

Sacramento Suburban Water District

Sacramento, CA

Annual Comprehensive Financial Report

For the Fiscal Years Ended December 31, 2023 and 2022



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Annual Comprehensive Financial Report and Independent Auditors' Report

For the Fiscal Years Ended December 31, 2023 and 2022



Sacramento Suburban Water District

Sacramento, California

Prepared by:

The Finance Department

Sacramento Suburban Water District

Mission Statement

To deliver a high quality, reliable supply of water and superior customer service at the lowest responsible water rate.

Vision Statement

Sacramento Suburban Water District is a model public agency that maintains stakeholder trust through fiscal responsibility, environmental stewardship, and leadership.

Values

Professionalism

Attract and retain a skilled and professional workforce to deliver high quality water and customer service.

Ethics

Practice ethical standards and integrity in all of our communications and actions.

Respect

Conduct business through open and transparent governance, communication, and conduct.

Robust Standards

Ensure assets, resources, and finances are maintained and sustainable through cost effective business practices.

Collaboration

Emphasize internal and external collaboration in addressing issues and attaining objectives.

Health and Safety

Ensure public health and safety by conducting operations in accordance with statutory and regulatory requirements.



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Introductory Section



April 3, 2024

President and Members of the Board of Directors, Customers and Interested Parties of the Sacramento Suburban Water District:

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, 2023 and 2022. 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 Accountancy Corporation, 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, 2023 and 2022, 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 ("clean") opinion that the District's basic financial statements for the years ended December 31, 2023 and 2022, are fairly presented in conformity with GAAP. An unmodified opinion is the highest level of assurance that an auditor can provide. The Independent Auditor's Report is presented as the first component in the Financial Section of this Annual Report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This transmittal letter is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the Independent Auditor's Report in the Financial Section of this Annual Report.



District Profile



The District's Mission is "to deliver a high quality, reliable supply of water and superior customer service at the lowest responsible water rate." District goals in support of this mission include: assuring a safe and reliable supply of high quality water in an environmentally responsible and sustainable manner for District customers; planning, constructing, operating and maintaining the District water system facilities embracing sustainable practices to provide

reliable delivery of high quality water; assuring superior customer service; ensuring effective and efficient management and public reporting of all District financial processes; and providing leadership on regional, statewide and national water management issues that may affect the District.

The District was formed on February 1, 2002 under the State of California's County Water District Law by the consolidation of the Northridge Water District and the Arcade Water District. The 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 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 approximately 47,788 permanent customer connections. The District's territory is substantially built out and other than residential and commercial in-fill projects, and industrial and commercial development at McClellan Park, the District does not expect significant additional development within its territory.

The District has created the Sacramento Suburban Water District Financing Corporation (Corporation) unit to assist the District in the issuance of debt. Although legally separate from the District, the Corporation is reported as if it were part of the primary government because it shares a common Board of Directors with the District, and because its sole purpose is to provide financing to the District under the debt issuance documents of the District. Debt issued by the Corporation is reflected as debt of the District in these financial statements. The Corporation has no other transactions and does not issue separate financial statements.

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 conservation efforts.

System Description

The distribution system, including storage, pump stations and interconnections, has approximately 694 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. The District pumps its groundwater from approximately 71 operational groundwater wells, which are capable of producing 100% of the annual District water demand. All of the groundwater wells pump directly into the distribution system and range between 270 and 1,036 feet deep. The District also has facilities to accept treated surface water from Folsom Reservoir and the Lower American River.

Water Supplies and Management



Groundwater

SSWD has established rights to pump groundwater to supply the entire needs of District customers in any one year and has exercised this right since its inception. Under California law, SSWD is not required to obtain a permit or other approval from any agency to establish its right to pump this groundwater supply. SSWD's groundwater wells and storage facilities are capable of producing 100% of SSWD's annual water demand. As a municipal pumper, SSWD may extract and

serve groundwater anywhere within its service area, or outside of it. SSWD's wells are permitted through the State Water Resources Control Board, Division of Drinking Water (DDW) and are required to comply with all applicable federal, local, and state water quality and drinking water standards.

