Agenda

Sacramento Suburban Water District

Audit Committee Meeting

3701 Marconi Avenue, Suite 100
Sacramento, CA 95821

Wednesday, April 19, 2023
4:30 p.m.

This meeting will be conducted both in-person in the District's Boardroom at the address above, and by videoconference and teleconference using the information provided below. The public is invited to listen, observe, and provide comments during the meeting by any method provided. The Chairperson will call for public comment on each agenda item at the appropriate time.

For members of the public interested in viewing and having the ability to comment at the public meeting via Zoom, an internet enabled computer equipped with a microphone and speaker or a mobile device with a data plan is required. Use of a webcam is optional. You also may call in to the meeting using teleconference without video. Please use the following login information for videoconferencing or teleconferencing:

Join the meeting from a computer, tablet or smartphone:
https://us02web.zoom.us/j/84161022417?pwd=VWc1MlFFT3g5OGN3aDNOMk1NZWN3Zz09

Meeting ID: 841 6102 2417
Password: 690309

You can also dial in using your phone: 1-669-900-6833

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Please mute your line.

Where appropriate or deemed necessary, the Committee may take action on any item listed on the agenda, including items listed as information items. Public documents relating to any open session item listed on this agenda that are distributed to all or a majority of the members of the Board of Directors less than 72 hours before the meeting are available for public inspection in the customer service area of the District's Administrative Office at the address listed above.

The public may address the Committee concerning an agenda item either before or during the Committee's consideration of that agenda item. Persons who wish to comment on either agenda or non-agenda items should fill out a Comment Card and give it to the General Manager. The President will call for comments at the appropriate time. Comments will be subject to reasonable time limits (3 minutes).

In compliance with the Americans with Disabilities Act, if you have a disability, and you need a disability-related modification or accommodation to participate in this meeting, then please contact Sacramento Suburban Water District Human Resources at 916.679.3972. Requests must be made as early as possible, and at least one full business day before the start of the meeting.

Call to Order

Roll Call

Announcements

Public Comment
This is an opportunity for the public to comment on non-agenda items within the subject matter jurisdiction of the Committee. Comments are limited to 3 minutes.

Consent Items
The committee will be asked to approve all Consent Items at one time without discussion. Consent Items are expected to be routine and non-controversial. If any member of the Committee, staff or interested person requests that an item be removed from the Consent Items, it will be considered with the action items.

1. **Minutes of the October 10, 2022, Audit Committee Meeting**
   Recommendation: Approve the draft minutes of the October 10, 2022, Audit Committee Meeting.

Items for Discussion and/or Action

2. **2022 Annual Comprehensive Financial Report and Audit Results**
   Recommendation: Review the 2022 Annual Comprehensive Financial Report (Annual Report) and audit results with the District's independent auditor, Maze & Associates. Recommend acceptance of audit results and approval of the 2022 Annual Report to the full Board of Directors at the May 15, 2023, Regular Board meeting.

3. **Update of the Finance and Audit Committee Mission Statement and Charter**
   Recommendation: Review and approve the attached update to the Finance and Audit Committee Mission Statement and Charter. Recommend to the full Board establishing the reorganized Audit Committee of the Board of Directors by adopting the Audit Committee Mission Statement and Charter.

4. **Ethics Policy (PL – BOD 004) Training Compliance Report**
   Recommendation: Receive staff report on District "Covered Official" compliance with the training requirements of District Ethics Policy PL – BOD 004.

Adjournment

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Upcoming Meetings:

- Thursday, May 4, 2023, at 3:00 p.m., CWD/SSWD 2x2 Committee Meeting
- Monday, May 15, 2023, at 6:00 p.m., Regular Board Meeting

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I certify that the foregoing agenda for the April 19, 2023, meeting of the Sacramento Suburban Water District Audit Committee was posted by April 13, 2023, in a publicly-accessible location at the Sacramento Suburban Water District office, 3701 Marconi Avenue, Suite 100, Sacramento, California, and was made available to the public during normal business hours.

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Dan York
General Manager/Secretary
Sacramento Suburban Water District

SACRAMENTO SUBURBAN WATER DISTRICT

Agenda Item: 1

Date: April 19, 2023

Subject: Minutes of the October 10, 2022, Audit Committee Meeting

Staff Contact: Dan York, General Manager

Recommended Committee Action:
Approve the draft minutes of the October 10, 2022, Audit Committee Meeting.

Attachment:
1 – Minutes of the October 10, 2022, Audit Committee Meeting

Attachment 1

Minutes

Sacramento Suburban Water District
Audit Committee Meeting
Monday, October 10, 2022

Location:
3701 Marconi Avenue, Suite 100, Sacramento, CA 95821, and Audio Conference at 1-669-900-6833, and Video Conference using Zoom at Meeting Id #864 0699 6448

Call to Order – Videoconference/Audioconference Meeting
Chair Thomas called the meeting to order at 3:30 p.m.

Roll Call

Directors Present:	Jay Boatwright and Kevin Thomas.
Directors Absent:	None.
Staff Present:	General Manager Dan York, Assistant General Manager Matt Underwood, Heather Hernandez-Fort, Lynn Pham, and Jeff Ott.
Public Present:	David Alvey and Craig Locke.

Announcements
None.

Public Comment
None.

Consent Items

1. **Minutes of the May 5, 2022, Audit Committee Meeting**
   Director Boatwright moved to approve Item 1; Chair Thomas seconded. The motion passed by unanimous vote.

AYES:	Boatwright and Thomas.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:			

Items for Discussion and/or Action

2. **2022 Audit Engagement Letter and Task Order 3**
   Jeff Ott (Mr. Ott) presented the staff report and answered clarifying questions.

   Mr. Ott introduced David Alvey, with Maze & Associates, the District's contracted auditor, who presented the Engagement Letter and Task Order 3.

Director Boatwright requested a copy of the 5-year fee schedule for Maze & Associates.

Director Boatwright moved to provide the 2022 Audit Engagement Letter and Task Order 3, with Maze & Associates Accountancy Corporation, to recommend approval to the full Board of Directors and request authorization for the Audit Committee Chair to execute the Engagement Letter and Task Order 3. He further requested to place the item on Consent at the October Regular Board Meeting, Chair Thomas seconded. The motion passed by unanimous vote.

AYES:	Boatwright and Thomas.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:			

Adjournment
Chair Thomas adjourned the meeting at 3:46 p.m.

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Dan York
General Manager/Secretary
Sacramento Suburban Water District

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Agenda Item: 2

Date: April 19, 2023

Subject: 2022 Annual Comprehensive Financial Report and Audit Results

Staff Contact: Lynn Pham, Controller

Recommended Committee Action:
Review the 2022 Annual Comprehensive Financial Report (Annual Report) and audit results with the District's independent auditor, Maze & Associates. Recommend acceptance of audit results and approval of the 2022 Annual Report to the full Board of Directors at the May 15, 2023, Regular Board meeting.

Summary:
This year was the third year with the audit firm, Maze & Associates (Auditor). For this year's audit, the audit staff of Maze and Associates performed portions of the audit at the District's offices. The audit field work was conducted in two phases: 1) an interim that was conducted from February 6 through February 10, and 2) final that was conducted from March 27 through March 31. There were no substantive findings of any issues with internal controls or financial data. The audit resulted in the District receiving an unmodified opinion. This represents the highest level of opinion indicating that there were no material misstatements in the information subject to audit. The fee for this year's audit is $41,858 compared with $41,036 for 2021 and agrees with the cost schedule provided by Maze and Associates in their 2020 audit services proposal.

Discussion:
Staff have prepared the District's Annual Report for the year-ended December 31, 2022. The Auditors have performed their audit and rendered their opinion, which is found on pages 1 to 3 in the Financial Section of the Annual Report (Attachment 1). In addition to the Auditor's Opinion, the Annual Report includes the Auditor's Report on Internal Controls as required under Government Auditing Standards (pages 84 and 85). Also, the Auditors have provided a letter to the Board (Attachment 2) wherein they discuss the results of their audit. The Auditors will present their results of the audit, including communications required by Generally Accepted Auditing Standards. Their presentation is included herein as Attachment 3.

1. The Annual Report (Attachment 1) is presented in three sections:

   a) Introductory – Provides readers with background and the organization structural of the District.

b) Financial – Begins with the Auditors Opinion, followed by Management's Discussion and Analysis of the financial results for 2022 and 2021, followed by the Financial Statements, Footnotes and Required Supplementary Information.

c) Statistical Information – Presents other financial and operational information about the District and the community in which it operates and shows historical data for comparative purposes.

2. Memorandum on Internal Controls and Required Communications (Attachment 2) – This letter is a required communication as designated under generally accepted auditing standards. The letter reports to the Board significant audit findings, if any, noted during the audit, estimates used by the District in preparing the Annual Report, difficulties encountered during the audit and disagreements, if any, with management amongst other matters. The Auditors state that: 1) "… during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.", 2) "All significant transactions have been recognized in the financial statements in the proper period.", 3) "The financial statement disclosures are neutral, consistent and clear.", 4) "We encountered no significant difficulties in dealing with management in performing and completing our audit.", and 5) regarding disagreements with management in financial accounting, reporting or auditing matters, "We are pleased to report that no such disagreements arose during the course of our audit."

Fiscal Impact:
$41,858 – per Audit Engagement Letter with Maze & Associates - $36,208 for the audit, and $5,650 for the Board requested additional procedures.

Strategic Plan Alignment:
Goal C: Ensure Fiscal Responsibility and Affordable Rates

Produce annual financial statements and supporting documentation to allow outside auditors to provide the District with unmodified audit opinions. The annual financial report is a benefit to District customers as it demonstrates the District's commitment to financial integrity and transparency.

Attachments:
1. 2022 Annual Comprehensive Financial Report
2. Memorandum on Internal Controls and Required Communications
3. Maze & Associates - Audit Presentation

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Sacramento Suburban
Water District
Sacramento, CA

Annual Comprehensive Financial Report

For the Fiscal Years Ended December 31, 2022 and 2021

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Annual Comprehensive Financial Report and Independent Auditors' Report

For the Fiscal Years Ended December 31, 2022 and 2021

Sacramento Suburban Water District

Sacramento, California

Prepared by:

The Finance Department

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Introductory Section

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General Manager

Daniel R. York

SACRAMENTO SUBURBAN WATER DISTRICT

CLEARLY REFRESHING SERVICE!

April 10, 2023

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, 2022 and 2021. 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 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, 2022 and 2021, 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, 2022 and 2021, 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

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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 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 47,680 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 693 miles of pipeline that range in size from 48-inch transmission mains down to 4-inch distribution mains. There are 48 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 71 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. The District has enough source and storage capacity to meet the system Maximum Daily Demand and Peak Hourly Demand per section 64554(a), Article 2, Chapter 16, Division 4, Title 22, of the California Code of Regulations

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, 2022, the District has banked approximately 236,000 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.

Even with the drought conditions that existed during 2021 and 2022, the District was still able to acquire surface water through the new SJWD agreements of 2,228 acre feet and 6,098 acre feet, respectively, when no PCWA water was available, which benefits the groundwater basin.

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 four increases of 5%, 4%, 3%, and 3% were placed into effect on January 1, 2020, 2021, 2022, and 2023, 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. 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 remained in operation to provide vital services to our customers and the public. Operational steps were 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 lobby was closed to the public in March 2020 and staff were allowed to telework when feasible. As of March 2022, the customer service lobby has been reopened and staff have returned to the office. However, supply chain issues and material and labor shortages continue to delay the completion of several of the District’s major projects.

In April 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. In September 2021, the Governor signed SB 155 into law which established, among other items, the end date on the water service termination moratorium as of December 31, 2021. 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. By the summer of 2022, the District had fully implemented all previous collections activities returning to normal collections processing. On February 28, 2023 Governor Gavin Newsom issued a proclamation terminating the state’s COVID-19 State of Emergency. The financial effects of the pandemic will be addressed in the MD&A section of this report.

Local Economy[1]

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 1.58 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 2012-2022, the population of the County grew at an annual average rate of 0.98%. Employment in the County consists of a labor force of 731,000 as of December 2022 with an unemployment rate of 3.6% down from 4.7% as of December 2021. Employment and population are projected to grow by an average 1.3% and 1.0% 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, retail, leisure 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 transportation & utilities, professional services followed by education & healthcare, and government.

[1] Population data from State of California Department of Finance E-5 estimates 2020-2022; Labor force and unemployment data from California Employment Development Department, Sacramento County Profile (2022); Forecast data from State of California, Department of Transportation, Socio Economic Files, Sacramento County Economic Forecast (2022).

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.

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 annually 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 non-appropriated 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 fiscal 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. 87 – Leases and GASB Statement No. 96 – Subscription-Based Information Technology Arrangements (SBITA) during fiscal year 2022. The District also implemented a new policy in fiscal year 2022 addressing the accounting for leases and SBITAs. The new policy establishes the guidelines for reporting leases and SBITAs. Any material lease or SBITA, defined as having a net present value greater than one percent (1.0%) of the five-year average of annual total assets, shall be reported in accordance with GASB 87 or 96 as appropriate.

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 2023 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/replacements.

The District's Board of Directors is currently in discussions with two neighboring water agencies regarding potential combinations. Discussion are in various stages of progress. Refer to the map on page XII of this report for location. Del Paso Manor Water District is a neighboring agency surrounded by the District that serves approximately 1.3 square miles and 1,800 residential, commercial and institutional connections. More information can be obtained on the District's website About page: https://www.sswd.org/about/dpmwd-sswd-2x2-committee
Carmichael Water District is also a neighboring agency that serves approximately 8.0 square miles and 11,900 residential, commercial and institutional connections. More information can be obtained on the District's website About page: https://www.sswd.org/about/mou-with-sswd-and-carmichael-water-distrtic.

Awards and Acknowledgments

For the eleventh 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, 2021. 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	Jeffery S. Ott
General Manager	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, 2021

Christopher P. Morrill

Executive Director/CEO

Principal District Officials

Board of Directors - Elected Officials

Title	Name	Division	Current Term
President	Jay N. Boatwright	Division 2	12/2022-12/2024
Vice President	Kevin M. Thomas	Division 4	12/2022-12/2026
Director	David A. Jones	Division 1	12/2020-12/2024
Director	Robert P. Wichert	Division 3	12/2022-12/2026
Director	Craig M. Locke	Division 5	12/2022-12/2026

