020 and 2019. As of December 31, 2021, the negative fair value of the swap decreased from negative \$7.9 million as of December 31, 2020 to negative \$6.5 million (see Note 8) due to rising long-term interest rates.

The District realized an overall increase in net position of \$15.8 million for the year ended December 31, 2021, compared to \$12.8 million and \$8.2 million for the years ended December 31, 2020 and 2019, respectively. The components of net position as of December 31, 2021 are:

- The largest component of District net position is the District's net investment in capital assets which increased by \$9.1 million to \$247.8 million as of December 31, 2021, and is comprised of total capital assets (net of accumulated depreciation) plus deferred outflows on long-term debt refundings less related long-term debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending.
- Restricted net position consists solely of debt reserves held in escrow for the District's debt obligations. During 2021, the funds were used to pay interest on the related obligations.
- At the end of 2021, 2020 and 2019, the District showed a positive balance in its unrestricted net position of \$35.9 million, \$29.2 million (restated), and \$22.6 million (restated), respectively. The 2021 increase of 6.7 million primarily reflects the increase in current assets (\$6.5 million), an increase in deferred inflows (\$6.2 million) and a decrease in non-current liabilities, net of debt, (\$6.1 million). The increase of \$6.6 million in the unrestricted net position for 2020 primarily reflects an increase in current assets and investments (\$3.6 million), a decrease in current liabilities, net of debt, (\$3.3 million).

Condensed Statements of Revenues, Expenses and Changes in Net Position

(Dollars in Thousands)

| | 2021 | Restated 2020 | Change | Restated 2019 | Change |
|--|---------------|--------------------------|---------------|--------------------------|---------------|
| Revenues | | | | | |
| Operating revenues | \$ 48,973 | \$ 49,228 | \$ (255) | \$ 45,722 | \$ 3,506 |
| Rental revenue | 339 | 291 | 47 | 379 | (87) |
| Interest and investment revenue | (321) | 1,600 | (1,920) | 1,763 | (164) |
| Grant revenue pass-through to sub recipients | 468 | - | 468 | - | - |
| Other non-operating revenues | 765 | 83 | 682 | 685 | (602) |
| Total revenues | 50,224 | 51,202 | (978) | 48,549 | 2,653 |
| Expenses | | | | | |
| Operating expenses | 21,839 | 22,307 | (467) | 26,365 | (4,058) |
| Depreciation and amortization | 13,588 | 13,715 | (127) | 12,993 | 722 |
| Interest expense | 2,271 | 2,552 | (281) | 2,632 | (80) |
| Sub recipient grant expense | 468 | - | 468 | - | - |

(Continued on next page)

**Sacramento Suburban Water District
Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2021 and 2020**

| | 2021 | Restated 2020 | Change | Restated 2019 | Change |
|---|-------------------|--------------------------|------------------|--------------------------|------------------|
| Other non-operating expenses | 132 | 1,354 | (1,222) | 25 | 1,329 |
| Total expenses | 38,297 | 39,927 | (1,630) | 42,015 | (2,087) |
| Net revenue before capital contributions | 11,927 | 11,274 | 652 | 6,534 | 4,741 |
| Capital contributions | 3,851 | 1,546 | 2,306 | 1,648 | (102) |
| Change in net position | 15,778 | 12,821 | 2,957 | 8,182 | 4,439 |
| Net position, beginning of year | 267,923 | 255,103 | 12,821 | 251,274 | 3,829 |
| Restatement | | | | (4,353) | 4,353 |
| Net position, end of year | \$ 283,702 | \$ 267,923 | \$ 15,778 | \$ 255,103 | \$ 12,821 |

From the table above it can be seen that the District's net position increased by \$15.8 million for the period ended December 31, 2021 compared to \$12.8 million for 2020. The increases result from a variety of factors as described more fully below.

The District's operating revenues come primarily from its customers. The District charges a metered rate to its commercial customers and a metered or flat rate to residential customers depending on whether the service connections of such customers have a water meter. All District customers, regardless of the type of service, are charged a fixed service charge based on the size of their respective meter or connection. Beginning January 1, 2020, the District is utilizing a new rate structure that has only two components (usage charge and fixed (service) charge) compared with three in the previous period (usage charge, fixed (service) charge and capital facilities charge). The capital facilities charge has been combined with the fixed (service) charge.

In addition, as shown in the table above, and as more fully illustrated in the table below, operating revenues decreased by \$0.26 million (0.5%) compared to the year ended December 31, 2020, primarily due to the net effect of the following: 1) water production decreased 2.8% from 2020, 2) the District did not participate in any water transfers, and 3) a 4% average rate increase went into effect on January 1, 2021. The decrease in wheeling water revenue related to the unavailability of surface water for most of 2021. Other charges for service decreased as a result of the Governor of California's Executive Order N-42-20 as describe above. 2020 operating revenues were higher compared to 2019 by \$3.5 million as a 5.0% rate increase went into effect on January 1, 2020, along with an 8.1% increase in water production and a water transfer that yielded \$1.0 million in revenues.

Operating Revenues

(Dollars in Thousands)

| | 2021 | 2020 | Change | 2019 | Change |
|-------------------------------------|------------------|------------------|-----------------|------------------|-----------------|
| Operating Revenues | | | | | |
| Water consumption sales | \$ 15,392 | \$ 15,948 | \$ (556) | \$ 13,251 | \$ 2,697 |
| Water consumption sales – transfers | - | 979 | (979) | 43 | 936 |
| Water service charge | 33,167 | 31,694 | 1,473 | 6,197 | 25,497 |
| Capital facilities charge | 0 | 0 | 0 | 24,454 | (24,454) |
| Wheeling water charge | 6 | 83 | (77) | 644 | (561) |
| Other charges for services | 408 | 524 | (116) | 1,133 | (609) |
| Total operating revenues | \$ 48,973 | \$ 49,228 | \$ (255) | \$ 45,722 | \$ 3,506 |

**Sacramento Suburban Water District
Management’s Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2021 and 2020**

Non-operating revenues consist primarily of rental revenue, interest and investment income, and grant revenue to be passed through to sub-recipients when the District serves as the lead agency in securing various grants. In 2021, the District received a grant through the California Water and Wastewater Arrearage Payment Program through funding from the State Water Resources Control Board using federal American Rescue Plan Act funds to assist customers with delinquent water bills that were accrued from March 4, 2020 to June 15, 2021. The District applied for, and received \$775,000 in funds and applied \$691,000 to customer account balances in December 2021. The District is required to refund the difference to the State in 2022.

Interest and Investment Income – Most of the District’s excess cash is invested in fixed-income marketable securities. The yield to maturity (on cost) on the investment portfolio as of December 31, 2021, 2020, and 2019 was 1.23%, 1.58%, and 2.26%, respectively.

Capital Contributions – The District receives various types of income from capital contributions, such as capacity fees (formerly facility development charges), developer contributions and grant income. The District received \$1.2 million, \$0.47 million and \$0.29 million in capacity fees in the years ended December 31, 2021, 2020 and 2019, respectively. The increases in capacity fee revenue for 2021 primarily relates to the completion of 152 units of the 473 unit Barret Ranch sub-division.

Developer Capital Contributions – The District receives revenue in the form of water system assets donated by developers that have been inspected by District staff and meet District standards. The District utilizes such assets to meet the needs of certain customers. After a one-year warranty period, the developer is no longer liable to the District. All such assets are recorded at estimated acquisition value on the date received. In 2021, the value of such donated assets was \$2.5 million, compared to \$1.0 million in 2020 and \$1.0 million in 2019. The 2021 increase in primarily related to the Barret Ranch sub-division discussed previously.

Operating Expenses

(Dollars in Thousands)

| | 2021 | Restated 2020 | Change | 2019 | Change |
|---------------------------------|------------------|--------------------------|-----------------|------------------|-------------------|
| Operating Expenses | | | | | |
| Source of supply | \$ 753 | \$ 1,861 | \$ (1,108) | \$ 3,525 | \$ (1,664) |
| Pumping | 6,242 | 5,227 | 1,014 | 5,331 | 103 |
| Transmission and distribution | 5,226 | 4,761 | 465 | 7,034 | (2,273) |
| Water conservation | 502 | 534 | (32) | 490 | 44 |
| Customer accounts | 1,477 | 1,279 | 198 | 1,373 | (94) |
| Administrative and general | 7,639 | 8,644 | (1,005) | 8,612 | 32 |
| Total operating expenses | \$ 21,839 | \$ 22,307 | \$ (468) | \$ 26,365 | \$ (4,058) |

Operating expenses are primarily comprised of purchased treated surface water, electrical and chemical treatment costs of producing potable well water, ongoing system repairs and maintenance, and employee salaries and benefits. The volatility of such expenses from one year to another is primarily driven by the amount of surface water purchased in that year compared to the previous year. As shown in the table above, operating expenses decreased in 2021 by \$0.47 million from 2020 due primarily to a decrease in administrative and general expenses (\$1.0 million) which were offset by smaller increases in transmission and distribution expenses (\$0.46 million) and customer account expenses (0.20 million). The net decrease in water production costs (\$0.1 million) is primarily

**Sacramento Suburban Water District
Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2021 and 2020**

related to decreased water production and higher use of ground water in 2021 than in 2020. Operating expenses decreased in 2020 by \$4.1 million from 2019 primarily due to the \$2.6 million settlement with McClellan Business Park and a decrease in surface water purchases (\$1.7 million).

Non-operating expenses consist primarily of interest expense on the District's debt and the pass-through of grant revenues to sub-recipients on grants where the District was the lead agency in securing the grant. Interest expense decreased in 2021 by \$0.3 million primarily related to low interest rates on the unhedged portion of the District's variable rate debt obligations. Interest expense decreased in 2020 by \$0.1 million due to decreasing interest rates on the District's variable rate debt, however, the District also recognized a \$1.3 million loss related to the disposal of assets prior to the end of their depreciable life.

Capital Asset Administration

(Dollars in Thousands)

Changes in capital asset amounts for 2021 were as follows:

| | Balance 2020 | Additions/ Transfers | Deletions/ Transfers | Balance 2021 |
|---|-------------------------|---------------------------------|---------------------------------|-------------------------|
| Capital assets: | | | | |
| Non-depreciable assets | \$ 10,737 | \$ 15,322 | \$ (7,595) | \$ 18,464 |
| Depreciable & amortizable assets | 493,229 | 2,646 | 6,610 | 502,485 |
| Accumulated depreciation & amortization | (199,117) | (13,588) | 818 | (211,888) |
| Total capital assets, net | \$ 304,849 | \$ 4,380 | \$ (167) | \$ 309,062 |

Changes in capital asset amounts for 2020 were as follows:

| | Balance 2019 | Additions/ Transfers | Deletions/ Transfers | Balance 2020 |
|---|-------------------------|---------------------------------|---------------------------------|-------------------------|
| Capital assets: | | | | |
| Non-depreciable assets | \$ 9,779 | \$ 15,390 | \$ (14,432) | \$ 10,737 |
| Depreciable & amortizable assets | 483,874 | 1,224 | 8,130 | 493,229 |
| Accumulated depreciation & amortization | (190,327) | (13,715) | 4,925 | (199,117) |
| Total capital assets, net | \$ 303,326 | \$ 2,899 | \$ (1,376) | \$ 304,849 |

As a water utility, most of the District's assets and annual expenditures relate to the construction, repair and maintenance of its infrastructure. Repair and replacement of aging infrastructure is one of the most significant challenges facing the District. The District assesses and manages its infrastructure and other capital asset needs through prudent and cost-focused planning taking into consideration both current and future water resource availability, consumer peak-demand needs, maximizing the use of existing facilities, consideration for climatic changes, and other such assessments that can be used to sustain service to both current and future consumers. Infrastructure assessment also includes assessing each asset's risk of failure and the attendant consequences to District operations. For each infrastructure asset group, a long-term asset management plan has been developed. Infrastructure plans for all District assets are now in place. Despite such plans having a long-term focus, typically

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to the end of each asset's useful service life, each plan is reviewed and reassessed every 5 years. See Note 6 for more detailed information on capital asset activity.

Funding for capital projects comes primarily from District customers via a monthly fixed charge levied by the District for the payment of basic service, capital projects and debt service costs. In addition to customer charges, the District also utilizes state and federal grant funds when available for funding capital projects. In 2021, the District received \$113 thousand in grant funds, compared to \$30 thousand in 2020. As of December 31, 2021, the District has \$5.8 million in financial obligations to contractors on its open construction contracts. See Note 17 for more information.

Long-Term Debt Administration

(Dollars in Thousands)

Changes in long-term debt amounts for 2021 were as follows:

| | Balance 2020 | Additions | Retirements | Balance 2021 |
|-------------------------------------|-------------------------|------------------|--------------------|-------------------------|
| Long-term debt: | | | | |
| 2009A Certificates of participation | \$ 42,000 | \$ - | \$ - | \$ 42,000 |
| 2012A Revenue bond | 10,990 | - | (2,320) | 8,670 |
| 2018A Revenue bond | 12,275 | - | (2,645) | 9,630 |
| Other (1) | 5,574 | - | (598) | 4,976 |
| Total long-term debt | \$ 70,839 | \$ - | \$ (5,563) | \$ 65,276 |

Changes in long-term debt amounts for 2020 were as follows:

| | Balance 2019 | Additions | Retirements | Balance 2020 |
|-------------------------------------|-------------------------|------------------|--------------------|-------------------------|
| Long-term debt: | | | | |
| 2009A Certificates of participation | \$ 42,000 | \$ - | \$ - | \$ 42,000 |
| 2012A Revenue bond | 13,225 | - | (2,235) | 10,990 |
| 2018A Revenue bond | 14,830 | - | (2,555) | 12,275 |
| Other (1) | 6,165 | - | (591) | 5,574 |
| Total long-term debt | \$ 76,220 | \$ - | \$ (5,381) | \$ 70,839 |

(1) Consists of unamortized long-term debt premiums and an imputed borrowing of an off-market interest rate swap (See Note 8.)

The issuance of long-term debt is a valuable funding resource for the District. Used appropriately and prudently, long-term debt can minimize the District's water system charges and rates over time. The District manages its debt portfolio so as to mitigate risks inherent in debt issuances within an acceptable tolerance level. By managing debt and its repayment, the District is able to reduce various debt-related risk exposures such as market risk, credit risk, renewal risk, basis risk and tax risk, yet still provide the District with financing options to be utilized in future periods if needed. The District had considered managing such risks more beneficial than eliminating such risks as part of its debt management strategy. The District currently utilizes both fixed-rate debt and variable-rate debt. During 2021 and 2020, there were no debt issuances or refundings. However, with current market conditions, the

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District analyzed opportunities to eliminate the risks associated with its variable rate debt and seek cash savings by refinancing some of its debt. At the December 20, 2021 Board meeting, the Board authorized the District’s financial team to draft documents to pursue refinancing both the 2009A variable rate Certificates of Participation and the 2012A Refunding Revenue Bonds. See Note 8 for more information.

The District’s debt covenants require that “Net Revenues” exceed 115% of annual debt service costs. For compliance history, please see the “Schedule of Net Revenues” in the Statistical Section of this Annual Report. For both 2021 and 2020, the District’s credit rating was AA+ and Aa2 as rated by Standard and Poor’s Ratings Services, Inc. (S&P) and Moody’s Investor Services, Inc. (Moody’s), respectively. See Note 8 for more information.

2022 Budget

Annually, the District adopts non-appropriated budgets for planning and control purposes. The budgets are adopted on an accrual basis with adjustments for certain cash and non-cash items. Budgetary controls are set at the department level. The General Manager has the discretion of reallocating budgeted funds between accounts or projects within each budget with subsequent reporting to the Board of Directors.

The District utilizes four primary budgets to manage its activities: Revenue and Sources of Funds Budget, Capital Budget, Operations and Maintenance Budget and Debt Service Budget. The Capital Budget is divided into two parts - Intermediate-Term Capital and Long-Term Capital. The long-term capital budget is intended to cover all District infrastructure projects that incorporate significant costs or long lead times and planning to complete. The intermediate-term capital budget is intended to incorporate expenditures for operational capital items, such as vehicles, field equipment, backhoes, and computer equipment. The Operations and Maintenance budget covers all recurring operational costs, such as the purchase and treatment of water, repairs and maintenance, employee salaries and benefits and other operating and non-operating expenditures. The Revenue and Sources of Funds Budget covers all of the District’s operating and non-operating revenue sources in addition to any reserves utilized to balance with the budgeted expenditures. The Debt Service Budget covers all District principal and interest payments on its outstanding debt.

On October 18, 2021, the Board approved a \$56.1 million Revenue and Sources of Funds Budget (\$51.4 million in revenues and \$4.7 million from reserves), a \$24.8 million Capital Budget (\$22.2 million for Long-Term Capital and \$2.6 million for Intermediate-Term Capital), a \$22.2 million Operations and Maintenance budget, and a \$7.5 million Debt Service Budget for calendar year 2022. Upon adoption of the Capital Budget, the Board also approved certain capital projects as outlined in the District’s asset-management plans developed for specific asset groups.

At the February 28, 2022 regular Board meeting, the Board approved a debt service budget amendment of approximately \$5.7 million to cover the cost of terminating the swap agreement with Wells Fargo Bank, N.A. as part of the 2022 refinancing of the 2009A COPs. See Note 8 for more information.

Conditions Affecting Current Financial Position

California continues to face the threat of severe droughts. Although it is not possible to forecast the impact of the drought on District surface water supplies or the effect, if any, on its financial position, the District has adequate groundwater supplies to meet water demands in its service area through 2022 and beyond.

**Sacramento Suburban Water District
Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2021 and 2020**

The COVID-19 Pandemic has had an effect on District finances and operations during 2021 and continuing into 2022. As of December 31, 2021, the amount in the Districts over 90 day receivables was approximately \$467,000 compared to approximately \$701,000 as of December 31, 2020, which is a decrease of \$234,000. This is primarily attributable to approximately \$691,000 in grant funds received from the California Water and Wastewater Arrearage Payment Program discussed above. With the 2020 Executive Order halting the disconnection of water service for non-payment and District Resolution 20-07 suspended the imposition and collection of late penalty and shut-off fees, the District observed a steady increase in outstanding customer receivable balances during 2020 and 2021. As a result, the District increased its allowance for doubtful accounts from \$184,140 as of December 31, 2019 to \$702,109 as of December 31, 2020, an increase of \$517,969 and has subsequently reduced the allowance down to \$519,655 as of December 31, 2021. This is primarily related to the grant funds received from the state discussed above and the expiration of the moratorium on water service disconnections that expired on December 31, 2021. Collection and penalty charge revenues decreased \$728,256 from December 31, 2019 to December 31, 2020 and decreased again in 2021 by \$164,352 as no collection or penalty charges were assessed during 2021. These revenues were \$892,609, \$164,352, and \$0 respectively. With the expiration of the moratorium on water service disconnections on December 31, 2021, the District will resume disconnection and collections activities starting in March 2022 and expects these revenue streams to gradually return to normal levels. In addition, the District expects receivables balances to continue to decrease as collections activities, including shut-offs, resume. Operationally, since the pandemic began, the District has seen a slowdown in construction activity that has affected the starting and completion of some capital improvement projects and delayed others already in progress mostly related to supply chain issues and material shortages. This has resulted in underspending both the 2021 and 2020 capital improvement budgets by approximately \$6.6 million and \$4.0 million, respectively. These unspent funds have been allocated to projects and are available to be spent in subsequent years. All except for approximately \$320,000 of the 2020 unspent budget was spent in 2021.