SSWD pumps from the North American Sub-basin (NASb), which is jointly managed on behalf of SSWD and other municipal pumpers by the Sacramento Groundwater Authority (SGA) under a Groundwater Management Plan adopted consistent with the Sustainable Groundwater Management Act (SGMA). SSWD works with other groundwater pumpers in the basin to sustainably manage groundwater supply consistent with SGMA. 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, 2023, the District has banked approximately 261,000 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. 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. 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.



Surface Water

In addition to groundwater, the District imports surface water from two supply sources, when available, Folsom Reservoir and the Lower American River. SSWD has no surface water rights but has two contractual entitlements to surface water, one from the Placer County Water Agency (PCWA) for up to 29,000 acre-feet and one from the City of Sacramento (City) for up to 26,064 acre-feet.

When available, the District purchases surface water from PCWA supplied from the Middle Fork

American River and delivered to Folsom Reservoir. The PCWA water is treated by San Juan Water District (SJWD) 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. The District also purchases, when available, surface water from the City supplied from the Lower American River which is diverted and treated by the City at its E.A. Fairbairn Water Treatment Plant and conveyed through purchased and District-owned pipeline capacity for distribution to customers in the District's South Service Area. These two 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.

In addition to the two contractual entitlements, the District purchases, when available, Central Valley Water Project Section 215 surface water from the United States Bureau of Reclamation (USBR) and starting in 2020 the District began entering into annual agreements with SJWD to purchase its excess surface water, when available.

Conjunctive Use

SSWD has operated an active Conjunctive Use Program since 1998. Under this program, SSWD supplies imported treated surface water to its customers under its City and PCWA contractual entitlements, along with other purchased water sources, in lieu of providing pumped groundwater. This reduces SSWD's need to extract groundwater which in turn allows SSWD's groundwater supplies to be replenished through natural groundwater recharge. This operation is referred to as "in-lieu recharge." SSWD's groundwater wells are located in the NASb which is part of the Sacramento Valley Groundwater Basin. While groundwater levels normally fluctuate (rise and fall) in response to hydrologic conditions, groundwater levels in the NASb had declined over the 50 years prior to the millennium at an average rate of approximately 1.5 to 2.0 feet per year. There is a regional consensus that this decline was largely the result of excessive groundwater pumping. By supplementing its supplies with surface water, SSWD's groundwater pumping was reduced, thereby allowing for more groundwater (aquifer) recharge. This supply flexibility positions the District very favorably with California's SGMA.

When no PCWA or City water was available during 2020, 2021 and 2022, the District was still able to acquire surface water through the new SJWD agreements of 1,016, 2,228 and 6,098 acre feet, respectively. The storms that impacted northern California during the winter of 2022/23 and through the spring of 2023 provided enough runoff to allow the District to take both PCWA and USBR Section 215 surface water from Folsom Reservoir as well as Lower American River surface water from the City during CY2023, receiving 10,749, 2,063, and 7,471 acre feet, respectively. This accounted for approximately 65% of the District's water production for CY2023 as the District only pumped 11,247 acre feet of groundwater.

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.

In 2023, the District completed its transition to water meters from flat rate accounts, ahead of the 2025 mandate.

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 were approved to increase on average 5%, 4%, 3%, 3%, and 3% from 2020 – 2024, unless the Board of Directors approve lower increases. The five increases of 5%, 4%, 3%, 3%, and 3% were placed into effect on January 1, 2020, 2021, 2022, 2023, and 2024, 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.