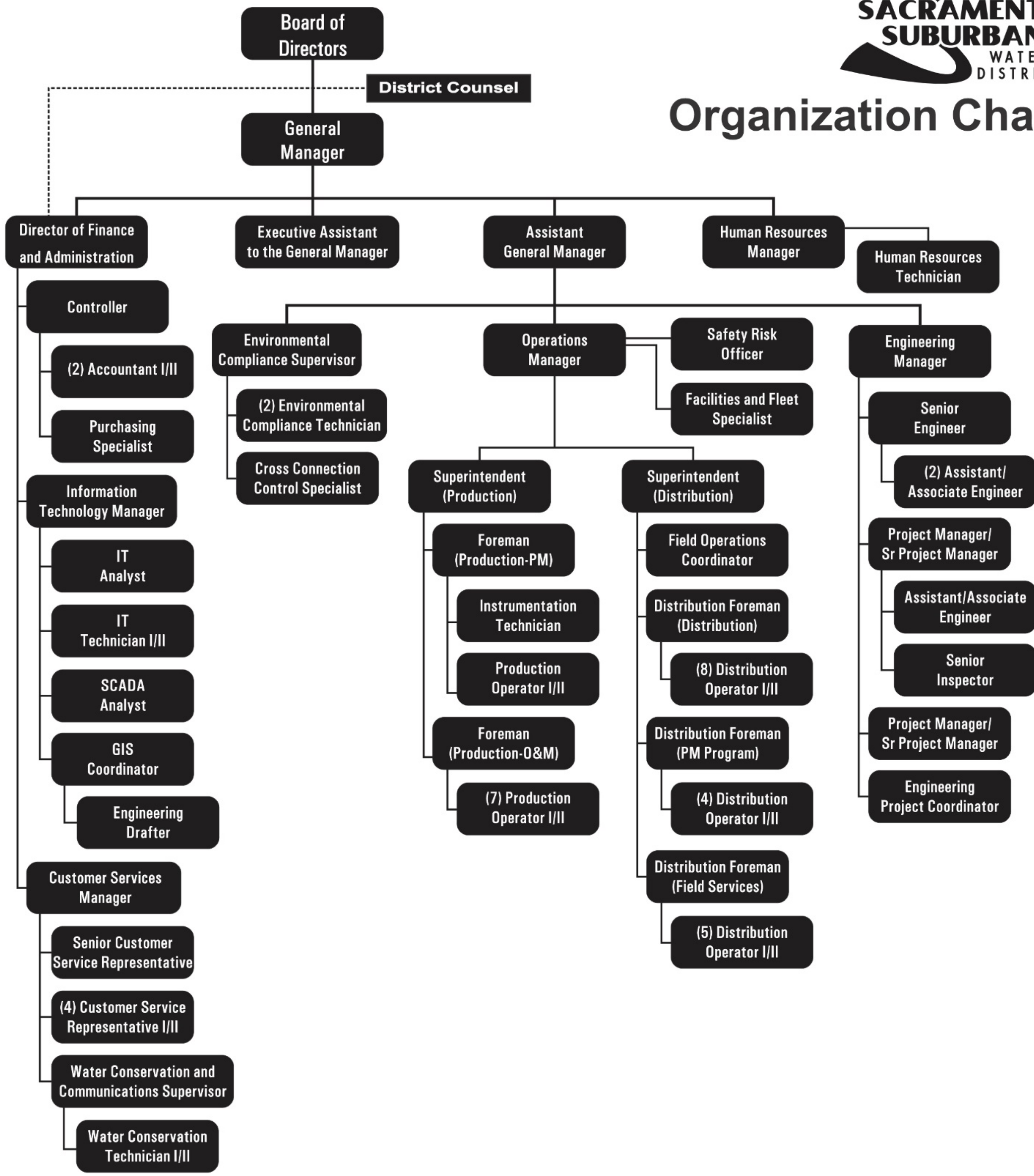
Staff - Appointed Officials

Title	Name
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

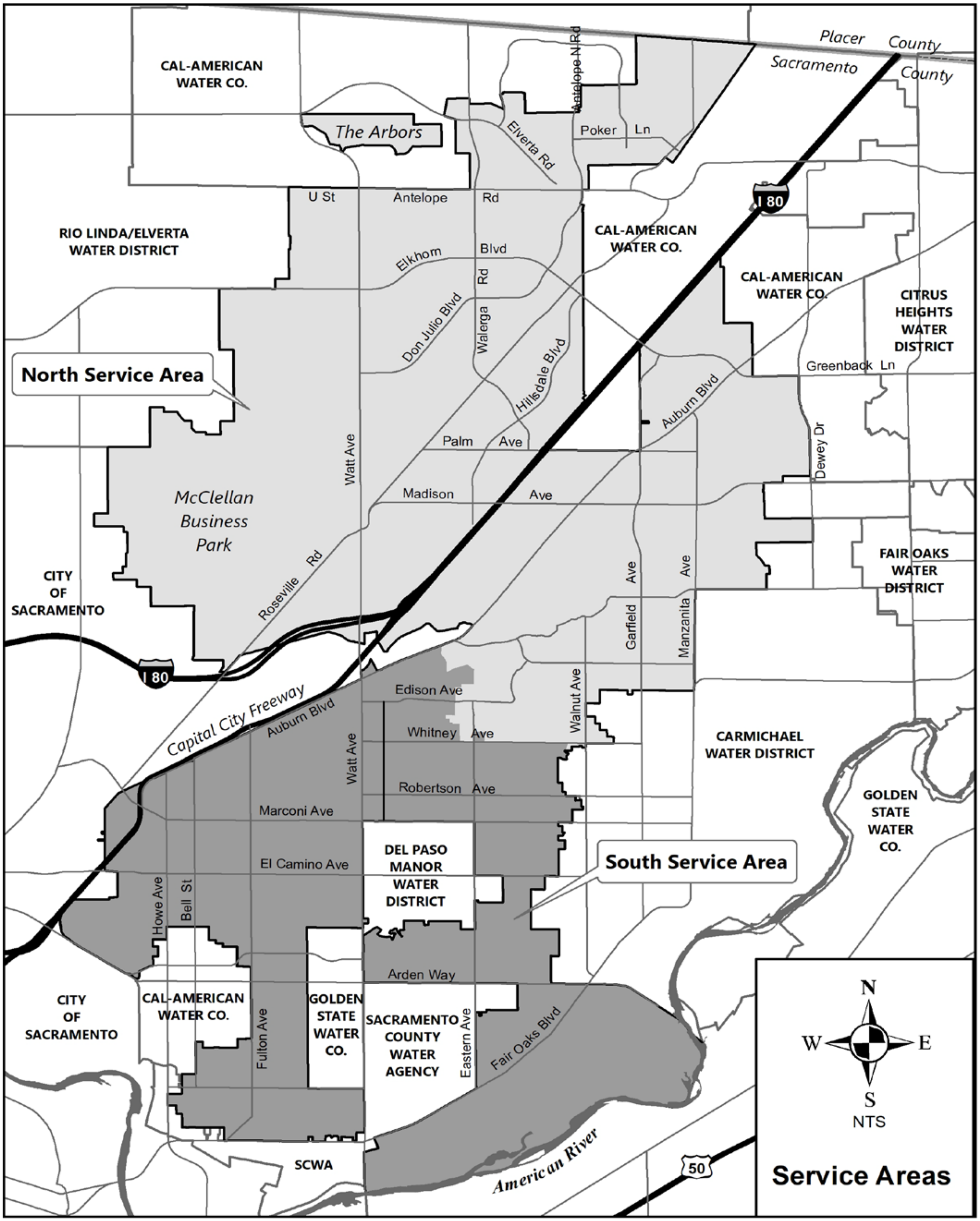
Title	Name
Assistant General Manager	Matthew T. Underwood
Operations Manager	Todd Artrip
Engineering Manager	Dana S. Dean
Customer Services Manager	Julie H. Nemitz

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

11/29/2022


Placer County
Sacramento County
CAL-AMERICAN WATER CO.
The Arbors
RIO LINDA/ELVERTA WATER DISTRICT
CAL-AMERICAN WATER CO.
CAL-AMERICAN WATER CO.
CITRUS HEIGHTS WATER DISTRICT
North Service Area
McClellan Business Park
CITY OF SACRAMENTO
FAIR OAKS WATER DISTRICT
Capital City Freeway
CARMICHAEL WATER DISTRICT
GOLDEN STATE WATER CO.
DEL PASO MANOR WATER DISTRICT
South Service Area
CITY OF SACRAMENTO
CAL-AMERICAN WATER CO.
GOLDEN STATE WATER CO.
SACRAMENTO COUNTY WATER AGENCY
SCWA
American River
Antelope N Rd
Poker Ln
Elverta Rd
U St
Antelope Rd
Elkhorn Blvd
Walerga Rd
Don Julio Blvd
Hillsdale Blvd
Greenback Ln
Auburn Blvd
Palm Ave
Dewey Dr
Watt Ave
Madison Ave
Roseville Rd
Garfield Ave
Manzanita Ave
I 80
Edison Ave
Walnut Ave
Auburn Blvd
Whitney Ave
Robertson Ave
Marconi Ave
El Camino Ave
Howe Ave
Bell St
Arden Way
Fulton Ave
Eastern Ave
Fair Oaks Blvd
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NTS
Service Areas

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, 2022 and 2021 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, 2022 and 2021 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 beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

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

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section and Statistical Section listed in the Table of Contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic 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 basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic 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 10, 2023 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.

Maze + Associates

Pleasant Hill, California
April 10, 2023

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, 2022 and 2021. 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 2022, 2021, and 2020, are highlighted below.

Water Activities and Highlights

- For the period ended December 31, 2022 the District produced 30,963 acre-feet of water (6,098 surface and 24,865 ground) for 47,680 connections, compared to 32,154 acre-feet of water (2,228 surface and 29,976 ground) for 47,402 connections in 2021, and 33,087 acre-feet of water (4,015 surface and 29,072 ground) for 47,176 connections in 2020.

- In 2022, 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 $1,312,754 (gross proceeds of $1,748,400 less costs of $435,646). Costs comprise the pumping of 3,842 acre-feet of ground water delivered to the City of Sacramento and administrative expenses (legal and consulting). However, the 3,842 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 cost for pumping and treating water (111.48 per acre-foot) the savings would be approximately $0.43 million.

- 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). As with the 2022 transfer, 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 also resulted in economic, as well as aquifer, benefit to the District by not having to pump additional groundwater. At the current cost for pumping and treating water (111.48 per acre-foot) the savings would be approximately $0.74 million.

- 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.

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 has transitioned away from the majority of capital project dollars being spent on system mainlines and meter installations to groundwater well rehabilitation and replacement.

- In 2022, approximately 1.1 miles of pipeline and appurtenance replacements were installed at a cost of $4.9 million, compared to 0.7 miles in 2021 and 5.2 miles in 2020 at costs of $2.3 million and $10.1 million, respectively. As of December 31, 2022, the District has six new wells under construction and property acquisitions in process to begin construction on two additional wells. Total 2022 spending on well rehabilitation and replacement was $14.9 million compared to $6.1 million and $1.6 million in 2021 and 2020, respectively. Total expenditures for all capital improvement projects in 2022, 2021, and 2020 were $23.8 million, $15.4 million and $15.6 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 2022, 14 new meters were installed, compared to 989 in 2021 and 1,140 in 2020. As of December 31, 2022, approximately 99.6 percent of the District's connections are on water meters compared to 99.6 percent at the end of 2021 and 97 percent at the end of 2020. Accordingly, the District is on track to meet this mandate.

Financial Highlights

- In March 2022, the District completed a refinancing of its 2009A Certificates of Participation (variable rate) and its 2012A Revenue Refunding Bonds (fixed rate) to achieve economic benefit from the low interest rates on municipal debt and to eliminate the risks associated with its variable rate debt. Concurrent with the refinancing of the 2009A Certificates of Participation, the District also terminated the interest rate swap with Wells Fargo Bank, N.A. and the letter of credit with Sumitomo Mitsui Bank. See Note 8 for more details.

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, 2022 and 2021. 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.

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 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	**2022**	**2021**	**Change**	**2020**	**Change**
			$		
Current assets	$ 19,101	$ 21,270	(2,169)	$ 14,796	$ 6,475
Non-current assets	37,209	41,956	(4,747)	41,212	744
Capital assets, net	324,542	309,062	15,480	304,848	4,214
Total assets	380,852	372,289	8,564	360,856	11,432
Deferred outflows	11,254	7,307	3,947	9,072	(1,765)
Liabilities					
Current liabilities	14,886	13,276	1,610	12,578	699
Non-current liabilities	71,332	74,833	(3,501)	87,833	(13,000)
Total liabilities	86,218	88,110	(1,891)	100,411	(12,301)
Deferred inflows	3,432	7,784	(4,352)	1,594	6,191
Net position					
Net investment in capital assets	270,542	247,828	22,714	238,712	9,116
Restricted for debt service fund	2	-	2	-	-
Unrestricted	31,912	35,874	(3,962)	29,212	6,662
Total net position	$ 302,456	$ 283,702	$ 18,754	$ 267,923	$ 15,778

Referring to the table above, total assets increased by $8.6 million compared to December 31, 2021, to a total of $380.9 million as of December 31, 2022. The principal reason for the increase is related to an increase in capital assets as the District replaces its aging infrastructure offset by smaller decreases in current and other non-current assets mostly related to a decrease in the market value of the investment portfolio and the termination of the swap agreement mentioned above. 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 decreased by $2.2 million in 2022 compared to a $6.5 million increase in 2021. The 2022 decrease was primarily attributable to a decrease in cash and cash equivalents of $4.1 million related primarily to the termination of the Wells Fargo Bank N.A. swap agreement for $5.6 million in cash offset by an increase in receivables of $1.9 million related to the 2022 Water Transfer mentioned above, while the 2021 increase of $6.5 million was primarily attributable to an increase in cash and cash equivalents that was related to underspending of the capital budget by $6.6 million.

Non-current assets decreased by $4.7 million in 2022 after having increased by $0.7 million in 2021. The 2022 decrease is due primarily to a $4,373,615 decrease in the investment portfolio (net of investment earnings of $0.65 million, proceeds from maturities of $2.70 million transferred to short-term money market account and $2.32 million in unrealized investment loss) and to a $373,563 decrease in the interest rate swap due to termination. The 2021 increase of $0.7 million 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 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 for liquidity purposes. The investment portfolio and cash equivalents had an unrealized fair value loss of $2,315,214 as of December 31, 2022 compared to an unrealized loss of $969,810 as of December 31, 2021.

Capital assets, net, increased $15.5 million in 2022 due primarily to an increase in non-depreciable assets of $12.5 million (easements and construction-in-progress (CIP)), capitalization of assets of $15.1 million and net depreciation of $12.2 million. The 2021 increase of $4.2 million is 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. Expenditures for 2022 and 2021 continue to be primarily for the construction and replacement of a portion of the District's transmission and distribution system ($6.8 and $4.4 million, respectively), the addition and/or improvements to well facilities ($14.9 and $6.1 million, respectively), and the addition of $1.1 and $3.1 million, respectively, of new water meter equipment. Several other capital asset construction projects are in various stages of completion with costs incurred during 2022 amounting to $0.9 million and $2.1 million in 2021. Developers contributed $4.2 million and $2.5 million in 2022 and 2021, respectively (see Note 6).

As of December 31, 2022 and 2021, 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 $1.9 million and $12.3 million as of December 31, 2022 and 2021, respectively. The 2022 decrease is due primarily to several offsetting increases and decreases in liabilities related to a decrease in long-term debt ($10.2 million), an increase ($6.9 million) in net pension liability, and an increase ($1.5 million) in accounts payable and accrued expenses. 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).

Current liabilities increased to $14.9 million from $13.3 million as of December 31, 2022 primarily related to increase in accrued expenses ($0.6 million), and increase in accounts payable ($0.9 million) for several large construction related invoices for December . The 2021 increase of $0.7 million was mostly related to an increase in accounts payable and accrued expenses ($0.4 million).

Non-current liabilities decreased by $3.5 million in 2022 compared to a decrease of 13.0 million in 2021. In the last quarter of 2021, the District analyzed the opportunity to refinance a portion of its long-term debt, due to extremely low interest rates, in order to reduce its borrowing costs. The $42.0 million in variable-rate debt was refinanced with $34.7 million of 5.0% fixed-rate debt with a true interest cost of 1.57%. Concurrent with the refinancing, the Wells Fargo Bank, N.A. interest rate swap on the variable-rate debt was terminated for $5.6 million in cash. The 2022 decrease is primarily related to a reduction in long-term debt principal ($7.3 million), termination of the swap ($3.6 million), and an increase in unamortized bond premium ($5.5 million) as part of the 2022 debt refinancing, scheduled principal paydowns of long-term debt ($5.0 million), and increase in net pension liability ($6.9 million). The net pension liability increase is the result of CalPERS investment losses and the effect of those losses on the District's share of the net pension liability. The 2021 decrease is related primarily to principal paydowns on long-term debt ($5.7 million), decrease in net pension liability ($4.8 million) as a result of larger than normal investment gains with the CalPERS investment portfolio and the effect of those gains on the District's share of the net pension liability, decrease in net OPEB liability ($1.1 million) resulting from larger than normal investment gains in the OPEB trust and decrease in the fair value of the interest rate swap ($1.2 million) related to rising interest rates.

The District realized an overall increase in net position of $18.8 million for the year ended December 31, 2022, compared to $15.8 million and $12.8 million for the years ended December 31, 2021 and 2020, respectively. The components of net position as of December 31, 2022 are:

- The largest component of District net position is the District's net investment in capital assets which increased by $22.8 million to $270.5 million as of December 31, 2022, and is comprised of total capital assets (net of accumulated depreciation) plus deferred outflows on long-term debt refundings less related long-term debt and other liabilities 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 2022, the funds were used to pay interest on the related obligations.
- At the end of 2022, 2021 and 2020, the District showed a positive balance in its unrestricted net position of $31.9 million, $35.9 million, and $29.2 million, respectively. The 2022 decrease primarily reflects the decrease in current assets and investments ($6.5 million), increase in deferred outflows ($3.9 million), an increase in liabilities, net of capital related liabilities, ($5.3 million) and a decrease in deferred inflows ($4.4 million). 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) and a decrease in current liabilities, net of debt, ($3.3 million).

Condensed Statements of Revenues, Expenses and Changes in Net Position

(Dollars in Thousands)

	2022	2021	Change	2020	Change
Revenues					
Operating revenues	$ 53,359	$ 48,973	$ 4,386	$ 49,228	$ (255)
Rental revenue	315	339	(24)	291	47
Interest and investment revenue	(1,664)	(321)	(1,343)	1,600	(1,920)
Grant revenue pass-through to sub recipients	-	468	(468)	-	468
Other non-operating revenues	54	765	(711)	83	682
Total revenues	52,064	50,224	1,840	51,202	(978)
Expenses					
Operating expenses	22,455	21,839	616	22,307	(467)
Depreciation and amortization	13,766	13,588	178	13,715	(127)
Interest expense	2,641	2,271	370	2,552	(281)
Sub recipient grant expense	-	468	(468)	-	468
Other non-operating expenses	344	132	212	1,354	(1,222)
Total expenses	39,206	39,297	908	39,927	(1,630)
Net revenue before capital contributions	12,858	11,927	932	11,274	652
Capital contributions	5,896	3,851	2,045	1,546	2,306
Change in net position	18,754	15,778	2,977	12,821	2,957
Net position, beginning of year	283,702	267,923	15,778	259,456	8,467
Restatement	-	-	-	(4,353)	4,353
Net position, end of year	$ 302,456	$ 283,702	$ 18,755	$ 267,924	$ 15,778

From the table above it can be seen that the District's net position increased by $18.8 million for the period ended December 31, 2022 compared to $15.8 million for 2021. 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 increased by $4.4 million (8.9%) compared to the year ended December 31, 2021, primarily due to the net effect of the following: 1) the District participated in a water transfer that grossed $1.7 million, 2) a 3% average rate increase went into effect on January 1, 2022, which resulted in increased service charge revenue of $1.8 million, and 3) other charges for services increased by $0.7 million as a result of resuming collections activities. 2021 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 that 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 suspension of collections activities related to the COVID-19 pandemic discussed previously.

Operating Revenues
(Dollars in Thousands)

	2022	2021	Change	2020	Change
Operating Revenues					
Water consumption sales	$ 15,545	$ 15,392	$ 153	$ 15,948	$ (556)
Water consumption sales – transfers	1,748	-	1,748	979	(979)
Water service charge	34,921	33,167	1,754	31,694	1,473
Wheeling water charge	7	6	1	83	(77)
Other charges for services	1,138	408	730	524	(116)
Total operating revenues	$ 53,359	$ 48,973	$ 4,386	$ 49,228	$ (255)

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 2022 the decrease in non-operating revenue ($2.5 million) was primarily due to a decrease in the fair value of the investment portfolio ($1.3 million), a decrease in other non-operating revenues ($0.7 million) as no additional pandemic related grants were received, and a decrease in pass through grant funds ($0.5 million). 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 of which $691,000 was applied to customer account balances and $14,600 to administrative costs. The District refunded the difference of $69,400 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, 2022, 2021, and 2020 was 1.44%, 1.23%, and 1.58%, 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 $ 1.7 million, $1.2 million, and $0.47 million in capacity fees in the years ended December 31, 2022, 2021 and 2020, respectively. The increases in capacity fee revenue for 2022 and 2021 primarily relates to the completion of 229 and 152 units, respectively, 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 2022, the value of such donated assets was $4.2 million, compared to $2.5 million in 2021 and $1.0 million in 2020. The 2022 and 2021 increase is primarily related to the Barret Ranch sub-division discussed previously.