Requests for Information

This report is designed to provide a general overview of the District's finances. Questions concerning information provided in this report or requests for additional financial information should be addressed to:

Director of Finance and Administration
Sacramento Suburban Water District
3701 Marconi Avenue, Suite 100
Sacramento, CA 95821-5346

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Basic Financial Statements

Sacramento Suburban Water District
Statements of Net Position
December 31, 2021 and 2020

| Assets | 2021 | Restated 2020 |
|--|----------------|--------------------------|
| Current assets: | | |
| Cash and cash equivalents (note 3) | \$ 15,882,263 | \$ 8,442,658 |
| Restricted cash and cash equivalents (notes 3 and 4) | 16 | 40 |
| Receivables, net (note 5) | 3,209,912 | 4,759,491 |
| Inventory | 1,048,520 | 763,600 |
| Prepays and other current assets | 1,129,625 | 829,834 |
| Total current assets | 21,270,336 | 14,795,623 |
| Noncurrent assets: | | |
| Investments (note 3) | 41,582,507 | 41,212,045 |
| Fair value of interest rate swap (notes 1 and 8) | 373,563 | - |
| Capital assets not being depreciated (note 6) | 18,464,336 | 10,737,283 |
| Capital assets being depreciated and amortized, net (note 6) | 290,597,849 | 294,111,338 |
| Total noncurrent assets | 351,018,255 | 346,060,666 |
| Total assets | 372,288,591 | 360,856,289 |
| Deferred outflows of resources | | |
| Deferred amount on long-term debt refundings (note 1) | 4,041,991 | 4,702,735 |
| Deferred outflow on effective swap (note 1 and 8) | - | 1,162,609 |
| Pensions (note 13) | 1,720,366 | 1,960,128 |
| Other post-employment benefits (OPEB) (note 14) | 578,563 | 240,049 |
| Deferred outflow asset retirement obligation (note 15) | 966,187 | 1,006,296 |
| Total deferred outflows of resources | 7,307,107 | 9,071,817 |
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | 3,320,979 | 2,864,333 |
| Accrued interest payable | 222,471 | 210,327 |
| Unearned revenue and customer deposits | 3,613,031 | 3,658,254 |
| Compensated absences, current portion (note 7) | 1,000,000 | 880,000 |
| Current portion of long-term debt (note 8) | 5,120,000 | 4,965,000 |
| Total current liabilities | 13,276,481 | 12,577,914 |
| Noncurrent liabilities: | | |
| Compensated absences (note 7) | 198,732 | 366,140 |
| Net pension liability (note 13) | 5,806,835 | 10,600,173 |
| Net OPEB liability (note 14) | 3,590,451 | 4,642,228 |
| Long-term debt, net of current portion (note 8) | 60,156,299 | 65,874,532 |
| Asset retirement obligation (note 15) | 5,080,865 | 5,187,463 |
| Fair value of interest rate swap (notes 1 and 8) | - | 1,162,609 |
| Total noncurrent liabilities | 74,833,182 | 87,833,145 |
| Total liabilities | 88,109,663 | 100,411,059 |
| Deferred inflows of resources | | |
| Deferred inflow of effective swap (notes 1 and 8) | 373,563 | - |
| Pensions (note 13) | 5,448,430 | 481,215 |
| OPEB (note 14) | 1,962,485 | 1,112,355 |
| Total deferred inflows of resources | 7,784,478 | 1,593,570 |
| Net position | | |
| Net investment in capital assets (note 9) | 247,827,877 | 238,711,824 |
| Restricted for debt service reserve fund (note 10) | 16 | 40 |
| Unrestricted (note 2 and 11) | 35,873,664 | 29,211,613 |
| Total net position | \$ 283,701,557 | \$ 267,923,477 |

See accompanying notes to the basic financial statements

Sacramento Suburban Water District
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2021 and 2020

| | 2021 | Restated 2020 |
|---|-----------------------|-----------------------|
| Operating Revenues: | | |
| Water consumption sales | \$ 15,391,966 | \$ 15,948,172 |
| Water consumption sales – transfers | - | 979,431 |
| Water service charge | 33,167,169 | 31,694,042 |
| Wheeling water charge | 6,136 | 82,748 |
| Other charges for services | 408,004 | 523,531 |
| Total operating revenues | <u>48,973,275</u> | <u>49,227,924</u> |
| Operating Expenses: | | |
| Source of supply | 753,486 | 1,099,268 |
| Source of supply – transfers | - | 762,215 |
| Pumping | 6,241,663 | 5,227,250 |
| Transmission and distribution | 5,225,802 | 4,760,776 |
| Water conservation | 502,108 | 533,853 |
| Customer accounts | 1,477,018 | 1,279,436 |
| Administrative and general | 7,639,071 | 8,643,757 |
| Total operating expenses | <u>21,839,148</u> | <u>22,306,555</u> |
| Operating income before depreciation and amortization | <u>27,134,127</u> | <u>26,921,369</u> |
| Depreciation and amortization (note 6) | (13,587,671) | (13,715,125) |
| Operating income | <u>13,546,456</u> | <u>13,206,244</u> |
| Nonoperating revenues (expenses): | | |
| Rental revenue | 338,808 | 291,356 |
| Interest and investment revenue | (320,616) | 1,599,865 |
| Interest expense | (2,270,651) | (2,552,074) |
| Other non-operating revenues | 764,731 | 83,077 |
| Other non-operating expenses | - | (5,293) |
| Gain (loss) on disposal of capital assets, net | (132,006) | (1,348,331) |
| Total non-operating revenues (expenses), net | <u>(1,619,734)</u> | <u>(1,931,400)</u> |
| Income before capital contributions | <u>11,926,722</u> | <u>11,274,844</u> |
| Capital contributions: | | |
| Facility development charges | 1,213,195 | 469,993 |
| Developer capital contributions | 2,525,377 | 1,045,489 |
| Federal, state and local capital grants | 112,786 | 30,360 |
| Total capital contributions | <u>3,851,358</u> | <u>1,545,842</u> |
| Increase in net position | <u>15,778,080</u> | <u>12,820,686</u> |
| Net position, beginning of year, as previously reported | <u>267,923,477</u> | <u>259,455,982</u> |
| Prior period adjustment (note 2) | | (4,353,191) |
| Net position, beginning of year, as restated | | <u>255,102,791</u> |
| Net position, end of year | <u>\$ 283,701,557</u> | <u>\$ 267,923,477</u> |

See accompanying notes to the basic financial statements

Sacramento Suburban Water District
Statements of Cash Flows
For The Years End December 31, 2021 and 2020

| | 2021 | Restated 2020 |
|---|----------------------|--------------------------|
| Cash flows from operating activities: | | |
| Cash receipts from customers | \$ 50,548,123 | \$ 47,778,079 |
| Cash paid to suppliers for goods and services | (15,813,634) | (20,040,389) |
| Cash paid to employees for services | (6,287,400) | (6,539,215) |
| Other non-operating receipts | 1,103,540 | 369,140 |
| Net cash provided by operating activities | 29,550,629 | 21,567,615 |
| Cash flows from capital and related financing activities: | | |
| Acquisition of capital assets | (15,443,339) | (15,568,502) |
| Proceeds from disposal of capital assets | 35,475 | 27,920 |
| Principal payments on long-term debt | (4,965,000) | (4,790,000) |
| Interest payments on long-term debt | (1,837,434) | (2,217,751) |
| Principal payments on interest rate swap borrowing payable | (358,562) | (351,223) |
| Cash paid for asset retirement obligation | (106,598) | (213,916) |
| Capacity fees received | 1,222,828 | 2,091,225 |
| Capital grants received | - | 375,032 |
| Net cash used by capital and related financing activities | (21,452,630) | (20,647,214) |
| Cash flows from investing activities: | | |
| Purchase of investment securities | (10,255,835) | (16,793,871) |
| Proceeds from sales and maturities of investment securities | 8,957,925 | 15,394,629 |
| Interest received on investment securities | 639,493 | 908,772 |
| Net cash (used) provided by investing activities | (658,418) | (490,470) |
| Net increase in cash and cash equivalents | 7,439,581 | 429,931 |
| Cash and cash equivalents at beginning of year | 8,442,698 | 8,012,766 |
| Cash and cash equivalents at end of year | \$ 15,882,279 | \$ 8,442,698 |
| Reconciliation of cash and cash equivalents to the statements of net position: | | |
| Cash and cash equivalents | \$ 15,882,263 | \$ 8,442,658 |
| Restricted cash and cash equivalents | 16 | 40 |
| Total cash and cash equivalents | \$ 15,882,279 | \$ 8,442,698 |

Continued on next page

See accompanying notes to the basic financial statements

Sacramento Suburban Water District
Statements of Cash Flows, Continued
For the Years Ended December 31, 2021 and 2020

| | 2021 | Restated 2020 |
|---|---------------|--------------------------|
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Operating income | \$ 13,546,456 | \$ 13,206,244 |
| Adjustments to reconcile operating revenue to net cash provided by operating activities: | | |
| Depreciation and amortization | 13,587,671 | 13,715,125 |
| Asset retirement obligation amortization | 40,109 | 41,892 |
| Bad debt expense | (182,454) | 517,969 |
| Other non-operating receipts | 1,103,540 | 369,140 |
| Change in pension deferred (outflows) | 239,762 | 93,888 |
| Change in pension inflows | 4,967,215 | (288,704) |
| Change in OPEB deferred (outflows) | (338,514) | 103,178 |
| Change in OPEB inflows | 850,130 | 1,099,965 |
| Changes in operating assets and liabilities | | |
| (Increase) decrease in operating assets: | | |
| Accounts receivable | 514,368 | (925,129) |
| Other receivables | 1,297,791 | (1,212,122) |
| Inventory | (284,920) | (209,609) |
| Prepays and other current assets | (299,792) | 419,236 |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | 842,773 | (1,848,374) |
| Unearned revenue | (54,856) | 169,436 |
| Accrued compensated absences | (47,408) | 124,469 |
| Net pension liability | (4,793,338) | 901,770 |
| Net OPEB liability | (1,051,777) | (1,459,184) |
| Accrued expenses | (386,127) | (3,251,575) |
| Total adjustments | 16,004,173 | 8,361,371 |
| Net cash provided by operating activities | \$ 29,550,629 | \$ 21,567,615 |
| Noncash investing, capital and financing transactions: | | |
| Receipt of donated capital assets | \$ 2,525,377 | \$ 1,045,490 |
| Change in fair value of investments | (937,102) | 543,409 |
| Amortization of premium on long-term debt | (239,672) | (239,672) |
| Amortization of defeasance costs on long-term debt | 660,744 | 660,744 |
| Change in fair value of interest rate swap | 1,536,172 | (1,219,154) |

See accompanying notes to the basic financial statements

**Sacramento Suburban Water District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2021 and 2020**

(1) Reporting Entity and Summary of Significant Accounting Policies

The basic financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting principles are described below.

A. Reporting Entity

The Sacramento Suburban Water District (District) provides water to residential, commercial and industrial customers with a total estimated population of approximately 194,444 through 47,102 connections within its boundaries. The water supply of the District is a combination of both surface water and groundwater. The District was formed on February 1, 2002 under the County Water District Law (California Water Code Sections 30000-33901) by the consolidation of the Northridge Water District and the Arcade Water District. The consolidation was approved and ordered by the Sacramento County Local District Formation Commission under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (California Government Code Sections 56000-57550). The District is located in Sacramento County, north of the American River and serves a large suburban area including portions of Citrus Heights, Carmichael, North Highlands, City of Sacramento, and Antelope, as well as McClellan Business Park (formerly McClellan Air Force Base). The District is currently governed by a five-member Board of Directors elected by the voters within the District for staggered four year terms, every two years.

B. Component Unit

The Sacramento Suburban Water District Financing Corporation (Corporation), formerly known as the Arcade Water District Financing Corporation, was created to provide assistance in the issuance of debt. The Corporation is a nonprofit public benefit Corporation organized under the laws of the State of California. The Corporation is governed by a five-member Board of Directors, each of whom must be a member of the District's Board of Director's. Although legally separate from the District, the Corporation is reported as a "blended" component unit of the District, because it shares a common Board of Directors with the District, and its sole purpose is to provide financing to the District. Debt issued by the Corporation is reflected as debt of the District in the basic financial statements. The Corporation has no financial transactions and does not issue financial statements, therefore combining information is not presented.

C. Jointly Governed Organization

The District is a signatory to the Regional Water Authority's (RWA) Joint Powers Agreement. The RWA was formed to address regional water issues with a mission to serve and represent the regional water supply interests of its 21 members in protecting and enhancing the reliability, availability, affordability and quality of water resources. RWA does not possess nor exercise governing or regulatory authority over its members. The District does not have an ongoing financial responsibility to RWA. The financial transactions between the District and RWA during the years ending December 31, 2021 and 2020, primarily involved the payment of annual membership dues and grant administration expenses, which were not material to the District's financial statements. Copies of RWA's annual financial reports and other pertinent information may be obtained from their office at 5620 Birdcage Street, Suite 180, Citrus Heights, CA 95610, from their website at www.rwah2o.org, or by calling (916) 967-7692.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Basis of Accounting and Principles of Presentation

The District is accounted for as an enterprise fund type of the proprietary fund group and therefore accounts for its operations in a manner similar to a private enterprise since it is the intent of the District to recover its cost of providing goods and services to the public on a continuing basis primarily through user charges.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The basic financial statements reflect the flow of economic resources measurement focus and the full accrual basis of accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred regardless of the timing of related cash flows.

The principal operating revenues of the District are charges to customers for water sales and services. Operating expenses include the cost to purchase, pump, treat and deliver water, administrative expenses and depreciation on capital assets. The District distinguishes operating revenues and expenses from non-operating revenues and expenses based on the relationship of the revenue or expense to the production and delivery of water.

Preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the basic financial statements and reported changes in net position during the reporting period. Actual results may differ from those estimates.

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position

1. Unrestricted and Restricted Cash and Cash Equivalents

For the purpose of the Statements of Cash Flows, the District considers commercial paper and all short-term debt securities (including those for restricted assets) purchased with an original maturity of three months or less at the date of purchase to be cash and cash equivalents. The District also invests funds with the Local Agency Investment Fund (LAIF). Due to the high liquidity of this investment, these funds are classified as a cash equivalent.

2. Receivables and Allowance for Uncollectible Accounts

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the District goes through various steps to collect on the account. If uncollectible, the District adjusts its uncollectible accounts using the allowance method.

3. Inventory

Inventory consists primarily of water meters, pipe, valves and pipe-fittings for construction and repair of the District's water transmission and distribution system. Inventory is valued at cost using a first-in, first-out method. Inventory items are charged to expense at the time individual items are withdrawn from inventory or consumed.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

4. Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid current assets in the basic financial statements.

5. Investments and Investment Policy

Investments are reported in the accompanying Statements of Net Position at fair value. Changes in fair value that occur during the year are recognized as Interest and Investment revenue reported for that year. Interest and Investment revenue includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity or sale of investments.

6. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. Donated capital assets and easements are valued at estimated acquisition value on the date received. Maintenance and repairs are charged to operations when incurred. It is the District's policy to capitalize all capital assets with a cost of more than \$5,000 individually or for a group of similar items. Costs of capital assets sold or retired (and the related amounts of accumulated depreciation or amortization) are eliminated from the Statements of Net Position in the year of sale or retirement, and the resulting gain or loss is recognized in non-operating revenues (expenses). Depreciation/amortization is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

| | |
|--------------------------------------|------------------------------|
| • Pipelines | 80 years |
| • Reservoirs and Wells | 25 to 40 years |
| • Water Meters | 10 to 20 years |
| • Building and Building Improvements | 10 to 40 years |
| • Vehicles and Equipment | 5 to 10 years |
| • Furniture and Computers | 4 to 7 years |
| • Construction-In-Progress | None until placed in service |

Intangible assets consist primarily of donated permanent property easements and purchased pipeline capacity in a transmission pipeline owned and operated by San Juan Water District, Granite Bay, California.

7. Long-Term Debt Refundings

Unamortized gains and losses resulting from advance debt refundings are classified as deferred outflows of resources.

8. Compensated Absences

Compensated absences are accrued and reported as a liability in the period earned. Amounts payable are included in the Statements of Net Position. The District's policy provides vacation leave to employees at a rate of 12 days up to 25 days per year based on the number of years of employment and is considered earned on a pro-rata basis as of each payroll period throughout the year. Earned vacation leave is paid to employees upon separation from the District. Employees are paid once a year for all earned vacation leave exceeding 400 hours at their current hourly rate of pay. Based upon meeting certain criteria, employees may be

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

paid for earned vacation leave at any time. Sick leave accrues at the rate of 96 hours per year and is considered earned on a pro-rata basis as of each payroll period throughout the year. Earned sick leave is paid to employees who are age 55 and older upon retirement at their current hourly rate of pay or may be contributed to the District's deferred compensation plan (See Note 12) or the California Public Employee Retirement System (CalPERS) defined benefit pension plan provided by the District for additional service credit (See Note 13). Employees under age 55 are paid once a year for all earned sick leave exceeding 240 hours at one-half of their current hourly rate of pay (See Note 7).

9. Long-Term Debt Discounts and Premiums

Long-term debt discounts and premiums are deferred and amortized over the life of the related debt using the straight-line method. Long-term debt is reported net of the applicable discounts or premiums.

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

12. Effective Interest Rate Swap

The District entered into an interest rate swap agreement (swap) to manage interest rate risk and reduce debt service costs on variable-rate debt originally issued simultaneous with the swap. The swap is reported in the accompanying Statements of Net Position at fair value as of December 31, 2021 and 2020, as either a differed inflow or deferred outflow of resources determined by using the zero-coupon measurement method, which calculates the future net settlement payments based on current forward rates implied by the yield curve. Using the synthetic instrument method, the swap has been determined to serve as an effective cash flow hedge of the District's variable-rate COP obligations. This swap is categorized as Level 2 based on observable market data derived from LIBOR.

13. Net Position

GASB 63 requires that net position be reported as the difference between assets, plus deferred outflows of resources, less liabilities and less deferred inflows of resources. Net position is to be further classified into three components: net investment in capital assets, restricted, and unrestricted. In addition, the impact of deferred outflows or inflows of resources on net position must be explained.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

- **Net Investment in Capital Assets** – This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of long-term debt and deferred amounts related to debt refunding used to acquire such assets and the effect of deferring the recognition of losses from long-term debt refundings. The deferred outflows from losses on long-term debt refundings at December 31, 2021 and 2020, were \$4,041,991 and \$4,702,735, respectively, and are amortized and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. These investments are considered non-expendable.
- **Restricted for Debt Service Reserve Fund** – This component consists of external legal constraints placed on District assets by long-term debt holders.
- **Unrestricted** – This component of net position consists of the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that do not meet the definition of “net investment in capital assets” or “restricted for debt service reserve fund.” Amounts included as unrestricted are available for designation for specific purposes as established by the District’s Board of Directors. When an expense is incurred for which both restricted and unrestricted net position are available for use, it is the District’s policy to use restricted resources first then unrestricted resources as they are needed.
- **Effect on Unrestricted Net Position from Deferred Inflow and Outflow of Resources** – The unrestricted net position amount of \$35,873,664 and \$29,211,613 at December 31, 2021 and 2020, respectively, includes the negative increase and decrease in fair value of the District’s swap, the net pension and OPEB liability and asset retirement obligation.

The deferred inflow of resources and outflow of resources related to the fair value of the swap of \$373,563 and \$1,162,609 at December 31, 2021 and 2020, respectively, would be recognized as an investment gain or loss upon early termination of the swap. The District will only terminate its swap in advance of the contractual termination date if market conditions permit. The deferred outflow or inflow would be recognized as an investment loss or gain if the swap was determined to no longer be an effective hedge. Further, if the debt associated with the swap is refunded, the deferred outflow or inflow would be reduced and the deferred loss on refunding decreased by the same amount. The deferred loss on refunding would be amortized as interest expense over the life of the old debt or the life of the new debt, whichever is shorter.

The deferred outflows of resources related to net pension liability of \$1,720,366 and \$1,960,128 at December 31, 2021 and 2020, will be amortized and recognized as pension expense over periods of five years or less. The deferred outflows of resources related to net OPEB liability of \$578,563 and \$240,049 at December 31, 2021 and 2020, will be amortized and recognized as OPEB expense over periods of five years or less. The deferred outflow of resources related to asset retirement obligations of \$966,187 and \$1,006,296 at December 31, 2021 and 2020 will be amortized and recognized as an operating expense over the remaining estimated useful life of the related asset.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

The deferred inflows of resources related to pensions of \$5,448,430 and \$481,215 at December 31, 2021 and 2020 will be amortized and recognized as pension expense over periods of five years or less. The deferred inflows of resources related to OPEB of \$1,962,485 and \$1,112,355 at December 31, 2021 and 2020 will be amortized and recognized as OPEB expense over periods of five years or less.

F. Revenues

1. Water Consumption Sales and Fixed Service Charges (Water Sales)

The District's principal source of income is from water sales. Water rates are established by the Board of Directors and are supported by cost of service studies. Water rates are not subject to regulation by the California Public Utilities Commission or by any other local, state or federal agency. Water sales to District customers are billed on a monthly basis. Invoices for customers on a flat rate basis are billed in advance, while customers who pay based on a consumption basis are billed in arrears. Consumption amounts are determined on a weekly basis each comprising a monthly period. Estimated unbilled water sales revenue for consumption are accrued and recorded in the period the water was used. Fixed charges, levied for service, capital asset projects and debt service payments, are applied to all District customers based on their respective meter or service size connection. Wheeling charges are revenues received from neighboring water purveyors who utilize the District's transmission and distribution system. Other charges for services consist of customer related revenues for various services provided by the District including penalty charges. All other revenues are considered non-operating revenues, which comprise primarily investment and grant revenues.

2. Capital Contributions

Capital contributions represent cash, easements, and capital assets contributed to the District by property owners or real estate developers desiring services that require capital expenditures or capacity commitment, and federal and state grant proceeds for certain capital projects and water conservation awareness programs.

G. Budgetary Policies

The District does not operate under any legal budgeting requirement. However, the District adopts an annual non-appropriated operations and maintenance expense budget, capital budget, debt service budget and revenue and sources of funds budget for planning, control, and evaluation purposes. The budgets are prepared on an accrual basis. Budgetary control is maintained at various levels within the District and evaluation is effectuated by comparisons of actual operating expenses, capital costs, debt service costs and revenue with budgeted operating expenses, capital costs, debt service costs and revenue during the year. As required by certain debt covenants, the annual operating budget is also evaluated, along with budgeted revenues, such that net revenues, as defined by the various debt covenants, are equal to or exceed a minimum of 115% of the budgeted debt service costs for the budget year.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

H. Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) statements, which became effective during the year ended December 31, 2021.