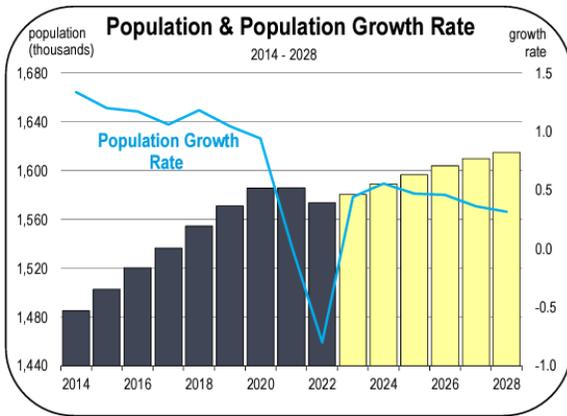


The District's sources of non-operating revenue come primarily from state and federal capital grants, developer contributions, rental and investment income.

COVID-19 Pandemic

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 was 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. In January 2022, 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 that included disconnecting delinquent water service accounts. In December 2022, the Board directed staff to update the appropriate regulations and policies necessary to begin using the direct levy process as the primary means of collection of delinquent water bills. The direct levy process involves transferring delinquent balances to the County of Sacramento's (County) secured property tax rolls for collection. On February 28, 2023, Governor Gavin Newsom issued a proclamation terminating the state's COVID-19 State of Emergency. During August of 2023, the District transferred its first batch of delinquent bills to the County's secured property tax rolls for assessment and collection. The financial effects of the pandemic and its aftermath are addressed in the MD&A section of this report.

Local Economy¹

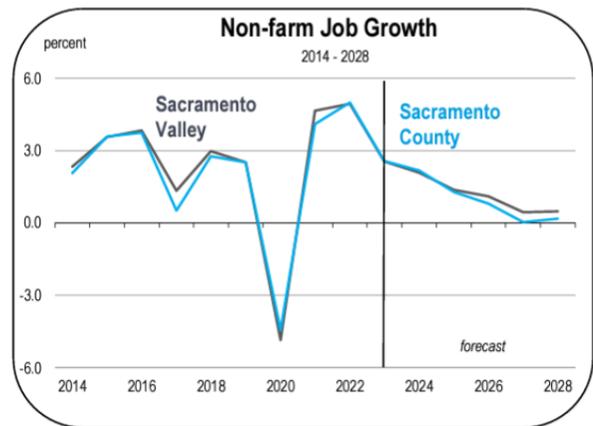


to Riverside in potential for both population and job growth over the forecast horizon (2024-2028). From 2014-2022, the population of the County grew at an annual average rate of 0.66%. Employment in the County consists of a labor force of 731,900 as of December 2023. The unemployment rate averaged 3.9% in 2022 and increased to 4.7% in 2023. Employment and population are projected to grow by an average 0.9% and 0.43% per annum, respectively, over the next five years in the County.

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. Among the larger counties in the state, the County is runner-up



The County's economy is broadly based. Government and education & healthcare 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 Intel and Siemens Mobility, 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 professional & business services and education & healthcare, followed by leisure & hospitality and government.



¹ Population, employment and unemployment data from State of California, Department of Transportation, Socio Economic Files, Sacramento County Economic Forecast (2022/2023); Labor force data from California Employment Development Department, Sacramento County Profile (2023).

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 the 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 spending and receipt 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

During 2022, 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 Statements No. 87 or 96, as appropriate.

Major Initiatives



Well 78

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 2024 budget calls for certain capital improvement project spending totaling \$26.7 million. Major projects include well replacements and rehabilitation of \$21.2 million, and distribution system replacements and improvements of \$4.3 million, which includes water main, hydrant, valve and service replacements. Wells 78 and 79 were completed and placed into service in 2023. Well 80 is still in progress.