Operating Expenses

(Dollars in Thousands)

	2022	2021	Change	2020	Change
Operating Expenses					
Source of supply	$ 2,285	$ 753	$ 1,532	$ 1,861	$ (1,108)
Pumping	5,602	6,242	(640)	5,227	1,014
Transmission and distribution	4,920	5,226	(306)	4,761	465
Water conservation	637	502	135	534	(32)
Customer accounts	1,798	1,477	321	1,279	198
Administrative and general	7,213	7,639	(426)	8,644	(1,005)
Total operating expenses	$ 22,455	$ 21,839	$ 616	$ 22,307	$ (468)

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 increased in 2022 by $0.6 million (2.8%) from 2021 due primarily to the following: 1) an increase in surface water purchases from San Juan Water District ($1.0 million) as part of the 2022 surface water agreement mentioned above and water transfer costs ($0.4 million) which is offset by a reduction in pumping costs ($0.6 million) as less ground water was produced due to a decrease in demand (3.9%) and the increase in surface water purchased, and 2) a decrease in administrative and general expenses ($0.4 million) mostly related to staff vacancies. 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 related to decreased water production and higher use of ground water in 2021 than in 2020.

Non-operating expenses consist primarily of interest expense, which includes amortization of bond premiums and deferred defeasance costs and any debt issuance costs, on the District's debt, the pass-through of grant revenues to sub-recipients on grants where the District was the lead agency in securing the grant, and other non-operating expenses which generally includes any gain or loss on asset disposals. Interest expense decreased in 2022 by $0.2 million primarily related to principal paydowns on the 2018A revenue bonds, and the refinancing of the 2009A certificates of participation and 2012A revenue bonds with lower interest rate debt obligations and amortization of defeasance costs increased by $0.2 million. Other non-operating expense for 2022 of $0.3 million related to assets retired before the end of their useful life. Interest expense decreased in 2021 by $0.3 million primarily related to lower interest rates on the unhedged portion of the District's variable rate debt obligations and principal paydowns.

Capital Asset Administration

(Dollars in Thousands)

Changes in capital asset amounts for 2022 were as follows:

	Balance 2021	Additions/ Transfers	Deletions/ Transfers	Balance 2022
Capital assets:				
Non-depreciable assets	$ 18,464	$ 24,956	$ (12,408)	$ 31,012
Depreciable & amortizable assets	502,485	4,633	10,500	517,619
Accumulated depreciation & amortization	(211,888)	(13,766)	1,564	(224,090)
Total capital assets, net	$ 309,062	$ 15,823	$ (344)	$ 324,541

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	493,228	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

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 currently in place. Despite such plans having a long-term focus, typically 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 2022, the District did not receive any grant funds, compared to $113,000 in 2021. As of December 31, 2022, the District has approximately $10.0 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 2022 were as follows:

	Balance 2021	Additions	Retirements	Balance 2022
Long-term debt:				
2009A Certificates of participation	$ 42,000	$ -	$ (42,000)	$ -
2012A Revenue bond	8,670	-	(8,670)	-
2018A Revenue bond	9,630	-	(2,715)	6,915
2022A Revenue bond	-	34,725	(270)	34,455
2022B Revenue bond	-	6,585	-	6,585
Other [1]	4,976	7,552	(5,567)	6,961
Total long-term debt	$ 65,276	$ 48,862	$ (59,222)	$ 54,916

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 [2]	5,574	-	(598)	4,976
Total long-term debt	$ 70,839	$ -	$ (5,563)	$ 65,276

(1) Consists of unamortized long-term debt premiums and deferred defeasance costs (See Note 8)
(2) Consists of unamortized long-term debt premiums and deferred defeasance costs 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. As part of this strategy, the District has utilized both fixed-rate debt and variable-rate debt. In September 2021, the 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 (COP) and the 2012A Refunding Revenue Bonds (Bonds). On March 15, 2022, the District completed the refinancing of its 2009A variable rate COP and its 2012A Bonds. As part of this transaction, the District also terminated the swap agreement with Wells Fargo Bank, N.A. for a price of $5,642,000 and terminated the Letter of Credit with Sumitomo Mitsui Bank related to the 2009A COPs. 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 2022 and 2021, 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.

2023 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. Amendments in the total amount of any budget or transfers between budgets must be approved by the Board of Directors prior to adjustment.

The District utilizes four primary budgets to manage its activities: Revenue and Sources of Funds Budget, Capital Budget, Operating 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 field equipment, fleet and facilities, information technology and operations and maintenance. The Operating 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 17, 2022, the Board approved a $54.7 million Revenue and Sources of Funds Budget, a $22.8 million Capital Budget ($22.1 million for Long-Term Capital and $0.7 million for Intermediate-Term Capital), a $24.9 million Operating Budget, and a $7.0 million Debt Service Budget for fiscal year 2023. 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.

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 2023 and beyond. The winter of 2022/23 has seen near historic snowfall in the mountains that provide the source for the District's surface water supplies during the spring and summer. The District is anticipating taking up to 12,000 acre feet of surface water in CY2023. This may lead to a budget amendment of approximately $1.5 million to cover the increased cost of surface water over ground water. The District has reserves set aside for such occurrences.

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 had a significant negative impact on the District's Other Charges for Service revenues which reached their lowest level in 2021 at $0.4 million. With the expiration of the moratorium on water service disconnections that expired on December 31, 2021 and District

Resolution No. 22-03 which rescinded all suspended regulations concerning service terminations, collections activities and charges, Other Charges for Services revenues increased in 2022 back to pre-pandemic levels ($1.1 million). Operationally, the District is still experiencing supply chain issues with materials and supplies for its capital projects. Shortages are still occurring that are affecting the scheduling and completion of several district projects. This has resulted in underspending both the 2022 and 2021 capital improvement budgets by approximately $5.2 million and $6.6 million, respectively. These unspent funds have been allocated to projects and are available to be spent in subsequent years. Approximately $5.4 million of the 2021 unspent budget was spent in 2022 with approximately $1.0 million still allocated to delayed projects.

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

Basic Financial Statements

Sacramento Suburban Water District
Statements of Net Position
December 31, 2022 and 2021

Assets	**2022**	**2021**
Current assets:		
Cash and cash equivalents (note 3)	$ 11,743,777	$ 15,882,263
Restricted cash and cash equivalents (notes 3 and 4)	2,359	16
Receivables, net (note 5)	5,117,274	3,209,912
Inventory	947,207	1,048,520
Prepaids and other current assets	1,290,767	1,129,625
Total current assets	19,101,383	21,270,336
Noncurrent assets:		
Investments (note 3)	37,208,892	41,582,507
Fair value of interest rate swap (notes 1 and 8)	-	373,563
Capital assets not being depreciated (note 6)	31,012,320	18,464,336
Capital assets being depreciated and amortized, net (note 6)	293,529,151	290,597,849
Total noncurrent assets	361,750,363	351,018,255
Total assets	380,851,746	372,288,591
Deferred outflows of resources		
Deferred amount on long-term debt refundings (note 1)	4,129,419	4,041,991
Pensions (note 13)	4,842,834	1,720,366
Other post-employment benefits (OPEB) (note 14)	1,300,500	578,563
Deferred outflow asset retirement obligation (note 15)	981,340	966,187
Total deferred outflows of resources	11,254,093	7,307,107
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	4,827,195	3,320,979
Accrued interest payable	347,482	222,471
Unearned revenue and customer deposits	3,801,333	3,613,031
Compensated absences, current portion (note 7)	1,000,000	1,000,000
Current portion of long-term debt (note 8)	4,910,000	5,120,000
Total current liabilities	14,886,010	13,276,481
Noncurrent liabilities:		
Compensated absences (note 7)	331,763	198,732
Net pension liability (note 13)	12,721,219	5,806,835
Net OPEB liability (note 14)	3,139,340	3,590,451
Long-term debt, net of current portion (note 8)	50,005,515	60,156,299
Asset retirement obligation (note 15)	5,133,984	5,080,865
Total noncurrent liabilities	71,331,821	74,833,182
Total liabilities	86,217,831	88,109,663
Deferred inflows of resources		
Deferred inflow of effective swap (notes 1 and 8)	-	373,563
Pensions (note 13)	705,650	5,448,430
OPEB (note 14)	2,726,012	1,962,485
Total deferred inflows of resources	3,431,662	7,784,478
Net position		
Net investment in capital assets (note 9)	270,541,612	247,827,877
Restricted for debt service reserve fund (note 10)	2,359	16
Unrestricted (note 2 and 11)	31,912,375	35,873,664
Total net position	$ 302,456,346	$ 283,701,557

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, 2022 and 2021

	2022	2021
Operating Revenues:		
Water consumption sales	$ 15,545,075	$ 15,391,966
Water consumption sales – transfers	1,748,400	-
Water service charge	34,920,697	33,167,169
Wheeling water charge	6,806	6,136
Other charges for services	1,137,823	408,004
Total operating revenues	53,358,801	48,973,275
Operating Expenses:		
Source of supply	1,849,669	753,486
Source of supply – transfers	435,646	-
Pumping	5,602,361	6,241,663
Transmission and distribution	4,919,967	5,225,802
Water conservation	637,057	502,108
Customer accounts	1,797,422	1,477,018
Administrative and general	7,212,451	7,639,071
Total operating expenses	22,454,573	21,839,148
Operating income before depreciation and amortization	30,904,228	27,134,127
Depreciation and amortization (note 6)	(13,766,157)	(13,587,671)
Operating income	17,138,071	13,546,456
Nonoperating revenues (expenses):		
Rental revenue	314,816	338,808
Interest and investment revenue	(1,663,671)	(320,616)
Interest expense	(2,640,560)	(2,270,651)
Other non-operating revenues	53,509	764,731
Other non-operating expenses	-	-
Gain (loss) on disposal of capital assets, net	(343,802)	(132,006)
Total non-operating revenues (expenses), net	(4,279,708)	(1,619,734)
Income before capital contributions	12,858,363	11,926,722
Capital contributions:		
Capacity Fees	1,680,572	1,213,195
Developer capital contributions	4,215,855	2,525,377
Federal, state and local capital grants	-	112,786
Total capital contributions	5,896,427	3,851,358
Increase in net position	18,754,789	15,778,080
Net position, beginning of year	283,701,557	267,923,477
Net position, end of year	$ 302,456,346	$ 283,701,557

See accompanying notes to the basic financial statements

Sacramento Suburban Water District
Statements of Cash Flows
For The Years End December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Cash receipts from customers	$ 51,439,901	$ 50,548,123
Cash paid to suppliers for goods and services	(16,502,000)	(15,813,634)
Cash paid to employees for services	(6,773,975)	(6,287,400)
Other non-operating receipts	368,325	1,103,540
Net cash provided by operating activities	28,532,251	29,550,629
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(24,328,128)	(15,443,339)
Proceeds from disposal of capital assets	-	35,475
Principal payments on long-term debt	(53,655,000)	(4,965,000)
Interest payments on long-term debt	(2,114,402)	(1,837,434)
Proceeds from issuing new long-term debt	48,861,502	-
Issuance costs incurred on long-term debt	(323,055)	-
Principal payments on interest rate swap borrowing payable	(90,805)	(358,562)
Cash paid for termination of interest rate swap borrowing payable	(5,642,000)	-
Cash paid for asset retirement obligation	-	(106,598)
Capacity fees received	1,809,287	1,222,828
Capital contribution received	120,083	-
Net cash used by capital and related financing activities	(35,362,518)	(21,452,630)
Cash flows from investing activities:		
Purchase of investment securities	(8,618,635)	(10,255,835)
Proceeds from sales and maturities of investment securities	10,650,228	8,957,925
Interest received on investment securities	662,531	639,493
Net cash (used) provided by investing activities	2,694,124	(658,418)
Net increase in cash and cash equivalents	(4,136,143)	7,439,581
Cash and cash equivalents at beginning of year	15,882,279	8,442,698
Cash and cash equivalents at end of year	$ 11,746,136	15,882,279
Reconciliation of cash and cash equivalents to the statements of net position:		
Cash and cash equivalents	$ 11,743,777	15,882,263
Restricted cash and cash equivalents	2,359	16
Total cash and cash equivalents	$ 11,746,136	15,882,279

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, 2022 and 2021

	2022	2021
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 17,138,071	$ 13,546,456
Adjustments to reconcile operating revenue to net cash provided by operating activities:		
Depreciation and amortization	13,766,157	13,587,671
Asset retirement obligation amortization	37,966	40,109
Bad debt expense	(63,682)	(182,454)
Other non-operating receipts	368,325	1,103,540
Change in pension deferred (outflows)	(3,122,468)	239,762
Change in pension inflows	(4,742,780)	4,967,215
Change in OPEB deferred (outflows)	(721,937)	(338,514)
Change in OPEB inflows	763,527	850,130
Changes in operating assets and liabilities		
(Increase) decrease in operating assets:		
Accounts receivable	(162,009)	514,368
Other receivables	(1,785,933)	1,297,791
Inventory	101,313	(284,920)
Prepaids and other current assets	(161,142)	(299,792)
Increase (decrease) in operating liabilities:		
Accounts payable	453,465	842,773
Unearned revenue	59,587	(54,856)
Accrued compensated absences	133,030	(47,408)
Net pension liability	6,914,384	(4,793,338)
Net OPEB liability	(451,111)	(1,051,777)
Accrued expenses	7,488	(386,127)
Total adjustments	11,394,181	16,004,173
Net cash provided by operating activities	$ 28,532,251	$ 29,550,629
Noncash investing, capital and financing transactions:		
Receipt of donated capital assets	$ 4,215,855	$ 2,525,377
Change in fair value of investments	(2,251,020)	(937,102)
Amortization of premium on long-term debt	(650,905)	(239,672)
Amortization of defeasance costs on long-term debt	884,045	660,744
Change in fair value of interest rate swap	(373,563)	(1,536,172)

See accompanying notes to the basic financial statements

(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 194,000 through 47,680 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, 2022 and 2021, 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.

(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.

(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 — 20 to 55 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 paid for earned

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

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 agreement was terminated in 2022 as part of the 2022 debt refinancing. The swap is reported in the accompanying Statements of Net Position at fair value as of December 31, 2021, as a differed inflow 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.

(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, other liabilities 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, 2022 and 2021, were $4,129,419 and $4,041,991, 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 $31,912,375 and $35,873,664 at December 31, 2022 and 2021, respectively, includes the negative decrease in fair value and termination of the District's swap, the net pension and OPEB liability and asset retirement obligation.

  The deferred inflow of resources related to the fair value of the swap of $373,563 at December 31, 2021, would be recognized as an investment gain upon early termination of the swap. The swap was terminated concurrent with the refinancing of the 2009A COPs in March 2022. The deferred loss on refunding of $2,154,591 will be amortized as interest expense over the life of the new debt, which is shorter than the original debt.

  The deferred outflows of resources related to net pension liability of $4,842,834 and $1,720,366 at December 31, 2022 and 2021, 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 $1,300,500 and $578,563 at December 31, 2022 and 2021, 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 $981,340 and $966,187 at December 31, 2022 and 2021 will be amortized and recognized as an operating expense over the remaining estimated useful life of the related assets.

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

The deferred inflows of resources related to pensions of $705,650 and $5,448,430 at December 31, 2022 and 2021 will be amortized and recognized as pension expense over periods of five years or less. The deferred inflows of resources related to OPEB of $ 2,726,012 and $1,962,485 at December 31, 2022 and 2021 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.

(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, 2022.

GASB 87 – Leases – 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 leasee 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 material 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.

GASB 96 – Subscription-Based Information Technology Arrangements – 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.

GASB 97 – Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. 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

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

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. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. This statement does not apply to the District as the District's 457 Deferred Compensation Plan is not considered a pension plan (see Note 12).

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 2022, the GASB issued Statement No. 100, Accounting Changes and Error Corrections. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

In June 2022, the GASB issued Statement No. 101, Compensated Absences. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

(2) Change in Accounting Principles

During the year ended December 31, 2022, the District adopted GASB Statement No. 87, Leases (GASB 87), which became effective during the year ended December 31, 2022 and GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs), which becomes effective during the year ended December 31, 2023. These statements require the District to recognize in its accrual basis financial statements a new asset and liability, deferred outflow and inflow of resources, amortization of the related assets and deferred outflow of resources, and principal and interest payments of those amounts related to lease and SBITA agreements. The District also implemented a new policy in fiscal year 2022 addressing the accounting for leases and SBITAs. The new policy establishes the guidelines for reporting leases and SBITAs. Any material lease or SBITA, defined as having a net present value greater than one percent (1.0%) of the five-year average of annual total assets, shall be reported in accordance with GASB 87 or 96 as appropriate. The District has no leases or SBITAs as of December 31, 2022 that are considered material, individually or collectively.

(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, 2022 and 2021 are classified in the Statements of Net Position as follows:

	2022	2021
Cash and cash equivalents	$ 11,743,777	$ 15,882,263
Restricted cash and cash equivalents	2,359	16
Investments	37,208,892	41,582,507
Total	$ 48,955,028	$ 57,464,786

(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, 2022 and 2021 by investment type are as follows:

	2022	2021
Cash on hand	$ 3,950	$ 3,750
Deposits with financial institutions	3,232,370	4,416,950
Cash held by bond trustee	2,359	16
Total cash	3,238,679	4,420,716
California Local Agency Investment Fund (LAIF)	4,707,305	10,359,658
Money market mutual funds	3,800,151	301,995
Commercial paper	-	799,910
Total cash equivalents	8,507,457	11,461,563
Negotiable certificates of deposit	297,104	2,671,165
U.S. treasury notes/bonds	14,360,465	15,795,771
Federal agency securities	6,260,972	6,565,024
Municipal obligations	1,655,104	1,785,541
Corporate notes	8,998,736	7,939,269
Mortgage backed and asset backed securities	4,338,961	5,483,697
Supranationals	1,297,551	1,342,040
Total investments	37,208,892	41,582,507
Total	$ 48,955,028	$ 57,464,786

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.