GASB 83 – Certain Asset Retirement Obligations – This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The District is obligated by County of Sacramento ordinance to properly destroy abandoned wells. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. This Statement requires the current value of a government’s AROs to be adjusted for the effects of general inflation or deflation at least annually. In addition, it requires a government to evaluate all relevant factors at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. A government should remeasure an ARO only when the result of the evaluation indicates there is a significant change in the estimated outlays. The deferred outflows of resources should be reduced and recognized as outflows of resources (for example, as an expense) in a systematic and rational manner over the estimated useful life of the tangible capital asset. The original effective date of this Statement was for reporting periods beginning after June 15, 2018. GASB Statement No. 95 – Postponement of the Effective Date of Certain Authoritative Guidance changed the effective date to reporting periods beginning after June 15, 2019. This Statement is effective for the District’s fiscal year ending December 31, 2020.

GASB 98 – The Annual Comprehensive Financial Report – This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This Statement is effective for the District’s fiscal year ending December 31, 2021.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

I. Future Accounting Pronouncements

GASB has issued the following statements which may impact the District's financial reporting requirements in the future. The District is currently analyzing the impact of implementing these new statements.

In June 2017, the GASB issued Statement No. 87, Leases. This Statement increases the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement. The requirements of this Statement were originally effective for reporting periods beginning after December 15, 2019. GASB Statement No. 95 – Postponement of the Effective Date of Certain Authoritative Guidance changed the effective date to reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued Statement No. 93, Replacement of Interbank Offered Rates. This Statement establishes accounting and reporting requirements for interbank offered rate (IBOR) financial instruments. Some governments, including the District, have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address these and other accounting and financial reporting implications that result from the replacement of an IBOR. The District has LIBOR based investment and derivative financial instruments in its portfolio. The original effective date of this Statement was for reporting periods beginning after June 15, 2020. GASB Statement No. 95 – Postponement of the Effective Date of Certain Authoritative Guidance changed the effective date to reporting periods beginning after June 15, 2021. This Statement is effective for the District's fiscal year ending December 31, 2022.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

I. Future Accounting Pronouncements, continued

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(2) Change in Accounting Principles and Restatement

During the year ended December 31, 2021, the District adopted GASB Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83), which became effective during the year ended December 31, 2020. This statement required the District to recognize in its accrual basis financial statements a new liability, deferred outflow of resources and amortization of deferred outflow of resources those amounts related to asset retirement obligations. By implementing GASB 83, an asset retirement obligation liability of \$5,401,379 and deferred outflow of resources of \$1,048,188 were recorded in the District’s financial statements as of December 31, 2019. The implementation of GASB 83 required retroactive application. As such, the ending net position as of December 31, 2019 was reduced by \$4,353,191 to recognize the cumulative effect of prior amortization of deferred outflows. The Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows as of December 31, 2020 have been restated to reflect the changes from implementation of GASB 83.

(3) Cash, Cash Equivalents and Investments

As a public agency, the District’s investment practices are prescribed by various provisions of the California Government Code, as well as by Board policy. The District’s investment policy is reviewed at least biennially by the Board of Directors and describes the Director of Finance & Administration/District Treasurer’s investment authority, practices, and limitations. The basic investment policy objectives of the District, in order of importance are - safety of principal, liquidity, interest rate risk hedging, and return on investments.

Cash and investments as of December 31, 2021 and 2020 are classified in the Statements of Net Position as follows:

| | 2021 | 2020 |
|--------------------------------------|---------------|---------------|
| Cash and cash equivalents | \$ 15,882,263 | \$ 8,442,658 |
| Restricted cash and cash equivalents | 16 | 40 |
| Investments | 41,582,507 | 41,212,045 |
| Total | \$ 57,464,786 | \$ 49,654,743 |

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(3) Cash, Cash Equivalents and Investments, continued

Restricted cash and cash equivalents and investments are amounts established by Trust Agreements per certain long-term debt covenants. See Note 4 for further details.

Cash, cash equivalents and investments as of December 31, 2021 and 2020 by investment type are as follows:

| | 2021 | 2020 |
|--|----------------------|----------------------|
| Cash on hand | \$ 3,750 | \$ 3,750 |
| Deposits with financial institutions | 4,416,950 | 4,213,574 |
| Cash held by bond trustee | 16 | 40 |
| Total cash | <u>4,420,716</u> | <u>4,217,364</u> |
| California Local Agency Investment Fund (LAIF) | 10,359,658 | 3,369,016 |
| Money market mutual funds | 301,995 | 856,318 |
| Commercial paper | 799,910 | - |
| Total cash equivalents | <u>11,461,563</u> | <u>4,225,334</u> |
| Negotiable certificates of deposit | 2,671,165 | 3,370,470 |
| U.S. treasury notes/bonds | 15,795,771 | 16,306,321 |
| Federal agency securities | 6,565,024 | 8,208,213 |
| Municipal obligations | 1,785,541 | 1,614,120 |
| Corporate notes | 7,939,269 | 6,985,085 |
| Mortgage backed and asset backed securities | 5,483,697 | 3,140,124 |
| Supranationals | 1,342,040 | 1,587,712 |
| Total investments | <u>41,582,507</u> | <u>41,212,045</u> |
| Total | <u>\$ 57,464,786</u> | <u>\$ 49,654,743</u> |

Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(3) Cash, Cash Equivalents and Investments, continued

The District has the following recurring fair value measurements as of December 31, 2021:

| | | Fair Value Measurements Using | | |
|--|----------------------|---|--|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments by fair value level | Total | | | |
| Negotiable certificates of deposit | \$ 2,671,165 | \$ - | \$ 2,671,165 | \$ - |
| U.S. treasury notes/bonds | 15,795,771 | 15,795,771 | - | - |
| Federal agency securities | 6,565,024 | - | 6,565,024 | - |
| Municipal obligations | 1,785,541 | - | 1,785,541 | - |
| Corporate notes | 7,939,269 | - | 7,939,269 | - |
| Mortgage backed and asset backed securities | 5,483,697 | - | 5,483,697 | - |
| Supranationals | 1,342,040 | - | 1,342,040 | - |
| Total investments by fair value level | \$ 41,582,507 | \$ 15,795,771 | \$ 25,786,736 | \$ - |

All securities classified in Level 1 are valued using quoted prices in active markets.

All securities classified in Level 2 are valued using pricing models that are based on market data, such as matrix or model pricing, which use standard inputs, that include benchmark yields, reported trades, broker/dealer quotes, issue spreads, two sided markets, benchmark securities, bids, offers and reference data including market research publications.

All securities classified in Level 3 are valued using cost.

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized in accordance with the California Government Code or the District's investment policy, where more restrictive. The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(3) Cash, Cash Equivalents and Investments, continued

| Authorized Investment Type | Maximum Maturity⁽¹⁾ | Maximum Percentage Of Portfolio | Maximum Investment in One Issuer |
|--|---------------------------------------|--|---|
| U.S. treasury notes/bonds | 5 years | None | None |
| Federal agency securities | 5 years | None | None |
| Municipal Obligations | 5 years | None | None |
| Repurchase agreements | 1 year | 50% | None |
| Bankers acceptances | 180 days | 40% | 5% |
| Commercial paper ⁽²⁾ | 270 days | 25% | 5% |
| Negotiable certificates of deposit | 5 years | 30% | 5% |
| Medium-term notes | 5 years | 30% | 5% |
| Time deposits | 1 year | 50% | None |
| Mortgage backed and asset backed securities | 5 years | 20% | 5% |
| Local Agency Investment Fund (LAIF) ⁽³⁾ | N/A | (3) | None |
| Money market mutual funds | N/A | 20% | 10% |
| Local Government Investment Pools | N/A | None | None |
| Supranationals | 5 years | 30% | 10% |

(1) The California Government Code provides authority to the Board to permit maturities beyond 5 years for certain investments. Current Board policy provides for maturities longer than 5 years for funds established by Indentures of Trust.

(2) Limited to funds invested in California Government Code authorized instruments.

(3) California Government Code limits the District's investment for operating and reserve funds in LAIF to \$75 million. There is no ceiling on bond proceeds invested in LAIF. Transactions are limited to 15 per month with a 24 hour notice for withdrawals in excess of \$10 million. Maximum withdrawal amounts are \$75 million and LAIF funds are not eligible for borrowing.

Investment in LAIF

The District is a voluntary participant in LAIF that is regulated by the California Government Code under oversight by the Local Investment Advisory Board, which consists of five members, with the Treasurer of the State of California serving as chairman. The fair value of the District's investment in this pool is reported in the Statements of Net Position as a cash equivalent based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost and current value basis. The District's investment in LAIF at December 31, 2021 and 2020 was \$10,359,658 and \$3,369,016, respectively. The total fair value of all public agencies invested in LAIF at December 31, 2021 and 2020 was \$36,293,483,055 and \$33,966,672,299, respectively.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(3) Cash, Cash Equivalents and Investments, continued

Cash equivalents and investments contain certain risks. The District has implemented various provisions to address the following risks: interest rate risk, credit risk, concentration of credit risk, and custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates on investments with or without embedded options will adversely affect the fair value of an investment. The District manages this risk by holding investments to maturity or by adjusting the effective duration (a measure of the responsiveness of a bond's price to interest rate changes) of the investment portfolio against a nationally recognized benchmark index that most closely relates to the District's investment objectives. The District selected the "Bank of America Merrill Lynch 0-5 Year U.S. Treasury Index" as its benchmark index. The District's duration targets are reviewed quarterly and, dependent on the evaluation of various markets and non-market factors (such as cash-flow needs of the District), a duration goal is set. As of December 31, 2021 and 2020, the effective duration of the "Bank of America Merrill Lynch 0-5 Year U.S. Treasury Index" was 2.12 and 2.11, respectively.

Duration of cash and investments for 2021 were as follows:

| | Fair Value | Maturities | | |
|---|---------------|-------------------|-----------------|-----------------|
| | | 12 Months or Less | 13 to 24 Months | 25 to 60 Months |
| Cash | \$ 4,420,716 | \$ 4,420,716 | \$ - | \$ - |
| LAIF | 10,359,658 | 10,359,658 | - | - |
| Money market funds | 301,995 | 301,995 | - | - |
| Commercial Paper | 799,910 | 799,910 | - | - |
| Total Cash and Cash Equivalent | 15,882,279 | 15,882,279 | - | - |
| Negotiable certificates of deposit | 2,671,165 | 2,371,232 | 299,933 | - |
| U.S. treasury notes/bonds | 15,795,771 | 3,948,931 | 3,050,016 | 8,796,824 |
| Federal agency securities | 6,565,024 | - | 3,685,263 | 2,879,761 |
| Municipal obligations | 1,785,541 | - | 85,842 | 1,699,699 |
| Corporate notes | 7,939,269 | 150,591 | 800,340 | 6,988,338 |
| Mortgage backed and asset backed securities | 5,483,697 | 172,504 | 103,069 | 5,208,124 |
| Supranationals | 1,342,040 | - | 907,667 | 434,373 |
| Total Investments | 41,582,507 | 6,643,258 | 8,932,130 | 26,007,119 |
| Total investments by fair value level | \$ 57,464,786 | \$ 22,525,537 | \$ 8,932,130 | \$ 26,007,119 |

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(3) Cash, Cash Equivalents and Investments, continued

Duration of cash and investments for 2020 were as follows:

| | Fair Value | Maturities | | |
|---|---------------|-------------------|-----------------|-----------------|
| | | 12 Months or Less | 13 to 24 Months | 25 to 60 Months |
| Cash | \$ 4,217,364 | \$ 4,217,364 | \$ - | \$ - |
| LAIIF | 3,369,016 | 3,369,016 | - | - |
| Money market funds | 856,318 | 856,318 | - | - |
| Total Cash and Cash Equivalent | 8,442,698 | 8,442,698 | - | - |
| Negotiable certificates of deposit | 3,370,470 | 659,010 | 2,711,460 | - |
| U.S. treasury notes/bonds | 16,306,321 | 1,736,722 | 4,152,044 | 10,417,555 |
| Federal agency securities | 8,208,213 | 1,534,193 | - | 6,674,020 |
| Municipal obligations | 1,614,120 | - | - | 1,614,120 |
| Corporate notes | 6,985,085 | 2,221,392 | 154,490 | 4,609,203 |
| Mortgage backed and asset backed securities | 3,140,124 | 91,139 | 358,331 | 2,690,654 |
| Supranationals | 1,587,712 | 987,325 | - | 600,387 |
| Total Investments | 41,212,045 | 7,229,781 | 7,376,325 | 26,605,939 |
| Total investments by fair value level | \$ 49,654,743 | \$ 15,672,479 | \$ 7,376,325 | \$ 26,605,939 |

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The District manages such risk by purchasing investments with nationally recognized credit ratings that meet or exceed District credit rating requirements at the time of purchase. Credit ratings utilized are those provided by Standard and Poor's or Moody's Ratings Services, where applicable. Additionally, regular monitoring of the credit ratings of purchased securities held in the portfolio is performed to evaluate individual securities for potential sale.

Cash equivalents credit ratings as of December 31, 2021, were as follows:

| Cash Equivalent Type | | Minimum Legal Rating | Ratings as of Year-End | | |
|------------------------|---------------|----------------------|------------------------|------------|------------|
| | | | Not Rated | AAA/AA | A-1+/A-1 |
| LAIIF | \$ 10,359,658 | - | \$ 10,359,658 | \$ - | \$ - |
| Money market funds | 301,995 | AAA | | 301,995 | |
| Commercial Paper | 799,910 | A-1 | - | - | 799,910 |
| Total cash equivalents | \$ 11,461,563 | - | \$ 10,359,658 | \$ 301,995 | \$ 799,910 |

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(3) Cash, Cash Equivalents and Investments, continued

Investment credit ratings as of December 31, 2021 were as follows:

| Investment Type | | Minimum Legal Rating | Not Rated | <u>Ratings as of Year-End</u> | | |
|---|---------------|-------------------------------------|------------------|--------------------------------------|----------------|------------------------------|
| | | | | AAA | AA+/AA- | A+/A/A-/ A-1/A-1+ |
| Negotiable certificates of deposit | \$ 2,671,165 | A | \$ - | \$ - | - | \$ 2,671,165 |
| U.S. treasury notes/bonds | 15,795,771 | - | - | - | 15,795,771 | - |
| Federal agency securities | 6,565,024 | - | - | - | 6,565,024 | - |
| Municipal obligations | 1,785,541 | - | 284,190 | 128,134 | 1,284,536 | 88,681 |
| Corporate notes | 7,939,269 | A | - | - | 988,486 | 6,950,783 |
| Mortgage backed and asset backed securities | 5,483,697 | AA | - | 4,978,260 | 505,437 | - |
| Supranationals | 1,342,040 | AA | - | 1,342,040 | - | - |
| Total investments | \$ 41,582,507 | - | \$ 284,190 | \$ 6,448,434 | \$ 25,139,254 | \$ 9,710,629 |

Cash equivalents credit ratings as of December 31, 2020, were as follows:

| Cash Equivalent Type | | Minimum Legal Rating | Not Rated | <u>Ratings as of Year-End</u> | |
|-----------------------------|--------------|-------------------------------------|------------------|--------------------------------------|-----------------|
| | | | | AAA/AA | A-1+/A-1 |
| LAIF | \$ 3,369,016 | - | \$ 3,369,016 | \$ - | \$ - |
| Money market mutual funds | 856,318 | - | - | 856,318 | - |
| Total cash equivalents | \$ 4,225,334 | - | \$ 3,369,016 | \$ 856,318 | \$ - |

Investment credit ratings as of December 31, 2020 were as follows:

| Investment Type | | Minimum Legal Rating | Not Rated | <u>Ratings as of Year-End</u> | | |
|---|---------------|-------------------------------------|------------------|--------------------------------------|----------------|---|
| | | | | AAA | AA+/AA- | A+/A/A-/ A-1/A-1/ 1+/A1-A3 |
| Negotiable certificates of deposit | \$ 3,370,470 | A | \$ - | \$ - | \$ 825,140 | \$ 2,545,330 |
| U.S. treasury notes/bonds | 16,306,321 | - | - | - | 16,306,321 | - |
| Federal agency securities | 8,208,213 | - | - | - | 8,208,213 | - |
| Municipal obligations | 1,614,120 | - | 285,038 | 130,875 | 1,198,207 | - |
| Corporate notes | 6,985,085 | A | - | - | - | 6,985,085 |
| Mortgage backed and asset backed securities | 3,140,124 | AA | - | 2,404,139 | 735,985 | - |
| Supranationals | 1,587,712 | AA | - | 1,587,712 | - | - |
| Total investments | \$ 41,212,045 | - | \$ 285,038 | \$ 4,122,726 | \$ 27,273,866 | \$ 9,530,415 |

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(3) Cash, Cash Equivalents and Investments, continued

Concentration of Credit Risk

At December 31, 2021 and 2020 the District had no investments (obligations of the U.S. government, obligations explicitly guaranteed by the U.S. government or external investment pools (LAIF) not included) representing five percent or more of its investments

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of December 31, 2021 and 2020, \$5,494,697 and \$4,698,264 respectively, of the District's deposits were in excess of federal depository insurance (FDIC) limit of \$250,000. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit exposure to custodial credit risk for deposits or investments, other than the following provision: the California Government Code 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 (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

(4) Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents are amounts established by debt covenants on certain long-term debt issuances. Restricted cash and cash equivalents as of December 31 were as follows:

| | 2021 | 2020 |
|--|-------------|-------------|
| 2009A Certificates of participation reserve fund | \$ - | \$ 1 |
| 2012A Revenue bond interest payment fund | 12 | 15 |
| 2018A Revenue bond interest payment fund | 4 | 24 |
| Total | \$ 16 | \$ 40 |

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(5) Receivables, Net and Restricted Receivable

Receivables as of December 31 consist of the following:

| | <u>2021</u> | <u>2020</u> |
|-------------------------------------|---------------------|---------------------|
| Water sales and services receivable | \$ 3,496,573 | \$ 4,010,941 |
| Allowance for doubtful accounts | (519,655) | (702,109) |
| Accrued interest receivable | 101,260 | 133,920 |
| Receivable from OPEB trust | - | 186,875 |
| Receivable from City of Sacramento | - | 1,069,852 |
| Receivable, other | 11,651 | 52,715 |
| Grant receivable | 120,083 | 7,297 |
| Total | <u>\$ 3,209,912</u> | <u>\$ 4,759,491</u> |

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(6) Capital Assets

Changes in capital assets for the year ended December 31, 2021, were as follows:

| | Balance 2020 | Additions | Deletions | Transfers | Balance 2021 |
|--|----------------|--------------|--------------|-------------|----------------|
| Non-depreciable assets: | | | | | |
| Land | \$ 2,143,602 | \$ - | \$ - | \$ - | \$ 2,143,602 |
| Permanent easements | 4,804,253 | 631,062 | - | - | 5,435,315 |
| Construction-in-progress | 3,789,428 | 14,691,240 | - | (7,595,249) | 10,885,419 |
| Total non-depreciable assets | 10,737,283 | 15,322,302 | - | (7,595,249) | 18,464,336 |
| Depreciable and amortizable assets: | | | | | |
| Land improvements | 1,185,697 | 32,719 | - | 41,221 | 1,259,637 |
| Pumping and wells | 79,810,329 | - | (352,757) | 795,904 | 80,253,476 |
| Hydrants, PRV stations, valves | 145,079,878 | 853,129 | (214,051) | 810,898 | 146,529,853 |
| Purchased trans & dist pipelines | 191,059,194 | 1,041,186 | - | 2,155,895 | 194,256,275 |
| Capacity entitlement | 5,282,728 | - | - | - | 5,282,728 |
| Storage facilities – reservoirs | 14,363,133 | - | - | 181,649 | 14,544,783 |
| Water meters | 41,943,744 | - | (120,529) | 3,548,060 | 45,371,275 |
| Buildings | 2,690,040 | - | - | - | 2,690,040 |
| Buildings improvements | 3,720,827 | 177,147 | - | - | 3,897,974 |
| Machinery and equipment | 1,452,614 | 131,351 | (10,275) | 17,397 | 1,591,087 |
| Fleet equipment | 2,104,793 | 192,854 | (173,683) | - | 2,123,964 |
| Office equipment | 156,786 | 9,836 | (28,629) | - | 137,993 |
| Computer software | 2,947,015 | 208,192 | (85,140) | - | 3,070,067 |
| Computer hardware & equipment | 1,432,058 | - | - | 44,225 | 1,476,283 |
| Total depreciable & amort. Assets | 493,228,836 | 2,646,414 | (985,064) | 7,595,249 | 502,485,435 |
| Accumulated depreciation and amortization: | | | | | |
| Land improvements | (930,813) | (30,474) | - | - | (961,287) |
| Pumping and wells | (43,031,324) | (2,948,188) | 219,828 | - | (45,759,684) |
| Hydrants, PRV stations, valves | (81,186,099) | (3,939,557) | 184,682 | - | (84,940,974) |
| Purchased trans & dist pipelines | (29,337,688) | (2,395,900) | - | - | (31,733,588) |
| Capacity entitlement | (3,998,146) | (174,194) | - | - | (4,172,340) |
| Storage facilities – reservoirs | (5,352,610) | (357,230) | - | - | (5,709,840) |
| Water meters | (24,528,906) | (2,838,314) | 120,529 | - | 27,246,691 |
| Buildings | (1,643,557) | (66,297) | - | - | (1,709,854) |
| Buildings improvements | (2,805,914) | (169,937) | - | - | (2,975,851) |
| Machinery and equipment | (982,968) | (153,042) | 10,275 | - | (1,125,735) |
| Fleet equipment | (1,457,002) | (228,943) | 173,683 | - | (1,512,262) |
| Office equipment | (123,871) | (9,336) | 23,446 | - | (109,761) |
| Computer software | (2,798,104) | (95,409) | 85,140 | - | (2,808,373) |
| Computer hardware & equipment | (940,496) | (180,850) | - | - | (1,121,346) |
| Total accumulated depr. & amort. | (199,117,498) | (13,587,671) | 817,583 | - | (211,887,586) |
| Total depr. & amort. assets, net | 294,111,338 | (10,941,257) | (167,481) | 7,595,249 | 290,597,849 |
| Total capital assets, net | \$ 304,848,621 | \$ 4,381,045 | \$ (167,481) | \$ - | \$ 309,062,185 |