During 2023, the District agreed to participate in a funding agreement between the State of California DWR and the Regional Water Authority (RWA). The Voluntary Agreement Early Implementation for the American River (ARTESIAN) agreement provides up to \$55.0 million to regional water purveyors to provide new and enhanced infrastructure that will improve the American River region's ability to enhance groundwater production capabilities and flexibility in Dry and Critical Water Years as determined by the Sacramento River Index. The District submitted two projects, Wells 81, 82 & 83, and Well 84 for funding. The District is eligible to receive up to \$18.84 million in funding towards these two projects over three years, 2023 - 2025. In return, the District has committed to provide the DWR



Well 84



with up to 10,488 acre feet of flow commitment for up to three out of eight years from 2025 through 2032 with the option to provide flow commitment for one additional year during the period 2033 through 2036 if all three of the previous years are not utilized.

Wells 81, 82, 83

Since the pandemic of 2020, groundwater well contractor resources have been scarce and difficult to schedule on short notice. Since the District's main source of water supply is groundwater, to maintain 71 operational groundwater wells, the availability of contractors to help maintain the District's groundwater wells is vital. During 2023, the District began a long-term, exclusive agreement with Kirby's Pump and Mechanical, Inc. (KPM) to provide well rehabilitation and refurbishment services exclusively to the District.

The agreement has a one-year initial term with up to 4 consecutive one-year extensions and the option for the District to purchase KPM at any time after the initial term. Having a readily available resource to address groundwater well rehabilitation, corrective, as well as proactive, maintenance on the District's groundwater wells has greatly improved the availability of groundwater production capacity.



For the past several years, the District's Board of Directors has been in discussions with two neighboring water agencies regarding potential combinations. 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. During 2023 both Boards officially ceased discussions on a potential combination.

Carmichael Water District is also a neighboring agency that serves approximately 8.0 square miles and 11,900 residential, commercial and institutional connections. In March of 2024, Carmichael's Board voted to cease all combination discussions with the District.

Awards and Acknowledgments

The District's insurance carrier, the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA) encourages all member agencies and their staff to not only practice good safety, but to actively seek improvements to further reduce risk and protect workers. The H.R. LaBounty Safety Award Program is designed for all JPIA members as a way to promote safe workplace behavior and operations practices while rewarding those employees who demonstrate safe behavior, take part in recognizable proactive activities, or participate in risk-reducing actions. It gives members another way to foster a safety culture that reduces the potential for losses.

In 2023, the District submitted five nominations to be considered for the H.R. LaBounty Safety Award. The submissions were evaluated by the JPIA Risk Management Committee and scored on a best practice scoring criteria. The District's submissions were recognized as exceptional and worthy of receiving the H.R. LaBounty Safety

Award. The five submissions were: Ergonomic Fire Hydrant Repair Station, Safety Calendar Coloring Contest, Well Pump Turbine Motor Oiling Process, Meter Box Replacement Job Hazard Analysis, and To-Go Trauma Kits.

In November 2023, the District received a letter from the President of ACWA/JPIA, commending the District for its efforts in reducing claims. In recognition of this effort, ACWA/JPIA approved a President's Special Recognition Award certificate for the Workers' Compensation Program. This award was presented for achieving low loss ratios in the Workers' Compensation Program for the period 07/01/2019 – 06/30/2022. A member district must have a loss ratio of 20% or less to receive the President's Special Recognition Award.

The District was honored by the Environmental Protection Agency (EPA) WaterSense Program at the October 2023 WaterSmart Innovations Conference and Exposition in Las Vegas for Excellence in Education for the District's efforts at raising awareness of the WaterSense label. WaterSense is a partnership program sponsored by EPA that seeks to protect the future of our nation's water supply by offering people a simple way to use less water with water-efficient products, new homes, and services. Since the program's inception in 2006, WaterSense has helped consumers save trillions of gallons of water and billions in water and energy bills. This is the second Excellence in Education Award the District has been honored by WaterSense for its public awareness efforts.