(3) Cash, Cash Equivalents and Investments, continued

The District has the following recurring fair value measurements as of December 31, 2022:

		Fair Value Measurements Using		
Investments by fair value level	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Negotiable certificates of deposit	$ 297,104	$ -	$ 297,104	$ -
U.S. treasury notes/bonds	14,360,465	14,360,465	-	-
Federal agency securities	6,260,972	-	6,260,972	-
Municipal obligations	1,655,104	-	1,655,104	-
Corporate notes	8,998,736	-	8,998,736	-
Mortgage backed and asset backed securities	4,338,961	-	4,338,961	-
Supranationals	1,297,551	-	1,297,551	-
Total investments by fair value level	$ 37,208,892	$ 14,360,465	$ 22,848,427	$ -

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.

(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, 2022 and 2021 was $4,707,305 and $10,359,658, respectively. The total fair value of all public agencies invested in LAIF at December 31, 2022 and 2021 was $27.7 billion and $36.3 billion, respectively.

(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, 2022 and 2021, the effective duration of the "Bank of America Merrill Lynch 0-5 Year U.S. Treasury Index" was 1.97 and 2.12, respectively.

Duration of cash and investments for 2022 were as follows:

		Maturities		
	Fair Value	**12 Months or Less**	**13 to 24 Months**	**25 to 60 Months**
Cash	$ 3,238,679	$ 3,238,679	$ -	$ -
LAIF	4,707,305	4,707,305	-	-
Money market funds	3,800,151	3,800,151	-	-
Total Cash and Cash Equivalent	11,746,136	11,746,136	-	-
Negotiable certificates of deposit	297,104	297,104	-	-
U.S. treasury notes/bonds	14,360,465	1,856,391	5,424,320	7,079,754
Federal agency securities	6,260,972	-	3,588,864	2,672,108
Municipal obligations	1,655,104	83,573	283,978	1,287,544
Corporate notes	8,998,736	96,595	3,430,953	5,471,187
Mortgage backed and asset backed securities	4,338,961	-	487,268	3,851,693
Supranationals	1,297,551	887,548	410,003	-
Total Investments	37,208,892	3,221,210	13,625,395	20,362,286
Total investments by fair value level	$ 48,955,028	$ 14,967,346	$ 13,625,395	$ 20,362,286

(3) Cash, Cash Equivalents and Investments, continued

Duration of cash and investments for 2021 were as follows:

		Maturities		
	Fair Value	**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

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, 2022, were as follows:

			Ratings as of Year-End		
Cash Equivalent Type		**Minimum Legal Rating**	**Not Rated**	**AAA/AA**	**A-1+/A-1**
LAIF	$ 4,707,305	-	$ 4,707,305	$ -	$ -
Money market funds	3,800,151	AAA		3,800,151	
Total cash equivalents	$ 8,507,456	-	$ 4,707,305	$ 3,800,151	$ -

(3) Cash, Cash Equivalents and Investments, continued

Investment credit ratings as of December 31, 2022 were as follows:

Investment Type		Minimum Legal Rating	Not Rated	Ratings as of Year-End AAA	AA+/AA-	A+/A/A-/ A-1/A-3
Negotiable certificates of deposit	$ 297,104	A	$ -	$ -	$ -	$ 297,104
U.S. treasury notes/bonds	14,360,465	-			14,360,465	
Federal agency securities	6,260,972	-			6,260,972	
Municipal obligations	1,655,104	-	271,457	117,530	1,266,117	
Corporate notes	8,998,736	A			2,295,044	6,703,691
Mortgage backed and asset backed securities	4,338,961	AA	616,993	3,455,550	266,418	
Supranationals	1,297,551	AA		1,297,551		
Total investments	$ 37,208,892	-	$ 888,450	$ 4,870,631	$24,449,015	$ 7,700,795

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
LAIF	$ 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

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

Investment Type		Minimum Legal Rating	Not Rated	Ratings as of Year-End AAA	AA+/AA-	A+/A/A-/ A-1/A-1+/A1-A3
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

(3) Cash, Cash Equivalents and Investments, continued

Concentration of Credit Risk

At December 31, 2022 and 2021 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, 2022 and 2021, $3,316,931 and $5,494,697 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:

	2022	2021
2012A Revenue bond interest payment fund	$ 10	$ 12
2018A Revenue bond interest payment fund	1,687	4
2022A Revenue bond interest payment fund	626	-
2022B Revenue bond interest payment fund	36	-
Total	$ 2,359	$ 16

(5) Receivables, Net and Restricted Receivable

Receivables as of December 31 consist of the following:

	2022	2021
Water sales and services receivable	$ 3,658,582	$ 3,496,573
Allowance for doubtful accounts	(455,973)	(519,655)
Accrued interest receivable	117,081	101,260
Receivable from City of Sacramento	1,793,188	-
Receivable, other	4,395	11,651
Total	$ 5,117,274	$ 3,209,912

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(6) Capital Assets

Changes in capital assets for the year ended December 31, 2022, were as follows:

	Balance 2021	Additions	Deletions	Transfers	Balance 2022
Non-depreciable assets:					
Land	$ 2,143,602	$ -	$ -	$ 707,676	$ 2,851,278
Permanent easements	5,435,315	25,495	-	-	5,460,810
Construction-in-progress	10,885,419	24,930,385	-	(13,115,572)	22,700,232
Total non-depreciable assets	18,464,336	24,955,880	-	(12,407,896)	31,012,320
Depreciable and amortizable assets:					
Land improvements	1,259,637	262,035	-	396,991	1,918,663
Pumping and wells	80,253,476		-	(10,741,577)	69,511,899
Hydrants, PRV stations, valves	146,529,853	1,245,805	(64,241)	3,063,262	150,774,679
Purchased trans & dist pipelines	194,256,275	2,944,554	(7,780)	2,549,473	199,742,522
Capacity entitlement	5,282,728	-	-	15,397,304	20,680,032
Storage facilities – reservoirs	14,544,783	-	-	-	14,544,783
Water meters	45,371,275	-	(1,835,986)	1,282,443	44,817,732
Buildings	2,690,040	-	-	460,000	3,150,040
Buildings improvements	3,897,974	-	-	-	3,897,974
Machinery and equipment	1,591,087	-	-	-	1,591,087
Fleet equipment	2,123,964	66,496	-	-	2,190,460
Office equipment	137,993		-	-	137,993
Computer software	3,070,067	46,905	-	-	3,116,972
Computer hardware & equipment	1,476,283	67,571	-	-	1,543,854
Total depreciable & amort. Assets	502,485,435	4,633,366	(1,908,007)	12,407,896	517,618,690
Accumulated depreciation and amortization:					
Land improvements	(961,287)	(35,400)	-	-	(996,687)
Pumping and wells	(45,759,684)	(2,335,861)	-	9,239,056	(38,856,489)
Hydrants, PRV stations, valves	(84,940,974)	(3,932,112)	64,241		(88,808,845)
Purchased trans & dist pipelines	(31,733,588)	(2,430,051)	4,037		(34,159,602)
Capacity entitlement	(4,172,340)	(789,682)		(9,239,056)	(14,201,078)
Storage facilities – reservoirs	(5,709,840)	(361,768)		-	(6,071,608)
Water meters	(27,246,691)	(3,006,759)	1,495,927	-	(28,757,523)
Buildings	(1,709,854)	(66,282)	-	-	(1,776,136)
Buildings improvements	(2,975,851)	(166,950)	-	-	(3,142,801)
Machinery and equipment	(1,125,735)	(182,775)	-	-	(1,308,510)
Fleet equipment	(1,512,262)	(220,403)	-	-	(1,732,665)
Office equipment	(109,761)	(7,664)	-	-	(117,425)
Computer software	(2,808,373)	(24,484)	-	-	(2,832,857)
Computer hardware & equipment	(1,121,346)	(205,967)	-	-	(1,327,313)
Total accumulated depr. & amort.	(211,887,586)	(13,766,158)	-	-	(224,089,539)
Total depr. & amort. assets, net	290,597,849	(9,132,792)	-	-	293,529,151
Total capital assets, net	$ 309,062,185	$ 15,823,088	$ (343,802)	$ -	$ 324,541,471

(6) Capital Assets, continued

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	117,147	-	-	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

(6) Capital Assets, continued

Major capital asset additions during 2022 and 2021 include construction and major upgrades to the transmission and distribution system, water meters, SCADA and Electrical 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:

	2022	2021
Verner/Panorama well construction	$ -	$ 2,718,751
Butano/Cottage well/pump construction	4,139,625	1,763,750
Walnut/Auburn well construction	3,776,753	1,249,351
Antelope North/Poker 3 wells construction	5,530,867	100,756
Antelope/Don Julio well construction	1,053,460	-
Well rehabilitation/pump improvements	2,465,885	1,194,945
Q Street main replacements	907,658	266,153
Watt main extension	1,432,913	-
SCADA & Electrical Improvement	1,286,517	1,590,962
Various other distribution main replacements	624,057	582,277
Various reservoir & tank improvement	404,085	480,687
Various other minor projects	752,369	243,534
MBP Easements	326,044	-
Greenberry Complex	-	694,253
Total Construction-in-progress	$ 22,700,233	10,885,419

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, 2022 and 2021.

(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 2021	Earned	Taken	Balance 2022	Due Within One Year
$ 1,198,732	$ 1,111,527	$ (978,496)	$ 1,331,763	$ 1,000,000

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

(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, 2022, are as follows:

	Balance 2021	Additions	Retirements	Balance 2022	Current Portion
2009A Certificates of participation	$ 42,000,000	$ -	$ (42,000,000)	$ -	$ -
2012A Revenue bond	8,670,000	-	(8,670,000)	-	-
2018A Revenue bond	9,630,000	-	(2,715,000)	6,915,000	1,285,000
2022A Revenue bond		34,725,000	(270,000)	34,455,000	-
2022B Revenue bond		6,585,000		6,585,000	3,625,000
Total principal	60,300,000	41,310,000	(53,655,000)	47,955,000	$ 4,910,000
Unamortized bond premium	1,398,085	7,551,502	(1,989,072)	6,960,515	
Imputed borrowing - off-market swap	3,578,214		(3,578,214)	-	
Total long-term debt	$ 65,276,299	$ 48,861,502	$ (59,222,286)	$ 54,915,515	

(8) Long-Term Debt, continued

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	

The future debt service schedule of all long-term debt as of December 31, 2022, is as follows:

Year		Principal	Interest	Total
2023	$	4,910,000	2,077,893	6,987,893
2024		5,010,000	1,970,278	6,980,278
2025		5,145,000	1,808,704	6,953,704
2026		5,385,000	1,568,120	6,953,120
2027		5,635,000	1,314,167	6,949,167
2028-2031		21,870,000	2,361,500	24,231,500
Total		47,955,000	11,100,662	59,055,662
Less current portion		(4,910,000)		
Unamortized bond premium		6,960,515		
Total non-current long-term debt	$	50,005,515		

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. This COP obligation was issued with an irrevocable direct-pay letter-of-credit (LOC) which would have expired on June 30, 2023.

In addition, 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 did not completely match those of this COP obligation.

(8) Long-Term Debt, continued

This variable rate COP obligation was fully refunded in the amount of its currently outstanding balance of $42,000,000 on March 16, 2022, with proceeds received from the issuance of the Series 2022A revenue refunding bond. In addition, on March 16, 2022, the LOC between the District and Sumitomo Mitsui Banking Corporation was terminated and on March 10, 2022, the District entered into an agreement with Wells Fargo Bank, N.A. to terminate the swap agreement.

2012 Series A Bond

On April 19, 2012, the District issued $29,200,000 of Refunding Revenue Bonds Series 2012A 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 extended to November 1, 2027 and was 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. This fixed-rate bond obligation was fully refunded in the amount of its currently outstanding balance of $8,670,000 plus accrued interest on November 1, 2022, with proceeds received from the issuance of the Series 2022B revenue refunding bond ($6,532,398) and District cash ($2,462,119).

2018 Series A Revenue Refunding Bond (Taxable)

On May 2, 2018, the District issued $19,615,000 of Refunding Revenue Bonds Series 2018A 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; 5) the accelerated payment of principal of any bond or contract (as defined) in accordance with its terms. Upon the occurrence of an event of default, the principal of the bonds could be declared immediately due and payable.

(8) Long-Term Debt, continued

As of December 31, 2022, the future debt service schedule of the 2018 Series A Bond is as follows:

Year	Principal	Interest	Total
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	6,915,000	$ 747,571	$ 7,662,571
Less current portion	(1,285,000)		
Total non-current COP obligation	$ 5,630,000		

2022 Series A Revenue Refunding Bond

On March 16, 2022, the District issued $34,725,000 of Revenue Refunding 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 bore interest at a variable rate. This serial bond's maturity extends to November 1, 2031, and is subject only to extraordinary redemption provisions, without premium. 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 with an escrow agent and the 2009 Series A COP has been repaid in full.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $337,321. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2031 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 $8,068,074 and to obtain economic gain (difference between the present values of the old and new debt) of $5,902,459.

In addition, together with the advanced refunding, the swap issued to hedge the 2009 Series A COP was also terminated resulting in a difference between the current market's swap fair value and the District's swap's negative fair value of $2,154,591. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2031 using the effective-interest rate method.

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; 5) the accelerated payment of principal of any bond or contract (as defined) in accordance with its terms. Upon the occurrence of an event of default, the principal of the bonds could be declared immediately due and payable.

(8) Long-Term Debt, continued

As of December 31, 2022, the future debt service schedule of the 2022 Series A Revenue Bond is as follows:

Year	Principal	Interest	Total
2023	$ -	$ 1,722,750	$ 1,722,750
2024	720,000	1,722,750	2,442,750
2025	3,765,000	1,686,750	5,451,750
2026	3,965,000	1,498,500	5,463,500
2027	4,135,000	1,300,250	5,435,250
2028-2031	21,870,000	2,543,750	24,413,750
Total	34,455,000	$ 10,474,750	$ 44,929,750
Less current portion	-		
Unamortized bond premium	6,960,515		
Total non-current bond obligation	$41,415,515		

2022 Series B Revenue Refunding Bond (Taxable)

On March 16, 2022, the District issued $6,585,000 of Revenue Refunding Bonds Series 2022B (Series 2022B Bond) 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%. This serial bond's maturity extends to November 1, 2024, and is subject to optional (with make-whole payment) and extraordinary redemption provisions, without premium. 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 and the 2012 Series A 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 $1,328,978. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2024 using the effective-interest rate method. The District completed the advance refunding to reduce its debt service payments over the next five years by $641,767 and to obtain economic gain (difference between the present values of the old and new debt) of $470,118.

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; 5) the accelerated payment of principal of any bond or contract (as defined) in accordance with its terms. Upon the occurrence of an event of default, the principal of the bonds could be declared immediately due and payable.

(8) Long-Term Debt, continued

As of December 31, 2022, the future debt service schedule of the 2022 Series B Bond is as follows:

Year		Principal		Interest		Total
2023	$	3,625,000	$	112,186	$	3,737,186
2024		2,960,000		53,280		3,013,280
Total	$	6,585,000	$	165,466	$	6,750,466
Less current portion		(3,625,000)				
Total non-current COP obligation	$	2,960,000				

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, 2022 and 2021, the District has no arbitrage rebate liability.

Interest Rate Swap

Objective, Terms and Termination
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 amortized in proportionately like amounts to the Series 2009A COP. The swap was intended to hedge interest rate risk on a portion of the District's outstanding Series 2009A COP, which bore interest at a variable rate. The swap agreement required 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, was 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.

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, contingent upon the completed refinancing of the 2009A COP, which occurred on March 16, 2022. At the time of terminating the swap, the unamortized imputed borrowing amount was $3,487,409. The difference between settlement amount and unamortized negative fair value of the district's swap, imputed amount, is $2,154,591. This

(8) Long-Term Debt, continued

difference, as mentioned in the 2022 Series A Refunding Revenue Bonds, is reported in the accompanying financial statements as a deferred outflow of resources.

Fair Value

Based on existing market conditions as of December 31, 2021, the swap had a negative fair value of $6,371,437 to the District. Pursuant to the requirements of GASB 53, as amended by GASB 59 and 64, 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.

(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**:**

	2022	2021
Capital assets not being depreciated	$ 31,012,320	$ 18,464,336
Capital assets being depreciated and amortized, net	293,529,151	290,597,849
Deferred outflows on long-term debt refundings	4,129,419	4,041,991
Long term debt	(54,915,515)	(65,276,299)
Other capital-related liabilities	(3,213,763)	-
Net investment in capital assets, considered non-expendable	$ 270,541,612	$ 247,827,877

(10) Restricted Net Position

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

	2022	2021
2012A Revenue bond interest payment fund	$ 10	$ 12
2018A Revenue bond interest payment fund	1,687	4
2022A Revenue bond interest payment fund	626	-
2022B Revenue bond interest payment fund	36	-
Total	$ 2,359	$ 16

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, 2022 and 2021 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 fiscal 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.

(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 Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (the Plan or PERF C) administered by the California Public Employees' Retirement System (the System or CalPERS). The Board has established a single "Cost-Sharing Miscellaneous" pension plan with CalPERS that is comprised of the following Rate Plans (the Plans):

- Miscellaneous Plan – 3.0% at 60 (Classic Tier I)
- Miscellaneous Plan – 2.0% at 55 (Classic Tier II)
- 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/.