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(6) Capital Assets, continued

Changes in capital assets for the year ended December 31, 2020, were as follows:

| | Balance 2019 | Additions | Deletions | Transfers | Balance 2020 |
|---|----------------|--------------|----------------|--------------|----------------|
| Non-depreciable assets: | | | | | |
| Land | \$ 1,798,864 | \$ 344,738 | \$ - | \$ - | \$ 2,143,602 |
| Permanent easements | 4,533,456 | 270,797 | - | - | 4,804,253 |
| Construction-in-progress | 3,446,935 | 14,774,140 | - | (14,431,647) | 3,789,428 |
| Total non-depreciable assets | 9,779,255 | 15,389,675 | - | (14,431,647) | 10,737,283 |
| Depreciable and amortizable assets: | | | | | |
| Land improvements | 1,159,672 | 26,025 | - | - | 1,185,697 |
| Pumping and wells | 83,930,191 | - | (4,562,805) | 442,943 | 79,810,329 |
| Hydrants, PRV stations, valves | 142,061,481 | 417,334 | (259,755) | 2,860,818 | 145,079,878 |
| Purchased trans & dist pipelines | 182,768,772 | 357,358 | (18,369) | 7,951,433 | 191,059,194 |
| Capacity entitlement | 5,282,728 | - | - | - | 5,282,728 |
| Storage facilities – reservoirs | 14,363,133 | - | - | - | 14,363,133 |
| Water meters | 40,021,598 | - | (1,080,798) | 3,002,944 | 41,943,744 |
| Buildings | 2,690,040 | - | - | - | 2,690,040 |
| Buildings improvements | 3,605,064 | 115,763 | - | - | 3,720,827 |
| Machinery and equipment | 1,466,096 | - | (13,482) | - | 1,452,614 |
| Fleet equipment | 2,144,312 | 126,936 | (166,455) | - | 2,104,793 |
| Office equipment | 193,684 | 15,892 | (52,790) | - | 156,786 |
| Computer software | 2,889,020 | 57,995 | - | - | 2,947,015 |
| Computer hardware & equipment | 1,298,347 | 107,013 | (146,811) | 173,509 | 1,432,058 |
| Total depreciable & amort. assets | 483,874,138 | 1,224,316 | (6,301,265) | 14,431,647 | 493,228,836 |
| Accumulated depreciation and amortization: | | | | | |
| Land improvements | (901,936) | (28,877) | - | - | (930,813) |
| Pumping and wells | (43,371,016) | (3,095,786) | 3,435,478 | - | (43,031,324) |
| Hydrants, PRV stations, valves | (77,471,502) | (3,869,491) | 154,894 | - | (81,186,099) |
| Purchased trans & dist pipelines | (27,050,193) | (2,290,556) | 3,061 | - | (29,337,688) |
| Capacity entitlement | (3,823,473) | (174,673) | - | - | (3,998,146) |
| Storage facilities – reservoirs | (4,994,402) | (358,208) | - | - | (5,352,610) |
| Water meters | (22,456,712) | (3,039,307) | 967,113 | - | (24,528,906) |
| Buildings | (1,577,071) | (66,486) | - | - | (1,643,557) |
| Buildings improvements | (2,646,636) | (159,278) | - | - | (2,805,914) |
| Machinery and equipment | (840,520) | (155,930) | 13,482 | - | (982,968) |
| Fleet equipment | (1,399,351) | (224,106) | 166,455 | - | (1,457,002) |
| Office equipment | (146,947) | (14,643) | 37,719 | - | (123,871) |
| Computer software | (2,697,240) | (100,864) | - | - | (2,798,104) |
| Computer hardware & equipment | (950,388) | (136,920) | 146,812 | - | (940,496) |
| Total accumulated depr. & amort. | (190,327,387) | (13,715,125) | 4,925,014 | - | (199,117,498) |
| Total depr. & amort. assets, net | 293,546,751 | (12,490,809) | (1,376,251) | 14,431,647 | 294,111,338 |
| Total capital assets, net | \$ 303,326,006 | \$ 2,898,866 | \$ (1,376,251) | \$ - | \$ 304,848,621 |

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(6) Capital Assets, continued

Major capital asset additions during 2021 and 2020 include construction and major upgrades to the transmission and distribution system, fire hydrants, valves, PRV stations, water meters, and wells. A significant portion of these additions were constructed by the District and transferred out of construction-in-progress upon completion of these various projects.

Construction-In-Progress

The District has been involved in various construction projects throughout the year. The balances of the various construction projects that comprise the construction-in-progress balances at December 31 are as follows:

| | 2021 | 2020 |
|---|---------------|--------------|
| Verner/Panorama well construction | \$ 2,718,751 | \$ 841,826 |
| Butano/Cottage well/pump construction | 1,763,750 | 221,399 |
| Walnut/Auburn well construction | 1,249,351 | - |
| Antelope North/Poker 3 wells construction | 100,756 | - |
| Well rehabilitation/pump improvements | 1,194,945 | 756,035 |
| Greenberry Complex | 694,253 | - |
| Q Street main replacements | 266,153 | - |
| Various other distribution main replacements | 582,277 | 426,543 |
| SCADA & Electrical Improvement | 1,590,962 | 248,883 |
| Various other minor projects | 243,534 | 248,444 |
| Various reservoir & tank improvement | 480,687 | 103,301 |
| Various well destroys | - | 216,355 |
| Meter Retrofit | - | 357,081 |
| Various condition Assessments for main replacements | - | 370,061 |
| Total Construction-in-progress | \$ 10,885,419 | \$ 3,789,428 |

There was no impairment of District assets as defined by GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries" as of December 31, 2021 and 2020.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(7) Compensated Absences

Compensated absences are comprised of unpaid vacation and sick leave, which is accrued as earned, and accumulated unpaid overtime. The District's liability for compensated absences is determined annually. The current portion of the compensated absences is estimated based on amounts used in the current year.

The changes to compensated absences balances at December 31 are as follows:

| Balance 2020 | Earned | Taken | Balance 2021 | Due Within One Year |
|--------------|------------|----------------|--------------|------------------------|
| \$ 1,246,140 | \$ 984,493 | \$ (1,031,901) | \$ 1,198,732 | \$ 1,000,000 |

| Balance 2019 | Earned | Taken | Balance 2020 | Due Within One Year |
|--------------|--------------|--------------|--------------|------------------------|
| \$ 1,121,671 | \$ 1,001,365 | \$ (876,896) | \$ 1,246,140 | \$ 880,000 |

(8) Long-Term Debt

Description of the District's Long-Term Debt

The District's long-term debt consists of Refunding Revenue Certificates of Participation (COP obligations) and Refunding Revenue Bonds (bonds) issued for the purpose of refunding debt originally issued to fund portions of the District's capital improvement program (CIP). The COP obligations and bonds are secured by a pledge of the District's net revenues. Such COP obligations and bonds contain certain restrictive covenants, with which the District has complied. All COP obligations and bonds contain call provisions. COP obligations and bonds maturing after the earliest applicable call date are subject to optional, mandatory or extraordinary redemption prior to maturity, without premium.

Long-term debt activities for the year ended December 31, 2021, are as follows:

| | Balance 2020 | Additions | Retirements | Balance 2021 | Current Portion |
|-------------------------------------|-----------------|-----------|----------------|-----------------|--------------------|
| 2009A Certificates of participation | \$ 42,000,000 | \$ - | \$ - | \$ 42,000,000 | \$ - |
| 2012A Revenue bond | 10,990,000 | - | (2,320,000) | 8,670,000 | 2,405,000 |
| 2018A Revenue bond | 12,275,000 | - | (2,645,000) | 9,630,000 | 2,715,000 |
| Total principal | 65,265,000 | - | (4,965,000) | 60,300,000 | \$ 5,120,000 |
| Unamortized bond premium | 1,637,756 | - | (239,671) | 1,398,085 | |
| Imputed borrowing - off-market swap | 3,936,776 | - | (358,562) | 3,578,214 | |
| Total long-term debt | \$ 70,839,532 | \$ - | \$ (5,563,233) | \$ 65,276,299 | |

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(8) Long-Term Debt, continued

Long-term debt activities for the year ended December 31, 2020, are as follows:

| | Balance 2019 | Additions | Retirements | Balance 2020 | Current Portion |
|-------------------------------------|-----------------|-----------|----------------|-----------------|--------------------|
| 2009A Certificates of participation | \$ 42,000,000 | \$ - | \$ - | \$ 42,000,000 | \$ - |
| 2012A Revenue bond | 13,225,000 | - | (2,235,000) | 10,990,000 | 2,320,000 |
| 2018A Revenue bond | 14,830,000 | - | (2,555,000) | 12,275,000 | 2,645,000 |
| Total principal | 70,055,000 | - | (4,790,000) | 65,265,000 | \$ 4,965,000 |
| Unamortized bond premium | 1,877,428 | - | (239,672) | 1,637,756 | |
| Imputed borrowing - off-market swap | 4,287,999 | - | (351,223) | 3,936,776 | |
| Total long-term debt | \$ 76,220,427 | \$ - | \$ (5,380,895) | \$ 70,839,532 | |

The future debt service schedule of all long-term debt as of December 31, 2021, is as follows:

| Year | Principal | Interest ⁽¹⁾ | Total |
|--------------------------------------|---------------|-------------------------|---------------|
| 2022 | \$ 5,120,000 | \$ 2,020,863 | \$ 7,140,863 |
| 2023 | 3,585,000 | 1,831,427 | 5,416,427 |
| 2024 | 3,770,000 | 1,694,511 | 5,464,511 |
| 2025 | 3,925,000 | 1,548,520 | 5,473,520 |
| 2026 | 4,065,000 | 1,394,509 | 5,459,509 |
| 2027-2031 | 23,375,000 | 4,695,638 | 28,070,638 |
| 2032-2034 | 16,460,000 | 951,145 | 17,411,145 |
| Total | 60,300,000 | \$ 14,136,613 | \$ 74,436,613 |
| Less current portion | (5,120,000) | | |
| Unamortized bond premium | 1,398,085 | | |
| Imputed borrowing on off-market swap | 3,578,214 | | |
| Total non-current long-term debt | \$ 60,156,299 | | |

(1) Includes – 1) fixed-rate interest at scheduled payments, 2) variable-rate interest at an estimated rate of 0.695% as of December 31, 2021 (includes market rate plus facility and remarketing fees), and 3) swap payments based on a 3.283% fixed-rate per the amended and restated Swap Confirmation dated April 11, 2012, less the variable receive rate of 0.2424% as of December 31, 2021.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(8) Long-Term Debt, continued

2009 Series A COP

In June 2009, the District issued a \$42,000,000 COP obligation, Series 2009A at a variable interest rate, to current refund the \$41,275,000 COP obligation, Series 2004. The variable interest rate resets weekly. This COP obligation was issued with an irrevocable direct-pay letter-of-credit (LOC) which expires on June 30, 2023⁽¹⁾. This term debt's maturity is November 1, 2034 and is subject to optional, mandatory and extraordinary sinking fund prepayment and optional and mandatory tender redemption provisions, without premium. The installment purchase agreement defines events of default as 1) default in principal payments; 2) default in interest payments; 3) default by the District of any of the covenants, agreements, or conditions; 4) the filing by the District of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein; 5) an event of default has occurred with the LOC provider under the terms of the LOC reimbursement agreement. Upon the occurrence of an event of default, the principal of the COP obligation could be declared immediately due and payable.

The LOC reimbursement agreement defines events of default as 1) default in principal and/or interest payments; 2) default by the District of any of the covenants, warranties, certifications, agreements, or conditions; 3) the filing by the District of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein; 4) an event of default has occurred with the COP obligation.

As discussed more fully under the caption "Interest Rate Swap" below, subsequent to its issuance, a swap was issued to hedge this COP obligation which itself was amended and restructured in 2012 to proportionately match the terms of this COP obligation. The swap has been determined to serve as an effective cash flow hedge in accordance with the provisions of GASB No. 53 as amended by GASB 59 and 64, even though the swap terms do not completely match those of this COP obligation.

(1) The credit rating of the District's LOC provider (Sumitomo Mitsui Banking Corporation) as of December 31, 2021 is A1/A/A by Moody's Investor Services, Standard and Poor's Ratings Services, and Fitch IBCA, Inc., respectively.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(8) Long-Term Debt, continued

As of December 31, 2021, the future debt service schedule of the 2009 Series A COP obligation and associated swap payments are as follows:

| Year | 2009 Series A COP | | Interest Rate ⁽¹⁾ | | Total |
|------------------------------------|-------------------|-------------------------|------------------------------|---------------|-------|
| | Principal | Interest ⁽²⁾ | Swap, Net | | |
| 2022 | \$ - | \$ 291,900 | \$ 1,012,533 | \$ 1,304,433 | |
| 2023 | 1,145,000 | 290,574 | 1,007,921 | 2,443,495 | |
| 2024 | 1,245,000 | 282,500 | 979,872 | 2,507,372 | |
| 2025 | 1,295,000 | 273,789 | 949,719 | 2,518,508 | |
| 2026 | 1,345,000 | 264,731 | 918,349 | 2,528,081 | |
| 2027-2031 | 20,510,000 | 1,029,619 | 3,572,144 | 25,111,763 | |
| 2031-2034 | 16,460,000 | 212,751 | 738,394 | 17,411,145 | |
| Total | 42,000,000 | \$ 2,645,864 | \$ 9,178,932 | \$ 53,824,796 | |
| Less current portion | - | | | | |
| Imputed borrowing- off-market swap | 3,578,214 | | | | |
| Total non-current COP obligation | \$ 45,578,214 | | | | |

(1) Based on a 3.283% fixed-rate per the amended and restated Swap Confirmation dated April 11, 2012, less the variable receive rate of 0.2424% as of December 31, 2021.

(2) Estimated at an assumed rate of 0.695% as of December 31, 2021 (includes market rate plus facility and remarketing fees).

Subsequent Event

On March 16, 2022, the District issued \$34,725,000 of Refunding Revenue Bonds Series 2022A (Series 2022A Bond) with a coupon rate of 5.0% and a true interest cost of 1.57% to current refund the \$42,000,000 of outstanding 2009 Series A COP that bear interest at a variable rate. The net proceeds of \$42,000,562 (after payment of \$275,941 in underwriting fees and other cost of issuance expense) plus an additional \$3,230 of District cash was placed in escrow to pay the outstanding principal plus accrued interest on the 2009 Series A COP. On March 16, 2022, the LOC between the District and Sumitomo Mitsui Banking Corporation was terminated.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(8) Long-Term Debt, continued

2012 Series A Bond

On April 19, 2012, the District issued \$29,200,000 of Refunding Revenue Bonds Series 2012A (bonds) at a true interest cost of 3.66%, to current refund the Series 2008A-2 COP obligation with an outstanding balance of \$33,300,000. This serial bond's maturity extends to November 1, 2027 and is subject to optional and extraordinary redemption provisions, without premium. Proceeds of the bonds, less \$417,002 to pay the costs of issuing the bonds, were placed in escrow to immediately pay the outstanding principal plus accrued interest on the Series 2008A-2 COP obligation, without premium.

The loan agreement defines events of default as 1) default in principal payments; 2) default in interest payments; 3) default by the District of any of the covenants, agreements, or conditions; 4) the filing by the District of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein. Upon the occurrence of an event of default, the principal of the bonds could be declared immediately due and payable.

As of December 31, 2021, the future debt service schedule of the 2012 Series A Revenue Bond is as follows:

| Year | Principal | Interest | Total |
|-----------------------------------|--------------|--------------|--------------|
| 2022 | \$ 2,405,000 | \$ 394,798 | \$ 2,799,798 |
| 2023 | 1,155,000 | 289,975 | 1,444,975 |
| 2024 | 1,195,000 | 231,892 | 1,426,892 |
| 2025 | 1,250,000 | 171,683 | 1,421,683 |
| 2026 | 1,300,000 | 108,767 | 1,408,767 |
| 2027 | 1,365,000 | 45,500 | 1,410,500 |
| Total | 8,670,000 | \$ 1,242,615 | \$ 9,912,615 |
| Less current portion | (2,405,000) | | |
| Unamortized bond premium | 1,398,085 | | |
| Total non-current bond obligation | \$ 7,663,085 | | |

Subsequent Event

On March 16, 2022, the District issued \$6,585,000 of Refunding Revenue Bonds Series 2022B (Series 2022B Bonds) with an average coupon rate of 1.86% to advance refund \$6,265,000 of outstanding Series 2012A Revenue Refunding Bonds (2012A Bonds) with an average coupon rate of 4.67%. The net proceeds of \$6,532,398 (after payment of \$52,327 in underwriting fees and other cost of issuance expense) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to be used to satisfy the outstanding 2012A Bonds.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(8) Long-Term Debt, continued

2018 Series A Revenue Refunding Bond (Taxable)

On May 2, 2018, the District issued \$19,615,000 of Refunding Revenue Bonds Series 2018A (Series 2018A Bond) with an average coupon rate of 3.40%, to advance refund \$22,065,000 of outstanding Series 2009B COP Obligations with an average coupon rate of 5.27%. The net proceeds of \$19,403,895 (after payment of \$211,105 in underwriting fees and other cost of issuance expenses) plus an additional \$3,533,324 of Series 2009B restricted debt service reserve funds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent and the Series 2009B COP has been repaid in full.

The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,732,759. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2027 using the effective-interest rate method. The District completed the advance refunding to reduce its total debt service payments over the next nine years by \$1,571,900 and to obtain economic gain (difference between the present values of the old and new debt) of \$1,360,137.

The loan agreement defines events of default as 1) default in principal payments; 2) default in interest payments; 3) default by the District of any of the covenants, agreements, or conditions; 4) the filing by the District of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein. Upon the occurrence of an event of default, the principal of the bonds could be declared immediately due and payable.

As of December 31, 2021, the future debt service schedule of the 2018 Series A Bond is as follows:

| Year | Principal | Interest | Total |
|----------------------------------|----------------------|--------------|---------------|
| 2022 | \$ 2,715,000 | \$ 321,632 | \$ 3,036,632 |
| 2023 | 1,285,000 | 242,957 | 1,527,957 |
| 2024 | 1,330,000 | 200,248 | 1,530,248 |
| 2025 | 1,380,000 | 153,329 | 1,533,329 |
| 2026 | 1,420,000 | 102,662 | 1,522,662 |
| 2027 | 1,500,000 | 48,375 | 1,548,375 |
| Total | 9,630,000 | \$ 1,069,203 | \$ 10,699,203 |
| | Less current portion | (2,715,000) | |
| Total non-current COP obligation | \$ 6,915,000 | | |

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(8) Long-Term Debt, continued

Arbitrage Rebate Requirement

The federal Tax Reform Act of 1986 imposes an arbitrage rebate requirement that affects all tax-exempt debt issued by the District. The term arbitrage refers to the required payment to the U.S. Treasury of excess interest earnings received on applicable tax-exempt debt obligation proceeds which, for the District, is solely made up of debt service reserve funds (restricted cash, cash equivalents, and investments) that are invested in a higher yield than the yield of the tax-exempt debt obligation issue. The District's ultimate rebate of arbitrage earnings on these issues is contingent on various factors, including future yields on invested proceeds. As of December 31, 2021 and 2020, the District has no arbitrage rebate liability.

Interest Rate Swap

Objective and Terms

In order to take advantage of low interest rates in the marketplace, the District entered into a pay-fixed, receive-variable interest rate swap agreement (swap) with Citibank, N.A. upon issuance of the Series 2005A COP obligation at a cost that was less than what otherwise the District would have paid to issue fixed-rate debt. In April 2012, the swap agreement was subsequently amended and restructured with Citibank, N.A. to match the terms of the Series 2009A COP obligation, albeit at a reduced notional amount, after which the swap was novated to Wells Fargo Bank, N.A. The swap's notional amount amortizes in proportionately like amounts to the Series 2009A COP. The swap agreement requires that the District pay Wells Fargo Bank, N.A. a series of future fixed-rate payments monthly based on an annual rate of 3.283%; Wells Fargo Bank, N.A., in turn, is required to pay the District a series of future variable-rate payments equal to 60% of the 1-Month London Inter-bank Offered Rate (LIBOR) plus 0.18% monthly. At the time of restructuring the swap in 2012, the negative fair value of the swap was determined to be \$6,745,000, the unamortized amount of which is reported as an "imputed borrowing," a component of long-term debt in the Statements of Net Position.