For the twelfth 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, 2022. To be awarded a Certificate of Achievement, a government agency must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,

Daniel R. York
General Manager

Jeffery S. Ott
Director of Finance and Administration



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Sacramento Suburban Water District
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2022

Christopher P. Morill

Executive Director/CEO

Principal District Officials

Board of Directors - Elected Officials

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

Staff - Appointed Officials

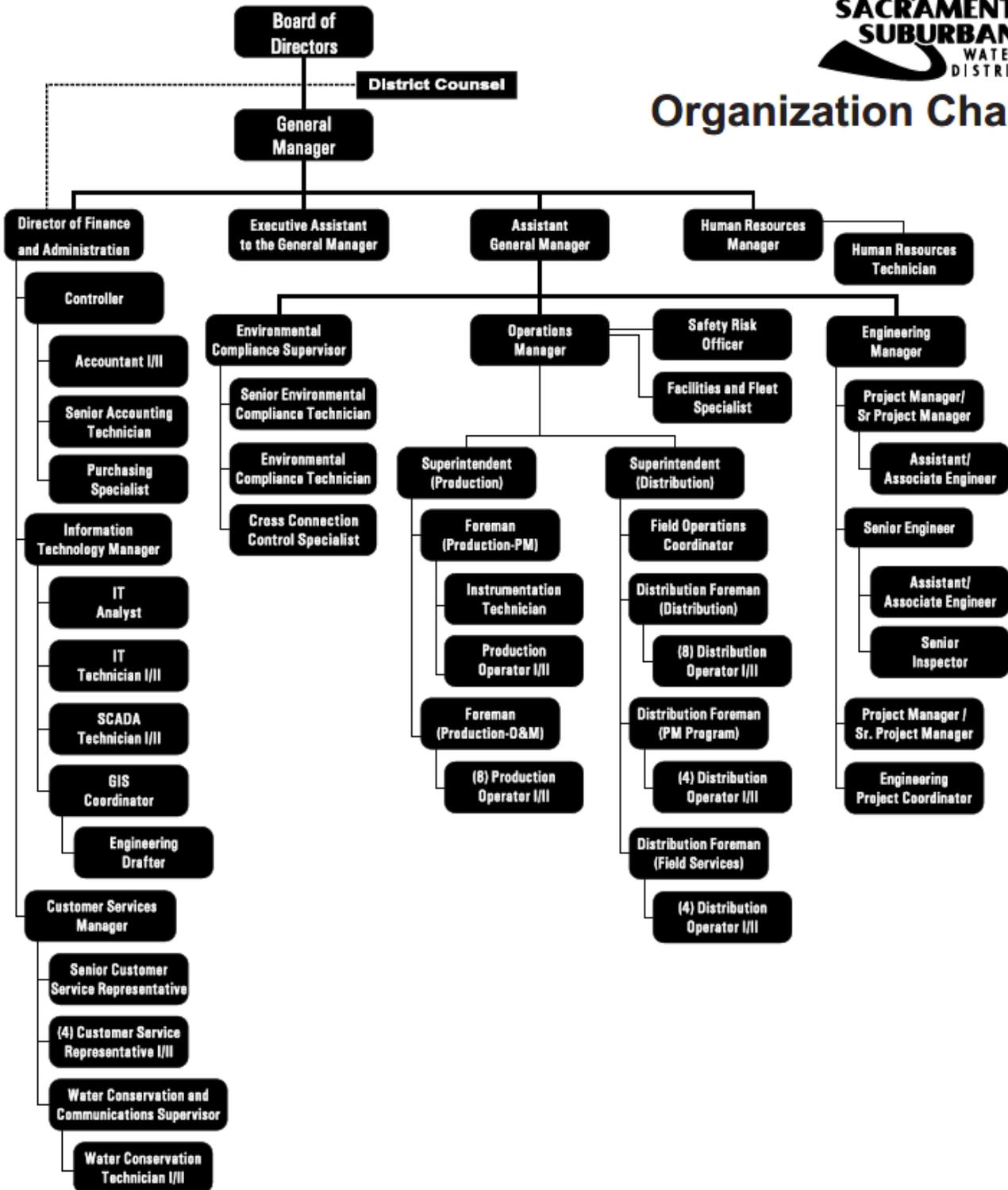
<u>Title</u>	<u>Name</u>
General Manager and Secretary	Daniel R. York
Director of Finance and Administration and Treasurer	Jeffery S. Ott
District Counsel	Bartkiewicz, Kronick & Shanahan, Joshua M. Horowitz