(13) Defined Benefit Pension Plan, continued

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.

The Plans' provisions and benefits in effect at December 31, 2022 and 2021, are summarized as follows:

	Miscellaneous		
	Classic Tier I	**Classic Tier II**	**PEPRA**
Hire date	Prior to 09/25/2006	After 9/25/2006 and Prior to 01/01/2013	On or after 01/01/2013
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	16.15%	11.06%	7.73%
Open or Closed to New Entrants	Closed	Open*	Open

(* Open only to new employees who were CalPERS eligible prior to 01/01/2013 and meet other certain requirements.)

In addition to the contribution rates above, the District was also required to make a payment of $913,542 and $789,156 toward its unfunded actuarial liability of all Plans during the year ended December 31, 2022 and 2021, respectively.

Contributions:

CalPERS Section 20814(c) of the California Public Employees' Retirement Law (PERL) 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.

(13) Defined Benefit Pension Plan, continued

For the years ended December 31, 2022 and 2021 (measurement date June 30, 2021 and 2020), the active employee contribution rates and average employer contribution rates were as follows:

	2022		2021	
	Employee Contribution Rate	Employer Contribution Rate	Employee Contribution Rate	Employer Contribution Rate
Classic Tier I	8.00%*	16.17%	8.00%*	16.34%
Classic Tier II	7.00%**	11.06%	7.00%**	11.20%
PEPRA	7.25%	7.76%	7.25%	7.87%

(* Paid by District on behalf of employees)

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

The District's employer contributions were $1,537,685 and $1,408,919 for the years ended December 31, 2022 and 2021, respectively. Of those amounts, the District's pickup of the employee's 8.0% and 7.0% share was $234,363 and $260,857, respectively.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:
As of December 31, 2022 and 2021, the District reported a net pension liability for its proportionate share of the net pension liability of the Plans of $12,721,219 and $5,806,835, 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, 2022 and 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 and 2020 rolled forward to June 30, 2022 and 2021 using standard update procedures. For June 30, 2022 and 2021, 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, 2022 and 2021 was as follows:

Proportion - June 30, 2022	0.27187%
Proportion - June 30, 2021	0.30582%
Change - Increase (Decrease)	(0.03395)%

(13) Defined Benefit Pension Plan, continued

For the year ended December 31, 2022 and 2021, the District recognized pension expense of $586,820 and $1,822,257, respectively. At December 31, 2022 and 2021, 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	
	2022	2021	2022	2021
Pension contributions subsequent to measurement date	$ 799,285	$ 731,602	$ -	$ -
Changes in assumptions	1,303,555	-	-	-
Net differences between projected and actual earnings on plan investments	2,330,189	-	-	5,069,060
Differences between expected and actual experience	255,467	651,174	171,101	-
Differences between the employer's contribution and the employer's proportionate share of contributions	-	-	534,549	379,370
Change in employer's proportion	154,338	337,590	-	-
Total	$ 4,842,834	$ 1,720,366	$ 705,650	5,448,430

The $799,285 and $731,602 reported as deferred outflows of resources as of December 31, 2022 and 2021 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, 2023 and 2022, respectively. Other amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized as pension expense as follows:

Year Ended December 31	Deferred Outflow/(Inflow)
2023	$ 825,162
2024	704,403
2025	383,111
2026	1,425,223
Total	$ 3,337,899

(13) Defined Benefit Pension Plan, continued

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

The total pension liabilities in the June 30, 2022 and 2021 actuarial valuation was determined using the following actuarial assumptions:

	2022 Miscellaneous	2021 Miscellaneous
Valuation Date	June 30, 2021	June 30, 2020
Measurement Date	June 30, 2022	June 30, 2021
Actuarial Cost Method	Entry-Age Normal	Entry-Age Normal
Actuarial Assumptions:		
Discount Rate	6.90%	7.15%
Inflation	2.30%	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, 2022 valuations were derived using CalPERS' Membership Data for all Funds. The mortality table was developed based on CalPERS specific data. The rates incorporate Generational Mortality to capture on-going mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details refer to the 2021 CalPERS' experience study report that can be found at the CalPERS website at www.calpers.ca.gov.

The underlying mortality assumptions and all other actuarial assumptions used for June 30, 2021 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.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

(13) Defined Benefit Pension Plan, continued

The expected real rates of return by asset class for December 31, 2022 are as follows:

Asset Class	Assumed Allocation	Real Return Years 1 – 10 [1,2]
Global Equity (cap-weighted)	30.0%	4.45%
Global Equity (non-cap-weighted)	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.00	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
Total	100.0%	

[1] An expected inflation rate of 2.30% used for this period.
[2] Figures are based on the 2021-22 Asset Liability Management Study.

Discount Rate:
The discount rate used to measure the total pension liability for the Plan was 6.90%. The projection of cash flows used the 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.

(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 Plan, 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:

	2022 Sensitivity to 1-Percent Change	2021 Sensitivity to 1-Percent Change
1% Decrease	5.90%	6.15%
Net Pension Liability	$ 19,603,749	$ 11,929,340
Current Discount Rate	6.90%	7.15%
Net Pension Liability	$ 12,721,219	$ 5,806,835
1% Increase	7.90%	8.15%
Net Pension Liability	$ 7,058,605	$ 745,447

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, 2022 and 2021, the District had no outstanding payable to the pension plans.

(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, 2022 and 2021, the following current and former employees were covered by the benefit terms:

	2022	2021
Inactive employees or beneficiaries currently receiving benefit payments	41	37
Inactive employees entitled to but not yet receiving benefits	4	3
Active employees	65	69
Total number of participants	110	109

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, 2022, the District's cash contribution was $843,975, comprised of a cash contribution to the trust, of $313,928, benefit payments of $453,600, an estimated implicit subsidy of $75,344 and administrative expenses of $1,103. During the year ended December 31, 2021, the District's cash contribution to the trust 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.

Net OPEB Liability: The District's net OPEB liability was measured as of June 30, 2022 and 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022.

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

Actuarial Assumptions: The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2022
Measurement date	June 30, 2022 and 2021
Contribution Policy	District contributes full ADC with CERBT Trust
Actuarial assumptions:	
Investment rate of return	6.25% 2022; 6.50% 2021
Discount rate	6.25% 2022; 6.50% 2021
General Inflation	2.50% 2022; 2.75% 2021
Salary increases	Aggregate - 2.75% annually Merit - CalPERS 2000-2019 Experience Study
Mortality, Retirement, Disability, Termination	CalPERS 2000-2109 Experience Study
Mortality improvement	Mortality projected fully generational with Scale MP-2021
Medical Trend	Non-Medicare - 6.50% for 2023, decreasing to an ultimate rate of 3.75% in 2076 Medicare (Non-Kaiser) - 5.65% for 2023, decreasing to an ultimate rate of 3.75% in 2076 Medicare (Kaiser) - 4.60% for 2023, decreasing to an ultimate rate of 3.75% in 2076
Dental/Vision trend rate	3.50% annually
Cap Increases	100/90 Formula Rates – Non-Medicare trend
Medicare Part B&D	Medicare (Non-Kaiser) trend
Healthcare, dental and vision participation	Actives - 90% Retirees - based on current coverage
Spouse Coverage	Covered - based on current coverage
Family Coverage	20% of actives have family coverage at age 65
Terminated Actives	Assumed to collect benefits at age 60 if 20+ years service
Surviving Spouse Participation	100% if eligible
Spouse Age	Actives - males 3 years older than females Retirees - males 3 years older than females if spouse birthday unknown
Medicare Eligibility	All participants assumed to be Medicare eligible

The changes of assumption since the June 30, 2021 Measurement Date are as follows: 1) Age related Medicare advantage plan claims removed, 2) CalPERS 2000 – 2019 experience study update, 3) Mortality improvement scale was updated to Scale MP-2021, 4) Decreased inflation, discount rate, medical trend, and salary increases, and 5) Decreased medical trend rate for Kaiser Senior Advantage

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 as geometric means. 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

(14) Postemployment Benefits Other Than Pensions, continued

percentage and by adding expected inflation. The target allocation and best estimates of expected real rates of return for each major asset class for December 31, 2022 are as follows:

Asset Class	Trust Target Allocation	Expected Real Rate of Return
Global Equity	49.0%	4.56%
Long US Treasuries	5.0%	0.29%
Mortgage-Backed Securities	5.0%	0.49%
Investment Grade Corporates	4.0%	1.56%
High Yield	4.0%	3.00%
Sovereigns	5.0%	2.76%
Treasury Inflation Protected Securities	5.0%	(0.08%)
Commodities	3.0%	1.22%
Real Estate Investment Trusts	20.0%	4.06%
	100.0%	
Assumed Long-Term Rate of Inflation		2.50%
Expected Long-Term Net Rate of Return, Rounded		6.25%

Discount Rate: The discount rate used to measure the total OPEB liability was 6.25% and 6.50% as of June 30, 2022 and 2021, 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 future benefit payments.

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.

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(14) Postemployment Benefits Other Than Pensions, continued

Change in Net OPEB Liability: The change in the net OPEB liability for the plan as of December 31, 2022, is as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at December 31, 2021	$ 12,844,127	$ 9,253,676	$ 3,590,451
Changes for the Year:	-	-	-
Service Cost	486,063	-	486,063
Interest	850,612	-	850,612
Actual vs. expected experience	(1,565,446)	-	(1,565,446)
Assumption Changes	(708,650)	-	(708,650)
Contributions – employer	-	802,499	(802,499)
Net investment income	-	(1,283,365)	1,283,365
Benefit payments	(487,682)	(487,682)	-
Administrative expenses	-	(5,444)	5,444
Net Changes	(1,425,103)	(973,992)	(451,111)
Balance at December 31, 2022 (measurement date June 30, 2022)	$ 11,419,024	$ 8,279,684	$ 3,139,340

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

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
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	1,186,956	2,238,733	(1,051,777)
Balance at December 31, 2021 (measurement date June 30, 2021)	$ 12,844,127	$ 9,253,676	$ 3,590,451

(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:

	2022 Sensitivity to 1-Percent Change	2021 Sensitivity to 1-Percent Change
1% Decrease	5.25%	5.50%
Net OPEB Liability	$ 4,606,434	$ 5,453,306
Current Discount Rate	6.25%	6.50%
Net OPEB Liability	$ 3,139,340	$ 3,590,451
1% Increase	7.25%	7.50%
Net OPEB Liability	$ 1,773,007	$ 2,069,768

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:

	2022 Sensitivity to 1-Percent Change	2021 Sensitivity to 1-Percent Change
1% Decrease		
Net OPEB Liability	$ 1,773,007	$ 1,773,587
Current Healthcare Trend		
Net OPEB Liability	$ 3,139,340	$ 3,590,451
1% Increase		
Net OPEB Liability	$ 4,820,490	$ 5,877,818

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.

(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, 2022 and 2021, the District recognized OPEB expense of $434,454 and $406,675, respectively. At December 31, 2022 and 2021, 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**	
	2022	**2021**	**2022**	**2021**
Net difference between projected and actual experience	$ -	$ -	$ 1,965,748	$ 754,139
Changes in assumptions	298,383	353,639	760,264	181,652
Net difference between projected and actual earnings in plan investments *	735,717	-	-	1,026,694
Employer contributions made subsequent to the measurement date	266,400	224,924	-	-
Total	$ 1,300,500	$ 578,563	$ 2,726,012	$ 1,962,485

*Deferred Inflows and Outflows combined for footnote disclosure.

The $266,400 and $224,924 reported as deferred outflows of resources as of December 31, 2022 and 2021 related to contributions after the measurement date, consisted of the following:

	2022	**2021**
Trust contributions	$ -	$ -
Benefit payments paid outside of trust	265,776	224,514
Administrative expenses	624	410
Total	$ 266,400	$ 224,924

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)**
2023	$ (291,340)
2024	(293,205)
2025	(344,211)
2026	(50,003)
2027	(305,026)
Thereafter	(408,127)
Total	$ (1,691,912)

(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 (EARSL), which was 7.4 as of July 1, 2021 (beginning of measurement period).

Payable to the OPEB Plan: At December 31, 2022 and 2021, the District had no outstanding payable to the OPEB plan.

(15) Asset Retirement Obligations

The District owns and operates 97 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 97 wells, 71 are active, 26 are inactive. There are another 6 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 in 2020 was approximately $53,479. GASB 83 requires amortizing portions of the deferred outflow of resources related to asset retirement obligations (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, 2022, 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

(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, Perfluoroalkyl and Polyfluoroalkyl (PFOS/PFAS), $45 million – Subsidence, Lead, and Mold.

Property Loss: Insured up to replacement value with a $10,000 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 Loss and Liability: Policy aggregate limit of $2,000,000 with the following sub-limits. Breach response costs up to $2,000,000. First party loss: 1) business interruption loss from security breach or system failure up to $100,000, 2) dependent business interruption loss from security breach or system failure up to $1,000,000, 3) cyber extortion loss and data recovery costs up to $100,000. Liability for data & network, regulatory defense & penalties, payment card and media up to $2,000,000. eCrime fraudulent instruction, funds transfer fraud and telephone fraud up to $75,000. Cyber Liability Deductible varies from $75,000 to $100,000 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 fiscal years 2022 and 2021 were $27,089 and $27,089, respectively. Future estimated lease commitment costs for the period January 1, 2023, to May 31, 2037, are estimated to be $486,107 as of December 31, 2022.

(17) Commitments and Contingencies, continued

Walnut Industrial Center Lease

The District is leasing a 0.43 acre parcel from the Walnut Industrial Center, LLC, for additional parking at the District's Walnut Ave facility. The effective date of the lease is from May 25, 2022 to October 31, 2026. The annual lease cost for fiscal year 2022 was $16,000. Future estimated lease commitment costs for the period January 1, 2023, to October 31, 2026, are estimated to be $98,152 as of December 31, 2022.

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.

(17) Commitments and Contingencies, continued

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.

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, 2022.

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, 2022, the District's commitment on open construction contracts is approximately $10.0 million:

Project Name	Approved Contract	Spent To Date	Remaining Commitment
Reservoir Improvement - Antelope Watt/Elkhorn	$ 247,514	$ 159,707	$ 87,807
Reservoir Improvement - Enterprise/Northrop	183,835	107,784	76,051
Electrical Improvement - Marconi Building	432,939	353,798	79,141
Main Replacement - Q Street	340,392	270,805	69,587
Main Extension - Watt Street	345,273	235,035	110,238
New Well Construction - Well 78 Butano	4,228,386	4,041,800	186,586
New Well Construction - Well 79 Verner/Panorama	961,849	894,745	67,104
New Well Construction - Well 80 Watt/Auburn	7,096,076	2,738,176	4,357,900
New Well Construction - Well 81/82/83 Antelope N./Poker	6,715,582	5,706,860	1,008,722
New Well Construction - Well 84 Antelope/Don Julio	1,501,084	1,140,228	360,856
Well Rehabilitation	3,492,448	382,213	3,110,234
Calibration Hydraulic Model	197,023	137,568	59,455
Fluoride Pump Replacement - 14 Facilities	65,000	-	65,000
Property Acquisition - Walerga/Antelope Property	435,600	100,000	335,600
Total	$ 26,243,000	$ 16,268,719	$ 9,974,282

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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, 2022 and 2021

Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Schedule of the Proportionate Share of the Net Pension Liability
Last 10 Years (1)
(Dollars in thousands)

	Measurement Date June 30,								
	2022	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Proportion of the net pension liability	0.27187%	0.30582%	0.25130%	0.24219%	0.23383%	0.22825%	0.22033%	0.20857%	0.20480%
Proportionate share of the net pension liability	$ 12,721	$ 5,807	$ 10,600	$ 9,698	$ 8,812	$ 8,998	$7,654	$ 5,722	$ 5,062
Covered payroll – measurement period	$ 5,930	$ 5,733	$ 5,591	$ 5,089	$ 4,491	$ 4,198	$4,272	$ 4,212	4,020
Proportionate share of net pension liability as a % of covered payroll	214.52%	101.29%	189.58%	190.58%	196.22%	214.34%	179.17%	135.84%	125.91%
Plan fiduciary net position as a percentage of the total pension liability	76.68%	88.29%	75.10%	75.26%	75.26%	73.31%	74.06%	78.40%	83.03%

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, 2022 and 2021

Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Schedule of Contributions
Last 10 Years (1)
(Dollars in Thousands)

	December 31								
	2022	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Contractually required contribution (actuarially determined)	$ 1,538	$ 1,409	$ 1,298	$ 1,089	$ 797	$ 879	$ 800	$ 835	$ 620
Contributions in relation to the actuarially determined contributions	(1,538)	(1,409)	(1,298)	(1,089)	(797)	(879)	(800)	(835)	(620)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll – calendar year	$ 6,163	$ 5,767	$ 5,979	$ 4,929	$ 4,879	$ 4,494	$ 4,292	$ 4,276	$ 4,063
Contributions as a percentage of covered payroll	24.95%	24.43%	21.72%	22.09%	16.35%	19.56%	18.64%	19.52%	15.26%
Valuation Date (June 30,)	2020	2019	2018	2017	2016	2015	2014	2013	2012

	December 31								
Methods and assumptions used to determine contribution rates:	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Actuarial cost method	Entry-Age Normal								
Amortization method	Level percentage of payroll, direct rate smoothing								
Remaining amortization period	Varies, not more than 30 years								
Asset valuation method	Market value of assets								
Inflation	2.50%	2.50%	2.50%	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	Varies by Entry Age and Service								
Discount rate (2)	7.00%)	7.00%	7.00%	7.25%	7.50%	7.50%	7.50%	7.50%	7.50%
Retirement age and mortality	(6)	(6)	(6)	(6)	(5)	(4)	(3)	(3)	(3)

<u>Notes to Schedule:</u>

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 and administrative expenses.
(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, 2022 and 2021

Single-Employer Defined Benefit OPEB Plan
Schedule of Contributions
Last 10 Years[1]

December 31,	2022	2021	2020	2019	2018
Actuarially determined contribution (ADC)	$ 836,685	$ 811,996	$ 975,498	$ 946,596	$ 603,457
Contributions in relation to the ADC	843,975	(946,836)	(996,502)	(947,699)	(603,457)
Contribution deficiency (excess)	$ (7,290)	$ (134,840)	$ (21,004)	$ (1,103)	$ -
Covered-employee payroll	$ 6,676,905	$ 6,405,487	$ 6,497,090	$ 5,738,672	$ 5,286,650
Contributions as a percentage of covered-employee payroll	12.6%	14.8%	15.3%	16.5%	11.4%
Valuation Date	6/30/2020	6/30/2020	6/30/2018	6/30/2018	6/30/2017
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%	6.75%	6.75%
General inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Medical trend	(3)	(3)	(2)	(2)	(2)
Mortality & mortality improvement	(5)	(5)	(4)	(4)	(4)

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) Non-Medicare – 7.5%, decreasing to 4.0% in 2076 and later. Medicare – 6.5%, decreasing to 4% by 2076 and later.