Fair Value

Based on existing market conditions as of December 31, 2021 and 2020, the swap had a negative fair value of \$6,371,437 and \$7,907,609 to the District, respectively. The fair value of the District's swap was a negative number due to the overall decline in interest rates for a comparable swap as of those dates. From the District's perspective, this is because the expected future variable-rate payments due from Wells Fargo Bank, N.A., as of those dates, are lower than when the swap was entered into. Pursuant to the requirements of GASB 53, as amended by GASB 59 and 64, as of December 31, 2020, the "on-market" portion of the swap's negative fair value is reported as a component of non-current liabilities on the Statements of Net Position and the offsetting amount is recorded as a deferred outflow of resources. As of December 31, 2021, the "on-market" portion of the swap's negative fair value is reported as a component of non-current assets on the Statements of Net Position and the offsetting amount is recorded as a deferred inflow of resources. The "on-market" portion of the swap is considered an effective hedging instrument as of December 31, 2021 and 2020.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(8) Long-Term Debt, continued

| | Notional Amount | Effective Date | Fixed Rate Paid | Variable Rate Received | Fair Value | Swap Term Date | Counterparty Credit Rating (1) |
|---------------|----------------------------|---------------------------|--------------------------------|-----------------------------------|-------------------|---------------------------|---|
| Dec. 31, 2021 | \$33,300,000 | April 11, 2012 | 3.283% | 60% LIBOR +.18% | \$ (6,371,437) | Nov. 1, 2034 | Aa2/A+/AA- |
| Dec. 31, 2020 | \$33,300,000 | April 11, 2012 | 3.283% | 60% LIBOR +.18% | \$ (7,907,609) | Nov. 1, 2034 | Aa2/A+/AA- |
| Dec. 31, 2019 | \$33,300,000 | April 11, 2012 | 3.283% | 60% LIBOR +.18% | \$ (6,688,455) | Nov. 1, 2034 | Aa2/A+/AA- |
| Dec. 31, 2018 | \$33,300,000 | April 11, 2012 | 3.283% | 60% LIBOR +.18% | \$ (5,180,277) | Nov. 1, 2034 | Aa2/A+/AA- |
| Dec. 31, 2017 | \$33,300,000 | April 11, 2012 | 3.283% | 60% LIBOR +.18% | \$ (6,257,943) | Nov. 1, 2034 | Aa2/AA-/AA |

(1) Moody's Investor Services, Standard and Poor's Ratings Services, and Fitch IBCA, Inc., respectively.

Swap Payments and Notional Amortization for the Period Ended December 31, 2021:

| Year | Notional Amortization | Swap Payments, Net ⁽¹⁾ | Total |
|--------------|----------------------------------|--|----------------------|
| 2022 | \$ - | \$ 1,012,533 | \$ 1,012,533 |
| 2023 | 910,000 | 1,007,921 | 1,917,921 |
| 2024 | 985,000 | 979,872 | 1,964,872 |
| 2025 | 1,025,000 | 949,719 | 1,974,719 |
| 2026 | 1,065,000 | 918,349 | 1,983,349 |
| 2027-2031 | 16,260,000 | 3,572,144 | 19,832,144 |
| 2032-2034 | 13,055,000 | 738,394 | 13,793,394 |
| Total | \$ 33,300,000 | \$ 9,178,932 | \$ 42,478,932 |

(1) Based on a 3.283% fixed-rate per the amended and restated Swap Confirmation dated April 11, 2012, less the variable receive rate of 0.2424% as of December 31, 2021.

The swap is intended to hedge interest rate risk on a portion of the District's outstanding Series 2009A COP, which bears interest at a variable rate. The swap, however, contains certain risks. The District has implemented various provisions to address such risks that include, amongst other risks, credit risk, basis risk, termination risk, credit and extension risk, collateral posting and tax risk.

Credit Risk

Counterparty Credit Risk - The counterparty, Wells Fargo Bank, N.A. could be in default on swap payments owed to the District, or file for bankruptcy. This could result in a termination event, in which case the District could immediately owe (or be owed) the fair value of the swap. Additionally, if the counterparty's credit rating falls below certain thresholds or is withdrawn, a termination event may result, in which case the District could immediately owe (or be owed) the fair value of the swap.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(8) Long-Term Debt, continued

District Credit Risk - If the District's credit rating on the Series 2009A COP falls below certain thresholds or is withdrawn, a termination event may result, in which case the District could immediately owe (or be owed) the fair value of the swap.

Variable Interest Rate Risk (or Basis Risk)

Basis risk is the risk that the interest rates paid by the District on its variable-rate Series 2009A COP obligation may differ from the variable interest rate received from Wells Fargo Bank, N.A. This could result from a general market disparity between weekly rates paid by the District compared to 1-month LIBOR received from Wells Fargo Bank, N.A. It could also result from higher relative rates on the District's Series 2009A COP compared to similar securities. This could be related to factors such as negative investor perception of the credit quality of the Series 2009A COP.

Events of Default and Termination Event Risk

A number of events are specified in the swap agreement that could result in the District immediately owing (or owed) the swap's fair value. These include, but are not limited to, failure of either party to pay or deliver, breach of the agreement by either party, loss of a credit support provider, downgrades to either the District's or Wells Fargo Bank, N.A.'s credit rating, events of default or bankruptcy of either party, and unscheduled redemptions of principal or modification to the amortization schedule of the District's Series 2009A COP.

Liquidity/Credit Enhancement on Certificates - Credit and Extension Risk

The District's Series 2009A COP is supported by Sumitomo Mitsui Banking Corporation through a direct-pay letter of credit facility. Such a facility is required for the Series 2009A COP to remain marketable and outstanding as variable rate securities. If Series 2009A COP investors perceive this facility negatively, the Series 2009A COP may bear higher rates than comparable securities (which may result in basis risk). In addition, the Certificate credit and liquidity facility must be extended periodically or replaced by a comparable provider. The current facility expires on June 30, 2023. To the extent the facility cannot be replaced or extended, various potential impacts of this, including accelerations of Series 2009A COP principal repayment, could result in a swap termination event.

Collateral Posting Risk

Based on certain thresholds of the fair value of the swap and the ratings of the District or Wells Fargo Bank, N.A., either party may be required to post collateral (i.e. cash or certain allowable securities). For example, based on the District's current Moody's Investor Services rating of Aa2, the negative fair value of the swap would need to exceed \$20 million before the District would need to post \$1 million in cash or securities as collateral.

Tax Risk

The swap exposes the District to tax risk if a permanent mismatch occurs between the variable-rate received from the swap and the variable-rate paid on the Series 2009A COP due to tax law changes such that the federal or state tax exemption on municipal debt is eliminated or its value reduced.

Subsequent Event

On March 10, 2022, the District entered into an agreement with Wells Fargo Bank, N.A. to terminate the swap agreement with a settlement price of \$5,642,000 that was paid out of District cash and reserves as necessary.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(9) Net Investment in Capital Assets

The District's net investment in capital assets, net of related debt, at December 31, consists of the following:

| | 2021 | 2020 |
|---|----------------|---------------|
| Capital assets not being depreciated | \$ 18,464,336 | \$ 10,737,283 |
| Capital assets being depreciated and amortized, net | 290,597,849 | 294,111,338 |
| Deferred outflows on long-term debt refundings | 4,041,991 | 4,702,735 |
| Long term debt | (65,276,299) | (70,839,532) |
| Net investment in capital assets, considered non-expendable | \$ 247,827,877 | \$238,711,824 |

(10) Restricted Net Position

Restricted net position balance as of December 31, consists of the following:

| | 2021 | 2020 |
|--|-------------|-------------|
| 2009A Certificates of participation reserve fund | \$ - | \$ 1 |
| 2012A Revenue bond interest payment fund | 12 | 15 |
| 2018A Revenue bond interest payment fund | 4 | 24 |
| Total restricted net position | \$ 16 | \$ 40 |

This component of net position consists of external constraints placed by creditors.

(11) Unrestricted Net Position

Designations of unrestricted net position may be imposed by the Board of Directors to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended or removed by Board action at any time. Currently, the District's Reserve Policy calls for three fund classifications that collectively comprise the District's unrestricted net position: Committed funds, Assigned funds and remaining funds not otherwise restricted, committed or assigned. Committed funds are those financial assets set aside by the Board for specific purposes as determined by Board resolution or ordinance. As of December 31, 2021 and 2020 the District has one committed fund with a zero balance for both years. The committed fund is for developers required to install extension facilities (up-sized line or the extension of facilities beyond the frontage of a parcel) as a requirement for obtaining water service. This fund is utilized to reimburse the developer, in whole or in part, for the extension facility based on the proportion of funds collected from all developers for that calendar year. Assigned funds are those financial assets determined necessary to be retained for specific risk-mitigation purposes as determined by the Board annually or as needs arise. The Board has several classes of such assigned funds but is not bound legally or contractually on the retention of such funds and, as such, amounts in assigned funds are available to meet the general obligations of the District.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(12) Deferred Compensation Plan

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program (Program). The purpose of this Program is to provide employees, who elect to participate, the opportunity to defer receipt of a portion of their compensation until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred compensation for income tax purposes. Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants or their beneficiaries. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. The fair value of all plan assets held in trust by the District for its deferred compensation program at December 31, 2021 and 2020, amounted to \$6,648,475 and \$5,966,716, respectively.

(13) Defined Benefit Pension Plan

A. General Information about the Pension Plan:

Plan Descriptions:

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Cost-Sharing Multiple Employer Defined Benefit Pension Plan administered by the California Public Employees' Retirement System (CalPERS). The Board has established a single "Cost-Sharing Miscellaneous" pension plan with CalPERS that is comprised of the following Rate Plans (Plans):

- Miscellaneous Plan – 3.0% at 60 (Classic Members)
- Miscellaneous Plan – 2.0% at 55 (Classic Members)
- Miscellaneous Plan – 2.0% at 62 (PEPRA)

Benefit provisions under the Plans are established by State statute and Board resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at <https://www.calpers.ca.gov/>.

Benefits Provided:

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 (52 for PEPRA members) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the 1957 Survivor Benefit or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(13) Defined Benefit Pension Plan, continued

The Plans' provisions and benefits in effect at December 31, 2021 and 2020, are summarized as follows:

| | Miscellaneous | | |
|--|------------------------|--|---------------------------|
| | Prior to 09/25/2006 | After 9/25/2006 and Prior to 01/01/2013 | On or after 01/01/2013 |
| Hire date | | | |
| Benefit formula | 3.0% at 60 | 2.0% at 55 | 2.0% at 62 |
| Benefit vesting schedule | 5 years service | 5 years service | 5 years service |
| Benefit payments | monthly for life | monthly for life | monthly for life |
| Retirement age | 50 - 60 | 50 - 63 | 52 - 67 |
| Monthly benefits as a % of eligible compensation | 2.0% to 3.0% | 1.4% to 2.4% | 1.0% to 2.5% |
| Required employee contribution rates | 8.00%* | 7.00%** | 7.25% |
| Required employer contribution rates – 2021 | 16.34% | 11.20% | 7.87% |
| Required employer contribution rates – 2020 | 16.34% | 11.20% | 7.87% |
| | | Closed to new members that are not already CalPERS eligible participants | |
| Open or Closed to New Entrants | Closed | | Open |

(* Paid by District on behalf of employees)

(** Paid by District on behalf of employees for those hired before August 18, 2020)

In addition to the contribution rates above, the District was also required to make a payment of \$789,156 and \$663,435 toward its unfunded actuarial liability of all Plans during the year ended December 31, 2021 and 2020, respectively.

Contributions:

CalPERS Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by an actuary and shall be effective on July 1 following notice of a change in the rate. Funding contributions for all Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The District's total employer contributions were \$1,408,919 and \$1,298,409 for the years ended December 31, 2021 and 2020, respectively. Dependent on the Rate Plan, for the measurement periods ended June 30, 2021 and 2020, the employee contribution rate was 8.0% or 7.0% of annual pay for Classic members. For PEPRA members, the employee contribution rate was 7.25% in 2021 and 7.25% in 2020. The District contributes the full 8.0% or 7.0% for Classic members hired before August 18, 2020. Classic members hired on or subsequent to August 18, 2020 are required to contribute the full employee share of 7.0% while PEPRA members contribute the full 7.25%. At December 31, 2021 and 2020, the District's pickup of the employee's 8.0% and 7.0% share was \$260,857 and \$272,820, respectively.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(13) Defined Benefit Pension Plan, continued

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

As of December 31, 2021 and 2020, the District reported a net pension liability for its proportionate share of the net pension liability of the Plans of \$5,806,835 and \$10,600,173, respectively.

The District's net pension liability is measured as the proportionate share of the Pool's net pension liability. The net pension liability is measured as of June 30, 2021 and 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 and 2019 rolled forward to June 30, 2021 and 2020 using standard update procedures. For June 30, 2021 and 2020, the District's proportion of the Net Pension Liability was based on its proportion of the Total Pension Liability less its proportion of the Fiduciary Net Position.

The District's proportionate share of the net pension liability for the Plan as of June 30, 2021 and 2020 was as follows:

| | |
|------------------------------|-----------|
| Proportion - June 30, 2021 | 0.30582 % |
| Proportion - June 30, 2020 | 0.25130 % |
| Change - Increase (Decrease) | 0.05452 % |

For the year ended December 31, 2021 and 2020, the District recognized pension expense of \$1,822,257 and \$2,005,363, respectively. At December 31, 2021 and 2020, the District reported deferred outflows of resources and deferred inflows of resources related to all Plans combined from the following sources:

| | Deferred Outflows of Resources | | Deferred Inflows of Resources | |
|---|---------------------------------------|---------------------|--------------------------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Pension contributions subsequent to measurement date | \$ 731,602 | \$ 669,925 | \$ - | \$ - |
| Changes in assumptions | - | - | - | 75,605 |
| Net differences between projected and actual earnings on plan investments | - | 314,895 | 5,069,060 | - |
| Differences between expected and actual experience | 651,174 | 546,258 | - | - |
| Differences between the employer's contribution and the employer's proportionate share of contributions | - | - | 379,370 | 405,610 |
| Change in employer's proportion | 337,590 | 429,050 | - | - |
| Total | \$ 1,720,366 | \$ 1,960,128 | \$ 5,448,430 | \$ 481,215 |

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(13) Defined Benefit Pension Plan, continued

The \$731,602 and \$669,925 reported as deferred outflows of resources as of December 31, 2021 and 2020 related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the following year, December 31, 2022 and 2021, respectively. Other amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized as pension expense as follows:

| <u>Year Ended</u> <u>December 31</u> | <u>Deferred</u> <u>Outflow/(Inflow)</u> |
|---|--|
| 2022 | \$ (923,872) |
| 2023 | (999,611) |
| 2024 | (1,135,357) |
| 2025 | (1,400,826) |
| Total | \$ (4,459,666) |

B. Actuarial Methods and Assumptions Used to Determine Total Pension Liability:

The total pension liabilities in the June 30, 2021 and 2020 actuarial valuation was determined using the following actuarial assumptions:

| | 2021 | 2020 |
|---------------------------|------------------------------------|------------------------------------|
| | Miscellaneous | Miscellaneous |
| Valuation Date | June 30, 2020 | June 30, 2019 |
| Measurement Date | June 30, 2021 | June 30, 2020 |
| Actuarial Cost Method | Entry-Age Normal | Entry-Age Normal |
| Actuarial Assumptions: | | |
| Discount Rate | 7.15% | 7.15% |
| Inflation | 2.50% | 2.50% |
| Projected Salary Increase | Varies by Entry Age and Service | Varies by Entry Age and Service |
| Long-Term Rate of Return | (1) | (1) |

⁽¹⁾ See Long-Term Expected Rate of Return section below.

The underlying mortality assumptions and all other actuarial assumptions used for June 30, 2021 and June 30, 2020 valuations were derived using CalPERS' Membership Data for all Funds. The mortality tables include 15 years of projected on-going mortality improvement using 90% of Scale MP 2016 published by the Society of Actuaries. For more details refer to the December 2017 CalPERS' experience study report for the period 1997 to 2015 which can be found at the CalPERS website at www.calpers.ca.gov.

Long-Term Expected Rate of Return:

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

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(13) Defined Benefit Pension Plan, continued

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 of the funds' asset classes, expected compound (geometric) 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 rounded 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 equal 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 December 31, 2021 and 2020 are as follows:

| Asset Class | 2021 Target Allocation | Real Return Years 1 – 10 (a)¹ | Real Return Years 11+ (b)² |
|--------------------|-----------------------------------|---|--|
| Global Equity | 50.0% | 4.80% | 5.98% |
| Fixed Income | 28.0% | 1.00% | 2.62% |
| Inflation Assets | -% | 0.77% | 1.81% |
| Private Equity | 8.0% | 6.30% | 7.23% |
| Real Estate | 13.0% | 3.75% | 4.93% |
| Liquidity | 1.0% | -% | (0.92)% |
| Total | <u>100.0%</u> | | |

¹ An expected inflation rate of 2.00% used for this period.

² An expected inflation rate of 2.92% used for this period.

Discount Rate:

The discount rate used to measure the total pension liability for the Plan was 7.15%. The projection of cash flows used to determine the discount rate for the Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and that the contributions from employers will be made at the 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 the 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. On July 12, 2021, CalPERS announced that they would be reducing the discount rate used to calculate employer and Public Employees' Pension Reform Act (PEPRA) member contributions to 6.8%. More information can be obtained at the CalPERS website: <https://www.calpers.ca.gov/page/newsroom/calpers-news/2021/calpers-strong-preliminary-fiscal-year-investment-return-trigger-discount-rate-reduction>.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(13) Defined Benefit Pension Plan, continued

C. Changes in the Net Pension Liability:

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:

The following presents the District's proportionate share of the net pension liability for the Plans, calculated using the discount rate for the Plans, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

| | 2021 | 2020 |
|-----------------------|---|---|
| | Sensitivity to 1- Percent Change | Sensitivity to 1- Percent Change |
| 1% Decrease | 6.15% | 6.15% |
| Net Pension Liability | \$ 11,929,340 | \$ 16,462,480 |
| Current Discount Rate | 7.15% | 7.15% |
| Net Pension Liability | \$ 5,806,835 | \$ 10,600,173 |
| 1% Increase | 8.15% | 8.15% |
| Net Pension Liability | \$ 745,447 | \$ 5,756,333 |

Plan Fiduciary Net Position:

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports, which can be found at the CalPERS website at www.calpers.ca.gov

Payable to the Pension Plan:

At December 31, 2021 and 2020, the District had no outstanding payable to the pension plans.

Subsequent Event – CalPERS Pension Contribution Rates – The CalPERS Board of Administration has adopted a new amortization policy effective with the June 30, 2019 actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed using a level dollar amount. In addition, the new policy removes the 5-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019. As a result of these changes, the District's contribution rates for the fiscal year ended December 31, 2022 are expected to increase over the fiscal year 2021 contribution rates.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(14) Postemployment Benefits Other Than Pensions (OPEB)

Description of the Plan: The District’s defined benefit OPEB plan (Plan) is a single-employer defined benefit plan that provides healthcare, dental and vision benefits for retired employees, certain former Northridge Water District directors, and their survivor dependents, subject to certain conditions. Substantially all of the District’s full-time employees may become eligible for postemployment health benefits after age fifty and after working for the District for five years if hired before January 1, 2003. If hired after January 1, 2003, eligibility for such benefits is based on a minimum of ten years of qualifying service working with an employer that is a CalPERS healthcare provider. Retirement from the District is also a condition of eligibility for postemployment health benefits (the District must be the last employer prior to retirement). In addition, eligible retirees are required to pay a portion of the cost of certain medical insurance plans offered by CalPERS above a minimum amount established annually by the District. Eligible retirees hired after January 1, 2003, not fully-vested in postemployment health benefits, are required to pay a portion of health insurance costs up to the extent they are not fully vested. Certain former Northridge Water District directors with twelve years of service are also eligible for postemployment benefits.

Benefit provisions are established and may be amended by the District and/or the CalPERS and California Employers’ Retiree Benefit Trust (CERBT), a tax-qualified irrevocable trust organized under Internal Revenue Code Section 115. The Trust is administered by CalPERS as an agent multiple-employer plan. CalPERS issues a publicly available financial report for the CERBT that can be obtained at www.calpers.ca.gov under Forms and Publications.

Employees Covered by Benefit Terms: At December 31, 2021 and 2020, the following current and former employees were covered by the benefit terms:

| | <u>2021</u> | <u>2020</u> |
|--|-------------|-------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 37 | 39 |
| Inactive employees entitled to but not yet receiving benefits | 3 | 3 |
| Active employees | <u>69</u> | <u>69</u> |
| Total number of participants | <u>109</u> | <u>111</u> |

Contributions: The contribution requirements of plan members and the District are established and may be amended by the District. The District funds the plan by contributing at least 100% of actuarially determined contributions. During the year ended December 31, 2021, the District’s cash contribution was \$946,836, comprised of a cash contribution to the trust, of \$482,500, benefit payments of \$374,520, an estimated implicit subsidy of \$89,011 and administrative expenses of \$805. During the year ended December 31, 2020, the District’s cash contribution to the trust was \$996,502, comprised of prefunding and benefit payments of \$908,433, an estimated implicit subsidy of \$87,157 and administrative expenses of \$912.