Additional Key Management Staff

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



Organization Chart



SSWD Administrative Office

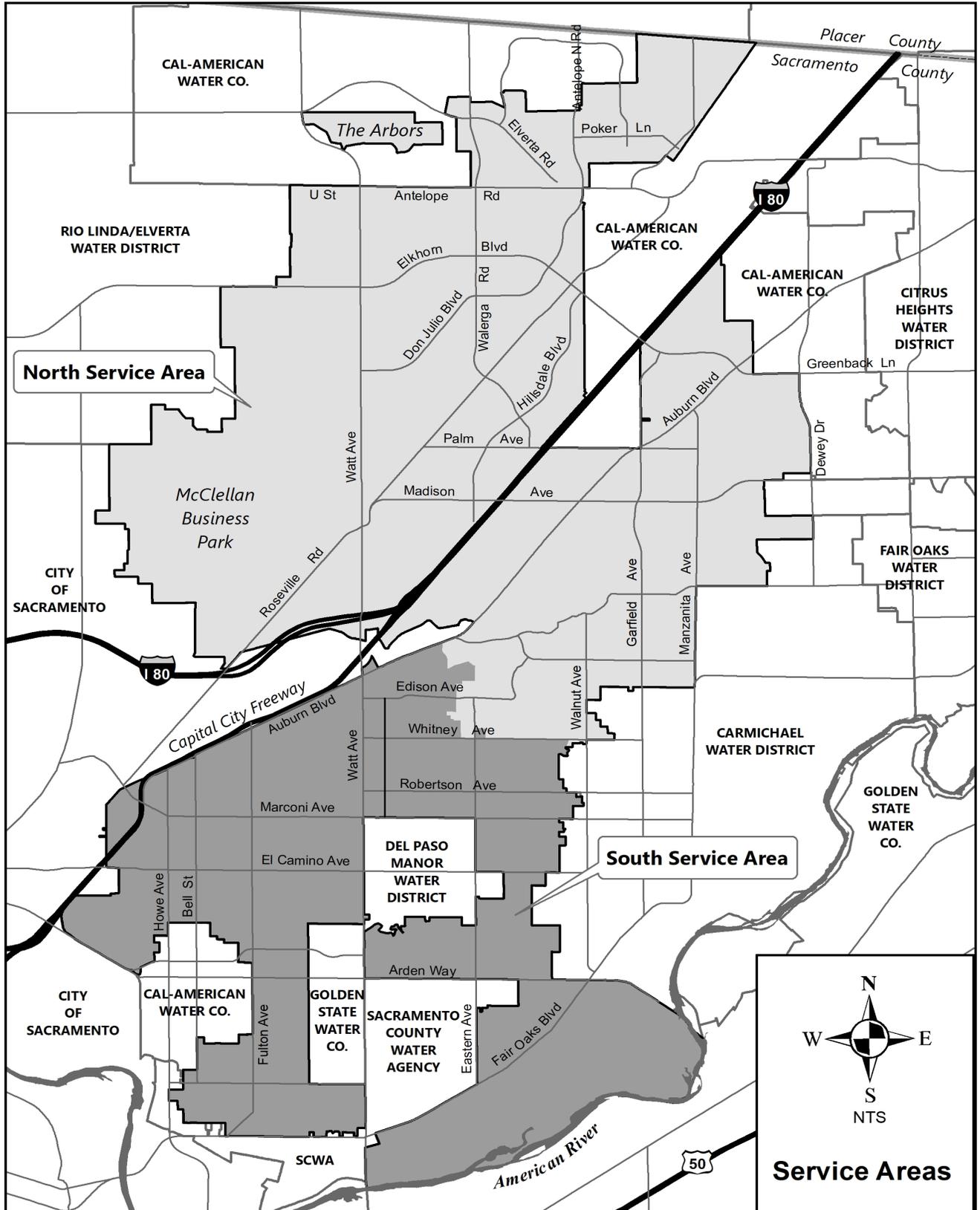
3701 Marconi Avenue, Suite 100 | Sacramento, CA 95821-5346