(3) Non-Medicare – 7.25%, decreasing to 4.0% in 2076 and later. Medicare – 6.3%, decreasing to 4% by 2076 and later.

(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-17 for post-retirement.

(5) 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.

Sacramento Suburban Water District
Required Supplementary Information (Unaudited)
For The Years Ended December 31, 2022 and 2021

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	2022	2021	2020	2019	2018
Changes in Total OPEB Liability:					
Service cost	$ 486,063	$ 445,831	$ 474,204	$ 460,392	$ 446,983
Interest	850,612	801,128	832,623	775,457	719,279
Actual vs. expected experience	(1,565,446)	-	(1,038,719)	-	-
Assumption changes	(708,650)	408,895	(250,200)	-	-
Benefit payments	(487,682)	(468,898)	(443,356)	(362,199)	(332,597)
Net change in total OPEB liability	(1,425,103)	1,186,956	(425,448)	873,650	833,665
Total OPEB liability – beginning	12,844,127	11,657,171	12,082,619	11,208,969	10,375,304
Total OPEB liability – ending(a)	$ 11,419,024	$ 12,844,127	$ 11,657,171	$ 12,082,619	$ 11,208,969
Changes in Plan Fiduciary Net Position:					
Contributions – employer	$ 802,499	$ 765,582	$ 1,296,059	$ 628,922	$ 600,779
Net investment income[2]	(1,283,365)	1,946,853	185,150	363,678	363,740
Benefit payments	(487,682)	(468,898)	(443,356)	(362,199)	(332,597)
Administrative expenses	(5,444)	(4,804)	(4,117)	(1,823)	(9,675)
Net change in plan fiduciary net position	(973,992)	2,238,733	1,033,736	628,578	622,247
Plan fiduciary net position – beginning	9,253,676	7,014,943	5,981,207	5,352,629	4,730,382
Plan Fiduciary Net position – ending(b)	$ 8,289,684	$ 9,253,676	$ 7,014,943	$ 5,981,207	$ 5,352,629
Net OPEB Liability – ending (a)-(b)	$ 3,139,340	$ 3,590,451	$ 4,642,228	$ 6,101,412	$ 5,856,340
Fiduciary Net Position as a percentage of the Total OPEB Liability	72.5%	72.0%	60.2%	49.5%	47.8%
Covered-employee payroll	$ 6,775,275	$ 6,280,368	$ 6,048,339	$ 5,608,583	$ 5,032,984
Net OPEB Liability as a percentage of covered-employee payroll	46.3%	57.2%	76.8%	108.8%	116.4%

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)

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.

Sacramento Suburban Water District
Statistical Information (Unaudited)

Statements of Net Position

Last Ten Years

(Dollars in Thousands)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Assets										
Current assets	$ 9,632	$ 4,611	$ 7,258	$ 7,944	$ 11,061	$ 11,061	$ 13,382	$ 14,796	$ 21,270	$ 19,101
Noncurrent assets	44,416	43,456	40,702	38,165	39,875	37,934	39,097	41,212	41,956	37,209
Capital assets:										
Nondepreciable assets	6,022	9,754	10,179	9,761	16,784	10,941	9,779	10,737	18,464	31,012
Depreciable assets	380,164	396,906	416,875	435,906	441,705	466,401	483,875	493,229	502,486	517,619
Accumulated depreciation	(127,125)	(136,477)	(147,676)	(158,960)	(168,222)	(180,222)	(190,327)	(199,117)	(211,888)	(224,089)
Capital assets, net	259,061	270,183	279,378	286,707	290,267	286,179	293,547	304,849	309,062	324,542
Total assets	313,109	318,250	327,338	332,816	341,203	348,071	355,805	360,856	372,289	380,852
Deferred outflows of resources	9,175	9,743	9,276	9,400	9,485	8,272	8,809	9,072	7,307	11,254
Liabilities										
Current liabilities	7,840	7,935	8,583	9,314	9,256	11,212	15,719	12,578	13,276	14,886
Noncurrent liabilities	105,793	101,940	98,484	94,866	91,524	87,552	92,953	87,833	74,833	71,332
Total liabilities	119,090	113,728	110,523	107,798	104,122	102,736	108,672	100,411	88,110	86,218
Deferred inflows of resources	2,565	1,819	799	558	1,134	2,333	839	1,594	7,784	3,432
Net position										
Net investment in capital assets	160,474	175,262	188,248	199,526	207,156	221,715	232,469	238,712	247,828	270,542
Restricted	3,520	3,540	3,523	3,540	3,548	10	2	-	-	2
Unrestricted	37,175	33,644	33,521	30,794	34,727	29,549	22,632	29,212	35,874	31,912
Total net position	$ 201,169	$ 212,446	$ 225,292	$ 233,860	$ 245,431	$ 251,274	$ 255,103	$ 267,923	$ 283,702	$ 302,456

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Operating Revenues										
Water sales	$ 12,451	$ 10,827	$ 9,644	$ 11,053	$ 12,544	$ 13,272	$ 13,251	$ 15,948	$ 15,392	$ 15,545
Water transfers	536	-	-	-	-	1,761	43	979	-	1,748
Water service charge	6,608	6,306	6,402	6,349	6,366	6,371	6,197	31,694	33,167	34,921
Capital facilities charge	20,650	20,678	21,646	22,575	23,499	24,449	24,454	-	-	-
Wheeling water charge	6	6	6	167	676	510	644	83	6	7
Other charges	1,068	1,113	992	939	1,077	1,054	1,133	524	408	1,138
Total operating revenues	41,319	38,930	38,690	41,083	44,162	47,417	45,722	49,228	48,973	53,359
Operating Expenses										
Source of supply	406	67	57	2,471	2,980	3,789	3,525	1,861	753	2,285
Pumping	4,706	4,631	5,124	4,852	4,516	4,946	5,331	5,227	6,242	5,602
Transmission and distribution	3,886	3,643	3,621	3,973	4,016	4,193	7,034	4,761	5,226	4,920
Water conservation	321	399	773	587	452	441	490	534	502	637
Customer accounts	1,086	1,122	1,159	1,145	1,305	1,301	1,373	1,279	1,477	1,797
Administrative and general	5,919	6,100	6,120	6,818	7,600	7,791	8,612	8,644	7,639	7,212
Total operating expenses	16,324	15,962	16,854	19,846	20,870	22,461	26,365	22,307	21,839	22,455
Operating income before depreciation	24,995	22,968	21,836	21,237	23,292	24,956	19,357	26,921	27,134	30,904
Depreciation	(10,424)	(10,812)	(11,229)	(11,808)	(12,182)	(12,460)	(12,993)	(13,715)	(13,588)	13,766
Operating income	**14,571**	**12,156**	**10,607**	**9,429**	**11,110**	**12,496**	**6,363**	**13,206**	**13,546**	**17,138**
Non-operating revenues	488	920	816	834	938	1,195	2,826	1,974	783	(1,295)
Interest expense	(3,914)	(3,802)	(3,633)	(3,561)	(3,450)	(3,112)	(2,632)	(2,552)	(2,271)	(2,641)
Other non-operating expenses	-	-	-	-	(3)	-	-	(5)	-	-
Gain (loss) on disposal of capital assets, net	-	21	6	(13)	12	(7)	(24)	(1,348)	(132)	(344)
Income before capital contributions	**11,145**	**9,295**	**7,796**	**6,689**	**8,608**	**10,572**	**6,534**	**11,275**	**11,927**	**12,858**
Capital contributions	3,096	2,455	5,049	1,879	2,963	894	1,648	1,546	3,851	5,896
Increase in net position	**14,241**	**11,750**	**12,845**	**8,568**	**11,571**	**11,466**	**8,182**	**12,821**	**15,778**	**18,755**
Net position, beginning of year	194,437	201,169	212,447	225,292	233,860	245,431	251,274	255,103	267,923	283,702
Adjustment	(7,509)	(472)	-	-	-	(5,623)	(4,353)	-	-	-
Net position, end of year	$ 201,169	$ 212,447	$ 225,929	$ 233,860	$ 245,431	$ 251,274	$ 255,103	$ 267,923	$ 283,702	$ 302,456

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Water Sales (Dollars in Thousands):										
Retail	$39,709	$37,811	$37,692	$39,977	$42,409	$44,092	$43,902	$47,642	$48,559	$50,466
Wheeling	6	6	6	167	676	510	644	83	6	7
Water Transfers	536	-	-	-	-	1,761	43	979	-	1,748
Total Water Sales	$40,251	$37,817	$37,698	$40,144	$43,085	$46,363	$44,589	$48,704	$48,565	$52,221
Water Production (Acre Feet):										
Retail	38,554	32,561	27,502	29,312	31,254	30,874	30,610	33,087	32,154	30,963
Wheeling	348	115	51	264	1,984	1,704	1,539	160	585	12
Water Transfers	2,822	-	-	-	-	3,875	-	6,667	-	3,842
Total Water Production	41,724	32,676	27,553	29,576	33,238	36,453	32,149	39,914	32,739	34,817
Water Sales/Acre Foot (Whole Dollars):										
Retail	$ 1,030	$ 1,161	$ 1,371	$ 1,364	$ 1,357	$ 1,428	$ 1,434	$ 1,440	$ 1,510	$ 1,630
Wheeling	17	52	118	633	341	299	418	519	10	389
Water Transfers	190	-	-	-	-	454	-	146	-	455

Source: District.

Sacramento Suburban Water District
Statistical Information (Unaudited)

Retail Water Rates

Last Ten Years

	2009 – 2014	2015	2016	2017	2018 - 2019	2020	2021	2022
Flat Accounts:								
Consumption Charge **($/1,000 sq. feet)**	$ 0.91	$ 0.95	$ 0.98	$ 1.02	$ 1.06	$ 2.35	$ 2.44	$ 2.59
Flat Service Charge **(single unit)**								
¾” connection	14.89	15.49	16.11	16.75	17.42	44.40	46.18	48.99
1” connection	21.55	22.41	23.31	24.24	25.21	69.16	71.96	76.34
1 ½” connection	40.69	42.32	44.01	45.77	47.60	131.17	136.42	144.72
2” connection	40.19	41.80	43.47	45.21	47.02	205.53	213.75	226.77
Metered Accounts:								
Consumption Charge **($/100 cubic feet (CCF))**								
Single Family Residential – 1st Tier	0.80	0.83	0.87	0.90	0.94	0.88	0.92	0.98
Single Family Residential – 2nd Tier	1.00	1.04	1.08	1.12	1.17	1.15	1.20	1.28
Multi-Family Residential	-					1.26	1.31	1.39
Non-Resid–Off-Peak Rate (Nov-Apr)	0.81	0.84	0.88	0.91	0.95	1.33	1.38	1.47
Non-Resid.–Peak Rate (May-Oct) (eliminated as of 2020)	1.01	1.05	1.09	1.14	1.18	-	-	-
Service Charge								
5/8” meter	3.60	3.74	3.89	4.05	4.21	32.01	33.29	35.32
¾” meter	5.25	5.46	5.68	5.91	6.14	44.40	46.18	48.99
1” meter	8.50	8.84	9.19	9.56	9.94	69.19	71.96	76.34
1 ½” meter	16.60	17.26	17.95	18.67	19.42	131.17	136.42	144.72
2” meter	24.60	27.46	28.55	29.70	30.88	205.53	213.75	226.77
3” meter	49.20	51.17	53.21	55.34	57.56	403.85	420.00	445.58
4” meter	81.75	85.02	88.42	91.96	95.64	626.95	652.03	691.74
6” meter	163.15	169.68	176.46	183.52	190.86	1,246.68	1,296.55	1,375.51
8” meter	293.40	305.14	317.34	330.04	343.24	2,238.25	2,327.78	2,369.54
10” meter	472.50	491.40	511.06	531.50	552.76	2,981.93	3,101.21	3,290.07
12” meter	700.40	728.42	757.55	787.85	819.37	4,190.40	4,358.02	4,623.42
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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
5/8” service	$ 3,826	$ 2,762	$ 3,130	$ 3,168	$ 3,228	$ 3,418	$ 3,524	$ 4,056	$ 4,143	$ 4,252
¾” service	5,711	4,122	4,672	4,728	4,817	5,102	5,260	6,085	6,216	6,379
1” service	9,537	6,884	7,802	7,896	8,045	8,519	8,785	10,141	10,359	10,631
1 ½” service	19,017	13,726	15,558	15,745	16,041	16,989	17,518	20,282	20,719	21,262
2” service	30,439	31,970	24,902	25,202	25,676	27,192	28,039	32,452	33,151	34,020
3” service	57,108	41,220	46,720	47,282	48,172	51,016	52,605	64,903	66,300	68,040
4” service	95,199	68,714	77,882	78,820	80,304	85,044	87,692	101,411	103,594	106,312
6” service	190,341	137,386	155,718	157,952	160,559	170,038	175,332	202,823	207,189	212,625
8” service	342,648	219,826	249,158	252,157	256,904	272,071	280,541	365,081	372,940	382,725
10” service	552,063	316,034	358,202	362,514	369,339	391,143	403,320	486,775	497,254	510,300
12” service	818,592	463,725	525,600	531,927	541,941	573,935	591,803	684,527	699,263	717,609

(1) Previously Facility Development Charges

Source: District.

Sacramento Suburban Water District
Statistical Information (Unaudited)

Principal Retail Rate Payers

Current Year and Ten Years Prior

Principal Retail Rate Payers	**December 31, 2022** Revenues Collected	Rank	Percent of Retail Sales Revenue	**December 31, 2013** Revenues Collected	Rank	Percent of Retail Sales Revenue
McClellan Business Park	$ 595,629	1	1.18%	$ 567,806	1	1.43%
San Juan Unified School District	402,697	2	0.80%	349,845	2	0.88%
Carmel Partners MS#3	236,393	3	0.47%	268,779	3	0.68%
KW Fund VI Autumn Ridge LLC	206,592	4	0.41%	146,531	6	0.37%
Woodside Assoc Inc	205,624	5	0.41%	157,421	5	0.40%
Eskaton Village	166,022	7	0.33%	126,551	7	0.32%
Fulton-El Camino Rec/Park District	165,951	6	0.33%	119,566	8	0.30%
Twin Rivers Unified School District	163,118	8	0.32%	163,455	4	0.41%
Logan Park Apt LP	157,556	9	0.31%		-	-
The Homes at McClellan Park	157,312	10	0.31%		-	-
Valley Green Apts	-	-	-	116,963	10	0.29%
Sunrise Recreation/Park District	-	-	-	116,595	9	0.29%
Total Principal Retail Rate Payers	$ 2,456,894	-	4.87%	$ 2,133,512	-	5.37%
Total Annual Retail Water Sales Revenue	$ 50,465,772	-	-	$ 39,751,047	-	-

Source: District

Sacramento Suburban Water District
Statistical Information (Unaudited)

Delinquent Amounts Transferred to Tax Roll

Last Ten Years

Fiscal Year ending December 31	Water Sales Revenues [1]	Transferred to Tax Roll
2022	$ 50,472,578	$ 0.00
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	37,698,578	0.00
2014	37,816,244	0.00
2013	39,757,174	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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Long-Term Debt:										
(Dollars in Thousands)										
Series 2009A	$ 48,249	$ 47,939	$ 47,623	$ 47,299	$ 46,969	$ 46,632	$ 46,288	$ 45,937	$ 45,578	$ -
Series 2009B	30,943	29,074	27,120	25,056	22,973	-	-	-	-	-
Series 2012A	28,646	26,516	24,351	22,117	19,847	17,502	15,102	12,628	10,068	-
Series 2018A	-	-	-	-	-	17,295	14,830	12,275	9,630	6,915
Series 2022A	-	-	-	-	-	-	-	-	-	41,416
Series 2022B	-	-	-	-	-	-	-	-	-	6,585
Total Debt	107,838	103,529	99,094	94,472	89,789	81,429	76,220	70,840	65,276	54,916
No. of Connections[(1)]	45,837	46,696	47,016	47,031	47,062	47,104	47,132	47,176	47,402	47,680
Debt Per Connection (Whole Dollars)	$ 2,353	$ 2,217	$ 2,108	$ 2,009	$ 1,908	$ 1,729	$ 1,617	$ 1,502	$ 1,377	$ 1,152

(1) Includes domestic, irrigation and fire connections (excludes temporary and District owned)