Net OPEB Liability: The District's net OPEB liability was measured as of June 30, 2021 and 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(14) Postemployment Benefits Other Than Pensions (OPEB), continued

Actuarial Assumptions: The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---------------------------|--|
| Valuation date | June 30, 2020 |
| Measurement date | June 30, 2021 and 2020 |
| Actuarial cost method | Entry-age normal, Level % of pay |
| Actuarial assumptions: | |
| Investment rate of return | 6.50% 2021, 6.75% 2020 |
| Discount rate | 6.50% 2021, 6.75% 2020 |
| Inflation | 2.75% |
| Salary increases | Aggregate - 3.00% annually |
| Assumed wage inflation | 3.00% per year |
| Mortality rate | Derived using CalPERS membership data |
| Mortality improvement | Bickmore Scale MP-2019 applied generationally Start at 7.25%. Grade down to 4.0% for years after 2076. |
| Healthcare trend rate | 2076. |
| Dental/Vision trend rate | 3.75% annually |

Demographic actuarial assumptions used in this valuation are based on the December 2017 experience study report of the California Public Employees Retirement System using data from 1997 to 2015, except for a different basis used to project future mortality improvements. Scale MP-2019, published by Society of Actuaries, was used for mortality improvement.

The assumed gross return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class for December 31, 2021 and 2020 are as follows:

| <u>Asset Class</u> | <u>Trust Target Allocation</u> | <u>Expected Real Rate of Return</u> |
|---|--------------------------------|-------------------------------------|
| Global Equity | 59.0% | 4.56% 2021, 4.82% 2020 |
| Fixed Income | 25.0% | 0.78% 2021, 1.47% 2020 |
| Treasury Inflation Protected Securities | 5.0% | (0.08%) 2021, 1.29% 2020 |
| Real Estate Investment Trusts | 8.0% | 4.06% 2021, 3.76% 2020 |
| Commodities | 3.0% | 1.22% 2021, 0.84% 2020 |
| | <u>100.0%</u> | |

Discount Rate: The discount rate used to measure the total OPEB liability was 6.50% and 6.75% as of June 30, 2021 and 2020, the measurement date, respectively. Discount rate was updated based on new capital market assumption. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(14) Postemployment Benefits Other Than Pensions, continued

OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Change in Net OPEB Liability: The change in the net OPEB liability for the plan as of December 31, 2021, is as follows:

| | Increase (Decrease) | | |
|---|--------------------------------|---------------------------------------|------------------------------|
| | Total OPEB <u>Liability</u> | Plan Fiduciary <u>Net Position</u> | Net OPEB <u>Liability</u> |
| Balance at December 31, 2020 | \$ 11,657,171 | \$ 7,014,943 | \$ 4,642,228 |
| Changes for the Year: | - | - | - |
| Service Cost | 445,831 | - | 445,831 |
| Interest | 801,128 | - | 801,128 |
| Actual vs. expected experience | - | - | - |
| Assumption Changes | 408,895 | - | 408,895 |
| Contributions – employer | - | 765,582 | (765,582) |
| Net investment income | - | 1,946,853 | (1,946,853) |
| Benefit payments | (468,898) | (468,898) | - |
| Administrative expenses | - | (4,804) | 4,804 |
| Net Changes | <u>1,186,956</u> | <u>2,238,733</u> | <u>(1,051,777)</u> |
| Balance at December 31, 2021 (measurement date June 30, 2021) | <u>\$ 12,844,127</u> | <u>\$ 9,253,676</u> | <u>\$ 3,590,451</u> |

The change in the net OPEB liability for the plan as of December 31, 2020, is as follows:

| | Increase (Decrease) | | |
|---|--------------------------------|---------------------------------------|------------------------------|
| | Total OPEB <u>Liability</u> | Plan Fiduciary <u>Net Position</u> | Net OPEB <u>Liability</u> |
| Balance at December 31, 2019 | \$ 12,082,619 | \$ 5,981,207 | \$ 6,101,412 |
| Changes for the Year: | | | |
| Service Cost | 474,204 | - | 474,204 |
| Interest | 832,623 | - | 832,623 |
| Actual vs. expected experience | (1,038,719) | | (1,038,719) |
| Assumption Changes | (250,200) | | (250,200) |
| Contributions – employer | - | 1,296,059 | (1,296,059) |
| Net investment income | - | 185,150 | (185,150) |
| Benefit payments | (443,356) | (443,356) | - |
| Administrative expenses | - | (4,117) | 4,117 |
| Net Changes | <u>(425,448)</u> | <u>1,033,736</u> | <u>(1,459,184)</u> |
| Balance at December 31, 2020 (measurement date June 30, 2020) | <u>\$ 11,657,171</u> | <u>\$ 7,014,943</u> | <u>\$ 4,642,228</u> |

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(14) Postemployment Benefits Other Than Pensions, continued

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

| | 2021 | 2020 |
|-----------------------|---|---|
| | Sensitivity to 1- Percent Change | Sensitivity to 1- Percent Change |
| 1% Decrease | 5.50% | 5.75% |
| Net OPEB Liability | \$ 5,453,306 | \$ 6,311,269 |
| Current Discount Rate | 6.50% | 6.75% |
| Net OPEB Liability | \$ 3,590,451 | \$ 4,645,228 |
| 1% Increase | 7.50% | 7.75% |
| Net OPEB Liability | \$ 2,069,768 | \$ 3,276,900 |

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

| | 2021 | 2020 |
|--------------------------|---|---|
| | Sensitivity to 1- Percent Change | Sensitivity to 1- Percent Change |
| 1% Decrease | | |
| Net OPEB Liability | \$ 1,773,587 | \$ 3,104,847 |
| Current Healthcare Trend | | |
| Net OPEB Liability | \$ 3,590,451 | \$ 4,642,228 |
| 1% Increase | | |
| Net OPEB Liability | \$ 5,877,818 | \$ 6,564,548 |

OPEB Plan Fiduciary Net Position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CERBT financial report at www.calpers.ca.gov.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(14) Postemployment Benefits Other Than Pensions, continued

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended December 31, 2021 and 2020, the District recognized OPEB expense of \$406,675 and \$740,461, respectively. At December 31, 2021 and 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | | Deferred Inflows of Resources | |
|--|---------------------------------------|-------------------|--------------------------------------|---------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Net difference between projected and actual experience | \$ - | \$ - | \$ 754,139 | \$ 896,429 |
| Changes in assumptions | 353,639 | - | 181,652 | 215,926 |
| Net difference between projected and actual earnings in plan investments * | - | 196,379 | 1,026,694 | - |
| Employer contributions made subsequent to the measurement date | 224,924 | 43,670 | - | - |
| Total | <u>\$ 578,563</u> | <u>\$ 240,049</u> | <u>\$ 1,962,485</u> | <u>\$ 1,112,355</u> |

*Deferred Inflows and Outflows combined for footnote disclosure.

The \$224,924 and \$43,670 reported as deferred outflows of resources as of December 31, 2021 and 2020 related to contributions after the measurement date, consisted of the following:

| | 2021 | 2020 |
|--|-------------------|------------------|
| Trust contributions | \$ - | \$ - |
| Benefit payments paid outside of trust | 224,514 | 43,236 |
| Administrative expenses | 410 | 434 |
| Total | <u>\$ 224,924</u> | <u>\$ 43,670</u> |

These amounts will be recognized as a reduction of the net OPEB liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ended December 31 | Deferred Outflow/(Inflow) |
|-------------------------------|----------------------------------|
| 2022 | \$ (369,261) |
| 2023 | (362,643) |
| 2024 | (364,508) |
| 2025 | (415,514) |
| 2026 | (121,308) |
| Thereafter | 24,388 |
| Total | <u>\$ (1,608,846)</u> |

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(14) Postemployment Benefits Other Than Pensions, continued

Recognition of Deferred Outflows and Deferred Inflows of Resources: Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss. The net difference between projected and actual earnings on OPEB plan investments is recognized over 5 years. All other amounts are recognized over the expected average remaining service lifetime (EARS�), which was 7.4 as of July 1, 2020 (beginning of measurement period).

Payable to the OPEB Plan: At December 31, 2021 and 2020, the District had no outstanding payable to the OPEB plan.

(15) Asset Retirement Obligations

GASB 83, Certain Asset Retirement Obligations (AROs), became effective for fiscal years beginning after June 30, 2019. The District owns and operates 99 water wells as its primary source of water for sale to its customers. As required by Sacramento County Code 06.28.040, section B, the District is required to properly destroy inactive wells. Of the 99 wells, 70 are active, 26 are inactive and 3 are under construction. The District is actively engaged in destroying the inactive wells and as such has accurate and relevant costing data. The average cost to destroy each well for 2020 was approximately \$53,479. GASB 83 also requires amortizing portions of the deferred outflow of resources related to AROs over the estimate remaining useful life of the asset. While components of the well have lives between 25 and 40 years, the well shaft may last through several refurbishments. The District estimates that the well shaft has a life of 60 years. The average remaining useful life of the District's active wells is 26 years. There are no legal requirements to provide funding or financial assurances for the performance of AROs. The District has no restricted assets reserved for the payment of AROs. All AROs are funded through current year budgets as inactive wells are scheduled to be properly destroyed.

(16) Risk Management

The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (JPIA).

Description of JPIA: JPIA is an intergovernmental risk-pooling self-insurance authority, created under provisions of California Government Code Sections 6500 et. seq. The purpose of JPIA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

Self-Insurance Programs of JPIA: At December 31, 2020, the District's participation in the self-insurance programs of JPIA is as follows:

General, Automobile, Employment Practices & Public Officials' Liability. Broad coverage against third-party claims for the District, its directors, employees and volunteers. Covered up to the following limits: the JPIA pools

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(16) Risk Management, continued

for first \$5 million and purchases excess coverage with limit up to \$55 million with aggregated policy limits and the following sub-limits, \$5 million – Terrorism, \$10 million – Communicable Disease, \$35 million – Subsidence, Lead, Mold, Perfluoroalkyl and Polyfluoroalkyl (PFAS).

Property Loss: Insured up to replacement value with a \$2,500 deductible per occurrence on scheduled buildings, fixed equipment and contents, actual cash value on scheduled mobile equipment with a \$1,000 deductible per occurrence and actual cash value on scheduled vehicles with a \$1,000 deductible per occurrence. JPIA is self-insured up to \$100,000 per loss and has purchased re-insurance coverage up to a \$500,000,000 limit per occurrence. Scheduled fixed equipment is covered for Accidental Mechanical Breakdown up to sub-limit of \$100,000,000 with deductible of \$25,000 to \$50,000 depending on type of equipment, earthquake is covered up to sub-limit of \$2,500,000 aggregate and flood is covered up to sub-limit of \$25,000,000.

Workers' Compensation: Insured for California statutory limits, and Employer's Liability is insured up to \$4,000,000 program aggregate. JPIA pools for the first \$2,000,000 and purchases excess insurance coverage for California Statutory Limits with a \$4,000,000 program aggregate limit for Employers Liability coverage.

Cyber Liability: Including Cyber Security up to \$5,000,000 per occurrence and aggregate limit. Cyber Liability Deductible varies from \$10,000 to \$50,000 depending on Total Insured Values on file.

Employee Dishonesty/Crime Supplement: Insured up to \$100,000 per occurrence with a \$1,000 deductible for employee dishonesty, forgery or alteration and computer fraud. The program covers all employees, the Board of Directors, and the Treasurer.

Separate financial statements of JPIA can be obtained at 2100 Professional Drive, Roseville, CA 95661 or at <http://www.acwajpia.com/FinancialStatements.aspx>.

(17) Commitments and Contingencies

Sacramento Regional County Sanitation District – Riverwalk Well Field Lease

The District is leasing a 5.5 acre parcel from the Sacramento Regional County Sanitation District for its Riverwalk Well Field. The effective date of the lease was from June 1, 1987 to May 31, 2012. In 2012, the District exercised its option upon expiration of the initial term of the lease and extended the lease term to May 31, 2037. The original lease amount of \$12,750, paid in advance each year, is adjusted annually on the anniversary date of the lease to reflect any increase or decrease of the National Consumer Price Index of the preceding year. The annual lease costs for calendar years 2021 and 2020 were \$27,089 and \$27,504, respectively. Future estimated lease commitment costs for the period January 1, 2021, to May 31, 2037, are estimated to be \$417,626 as of December 31, 2021.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(17) Commitments and Contingencies, continued

Placer County Water District/Folsom Lake Reservoir – Take-or-Pay Contract

In 1995 (and amended in 2000, 2008, 2016* and 2020**), the District and the Placer County Water Agency (Agency) entered into a 45-year take-or-pay agreement whereby the Agency agreed to make available to the District, subject to water shortage provisions, the following amounts of untreated water at escalating water prices per year.

| Year | Contract Requirement | Option to Buy Up to | |
|----------------|----------------------|---------------------|-----------|
| 2000 to 2007 | 7,000 to 22,000 | - | acre feet |
| 2008 | 16,000 | 29,000 | acre feet |
| 2009 | 12,000 | 24,000 | acre feet |
| 2010 | 12,000 | 25,000 | acre feet |
| 2011 | 12,000 | 26,000 | acre feet |
| 2012 | 12,000 | 27,000 | acre feet |
| 2013 | 12,000 | 28,000 | acre feet |
| 2014 to 2019* | 12,000 | 29,000 | acre feet |
| 2020 to 2045** | 8,000 | 29,000 | acre feet |

* Contract renegotiated in 2016, extended term of agreement to December 31, 2045.

** Contract renegotiated in 2020, minimum requirement for 2020 through term of agreement decreased from 12,000 to 8,000 acre feet.

Each year the District is required to pay for its annual entitlement or surrender a portion of its rights so that the Agency will be free to put the water to use elsewhere. In order to do this, if the District does not take-or-pay for its annual entitlement for any year, the District's annual entitlement for each year thereafter is reduced by 50% of the amount which the District did not take-or-pay for during the year. The District's annual entitlement is subject to certain temporary or permanent reduction or elimination whenever the Agency notifies the District that the Agency has determined that it will not have sufficient water under certain provisions of the contract. In this situation, the District is relieved of its take-or-pay obligation. The most common event that would trigger the Agency providing notification to the District would be a projection of unimpaired inflow to Folsom Lake reservoir dropping below 1.6 million acre-feet. Each year the District is to pay the Agency for each acre-foot of the District's annual entitlement made available for use in the District's service area in order of the highest of the following three rates: (1) Thirty-five dollars (\$35.00); (2) One hundred seventy-five percent (175%) of the acre-foot price the Agency charges the City of Roseville and the San Juan Water District that year for water made available to them in the Folsom Lake reservoir for use within Placer County; or (3) One hundred fifty percent (150%) of the total amount, per acre-foot, including any restoration and other fees and charges, which the Agency is required to pay that year to the U.S. Bureau of Reclamation (Reclamation) for water to be used within the Agency pursuant to the Agency's September 18, 1970 contract with Reclamation as amended, supplemented or renewed.

Grant Awards

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such reviews or audits could generate expenditure disallowances under the terms of the grants, it is management's opinion that any required reimbursements would not be material.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2021 and 2020

(17) Commitments and Contingencies, continued

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition as of December 31, 2021.

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water facilities and distribution systems within its service area. The financing of such construction contracts is provided primarily by District's customers via a fixed charge based on connection size included in their monthly invoice. As of December 31, 2021, the District's commitment on open construction contracts is \$5.8 million:

| Project Name | Approved Contract | Payments To Date | Remaining Commitment |
|---|------------------------------|-----------------------------|---------------------------------|
| Reservoir Improvement - Antelope Watt/Elkhorn | \$ 608,014 | \$ 439,725 | \$ 168,289 |
| Reservoir Improvement - Enterprise/Northrop | 93,960 | 8,960 | 85,000 |
| Electrical Improvement - Marconi Building | 264,220 | 171,695 | 92,525 |
| Main Replacement - Greenberry Complex | 1,517,085 | 566,515 | 950,570 |
| Main Replacement - Q Street | 340,392 | 184,140 | 156,252 |
| Main Extension - Watt Street | 190,860 | 62,346 | 128,514 |
| New Well Construction - Well 78 Butano | 3,310,909 | 1,728,098 | 1,582,811 |
| New Well Construction - Well 79 Verner/Panorama | 3,819,706 | 2,268,147 | 1,551,559 |
| New Well Construction - Well 80 Watt/Auburn | 1,260,310 | 826,566 | 433,744 |
| New Well Construction - Well 81 Antelope North/Poker | 146,460 | 106,997 | 39,463 |
| Well Rehabilitation | 635,470 | 120,062 | 515,408 |
| Calibration Hydraulic Model | 123,741 | 54,828 | 68,913 |
| Total | \$ 12,311,127 | \$ 6,538,079 | \$ 5,773,048 |

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Required Supplementary Information

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**Sacramento Suburban Water District
Required Supplementary Information (Unaudited)
For The Years Ended December 31, 2021 and 2020**

**Agent Multiple-Employer Defined Benefit Pension Plan
Schedule of the Proportionate Share of the Net Pension Liability
Last 10 Years ⁽¹⁾**

| | 2021 | 2020 | June 30 2019 | 2018 | 2017 | 2016 | 2015 |
|--|-------------|--------------|-------------------------|-------------|-------------|-------------|-------------|
| Proportion of the net pension liability | 0.30582% | 0.25130% | 0.242190% | 0.233830% | 0.228248% | 0.220331% | 0.208569% |
| Proportionate share of the net pension liability | \$5,806,835 | \$10,600,173 | \$9,698,403 | \$8,812,373 | \$8,997,648 | \$7,654,038 | \$5,722,018 |
| Covered payroll – measurement period | \$5,732,743 | \$5,591,457 | \$5,088,815 | \$4,491,178 | \$4,197,900 | \$4,272,005 | \$4,212,170 |
| Proportionate share of net pension liability as a % of covered payroll | 101.29% | 189.58% | 190.58% | 196.22% | 214.34% | 179.17% | 135.84% |
| Plan fiduciary net position as a percentage of the total pension liability | 88.29% | 75.10% | 75.26% | 75.26% | 73.31% | 74.06% | 78.40% |

Notes to Schedule:

- (1) Omitted Years: GASB 68 was implemented during 2014. No information was available prior to this date.
- (2) Change in Benefit Terms: The figures above do not include any liability that may have resulted from plan changes which occurred after the June 30, 2016 valuation date. No plan changes have occurred.
- (3) Changes in Assumptions: In 2017, the accounting discount rate reduced from 7.65% to 7.15%.
- (4) For more information on CalPERS investment returns please visit the CalPERS website and refer to the “Annual Investment Report” for each year: <https://www.calpers.ca.gov/page/forms-publications>

**Sacramento Suburban Water District
Required Supplementary Information (Unaudited)
For The Years Ended December 31, 2021 and 2020**

**Agent Multiple-Employer Defined Benefit Pension Plan
Schedule of Contributions
Last 10 Years ⁽¹⁾**

| | December 31 | | | | | | |
|---|--------------|--------------|--------------|-------------|-------------|-------------|--------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| Contractually required contribution (actuarially determined) | \$ 1,408,919 | \$ 1,298,409 | \$ 1,088,919 | \$ 797,025 | \$ 879,305 | \$ 799,920 | \$ 834,729 |
| Contributions in relation to the actuarially determined contributions | (1,408,919) | (1,298,409) | (1,088,919) | (797,025) | (879,305) | (799,920) | (834,729) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| | | | | | | | |
| Covered payroll – calendar year | \$5,767,323 | \$5,978,992 | \$4,928,971 | \$4,878,541 | \$4,494,291 | \$4,292,474 | \$ 4,275,516 |
| Contributions as a percentage of covered payroll | 24.43% | 21.72% | 22.09% | 16.35 % | 19.56 % | 18.64 % | 19.52% |
| Valuation Date | 6/30/2019 | 6/30/2018 | 06/30/2017 | 06/30/2016 | 06/30/2015 | 06/30/2014 | 06/30/2013 |

| | December 31 | | | | | | |
|---|--|--------|-----------|-----------|-----------|-----------|-----------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| Methods and assumptions used to determine contribution rates: | | | | | | | |
| Actuarial cost method | Entry-Age Normal | | | | | | |
| Amortization method | Level percentage of payroll, direct rate smoothing | | | | | | |
| Remaining amortization period | Varies, not more than 29 years (30 years 2020 and prior) | | | | | | |
| Asset valuation method | Market value of assets | | | | | | |
| Inflation | 2.50% | 2.50% | 2.625% | 2.75% | 2.75% | 2.75% | 2.75% |
| Salary increases | Varies by Entry Age and Service | | | | | | |
| Investment rate of return | 7.00% (2) | 7% (2) | 7.25% (2) | 7.50% (2) | 7.50% (2) | 7.50% (2) | 7.50% (2) |
| Retirement age and mortality | (6) | (6) | (6) | (5) | (4) | (3) | (3) |

Notes to Schedule:

Please note, the discount rate used for Actuarially Determined Contributions is different from the one used for Total Pension Liability.

- (1) Omitted Years: GASB 68 was implemented during 2014. No information was available prior to this date.
- (2) Net of pension plan investment expenses, includes inflation.
- (3) Probabilities of retirement and mortality are based on CalPERS' 2010 Experience Study for the period from 1997 to 2007.
- (4) Probabilities of retirement and mortality are based on CalPERS' 2014 Experience Study for the period from 1997 to 2011.
- (5) Probabilities of retirement and mortality are based on CalPERS' 2017 Experience Study for the period from 1997 to 2015.
- (6) Derived using CalPERS' Membership Data for all Funds. The post-retirement mortality rates include 15 years of projected on-going mortality improvement using 90% of the Scale MP 2016 published by the Society of Actuaries.