Phone: 916.972.7171 | Fax: 916.972.7639

Office Hours: 8:00 a.m. to 4:30 p.m. Monday-Friday

Website: sswd.org

12/28/2023



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, 2023 and 2022 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, 2023 and 2022 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.

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, there is a substantial likelihood that individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 3, 2024, 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 3, 2024

**Sacramento Suburban Water District
Management’s Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2023 and 2022**

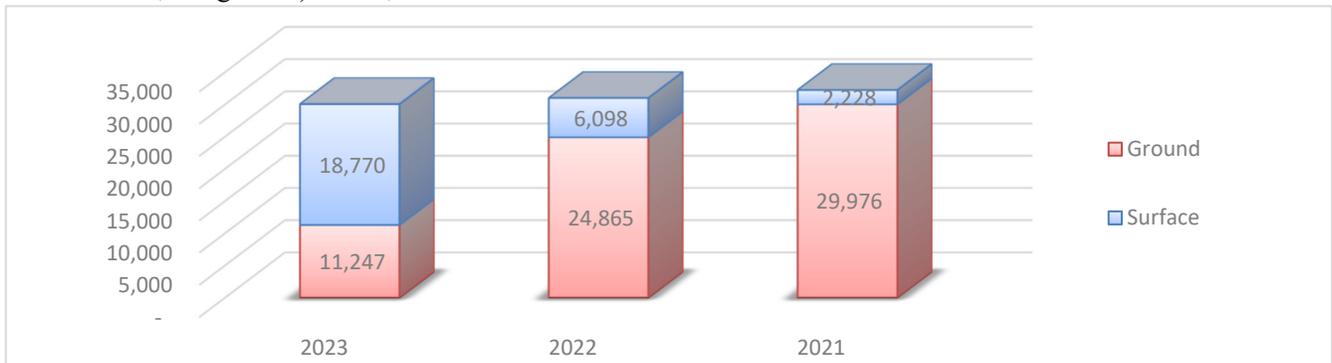
The following Management’s Discussion and Analysis (MD&A) provides a general overview and analysis of the financial activities and performance of the District for the years ended December 31, 2023 and 2022. Readers are encouraged to consider the information presented here in conjunction with the Transmittal 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 2023, 2022, and 2021, are highlighted below.

Water Activities and Highlights

- For the period ended December 31, 2023 the District sourced 30,018 acre-feet of water (18,770 surface and 11,247 ground) for 47,788 permanent customer connections, compared to 30,963 acre-feet of water (6,098 surface and 24,865 ground) for 47,680 connections in 2022, and 32,154 acre-feet of water (2,228 surface and 29,976 ground) for 47,402 connections in 2021.



- 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 at no cost to the District. This will result in economic, as well as aquifer, benefit to the District by not having to pump groundwater. At the current net cost for pumping and treating water (\$138.00 per acre-foot) the savings would be approximately \$0.53 million.
- In 2023, the District sourced an additional 1,802 acre feet of PCWA surface water that was wheeled to a neighboring water purveyor resulting in \$0.8 million in additional revenue. The District also received 7,471 acre feet of no-cost water from the City of Sacramento related to prior surface water transfers resulting in a net savings for the District of approximately \$1.0 million in pumping and treatment costs. The District still has approximately 3,600 acre feet of no-cost water to receive from the City of Sacramento that may be available in 2024.