Source: District

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues										
Water sales	$ 39,709	$ 37,811	$ 37,692	$ 39,977	$ 42,408	$ 44,092	$ 43,902	$ 47,643	$ 48,559	$ 52,214
Water transfers	536	-	-	-	-	1,761	43	979	-	-
Wheeling charge	6	6	6	167	676	510	644	83	6	7
Water services	1,068	1,113	992	939	1,077	1,054	1,133	524	408	1,138
Capacity Fees	187	561	543	264	135	158	287	470	1,213	1,681
Investment income	633	547	271	613	572	767	1,076	1,077	649	652
Other	399	373	358	279	444	449	1,064	374	1,104	368
Total revenues	42,538	40,410	39,863	42,239	45,312	48,791	48,149	51,150	51,939	56,059
Operating Expenses										
Transmission and distribution	3,886	3,642	3,621	3,973	4,016	4,193	6,721	4,548	5,100	5,235
Administrative and general*	5,919	6,100	6,120	6,822	7,603	7,791	8,191	8,601	8,026	8,160
Pumping	4,706	4,632	5,124	4,852	4,516	4,946	5,195	5,304	6,252	5,666
Water purchases	406	67	57	2,471	2,980	3,789	3,525	1,861	754	2,285
Customer accounts	1,086	1,122	1,159	1,145	1,305	1,301	1,320	1,250	1,460	1,829
Water conservation	322	400	773	587	452	441	472	523	495	653
Total expenses	16,325	15,963	16,854	19,850	20,873	22,461	25,424	22,088	22,087	23,827
Net revenue	26,214	24,447	23,008	22,389	24,439	26,330	22,724	29,061	29,852	32,232
Debt service	7,462	7,484	7,443	7,471	7,559	7,462	7,150	7,238	7,121	7,165
Coverage ratio	**3.51**	**3.26**	**3.09**	**2.99**	**3.23**	**3.53**	**3.18**	**4.02**	**4.19**	**4.50**
Revenues available for capital projects and other purposes	$ 18,751	$ 16,963	$ 15,565	$ 14,918	$ 16,880	$ 18,868	$ 15,574	$ 21,823	$ 22,730	$ 25,066

* 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
2022	Information	Not Currently	Available	728,308	699,758	28,542	3.9%
2021	1,588,921n	$ 98,241,828	$ 61,829	714,000	664,400	49,700	7.0%
2020	1,586,241	$ 91,842,584	$ 57,991	709,700	642,000	67,800	9.5%
2019	1,575,602	$ 83,515,309	$ 53,005	711,500	684,800	26,700	3.8%
2018	1,560,721	$ 78,819,492	$ 50,502	704,200	676,700	27,500	3.9%
2017	1,546,422	$ 75,107,692	$ 48,569	696,500	663,700	32,700	4.7%
2016	1,527,104	$ 72,142,550	$ 47,241	694,000	656,400	37,600	5.4%
2015	1,506,558	$ 69,706,561	$ 46,269	684,600	643,300	41,300	6.0%
2014	1,485,221	$ 65,106,762	$ 43,836	677,700	627,600	50,100	7.4%
2013	1,465,129	$ 61,376,100	$ 41,891	677,800	616,900	60,900	9.0%

* 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 (CAINC4_CA).
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

	December 31, 2022			December 31, 2013		
Principal Employers	**Employees**	**Rank**	**Percentage of Total Labor Force**	**Employees**	**Rank**	**Percentage of Total Labor Force**
State of California	82,894	1	11.38%	69,469	1	10.25%
UC Davis Health System	16,075	2	2.21%	9,985	3	1.47%
Sacramento County	12,760	3	1.75%	10,634	2	1.57%
Kaiser Permanente	12,301	4	1.69%	5,696	8	0.84%
U.S. Government	10,698	5	1.47%	5,750	7	0.85%
Sutter Health Sacramento Sierra Region	9,595	6	1.32%	6,507	4	0.96%
Dignity Health	7,488	7	1.03%	5,756	6	0.85%
Intel Corp.	5,300	8	0.73%	6,000	5	0.89%
San Juan Unified School District	5,126	9	0.70%	4,700	10	0.69%
Raley’s	2,980	10	0.41%	-	-	-
Elk Grove Unified School District	**	-	-	5,535	9	0.82%
Total	165,217		22.69%	130,032		19.18%
Total Labor Force	728,308			677,800		

***** 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.

** Not listed for 2022

Source:
Employers – Sacramento County: Sacramento Business Journal, Book of Lists 2022, Vol. 39, No. 45, p.77.
Total Labor Force: State of California, Employment Development Department, Sacramento County Profile (2022).

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

	North Service Area			South Service Area			
Year	**Surface**	**Ground**	**Sub Total**	**Surface**	**Ground**	**Sub Total**	**Total Production**
2022	6,098	11,145	17,243	-	13,720	13,720	30,963
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

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
2022	-	12	-	-	-	6	18
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

Source: District.

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Production Department										
Water Quality										
Complaints	174	30	1	13	51	14	16	8	12	37
Inquiries	171	110	159	197	119	159	129	163	130	180
Distribution Department										
Service Orders										
Main Leaks	77	61	70	66	52	40	53	51	47	52
Service Line Leaks	242	125	101	75	105	72	65	69	67	76
Locate & Expose	253	353	253	208	172	165	97	57	51	56
Determine Responsibility	1,891	839	630	654	621	681	621	729	827	984
Water Main Shutdown:										
-- Emergency	110	86	27	29	29	16	34	31	44	64
-- Scheduled	170	100	32	13	6	9	13	56	44	56
Preventive Maintenance Program										
Fire Hydrants Inspected	1,237	1,255	1,597	251	28	200	873	931	1,277	1,231
Fire Hydrant Valves Inspected	-	1,202	1,508	247	51	235	845	896	1,388	1,242
Fire Hydrants Valves Exercised	-	975	1,385	225	49	234	768	794	1,205	1,170
Valves Inspected	923	898	434	880	708	1,758	1,900	1,757	3,116	5,572
Valves Exercised	-	-	-	-	641	1,536	1,414	1,289	2,356	3,726
After Hours Activity										
Calls Received	1,012	1,024	1,145	741	553	496	704	553	901	892
Calls Responded	367	338	605	442	342	332	417	321	385	419
Field Services Department										
Meters										
Preventive Maintenance – Meters Tested	135	57	32	128	135	114	125	122	123	122
Preventive Maintenance – Meters Replaced	644	143	117	1,159	279	941	929	797	1,200	1,029
Preventive Maintenance – Meter Re-Builds	-	67	43	240	232	245	245	253	264	264
Customer Service										
Shut Off (non-payment)	2,066	2,561	2,051	1,804	1,772	1,861	1,949	312	0	1,277
Restore Service	1,451	2,100	1,801	1,742	1,772	1,723	1,795	450	92	1,183
Customer Pressure Inquiries	-	121	113	143	118	125	132	132	117	86
Service Requests/Work Orders										
Service Requests Generated	18,641	22,736	24,204	16,092	17,858	18,957	24,483	16,951	14,570	17,008
Work Orders Generated	14,460	11,939	10,898	12,417	14,257	14,722	15,870	16,414	20,038	13,148

Source: District.

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Administration	13	13	13	14	14	15	15	16	16	17
Conservation	2	2	2	2	2	2	2	2	2	2
Customer Service	5	5	5	6	6	6	6	6	6	6
Distribution	20	20	21	22	22	23	23	23	22	22
Engineering	10	10	10	10	10	10	10	10	10	10
Production and Water Treatment	12	12	12	13	13	14	14	14	15	16
Total	62	62	63	67	67	70	70	70	71	73

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, 2022, and have issued our report thereon dated April 10, 2023.

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.

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Report on 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 10, 2023, 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 10, 2023

Attachment 2

SACRAMENTO SUBURBAN WATER DISTRICT

MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS

FOR THE YEAR ENDED
DECEMBER 31, 2022

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SACRAMENTO SUBURBAN WATER DISTRICT
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS

For the Year Ended December 31, 2022

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MEMORANDUM ON INTERNAL CONTROL

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

In planning and performing our audit of the financial statements of the Sacramento Suburban Water District (District) as of and for the year ended December 31, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. 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.

This communication is intended solely for the information and use of management, Board of Directors, others within the organization, and agencies and pass-through entities requiring compliance with *Government Auditing Standards*, and is not intended to be and should not be used by anyone other than these specified parties.

Maze + Associates

Pleasant Hill, California
April 10, 2023

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REQUIRED COMMUNICATIONS

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

We have audited the basic financial statements of the Sacramento Suburban Water District (District) for the year ended December 31, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards as well as certain information related to the planning scope and timing of our audit. We have communicated such information in our letter to you dated September 12, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Accounting Policies - Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year.

Unusual Transactions, Controversial or Emerging Areas - We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates - Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

> *Estimated Net Pension Liabilities and Pension-Related Deferred Outflows and Inflows of Resources:* Management's estimate of the net pension liabilities and deferred outflows/inflows of resources are disclosed in Note 13 to the financial statements and are based on actuarial studies determined by a consultant, which are based on the experience of the District. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

> *Estimated Net Other Post-Employment Benefit Plan (OPEB) Liability and OPEB-Related Deferred Outflows and Inflows of Resources:* Management's estimate of the net OPEB liability and deferred outflows/inflows of resources are disclosed in Note 14 to the financial statements and are based on actuarial studies determined by a consultant, which is based on the experience of the District. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

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Estimated Fair Value of Investments: As of December 31, 2022, the District held approximately $49.0 million of cash and investments as measured by fair value as disclosed in Note 3 to the financial statements. Fair value is essentially market pricing in effect as of December 31, 2022. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to December 31, 2022.

Estimate of Depreciation: Management's estimate of the depreciation is based on useful lives determined by management. These lives have been determined by management based on the expected useful life of assets as disclosed in Note 1 section E6 to the financial statements. We evaluated the key factors and assumptions used to develop the depreciation estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Variable Interest Rate Swap Agreement: The District's interest rate swaps are discussed in Note 8. We evaluated the key factors used to develop the calculation and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We did not propose any audit adjustments that, in our judgement, could have a significant effect, either individually or in the aggregate, on the District's financial reporting process.

Professional standards require us to accumulate all known and likely uncorrected misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the Board of Directors.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in a management representation letter dated April 10, 2023.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the required supplementary information that accompanies and supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

We were not engaged to report on the Introductory and Statistical Sections which accompany the financial statements, but are not required supplementary information. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Additional Procedures

The District requested us to increase the sample size of transactions reviewed as part of our internal control testing. Under generally accepted auditing standards, the auditor selects sample sizes based on their judgment to obtain reasonable assurance the financial statements are free of material misstatement. The requested procedures by the District resulted in the selection of additional transactions to be tested over the amounts required, in our judgment, for the audit. Our sample sizes, including the additional testing, included:

> Cash Disbursements – We selected 10 transactions randomly from all disbursements made during the year. We traced these samples to original approved purchase orders, invoices and agreements. Furthermore, we tested these transactions to ensure compliance with the purchasing policy. In addition, we reviewed the petty cash reconciliations forms for 2 selected month and reviewed those transactions.
>
> Wire and Bank Transfers – We selected 8 wire and bank transfers during the year and tested the bank reconciliation for two months.
>
> Credit Card Transactions – We reviewed all transactions charged to the District's credit cards for 10 transactions. We traced those charges to backup and verified they follow the District's policy and were properly approved.

Board and Employee Reimbursements – We scanned the listings of all Board and employee reimbursements made during the year. We selected one employee and test one months' worth of transaction for proper authorization and approval.

Payroll Disbursements – We randomly selected 10 employees for payroll disbursement testing. Our sample included 2 senior management, finance staff and staff involved in the processing of payroll.

******

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

Maze + Associates

Pleasant Hill, California
April 10, 2023

Overview of the Audit Process

Interim Phase

- Planning and Brainstorming
- Internal Control Testing
- Segregation of Duties

Final Phase

- Testing of Balances
- Audit Confirmations
- Analytical Review

Audit Opinions

- Unmodified Opinion (Clean)
- Free of Material Misstatements
- In conformity with Generally Accepted Accounting Principals
- Compliance Opinion

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, 2022 and 2021 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.

Memorandum on Internal Controls and Required Communication

No Disagreements with Management

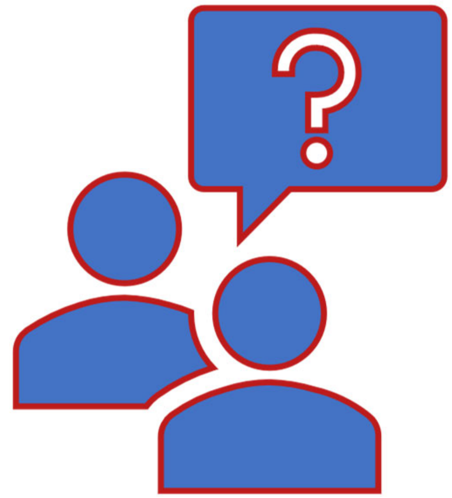
Management's Estimates Appear Reasonable

- Depreciation
- Bad Debt
- Net Pension Liability and Net OPEB Liability

No Finding to Report

- No Material Weaknesses
- No Significant Deficiencies

Questions?



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SACRAMENTO SUBURBAN WATER DISTRICT

Agenda Item: 3

Date: April 19, 2023

Subject: Update of the Finance and Audit Committee Mission Statement and Charter

Staff Contact: Jeffery S. Ott, Director of Finance and Administration

Recommended Committee Action:

Review and approve the attached update to the Finance and Audit Committee Mission Statement and Charter.

Recommend to the full Board establishing the reorganized Audit Committee of the Board of Directors by adopting the Audit Committee Mission Statement and Charter as attached.

Background

The Finance and Audit Committee (Committee) was originally formed to address accounting and financial planning issues facing the District. This standing Committee has had a Mission Statement and Charter to provide guidance and document the levels of authority assigned to it by the Board since August 2003. Over time the Committee evolved into an annual budget, debt refinancing and audit committee. In May 2016, the Committee chose to dissolve itself of budget responsibilities. The 2022 debt refinancing was managed by the full Board and not the Committee. Therefore, the Committee has only been acting in the role of an "audit committee."

While Auditing Standards do not require the establishment of an audit committee, Government Finance Officers Association (GFOA) Best Practices recommends the establishment of an audit committee as follows:

"Three main groups are responsible for the quality of financial reporting: the governing body, financial management, and the independent auditors. Of these three, the governing body must be seen as "first among equals" because of its unique position as the ultimate monitor of the financial reporting process. An audit committee is a practical means for a governing body to provide much needed independent review and oversight of the government's financial reporting processes, internal controls, and independent auditors. An audit committee also provides a forum separate from management in which auditors and other interested parties can candidly discuss concerns. By effectively carrying out its functions and responsibilities, an audit committee helps to ensure that management properly develops and adheres to a sound system of internal controls, that procedures are in place to objectively assess management's practices, and that the independent auditors, through their own review, objectively assess the government's financial reporting practices.
GFOA makes the following recommendations regarding the establishment of audit committees by state and local governments:

• The governing body of every state and local government should establish an audit committee or its equivalent; …" (GFOA Best Practices Audit Committees).

Discussion

Based on Board of Directors' direction, staff is recommending the Committee reorganize itself as an audit committee, which is where its guidance is needed. As noted in the attached revised Charter, the audit committee would continue to recommend and approve independent auditors, manage the annual audit, recommend changes and enhancements to internal controls and so forth (see Attachment 1). All future finance and debt issuance matters will be brought directly to the full Board for discussion and action.

Fiscal Impact:

There is no fiscal impact resulting from the reorganization of the Finance and Audit Committee into an audit committee with its Mission Statement and Charter.

Strategic Plan Alignment:

Goal B: Optimize Operational and Organizational Efficiencies

Attachments:

1. Finance and Audit Committee Mission Statement and Charter-redlined
2. New Audit Committee Mission Statement and Charter

Sacramento Suburban Water District

~~Finance &~~ Audit Committee
Mission Statement & Charter

~~Ratified~~ Effective: August 18, 2003
Approved with ~~Without~~ Changes: ~~December 17, 2018~~April 19, 2023

Status: Standing Committee

Meeting Times: Varies, as required

Staff Contact: ~~Dan Bills,~~ District Treasurer

100.00 Mission Statement:

~~**100.10 Finance**~~

~~To provide an oversight function and an avenue of communication between District finance staff and the Board of Directors regarding all District financial matters.~~

~~To review and recommend policies and procedures covering District capital structure, debt financing, cash management, investments, capital assets, reserve position, and financial risk management.~~

~~To submit an annual capital and operating budget to the Board of Directors for consideration and approval.~~

~~To review and recommend policies and procedures covering directors', officers', and employee expense accounts, perquisites, and use of District assets.~~

~~To monitor and recommend changes to the District Ethics Policy covering all Directors and District personnel.~~

100.~~20~~10 Audit

To provide an open avenue of communication among the District finance staff, auditors, and Board of Directors.

To recommend the engagement of outside independent auditors and internal auditors.

To review external audit reports and periodic financial statements.

To review legal, regulatory and other matters that may have a material effect on the District's financial position, compliance policies and/or programs and to recommend actions concerning these matters to the full Board.

200.00 Charter

200.10 Purpose and Authority

~~The Finance and Audit Committee (Committee) is established to assist the Board of Directors in fulfilling its oversight responsibilities in all areas of District financial responsibilities including capital structure, debt financing, capital expenditures, cash management, banking activities and relationships, investments, annual budgets, integrity of the District's financial reporting process, system of internal controls over financial reporting, audit process, process for monitoring compliance with financially-related laws and regulations, and the District's Ethics Policy. The Committee provides an open avenue of communication between financial management, internal auditors (if any), external auditors and the Board.~~

The audit committee is established by and among the Board of Directors for the primary purpose of assisting the board in:

- Overseeing the integrity of the District's financial statements and the District's accounting and financial reporting processes and financial statement audits
- Overseeing the District's compliance with financial related legal and regulatory requirements
- Overseeing the registered public accounting firm's (independent auditor's) qualifications and independence
- Overseeing the performance of the District's independent auditor and internal audit function
- Overseeing the District's systems of disclosure controls and procedures
- Overseeing the District's internal controls over financial reporting
- Overseeing the District's compliance with ethical standards adopted by the Board.