**Sacramento Suburban Water District
Required Supplementary Information (Unaudited)
For The Years Ended December 31, 2021 and 2020**

**Single-Employer Defined Benefit OPEB Plan
Schedule of Contributions
Last 10 Years⁽⁵⁾**

| December 31 | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|---|---------------------|--------------------|------------------|
| Actuarially Determined Contribution (ADC) | \$ 811,996 | \$ 975,498 | \$ 946,596 |
| Contributions in relation to the ADC | (946,836) | (996,502) | (947,699) |
| Contribution deficiency (excess) | <u>\$ (134,840)</u> | <u>\$ (21,004)</u> | <u>\$(1,103)</u> |
| Covered-employee payroll | \$ 6,405,487 | \$ 6,497,090 | \$ 5,738,672 |
| Contributions as a percentage of covered- employee payroll | 14.8% | 15.3% | 16.5% |
| Valuation Date | 6/30/2020 | 6/30/2020 | 6/30/2018 |

Methods and assumptions used to determine contribution rates:

| | | | |
|-----------------------------------|----------------------------------|-------|-------|
| Actuarial cost method | Entry Age Normal, Level % of pay | | |
| Amortization method | Level % of pay | | |
| Amortization period | Varies, not more than 20 years | | |
| Asset valuation method | Assets valued at market value | | |
| Discount rate | 6.75% | 6.75% | 6.75% |
| General inflation | 2.75% | 2.75% | 2.75% |
| Medical trend | (2) | (2) | (1) |
| Mortality & mortality improvement | (4) | (4) | (3) |

Notes to Schedule:

- (1) Non-Medicare – 7.5%, decreasing to 4.0% in 2076 and later. Medicare – 6.5%, decreasing to 4% by 2076 and later.
- (2) Non-Medicare – 7.25%, decreasing to 4.0% in 2076 and later. Medicare – 6.3%, decreasing to 4% by 2076 and later.
- (3) Probabilities of retirement and mortality are based on CalPERS' 2017 Experience Study for the period from 1997 to 2015. Mortality improvement projected fully generational with scale MP-17 for post-retirement.
- (4) Probabilities of retirement and mortality are based on CalPERS' 2017 Experience Study for the period from 1997 to 2015. Mortality improvement projected fully generational with scale MP-2019 for post-retirement.
- (5) Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

**Sacramento Suburban Water District
Required Supplementary Information (Unaudited)
For The Years Ended December 31, 2021 and 2020**

**Single-Employer Defined Benefit OPEB Plan
Schedule of Changes in the Net OPEB Liability and Related Ratios
For the Measurement Periods Ended June 30⁽¹⁾**

| Measurement Period | 2021 | 2020 | 2019 |
|---|----------------------|----------------------|----------------------|
| Changes in Total OPEB Liability: | | | |
| Service cost | \$ 445,831 | \$ 474,204 | \$ 460,392 |
| Interest | 801,128 | 832,623 | 775,457 |
| Actual vs. expected experience | - | (1,038,719) | - |
| Assumption changes | 408,895 | (250,200) | - |
| Benefit payments | (468,898) | (443,356) | (362,199) |
| Net change in total OPEB liability | 1,186,956 | (425,448) | 873,650 |
| Total OPEB liability – beginning | 11,657,171 | 12,082,619 | 11,208,969 |
| Total OPEB liability – ending(a) | \$ 12,844,127 | \$ 11,657,171 | \$ 12,082,619 |
| Changes in Plan Fiduciary Net Position: | | | |
| Contributions – employer | \$ 765,582 | \$ 1,296,059 | \$ 628,922 |
| Net investment income ⁽²⁾ | 1,946,853 | 185,150 | 363,678 |
| Benefit payments | (468,898) | (443,356) | (362,199) |
| Administrative expenses | (4,804) | (4,117) | (1,823) |
| Net change in plan fiduciary net position | 2,238,733 | 1,033,736 | 628,578 |
| Plan fiduciary net position – beginning | 7,014,943 | 5,981,207 | 5,352,629 |
| Plan Fiduciary Net position – ending(b) | \$ 9,253,676 | \$ 7,014,943 | \$ 5,981,207 |
| Net OPEB Liability – ending (a)-(b) | \$ 3,590,451 | \$ 4,642,228 | \$ 6,101,412 |
| Fiduciary Net Position as a percentage of the Total OPEB Liability | 72.0% | 60.2% | 49.5% |
| Covered-employee payroll | \$ 6,280,368 | \$ 6,048,339 | \$ 5,608,583 |
| Net OPEB Liability as a percentage of covered-employee payroll | 57.2% | 76.8% | 108.8% |

Notes to Schedule:

- (1) Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.
- (2) The District OPEB funds are invested in the California Employers' Retiree Benefit Trust (CERBT) Strategy 1 fund. The performance history for the CERBT funds can be found on the CalPERS website : <https://www.calpers.ca.gov/page/employers/benefit-programs/cerbt/cerbt-fund-values>

Statistical Section (Unaudited)

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Sacramento Suburban Water District Statistical Information (Unaudited)

Contents

This part of the District's annual comprehensive financial report presents detailed information as a context for understanding what the information in the basic financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

| | <u>Page Number</u> |
|--|--------------------|
| <u>Financial Trends</u> | 69 - 70 |
| These schedules contain information to help the reader understand how the District's financial performance and well-being have changed over time. | |
| <u>Revenue Capacity</u> | 71 - 75 |
| These schedules contain information to help the reader assess the District's most significant local revenue-sources: retail water sales. | |
| <u>Debt Capacity</u> | 76 - 77 |
| These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future. | |
| <u>Demographic and Economic Information</u> | 78 - 79 |
| This schedule offers demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place. | |
| <u>Operating Information</u> | 80 - 83 |
| This schedule contains service and infrastructure data to help the reader understand how the information in the District's financial report relates to the service the District provides and activities it performs. | |

Sacramento Suburban Water District
Statistical Information (Unaudited)
Statements of Net Position
Last Ten Years
(Dollars in Thousands)

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|----------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Assets | | | | | | | | | | |
| Current assets | \$ 9,045 | \$ 9,632 | \$ 4,611 | \$ 7,258 | \$ 7,944 | \$ 11,061 | \$ 11,061 | \$ 13,382 | \$ 14,796 | \$ 21,270 |
| Noncurrent assets | 43,299 | 44,416 | 43,456 | 40,702 | 38,165 | 39,875 | 37,934 | 39,097 | 41,212 | 41,956 |
| Capital assets: | | | | | | | | | | |
| Nondepreciable assets | 10,426 | 6,022 | 9,754 | 10,179 | 9,761 | 16,784 | 10,941 | 9,779 | 10,737 | 18,464 |
| Depreciable assets | 358,258 | 380,164 | 396,906 | 416,875 | 435,906 | 441,705 | 466,401 | 483,875 | 493,229 | 502,486 |
| Accumulated depreciation | (119,000) | (127,125) | (136,477) | (147,676) | (158,960) | (168,222) | (180,222) | (190,327) | (199,117) | (211,888) |
| Capital assets, net | 248,784 | 259,061 | 270,183 | 279,378 | 286,7007 | 286,7007 | 286,179 | 293,547 | 304,849 | 309,062 |
| Total assets | 301,128 | 313,109 | 318,250 | 327,338 | 332,816 | 341,203 | 348,071 | 355,805 | 360,856 | 372,289 |
| Deferred outflows of resources | 11,556 | 9,175 | 9,743 | 9,276 | 9,400 | 9,485 | 8,272 | 8,809 | 9,072 | 7,307 |
| Liabilities | | | | | | | | | | |
| Current liabilities | 7,844 | 7,840 | 7,935 | 8,583 | 9,314 | 9,256 | 11,212 | 15,719 | 12,578 | 13,276 |
| Noncurrent liabilities | 111,250 | 105,793 | 101,940 | 98,484 | 94,866 | 91,524 | 87,552 | 92,953 | 87,833 | 74,833 |
| Total liabilities | 118,247 | 119,090 | 113,728 | 110,523 | 107,798 | 104,122 | 102,736 | 108,672 | 100,411 | 88,110 |
| Deferred inflows of resources | - | 2,565 | 1,819 | 799 | 558 | 1,134 | 2,333 | 839 | 1,594 | 7,784 |
| Net position | | | | | | | | | | |
| Net investment in capital assets | 146,682 | 160,474 | 175,262 | 188,248 | 199,526 | 207,156 | 221,715 | 232,469 | 238,712 | 247,828 |
| Restricted | 3,532 | 3,520 | 3,540 | 3,523 | 3,540 | 3,548 | 10 | 2 | - | - |
| Unrestricted | 44,223 | 37,175 | 33,644 | 33,521 | 30,794 | 34,727 | 29,549 | 22,632 | 29,212 | 35,874 |
| Total net position | \$ 194,437 | \$ 201,169 | \$ 212,446 | \$ 225,292 | \$ 233,860 | \$ 245,431 | \$ 251,274 | \$ 255,103 | \$ 267,923 | \$ 283,702 |

Sacramento Suburban Water District
Statistical Information (Unaudited)
Changes in Net Position
Last Ten Years
(Dollars in Thousands)

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|---------------|---------------|---------------|---------------|--------------|---------------|---------------|--------------|---------------|---------------|
| Operating Revenues | | | | | | | | | | |
| Water sales | \$ 11,656 | \$ 12,451 | \$ 10,827 | \$ 9,644 | \$ 11,053 | \$ 12,544 | \$ 13,272 | \$ 13,251 | \$ 15,948 | \$ 15,392 |
| Water transfers | - | 536 | - | - | - | - | 1,761 | 43 | 979 | - |
| Water service charge | 6,820 | 6,608 | 6,306 | 6,402 | 6,349 | 6,366 | 6,371 | 6,197 | 31,694 | 33,167 |
| Capital facilities charge | 20,619 | 20,650 | 20,678 | 21,646 | 22,575 | 23,499 | 24,449 | 24,454 | - | - |
| Wheeling water charge | 170 | 6 | 6 | 6 | 167 | 676 | 510 | 644 | 83 | 6 |
| Other charges | 946 | 1,068 | 1,113 | 992 | 939 | 1,077 | 1,054 | 1,133 | 524 | 408 |
| Total operating revenues | 40,211 | 41,319 | 38,930 | 38,690 | 41,083 | 44,162 | 47,417 | 45,722 | 49,228 | 48,973 |
| Operating Expenses | | | | | | | | | | |
| Source of supply | 2,039 | 406 | 67 | 57 | 2,471 | 2,980 | 3,789 | 3,525 | 1,861 | 753 |
| Pumping | 4,238 | 4,706 | 4,631 | 5,124 | 4,852 | 4,516 | 4,946 | 5,331 | 5,227 | 6,242 |
| Transmission and distribution | 3,596 | 3,886 | 3,643 | 3,621 | 3,973 | 4,016 | 4,193 | 7,034 | 4,761 | 5,226 |
| Water conservation | 295 | 321 | 399 | 773 | 587 | 452 | 441 | 490 | 534 | 502 |
| Customer accounts | 976 | 1,086 | 1,122 | 1,159 | 1,145 | 1,305 | 1,301 | 1,373 | 1,279 | 1,477 |
| Administrative and general | 5,738 | 5,919 | 6,100 | 6,120 | 6,818 | 7,600 | 7,791 | 8,612 | 8,644 | 7,639 |
| Total operating expenses | 16,882 | 16,324 | 15,962 | 16,854 | 19,846 | 20,870 | 22,461 | 26,365 | 22,307 | 21,839 |
| Operating income before depreciation | 23,329 | 24,995 | 22,968 | 21,836 | 21,237 | 23,292 | 24,956 | 19,357 | 26,921 | 27,134 |
| Depreciation | (9,890) | (10,424) | (10,812) | (11,229) | (11,808) | (12,182) | (12,460) | (12,993) | (13,715) | (13,588) |
| Operating income | 13,439 | 14,571 | 12,156 | 10,607 | 9,429 | 11,110 | 12,496 | 6,363 | 13,206 | 13,546 |
| Non-operating revenues | (3,540) | 488 | 920 | 816 | 834 | 938 | 1,195 | 2,826 | 1,974 | 783 |
| Interest expense | (4,157) | (3,914) | (3,802) | (3,633) | (3,561) | (3,450) | (3,112) | (2,632) | (2,552) | (2,271) |
| Other non-operating expenses | (418) | - | - | - | - | (3) | - | - | (5) | - |
| Gain (loss) on disposal of capital assets, net | 12 | - | 21 | 6 | (13) | 12 | (7) | (24) | (1,348) | (132) |
| Income before capital contributions | 5,336 | 11,145 | 9,295 | 7,796 | 6,689 | 8,608 | 10,572 | 6,534 | 11,275 | 11,927 |
| Capital contributions | 1,729 | 3,096 | 2,455 | 5,049 | 1,879 | 2,963 | 894 | 1,648 | 1,546 | 3,851 |
| Increase in net position | 7,065 | 14,241 | 11,750 | 12,845 | 8,568 | 11,571 | 11,466 | 8,182 | 12,821 | 15,778 |
| Net position, beginning of year | 187,372 | 194,437 | 201,169 | 212,447 | 225,292 | 233,860 | 245,431 | 251,274 | 255,103 | 267,923 |
| Adjustment | - | (7,509) | (472) | - | - | - | (5,623) | (4,353) | - | - |
| Net position, end of year | \$ 194,437 | \$ 201,169 | \$ 212,447 | \$ 225,929 | \$ 233,860 | \$ 245,431 | \$ 251,274 | \$ 255,103 | \$ 267,923 | \$ 283,702 |

Sacramento Suburban Water District
Statistical Information (Unaudited)
Operating Revenues by Source
Last Ten Years

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Water Sales (Dollars in Thousands): | | | | | | | | | | |
| Retail | \$39,095 | \$39,709 | \$37,811 | \$37,692 | \$39,977 | \$42,409 | \$44,092 | \$43,902 | \$47,642 | \$48,559 |
| Wheeling | 170 | 6 | 6 | 6 | 167 | 676 | 510 | 644 | 83 | 6 |
| Water Transfers | - | 536 | - | - | - | - | 1,761 | 43 | 979 | - |
| Total Water Sales | \$39,265 | \$40,251 | \$37,817 | \$37,698 | \$40,144 | \$43,085 | \$46,363 | \$44,589 | \$48,704 | \$48,565 |

| | | | | | | | | | | |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Water Production (Acre Feet): | | | | | | | | | | |
| Retail | 38,089 | 38,554 | 32,561 | 27,502 | 29,312 | 31,254 | 30,874 | 30,610 | 33,087 | 32,154 |
| Wheeling | 647 | 348 | 115 | 51 | 264 | 1,984 | 1,704 | 1,539 | 160 | 585 |
| Water Transfers | - | 2,822 | - | - | - | - | 3,875 | - | 6,667 | - |
| Total Water Production | 38,736 | 41,724 | 32,676 | 27,553 | 29,576 | 33,238 | 36,453 | 32,149 | 39,914 | 32,739 |

| | | | | | | | | | | |
|---|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Water Sales/Acre Foot (Whole Dollars): | | | | | | | | | | |
| Retail | \$ 1,026 | \$ 1,030 | \$ 1,161 | \$ 1,371 | \$ 1,364 | \$ 1,357 | \$ 1,428 | \$ 1,434 | \$ 1,440 | \$ 1,510 |
| Wheeling | \$ 263 | \$ 17 | \$ 52 | 118 | \$633 | \$ 341 | \$ 299 | \$ 418 | \$ 519 | \$ 10 |
| Water Transfers | \$ - | \$ 190 | \$ - | \$ - | \$ - | - | \$ 454 | \$ - | \$ 146 | \$ - |

Source: District.

Sacramento Suburban Water District
Statistical Information (Unaudited)
Retail Water Rates
Last Ten Years

| | 2009 - 2014 | 2015 | 2016 | 2017 | 2018 - 2019 | 2020 | 2021 |
|--|----------------|----------|----------|----------|----------------|----------|----------|
| Flat Accounts | | | | | | | |
| Consumption Charge (\$/1,000 per sq. foot) | \$ 0.91 | \$ 0.95 | \$ 0.98 | \$ 1.02 | \$ 1.06 | \$ 2.35 | \$ 2.44 |
| Flat Service Charge (single unit) | | | | | | | |
| ¾" connection | 14.89 | 15.49 | 16.11 | 16.75 | 17.42 | 44.40 | 46.18 |
| 1" connection | 21.55 | 22.41 | 23.31 | 24.24 | 25.21 | 69.16 | 71.96 |
| 1 ½" connection | 40.69 | 42.32 | 44.01 | 45.77 | 47.60 | 131.17 | 136.42 |
| 2" connection | 40.19 | 41.80 | 43.47 | 45.21 | 47.02 | 205.53 | 213.75 |
| Metered Accounts | | | | | | | |
| Consumption Charge (\$/100 cubic feet (CCF)) | | | | | | | |
| Single Family Residential – 1st Tier (0-10 2009 - 2019, 0-15 2020 > CCF) | 0.80 | 0.83 | 0.87 | 0.90 | 0.94 | 0.88 | 0.92 |
| Single Family Residential – 2nd Tier (11+ 2009 - 2019, 16+ 2020 > CCF) | 1.00 | 1.04 | 1.08 | 1.12 | 1.17 | 1.15 | 1.20 |
| Multi-Family Residential (new as of 2020) | - | | | | | 1.26 | 1.31 |
| Non-Resid–Off-Peak Rate (Nov-Apr) | 0.81 | 0.84 | 0.88 | 0.91 | 0.95 | 1.33 | 1.38 |
| Non-Resid.–Peak Rate (May-Oct) (eliminated as of 2020) | 1.01 | 1.05 | 1.09 | 1.14 | 1.18 | - | - |
| Meter Service Charge (by Meter Size) | | | | | | | |
| 5/8" meter | 3.60 | 3.74 | 3.89 | 4.05 | 4.21 | 32.01 | 33.29 |
| ¾" meter or connection | 5.25 | 5.46 | 5.68 | 5.91 | 6.14 | 44.40 | 46.18 |
| 1" meter or connection | 8.50 | 8.84 | 9.19 | 9.56 | 9.94 | 69.19 | 71.96 |
| 1 ½" meter or connection | 16.60 | 17.26 | 17.95 | 18.67 | 19.42 | 131.17 | 136.42 |
| 2" meter or connection | 24.60 | 27.46 | 28.55 | 29.70 | 30.88 | 205.53 | 213.75 |
| 3" meter | 49.20 | 51.17 | 53.21 | 55.34 | 57.56 | 403.85 | 420.00 |
| 4" meter | 81.75 | 85.02 | 88.42 | 91.96 | 95.64 | 626.95 | 652.03 |
| 6" meter | 163.15 | 169.68 | 176.46 | 183.52 | 190.86 | 1,246.68 | 1,296.55 |
| 8" meter | 293.40 | 305.14 | 317.34 | 330.04 | 343.24 | 2,238.25 | 2,327.78 |
| 10" meter | 472.50 | 491.40 | 511.06 | 531.50 | 552.76 | 2,981.93 | 3,101.21 |
| 12" meter | 700.40 | 728.42 | 757.55 | 787.85 | 819.37 | 4,190.40 | 4,358.02 |
| Flat and Metered Accounts | | | | | | | |
| Capital Facilities Charge (combined with service charge as of 2020) | | | | | | | |
| 5/8" meter | 19.25 | 20.02 | 20.82 | 21.65 | 22.52 | - | - |
| ¾" meter or connection | 28.70 | 29.85 | 31.04 | 32.28 | 33.57 | - | - |
| 1" meter or connection | 48.00 | 49.92 | 51.92 | 53.99 | 56.15 | - | - |
| 1 ½" meter or connection | 95.65 | 99.48 | 103.46 | 107.59 | 111.90 | - | - |
| 2" meter or connection | 153.10 | 159.22 | 165.59 | 172.22 | 179.11 | - | - |
| 3" meter | 287.30 | 298.79 | 310.74 | 323.17 | 336.10 | - | - |
| 4" meter | 478.95 | 498.11 | 518.03 | 538.75 | 560.30 | - | - |
| 6" meter | 957.60 | 995.90 | 1,035.74 | 1,077.17 | 1,120.66 | - | - |
| 8" meter | 1,723.80 | 1,792.75 | 1,864.46 | 1,939.04 | 2,016.60 | - | - |
| 10" meter | 2,777.45 | 2,888.55 | 3,004.09 | 3,124.25 | 3,249.22 | - | - |
| 12" meter | 4,117.65 | 4,282.36 | 4,453.65 | 4,631.80 | 4,817.07 | - | - |

Source: District

Sacramento Suburban Water District
Statistical Information (Unaudited)
Capacity Fees⁽¹⁾ (Connection Fees)
Last Ten Years

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|----------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 5/8" service | \$ 3,544 | \$ 3,826 | \$ 2,762 | \$ 3,130 | \$ 3,168 | \$ 3,228 | \$ 3,418 | \$ 3,524 | \$ 4,056 | \$ 4,143 |
| 3/4" service | 5,290 | 5,711 | 4,122 | 4,672 | 4,728 | 4,817 | 5,102 | 5,260 | 6,085 | 6,216 |
| 1" service | 8,834 | 9,537 | 6,884 | 7,802 | 7,896 | 8,045 | 8,519 | 8,785 | 10,141 | 10,359 |
| 1 1/2" service | 17,616 | 19,017 | 13,726 | 15,558 | 15,745 | 16,041 | 16,989 | 17,518 | 20,282 | 20,719 |
| 2" service | 28,196 | 30,439 | 31,970 | 24,902 | 25,202 | 25,676 | 27,192 | 28,039 | 32,452 | 33,151 |
| 3" service | 52,901 | 57,108 | 41,220 | 46,720 | 47,282 | 48,172 | 51,016 | 52,605 | 64,903 | 66,300 |
| 4" service | 88,185 | 95,199 | 68,714 | 77,882 | 78,820 | 80,304 | 85,044 | 87,692 | 101,411 | 103,594 |
| 6" service | 176,318 | 190,341 | 137,386 | 155,718 | 157,952 | 160,559 | 170,038 | 175,332 | 202,823 | 207,189 |
| 8" service | 317,403 | 342,648 | 219,826 | 249,158 | 252,157 | 256,904 | 272,071 | 280,541 | 365,081 | 372,940 |
| 10" service | 511,390 | 552,063 | 316,034 | 358,202 | 362,514 | 369,339 | 391,143 | 403,320 | 486,775 | 497,254 |
| 12" service | 758,225 | 818,592 | 463,725 | 525,600 | 531,927 | 541,941 | 573,935 | 591,803 | 684,527 | 699,263 |

⁽¹⁾ Previously Facility Development Charges

Source: District.