The audit committee should encourage continuous improvement and should foster adherence to the District's policies, procedures, and practices at all levels. The audit committee has the authority to conduct investigations into any matters within its scope of responsibility and obtain advice and assistance from outside legal, accounting, or other advisers when necessary to perform its duties and responsibilities.

The District will provide appropriate funding, as determined by the audit committee, for compensation to the independent auditor, to any advisers that the audit committee chooses to engage, and for payment of ordinary administrative expenses of the audit committee that are necessary or appropriate in carrying out its duties.

The committee's principal responsibility is one of oversight. The fundamental responsibility for the District's financial statements and disclosures rests with management and the independent auditor.

Any action taken by the Committee pursuant to the power and authority conferred under this Charter will for all purposes constitute an action taken by the Board of Directors and may be certified as such by the District Secretary. Notwithstanding the power and authority of the Committee to act on behalf of the Board of Directors with respect to such matters, the Committee, in its discretion, may submit any such matter, along with its recommendation with respect thereto, to the full Board of Directors for consideration and approval.

In its discretion and at any time, the full Board of Directors may direct the Committee to bring certain matters delegated to the Committee to the full Board for consideration and approval. The full Board also may abrogate any power or duty delegated to the Committee under this Charter or delegate any new power or duty.

200.20 Composition

The Committee will consist of at least two members of the Board of Directors. Committee members are appointed by and serve at the discretion of the President of the Board of Directors.

200.30 Meetings

The Committee will meet as required, with special meetings as the Committee Chair or President of the Board of Directors may direct. The Committee may invite members of management, auditors or others to attend meetings and provide pertinent information. The Committee may hold closed sessions in accordance with the requirements of the Brown Act.

200.40 Responsibilities

~~The Committee will formulate policy and procedures, review with District staff and recommend for approval existing or proposed policies and actions to the full Board of Directors, any and all strategies, plans, policies and actions related to District finance. The matters within the scope of the Committee's authority will~~

~~include but are not limited to the following~~To fulfil its responsibility and duties, the audit committee will perform the following functions:

~~200.40.10 Financial~~

1. ~~Recommending policies and actions concerning District capital structure, debt financings, capital expenditures, reserve balances and requirements, investments, and cash management, including the establishment and maintenance of bank, investment and brokerage accounts.~~
2. ~~Reviewing an annual capital and operating budget and providing feedback to staff.~~
3. ~~Considering and recommending methods of acquiring or holding interests in District property, fixed assets or contributed capital. Inquiry will be sought into any unusual methods of acquiring title to or holding such property.~~

200.40.~~20~~10 External Audit

1. Reviewing the annual audited financial statements with the external auditors and management, including inquiring about major issues regarding accounting and auditing principles and practices, and the adequacy of internal controls that could significantly affect the District's financial statements. All external audit reports shall be presented to the full Board of Directors.
2. Reviewing critical accounting policies and any major changes to accounting policies.
3. Reviewing with management, and the external auditors if necessary, any District newsletter or press release regarding District financial information before such materials are filed.
4. Reviewing with management and/or the external auditors the effect of regulatory and accounting initiatives, as well as reviewing and approving any off-balance sheet structures on the District's financial statements.
5. Reviewing with management and the external auditors significant financial reporting issues and judgments made in connection with the District's financial statements, including the effect of alternative GAAP methods on the District's financial statements.

200.40.~~30~~20 Internal Controls

1. Considering and reviewing with management and the external auditors the effectiveness of the District's internal controls over annual and interim financial reporting, including information technology security and control. These controls will provide reasonable assurance of the integrity of the financial information and assurance that the District's reported financial results are presented fairly in conformity with GAAP.

2. Understanding the scope of the external auditors' review of internal controls over financial reporting and obtaining reports on significant findings and recommendations together with management's responses.

200.40.~~40~~30 Internal Auditors

1. Recommending to the full Board the appointment of an internal auditor, and reviewing the auditor’s performance and recommending the replacement or dismissal of the internal auditor.
2. Reviewing significant internal audit findings reported during the period and their respective impact on internal controls, the control environment and the overall effectiveness and efficiency of the District's operations.

200.40.~~50~~40 External Auditors

1. Reviewing the external auditors' proposed audit scope and approach, including coordination of external audit effort with internal audit.
2. Recommending to the full Board the appointment or discharge of external auditors.
3. Reviewing the experience and qualifications of the primary partners and staff on the external audit team and the quality control procedures of the firm.
4. Reviewing the external auditors' Management Letter, recommendations, and management's response.
5. With direction from the Board, reviewing and approving the annual budget for all audit and non-audit services from the external auditor, and approving in advance any other fees for non-audit services provided by the external auditor.
6. Reviewing and confirming the independence of the external auditors, including obtaining statements from the external auditor regarding its independence. Discussing relationships between the external auditors and the District with the auditors and considering whether the provision of non-audit services is compatible with maintaining the external auditor's independence.
7. Reviewing and concurring with the General Manager’s hiring as an employee or engagement as a contractor any employee of an external auditor who was engaged on the District account in the most recent two years.

200.40.~~60~~50. Ethics Policy

1. District staff will monitor compliance with the District Ethics Policy to which all Directors and employees will attest. At least annually, the Committee will receive a report from District staff indicating compliance with the District Ethics Policy.

200.40.~~70~~ 60 Compliance

1. Reviewing the effectiveness of the accounting system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
2. Reviewing with management and the external auditors any correspondence with regulators or governmental agencies and any employee complaints or published reports, which raise material issues regarding the District's financial statements, accounting policies or internal controls, and making recommendations concerning these matters to the full Board.
3. Reviewing the process for communicating the District's Ethics Policy with District staff, for reporting incidents and for monitoring compliance annually.
4. Obtaining regular updates from management and the District's legal counsel regarding legal matters which may have a material impact on the financial statements, including any related-party transactions, and any material reports or inquiries received from regulators or governmental agencies.
5. Conducting or authorizing investigations into any matters within the Committee's charter. With the full Board's concurrence, the Committee is empowered to: (i) retain outside counsel, accountants, or others to advise or assist the Committee in the conduct of an investigation; (ii) seek any information it requires from external parties or employees, all of whom are directed to cooperate with the Committee's requests; (iii) meet with management, external auditors, or outside counsel, as necessary; and (iv) meet with the District's financial advisors, if any.

300.00 Reporting

The Committee's reporting responsibilities will include oral and written reports to the Board of Directors regarding Committee activities, issues and related recommendations and actions. Following each Committee meeting, the Chair of the Committee will provide the Board of Directors with a report of the Committee's activities at the next regularly scheduled meeting of the Board of Directors.~~At each regularly scheduled meeting of the Board of Directors, the Chair of the Committee will provide the Board of Directors with a report of the Committee's activities and proceedings~~.

400.00 Committee Charter

The Committee also will perform other activities related to this Charter, including: (i) a review and assessment of the adequacy of the charter at least biennially and request Board approval of any proposed changes; (ii) annual confirmation that the responsibilities outlined in this charter have been carried out; and (iii) ensuring that this charter is posted on the District's website.

Sacramento Suburban Water District

Audit Committee
Mission Statement & Charter

Effective: August 18, 2003
Approved with Changes: April 19, 2023

Status: Standing Committee

Meeting Times: Varies, as required

Staff Contact: District Treasurer

100.00 Mission Statement:

100.10 Audit

To provide an open avenue of communication among the District finance staff, auditors, and Board of Directors.

To recommend the engagement of outside independent auditors and internal auditors.

To review external audit reports and periodic financial statements.

To review legal, regulatory and other matters that may have a material effect on the District's financial position, compliance policies and/or programs and to recommend actions concerning these matters to the full Board.

200.00 Charter

200.10 Purpose and Authority

The audit committee is established by and among the Board of Directors for the primary purpose of assisting the board in:

- Overseeing the integrity of the District's financial statements and the District's accounting and financial reporting processes and financial statement audits

- Overseeing the District's compliance with financial related legal and regulatory requirements

- Overseeing the registered public accounting firm's (independent auditor's) qualifications and independence

- Overseeing the performance of the District's independent auditor and internal audit function

- Overseeing the District's systems of disclosure controls and procedures

- Overseeing the District's internal controls over financial reporting

- Overseeing the District's compliance with ethical standards adopted by the Board.

The audit committee should encourage continuous improvement and should foster adherence to the District's policies, procedures, and practices at all levels. The audit committee has the authority to conduct investigations into any matters within its scope of responsibility and obtain advice and assistance from outside legal, accounting, or other advisers when necessary to perform its duties and responsibilities.

The District will provide appropriate funding, as determined by the audit committee, for compensation to the independent auditor, to any advisers that the audit committee chooses to engage, and for payment of ordinary administrative expenses of the audit committee that are necessary or appropriate in carrying out its duties.

The committee's principal responsibility is one of oversight. The fundamental responsibility for the District's financial statements and disclosures rests with management and the independent auditor.

Any action taken by the Committee pursuant to the power and authority conferred under this Charter will for all purposes constitute an action taken by the Board of Directors and may be certified as such by the District Secretary. Notwithstanding the power and authority of the Committee to act on behalf of the Board of Directors with respect to such matters, the Committee, in its discretion, may submit any such matter, along with its recommendation with respect thereto, to the full Board of Directors for consideration and approval.

In its discretion and at any time, the full Board of Directors may direct the Committee to bring certain matters delegated to the Committee to the full Board for consideration and approval. The full Board also may abrogate any power or duty delegated to the Committee under this Charter or delegate any new power or duty.

200.20 Composition

The Committee will consist of at least two members of the Board of Directors. Committee members are appointed by and serve at the discretion of the President of the Board of Directors.

200.30 Meetings

The Committee will meet as required, with special meetings as the Committee Chair or President of the Board of Directors may direct. The Committee may invite members of management, auditors, or others to attend meetings and provide pertinent information. The Committee may hold closed sessions in accordance with the requirements of the Brown Act.

200.40 Responsibilities

To fulfil its responsibility and duties, the audit committee will perform the following functions:

200.40.10 External Audit

1. Reviewing the annual audited financial statements with the external auditors and management, including inquiring about major issues regarding accounting and auditing principles and practices, and the adequacy of internal controls that could significantly affect the District's financial statements. All external audit reports shall be presented to the full Board of Directors.
2. Reviewing critical accounting policies and any major changes to accounting policies.
3. Reviewing with management, and the external auditors if necessary, any District newsletter or press release regarding District financial information before such materials are filed.
4. Reviewing with management and/or the external auditors the effect of regulatory and accounting initiatives, as well as reviewing and approving any off-balance sheet structures on the District's financial statements.
5. Reviewing with management and the external auditors significant financial reporting issues and judgments made in connection with the District's financial statements, including the effect of alternative GAAP methods on the District's financial statements.

200.40.20 Internal Controls

1. Considering and reviewing with management and the external auditors the effectiveness of the District's internal controls over annual and interim financial reporting, including information technology security and control. These controls will provide reasonable assurance of the integrity of the financial information and assurance that the District's reported financial results are presented fairly in conformity with GAAP.
2. Understanding the scope of the external auditors' review of internal controls over financial reporting and obtaining reports on significant findings and recommendations together with management's responses.

200.40.30 Internal Auditors

1. Recommending to the full Board the appointment of an internal auditor, and reviewing the auditor’s performance and recommending the replacement or dismissal of the internal auditor.
2. Reviewing significant internal audit findings reported during the period and their respective impact on internal controls, the control environment and the overall effectiveness and efficiency of the District's operations.

200.40.40 External Auditors

1. Reviewing the external auditors' proposed audit scope and approach, including coordination of external audit effort with internal audit.
2. Recommending to the full Board the appointment or discharge of external auditors.
3. Reviewing the experience and qualifications of the primary partners and staff on the external audit team and the quality control procedures of the firm.
4. Reviewing the external auditors' Management Letter, recommendations, and management's response.
5. With direction from the Board, reviewing and approving the annual budget for all audit and non-audit services from the external auditor, and approving in advance any other fees for non-audit services provided by the external auditor.
6. Reviewing and confirming the independence of the external auditors, including obtaining statements from the external auditor regarding its independence. Discussing relationships between the external auditors and the District with the auditors and considering whether the provision of non-audit services is compatible with maintaining the external auditor's independence.
7. Reviewing and concurring with the General Manager’s hiring as an employee or engagement as a contractor any employee of an external

auditor who was engaged on the District account in the most recent two years.

200.40.50. Ethics Policy

1. District staff will monitor compliance with the District Ethics Policy to which all Directors and employees will attest. At least annually, the Committee will receive a report from District staff indicating compliance with the District Ethics Policy.

200.40.60 Compliance

1. Reviewing the effectiveness of the accounting system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
2. Reviewing with management and the external auditors any correspondence with regulators or governmental agencies and any employee complaints or published reports, which raise material issues regarding the District's financial statements, accounting policies or internal controls, and making recommendations concerning these matters to the full Board.
3. Reviewing the process for communicating the District’s Ethics Policy with District staff, for reporting incidents and for monitoring compliance annually.
4. Obtaining regular updates from management and the District's legal counsel regarding legal matters which may have a material impact on the financial statements, including any related-party transactions, and any material reports or inquiries received from regulators or governmental agencies.
5. Conducting or authorizing investigations into any matters within the Committee's charter. With the full Board’s concurrence, the Committee is empowered to: (i) retain outside counsel, accountants, or others to advise or assist the Committee in the conduct of an investigation; (ii) seek any information it requires from external parties or employees, all of whom are directed to cooperate with the Committee's requests; (iii) meet with management, external auditors, or outside counsel, as necessary; and (iv) meet with the District's financial advisors, if any.

300.00 <u>Reporting</u>

The Committee's reporting responsibilities will include oral and written reports to the Board of Directors regarding Committee activities, issues and related recommendations and actions. Following each Committee meeting, the Chair of the Committee will provide the Board of Directors with a report of the Committee’s activities at the next regularly scheduled meeting of the Board of Directors.

400.00 Committee Charter

The Committee also will perform other activities related to this Charter, including: (i) a review and assessment of the adequacy of the charter at least biennially and request Board approval of any proposed changes; (ii) annual confirmation that the responsibilities outlined in this charter have been carried out; and (iii) ensuring that this charter is posted on the District’s website.

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SACRAMENTO SUBURBAN WATER DISTRICT

Agenda Item: 4

Date: April 19, 2023

Subject: Ethics Policy (PL – BOD 004) Training Compliance Report

Staff Contact: Jeffery S. Ott, Director of Finance and Administration

Recommended Committee Action:

Receive staff report on District "Covered Official" compliance with the training requirements of District Ethics Policy PL – BOD 004.

Background

Part of the Audit Committee's responsibility per the Audit Committee Mission Statement and Charter is to receive from staff, annually, a report on the compliance of the District's "Covered Officials" with the training requirements of Ethics Policy PL – BOD 004 (Policy). The policy of the Sacramento Suburban Water District is to maintain the highest standards of ethics from its Directors and employees. The proper operation of the District requires that decisions and policy be made in the proper channels of governmental structure, that public office not be used for personal gain, and that all individuals associated with the District remain impartial and responsible towards the public. Accordingly, it is the policy of the District that Directors and District employees will maintain the highest standard of personal honesty and fairness in carrying out their duties.

This Policy contains two parts. The first part addresses mandated ethics training requirements for Directors and certain designated officers. The second part of this Policy sets ethics standards for Directors. The ethical standards to be followed by District employees, including the General Manager, Treasurer, and Secretary (if an employee), are provided in the District's Employee Handbook.

The primary purpose of the ethics training policy (articles 200.00 – 250.00) is to ensure that all District Directors and certain designated officers comply with the ethics training and reporting mandates imposed by Government Code sections 53234 through 53235.2.

The primary purpose of the ethics guidelines for Directors (articles 300.00 – 375.00) is to set forth the minimum ethical standards to be followed by the Board of Directors of the Sacramento Suburban Water District. The objectives of this Policy are to (1) provide guidance for dealing with ethical issues, (2) heighten awareness of ethics and values as critical elements in Directors' conduct, and (3) improve ethical decision-making and values-based management.

Ethics training is required for all Directors (Government Code section 53235, subd. (a).). The following District officers also will be required to receive ethics training: (1) General Manager and (2) Director of Finance and Administration. (Government Code section 53234, subds. (a), (b) and (c)(1).) Collectively, Directors and the designated officers are the District's "Covered Officials" under this Policy. The Board encourages all other District employees to receive ethics training, although such training is not a legal requirement.

Discussion

Every two years, all "Covered Officials" must receive at least two hours of ethics training that complies with the requirements of Article 220.00. (Government Code section 53235, subd. (b).) All Covered Officials may take more than two hours of training every two years and the Board encourages all Covered Officials to obtain more than the required minimum training. Previously, staff had not reported to the Audit Committee the compliance status for ethics training. This is the first such report and will be reported annually at the first Audit Committee meeting held each calendar year. The following table lists the "Covered Official" and the ethics training classes taken, duration and date.

"Covered Official"	Training Class	Hours	Date
Jay Boatwright – Director	Ethics in the Workplace	2	05/31/22
Kevin Thomas – Director	CA Local Agency Ethics	2	06/27/21
Robert Wichert – Director	CA Local Agency Ethics	2	07/23/21
Craig Locke – Director	CA Local Agency Ethics	2	04/13/23
Dave Jones – Director	CA Local Agency Ethics	2	08/03/21
Dan York – General Manager/Secretary	CA Local Agency Ethics	2	03/31/22
Jeffery Ott – Director of Finance/Admin.	Ethical Leadership	2	01/10/23
	Ethics in the Real World	2	01/19/23

Fiscal Impact:

There is no fiscal impact resulting from the reporting of District "Covered Official" compliance with the training requirements of the Ethics Policy.

Strategic Plan Alignment:

Goal C: Ensure Fiscal Responsibility and Affordable Rates