**Sacramento Suburban Water District
Statistical Information (Unaudited)**

Principal Retail Rate Payers
Current Year and Ten Years Prior

December 31, 2021

December 31, 2011

| Principal Retail Rate Payers | <u>December 31, 2021</u> | | | <u>December 31, 2011</u> | | |
|---|--------------------------|------|--|--------------------------|------|--|
| | Revenues Collected | Rank | Percent of Retail Sales Revenue | Revenues Collected | Rank | Percent of Retail Sales Revenue |
| McClellan Business Park | \$ 579,341 | 1 | 1.19% | \$ 487,287 | 1 | 1.00% |
| San Juan Unified School District | 385,258 | 2 | 0.79% | 230,992 | 3 | 0.61% |
| Carmel Partners, MS#3, The Arbors | 289,154 | 3 | 0.60% | 263,050 | 2 | 0.43% |
| Autumn Ridge Apartments | 199,266 | 4 | 0.41% | - | - | - |
| Woodside Association, Inc. | 188,352 | 5 | 0.39% | 157,083 | 4 | 0.30% |
| Twin Rivers Union School District | 164,714 | 7 | 0.34% | 109,937 | 8 | 0.24% |
| Eskaton Village | 162,747 | 6 | 0.34% | 120,910 | 5 | 0.26% |
| Fulton-El Camino Rec/Park District | 157,991 | 8 | 0.33% | - | - | 0.23% |
| Kaiser Permanente MS #2133 | 143,059 | 9 | 0.29% | - | - | - |
| The Homes at McClellan Park | 142,294 | 10 | 0.29% | - | - | - |
| Sacramento County (AFS/SCRSD) | - | - | - | 106,106 | 10 | 0.21% |
| Valley Green Apts | - | - | - | 114,412 | 6 | 0.23% |
| Sunrise Recreation/Park District | - | - | - | 114,086 | 7 | 0.22% |
| Total Principal Retail Rate Payers | \$ 2,412,176 | - | 4.97% | \$ 1,809,999 | - | 4.80% |
| Total Annual Retail Water Sales Revenue | \$ 48,565,321 | - | - | \$ 37,693,711 | - | - |

Source: District

Sacramento Suburban Water District
Statistical Information (Unaudited)
Delinquent Amounts Transferred to Tax Roll
Last Ten Years

| <u>Calendar Year ending</u> <u>December 31</u> | <u>Water Sales Revenues (1)</u> | <u>Transferred to Tax Roll</u> |
|---|---------------------------------|--------------------------------|
| 2021 | \$ 48,565,271 | \$ 0.00 |
| 2020 | 47,724,962 | 0.00 |
| 2019 | 44,545,600 | 0.00 |
| 2018 | 44,601,655 | 0.00 |
| 2017 | 43,084,389 | 0.00 |
| 2016 | 40,143,786 | 0.00 |
| 2015 | 37,698,579 | 0.00 |
| 2014 | 37,816,244 | 0.00 |
| 2013 | 39,715,067 | 0.00 |

⁽¹⁾Retail water sales and wheeling water only.

Source: the District

Sacramento Suburban Water District
Statistical Information (Unaudited)
Outstanding Debt by Type and Number of Connections
Last Ten Years

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|-------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Long-Term Debt: | | | | | | | | | | |
| (Dollars in Thousands) | | | | | | | | | | |
| Series 2009A | \$ 48,553 | \$ 48,249 | \$ 47,939 | \$ 47,623 | \$ 47,299 | \$ 46,969 | \$ 46,632 | \$ 46,288 | \$ 45,937 | \$ 45,578 |
| Series 2009B | 32,732 | 30,943 | 29,074 | 27,120 | 25,056 | 22,973 | - | - | - | - |
| Series 2012A | 30,760 | 28,646 | 26,516 | 24,351 | 22,117 | 19,847 | 17,502 | 15,102 | 12,628 | 10,068 |
| Series 2018A | | | | | | | | 14,830 | 12,275 | 9,630 |
| Total Debt | 112,045 | 107,838 | 103,529 | 99,094 | 94,502 | 89,789 | 81,429 | 76,220 | 70,840 | 65,276 |
| No. of Connections | 44,776 | 45,391 | 46,112 | 46,414 | 46,650 | 46,318 | 46,368 | 46,575 | 46,573 | 47,102 |
| Debt Per Connection | | | | | | | | | | |
| (Whole Dollars) | \$ 2,502 | \$ 2,376 | \$ 2,245 | \$ 2,135 | \$ 2,026 | \$ 1,939 | \$ 1,760 | \$ 1,637 | \$ 1,521 | \$ 1,386 |

Source: District

**Sacramento Suburban Water District
Statistical Information (Unaudited)**

Schedule of Net Revenues

Last Ten Years

(Dollars in Thousands)

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Revenues | | | | | | | | | | |
| Water sales | \$ 39,095 | \$ 39,709 | \$ 37,811 | \$ 37,692 | \$ 39,977 | \$ 42,408 | \$ 44,092 | \$ 43,902 | \$ 47,643 | \$ 48,559 |
| Water transfers | - | 536 | - | - | - | - | 1,761 | 43 | 979 | - |
| Wheeling charge | 170 | 6 | 6 | 6 | 167 | 676 | 510 | 644 | 83 | 6 |
| Water services | 946 | 1,068 | 1,113 | 992 | 939 | 1,077 | 1,054 | 1,133 | 524 | 408 |
| Facility development charges | 380 | 187 | 561 | 543 | 264 | 135 | 158 | 287 | 470 | 1,213 |
| Investment income | (3,888) | 633 | 547 | 271 | 613 | 572 | 767 | 1,076 | 1,077 | 649 |
| Other | 360 | 399 | 373 | 358 | 279 | 444 | 449 | 1,064 | 374 | 1,104 |
| Total revenues | 37,063 | 42,538 | 40,410 | 39,863 | 42,239 | 45,312 | 48,791 | 48,149 | 51,150 | 51,939 |
| Operating Expenses | | | | | | | | | | |
| Transmission and distribution | 3,596 | 3,886 | 3,642 | 3,621 | 3,973 | 4,016 | 4,193 | 6,721 | 4,548 | 5,100 |
| Administrative and general* | 6,156 | 5,919 | 6,100 | 6,120 | 6,822 | 7,603 | 7,791 | 8,191 | 8,601 | 8,026 |
| Pumping | 4,238 | 4,706 | 4,632 | 5,124 | 4,852 | 4,516 | 4,946 | 5,195 | 5,304 | 6,252 |
| Water purchases | 2,039 | 406 | 67 | 57 | 2,471 | 2,980 | 3,789 | 3,525 | 1,861 | 754 |
| Customer accounts | 976 | 1,086 | 1,122 | 1,159 | 1,145 | 1,305 | 1,301 | 1,320 | 1,250 | 1,460 |
| Water conservation | 295 | 322 | 400 | 773 | 587 | 452 | 441 | 472 | 523 | 495 |
| Total expenses | 17,300 | 16,325 | 15,963 | 16,854 | 19,850 | 20,873 | 22,461 | 25,424 | 22,088 | 22,087 |
| Net revenue | 19,763 | 26,214 | 24,447 | 23,008 | 22,389 | 24,439 | 26,330 | 22,724 | 29,061 | 29,852 |
| Debt service | 7,576 | 7,462 | 7,484 | 7,443 | 7,471 | 7,559 | 7,462 | 7,150 | 7,238 | 7,121 |
| Coverage ratio | 2.61 | 3.51 | 3.26 | 3.09 | 2.99 | 3.23 | 3.53 | 3.18 | 4.02 | 4.19 |
| Revenues available for capital projects and other purposes | <u>\$ 12,187</u> | <u>\$ 18,751</u> | <u>\$ 16,963</u> | <u>\$ 15,565</u> | <u>\$ 14,918</u> | <u>\$ 16,880</u> | <u>\$ 18,868</u> | <u>\$ 15,574</u> | <u>\$ 21,823</u> | <u>\$ 22,730</u> |

* Administrative and general operating expenses include “other non-operating expenses” as reported on the Statements of Revenues, Expenses and Changes in Net Position.

Source: District

Sacramento Suburban Water District
Statistical Information (Unaudited)
Demographic and Economic Statistics
Sacramento County*
Last Ten Years

| Year | Population | Personal Income (\$ in 000s) | Per Capita Income | Labor Force | Number Employed | Number Unemployed | Unemployment Rate |
|-------------|-------------------|---|------------------------------|--------------------|----------------------------|------------------------------|------------------------------|
| 2021 | Information | Not Currently | Available | 713,300 | 679,200 | 34,000 | 4.80% |
| 2020 | 1,559,146 | \$ 90,908,707 | \$ 58,307 | 714,700 | 653,600 | 61,100 | 8.50% |
| 2019 | 1,551,660 | \$ 82,669,864 | \$ 53,278 | 717,100 | 694,000 | 23,100 | 3.20% |
| 2018 | 1,539,550 | \$ 78,804,776 | \$ 51,187 | 705,700 | 678,800 | 26,900 | 3.80% |
| 2017 | 1,527,9841 | \$ 75,062,017 | \$ 49,125 | 702,000 | 669,500 | 32,600 | 4.60% |
| 2016 | 1,511,401 | \$ 72,128,370 | \$ 47,723 | 695,200 | 657,600 | 37,700 | 5.40% |
| 2015 | 1,493,547 | \$ 69,709,757 | \$ 46,674 | 686,000 | 944,900 | 41,000 | 6.00% |
| 2014 | 1,474,828 | \$ 65,113,434 | \$ 44,150 | 680,700 | 631,000 | 49,700 | 7.30% |
| 2013 | 1,457,283 | \$ 61,376,100 | \$ 42,117 | 680,200 | 619,800 | 60,400 | 8.90% |
| 2012 | 1,444,819 | \$ 59,258,490 | \$ 41,014 | 681,300 | 609,700 | 71,600 | 10.50% |

* Information for Demographic and Economic Statistics is provided for the County of Sacramento since the District is located solely within the County and such information is not available specifically for the District's service area.

Source:

Population and Income: U.S. Department of Commerce, Bureau of Economic Analysis.

Labor Force and Employment Data: Annual Averages; State of California, Employment Development Department.

**Sacramento Suburban Water District
Statistical Information (Unaudited)
Principal Employers – Sacramento County*
Current Year and Ten Years Prior**

| Principal Employers | <u>December 31, 2021</u> | | | <u>December 31, 2011</u> | | |
|---|--------------------------|------|---------------------------------|--------------------------|------|---------------------------------|
| | Employees | Rank | Percentage of Total Labor Force | Employees | Rank | Percentage of Total Labor Force |
| State of California | 82,076 | 1 | 11.51% | 70,937 | 1 | 10.43% |
| UC Davis Health System | 14,618 | 2 | 2.05% | 8,580 | 3 | 1.26% |
| Sacramento County | 12,585 | 3 | 1.76% | 11,300 | 2 | 1.66% |
| Kaiser Permanente | 12,078 | 4 | 1.69% | 6,367 | 7 | 0.94% |
| U.S. Government | 11,752 | 5 | 1.65% | - | - | - |
| Dignity Health | 10,888 | 6 | 1.53% | 6,942 | 5 | 1.02% |
| Sutter Health Sacramento Sierra Region | 10,187 | 7 | 1.43% | 6,958 | 4 | 1.02% |
| Intel Corp. | 5,992 | 8 | 0.84% | 6,515 | 6 | 0.96% |
| California State University Sacramento | 5,283 | 9 | 0.74% | - | - | - |
| Elk Grove Unified School District | **- | - | - | 5,619 | 8 | 0.83% |
| San Juan Unified School District | 4,962 | 10 | 0.70% | 4,600 | 9 | 0.68% |
| Sacramento City Unified School District | 4,375 | 12 | - | 4,500 | 10 | 0.66% |
| Total | 170,421 | | 23.89% | 132,218 | | 19.46% |
| Total Labor Force | 713,300 | | | 680,000 | | |

* Information for Employers in Sacramento County, ranked by number of employees, is provided for the County of Sacramento since the District is located within the County and such information is not available solely for the District's service area.

** Did not report for 2021

Source:

Employers – Sacramento County: Sacramento Business Journal, Book of Lists 2021, Vol. 38, No. 45, p.71.

Total Labor Force: State of California, Employment Development Department, Sacramento County Profile (2021).

Sacramento Suburban Water District
Statistical Information (Unaudited)
Annual Retail Water Production
Last Ten Years
(Reported in Acre Feet)

| Year | <u>North Service Area</u> | | | <u>South Service Area</u> | | | Total Production |
|-------------|----------------------------------|---------------|------------------|----------------------------------|---------------|------------------|-----------------------------|
| | Surface | Ground | Sub Total | Surface | Ground | Sub Total | |
| 2021 | 2,228 | 15,704 | 17,932 | - | 14,222 | 14,222 | 32,154 |
| 2020 | 3,627 | 14,958 | 18,585 | 388 | 14,114 | 14,502 | 33,087 |
| 2019 | 10,843 | 6,283 | 17,126 | 6,404 | 7,080 | 13,484 | 30,610 |
| 2018 | 10,450 | 7,085 | 17,535 | - | 13,339 | 13,339 | 30,874 |
| 2017 | 10,162 | 7,364 | 17,526 | 1,301 | 12,427 | 13,728 | 31,254 |
| 2016 | 11,025 | 5,679 | 16,704 | 423 | 12,185 | 12,608 | 29,312 |
| 2015 | 80 | 15,702 | 15,782 | - | 11,720 | 11,720 | 27,502 |
| 2014 | - | 18,790 | 18,790 | - | 13,771 | 13,771 | 32,561 |
| 2013 | 409 | 21,869 | 22,278 | - | 16,276 | 16,276 | 38,554 |
| 2012 | 4,096 | 17,697 | 21,793 | 6,463 | 9,833 | 16,296 | 38,089 |

Source: District.

Sacramento Suburban Water District
Statistical Information (Unaudited)
 Wheeling Water Deliveries
 Last Ten Years
 (Reported in Acre Feet)

| Year | California American Water Company | Citrus Heights Water District | Rio Linda / Elverta Water District | City of Sacramento | County of Sacramento | San Juan Water District | Total Deliveries |
|-------------|--|--|---|-------------------------------|---------------------------------|--|-----------------------------|
| 2021 | - | 1 | - | 562 | - | 22 | 585 |
| 2020 | 152 | - | - | - | - | 8 | 160 |
| 2019 | 1,539 | - | - | - | - | - | 1,539 |
| 2018 | 1,551 | - | - | 153 | - | - | 1,704 |
| 2017 | 1,983 | - | 1 | - | - | - | 1,984 |
| 2016 | 251 | - | - | - | - | 13 | 264 |
| 2015 | - | - | - | - | - | 51 | 51 |
| 2014 | - | - | 11 | 104 | - | - | 115 |
| 2013 | - | 17 | - | 331 | - | - | 348 |
| 2012 | 584 | - | 25 | 28 | 5 | - | 647 |

Source: District.

Sacramento Suburban Water District
Statistical Information (Unaudited)
 Operating Activity
 Last Ten Years

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <u>Production Department</u> | | | | | | | | | | |
| <i>Water Quality</i> | | | | | | | | | | |
| Complaints | 137 | 174 | 30 | 1 | 13 | 51 | 14 | 16 | 8 | 12 |
| Inquiries | 159 | 171 | 110 | 159 | 197 | 119 | 159 | 129 | 163 | 130 |
| <u>Distribution Department</u> | | | | | | | | | | |
| <i>Service Orders</i> | | | | | | | | | | |
| Main Leaks | 64 | 77 | 61 | 70 | 66 | 52 | 40 | 53 | 51 | 47 |
| Service Line Leaks | 268 | 242 | 125 | 101 | 75 | 105 | 72 | 65 | 69 | 67 |
| Locate & Expose | 332 | 253 | 353 | 253 | 208 | 172 | 165 | 97 | 57 | 51 |
| Determine Responsibility | 1,770 | 1,891 | 839 | 630 | 654 | 621 | 681 | 621 | 729 | 827 |
| <i>Water Main Shutdown:</i> | | | | | | | | | | |
| -- Emergency | 99 | 110 | 86 | 27 | 29 | 29 | 16 | 34 | 31 | 44 |
| -- Scheduled | 160 | 170 | 100 | 32 | 13 | 6 | 9 | 13 | 56 | 44 |
| <i>Preventive Maintenance Program</i> | | | | | | | | | | |
| Fire Hydrants Inspected | 1,248 | 1,237 | 1,255 | 1,597 | 251 | 28 | 200 | 873 | 931 | 1,277 |
| Fire Hydrant Valves Inspected | - | - | 1,202 | 1,508 | 247 | 51 | 235 | 845 | 896 | 1,388 |
| Fire Hydrants Valves Exercised | - | - | 975 | 1,385 | 225 | 49 | 234 | 768 | 794 | 1,205 |
| Valves Inspected | 1,406 | 923 | 898 | 434 | 880 | 708 | 1,758 | 1,900 | 1,757 | 3,116 |
| Valves Exercised | | | | | | 641 | 1,536 | 1,414 | 1,289 | 2,356 |
| <i>After Hours Activity</i> | | | | | | | | | | |
| Calls Received | 1,012 | 1,012 | 1,024 | 1,145 | 741 | 553 | 496 | 704 | 553 | 901 |
| Calls Responded | 433 | 367 | 338 | 605 | 442 | 342 | 332 | 417 | 321 | 385 |
| <u>Field Services Department</u> | | | | | | | | | | |
| <i>Meters</i> | | | | | | | | | | |
| Preventive Maintenance – Meters Tested | 150 | 135 | 57 | 32 | 128 | 135 | 114 | 125 | 122 | 123 |
| Preventive Maintenance – Meters Replaced | 189 | 644 | 143 | 117 | 1,159 | 279 | 941 | 929 | 797 | 1,200 |
| Preventive Maintenance – Meter Re-Builds | - | - | 67 | 43 | 240 | 232 | 245 | 245 | 253 | 264 |
| <i>Customer Service</i> | | | | | | | | | | |
| Shut Off (non-payment) | 2,158 | 2,066 | 2,561 | 2,051 | 1,804 | 1,772 | 1,861 | 1,949 | 312 | 0 |
| Restore Service | 1,976 | 1,451 | 2,100 | 1,801 | 1,742 | 1,772 | 1,723 | 1,795 | 450 | 92 |
| Customer Pressure Inquiries | - | - | 121 | 113 | 143 | 118 | 125 | 132 | 132 | 117 |
| <i>Service Requests/Work Orders</i> | | | | | | | | | | |
| Service Requests Generated | 23,026 | 18,641 | 22,736 | 24,204 | 16,092 | 17,858 | 18,957 | 24,483 | 16,951 | 14,570 |
| Work Orders Generated | 12,382 | 14,460 | 11,939 | 10,898 | 12,417 | 14,257 | 14,722 | 15,870 | 16,414 | 20,038 |

Source: District.

Sacramento Suburban Water District
Statistical Information (Unaudited)
 Authorized Full-Time Equivalent Employees
 Last Ten Years

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|-----------------------------------|------|------|------|------|------|------|------|------|------|------|
| Administration | 13 | 13 | 13 | 13 | 14 | 14 | 15 | 15 | 16 | 16 |
| Conservation | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Customer Service | 5 | 5 | 5 | 5 | 6 | 6 | 6 | 6 | 6 | 6 |
| Distribution | 20 | 20 | 20 | 21 | 22 | 22 | 23 | 23 | 23 | 22 |
| Engineering | 9 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| Production and Water Treatment | 12 | 12 | 12 | 12 | 13 | 13 | 14 | 14 | 14 | 15 |
| Total | 61 | 62 | 62 | 63 | 67 | 67 | 70 | 70 | 70 | 71 |

Source: District.

**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***

Board of Directors of the
Sacramento Suburban Water District
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 basic financial statements of the Sacramento Suburban Water District (District), as of and for the year ended December 31, 2021, and have issued our report thereon dated April 14, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 District'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 District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We have also issued a separate Memorandum on Internal Control dated April 14, 2022, which is an integral part of our audit and should be read in conjunction with this report.

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

Maze + Associates

Pleasant Hill, California
April 14, 2022