**Sacramento Suburban Water District
Management’s Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2023 and 2022**

- The District has sufficient groundwater well 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. A copy is also available on the District’s web site: <https://www.sswd.org/departments/water-quality/consumer-confidence-reports>

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 2023, approximately 0.7 miles of pipeline and appurtenance replacements were installed at a cost of \$2.4 million, compared to 1.1 miles in 2022 and 0.7 miles in 2021 at costs of \$4.9 million and \$2.3 million, respectively. As of December 31, 2023, the District has five new wells under construction and property acquisitions in process to begin construction on two additional wells. Total 2023 spending on well rehabilitation and replacement was \$19.8 million compared to \$14.9 million and \$6.1 million in 2022 and 2021, respectively. Total expenditures for all capital improvement projects in 2023, 2022, and 2021 were \$24.9 million, \$23.8 million, and \$15.4 million, respectively.
- In accordance with state law, the District has completed updating all its domestic and irrigation service connections to metered before the 2025 mandate. During 2023, 199 new water meters were installed, compared to 14 in 2022 and 989 in 2021. As of December 31, 2023, 100 percent of the District’s connections are on water meters compared to 99.6 percent at the end of 2022 and 99.6 percent at the end of 2021.

Financial Highlights

- In 2023, the District submitted billings for \$3.9 million against the \$18.84 million ARTESIAN agreement mentioned above.
- 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.

**Sacramento Suburban Water District
Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2023 and 2022**

- Calendar year 2024 is the final year of a 5-year rate increase program mentioned previously. The District normally will have a pause year in between rate increase programs. 2025 was to be a pause year, however, in November of 2023 the Board of Directors directed staff to prepare a new rate study during 2024 for possible implementation as of January 1, 2025.

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, 2023 and 2022. 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.

**Sacramento Suburban Water District
Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2023 and 2022**

Condensed Statements of Net Position

(Dollars in Thousands)

Assets	2023	2022	Change	2021	Change
Current assets	\$ 24,185	\$ 19,101	\$ 5,083	\$ 21,270	\$ (2,169)
Non-current assets	36,111	37,209	(1,098)	41,956	(4,747)
Capital assets, net	338,593	324,542	14,052	309,062	15,480
Total assets	398,889	380,852	18,037	372,288	8,564
Deferred outflows	10,388	11,254	866	7,307	3,947
Liabilities					
Current liabilities	15,609	14,886	723	13,276	1,610
Non-current liabilities	66,798	71,332	(4,534)	74,833	(3,501)
Total liabilities	82,407	86,218	(3,811)	88,110	(1,891)
Deferred inflows	2,652	3,432	(780)	7,784	(4,352)
Net position					
Net investment in capital assets	289,215	270,542	18,673	247,828	22,714
Restricted for debt service fund	16	2	14	-	2
Unrestricted	34,987	31,912	3,075	35,874	(3,962)
Total net position	\$ 324,218	\$ 302,456	\$ 21,762	\$ 283,702	\$ 18,754

Referring to the table above, total assets increased by \$18.0 million compared to December 31, 2022, to a total of \$398.9 million as of December 31, 2023. The principal reason for the increase is related to an increase in capital assets of \$14.0 million as the District replaces its aging infrastructure and a \$5.1 million increase in current assets, offset by a smaller decrease in other non-current assets. The source of funds for capital projects is primarily a portion of customer fixed rate charges collected monthly, as well as state and federal grants when available.

Current assets increased by \$5.1 million in 2023 compared to a \$2.2 million decrease in 2022. The 2023 increase was primarily attributable to an increase in receivables of \$6.5 million, of which \$4.9 million is in grant receivables, offset by a decrease in cash and cash equivalents of \$1.4 million related primarily to increased construction spending, while 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.

Non-current assets decreased by \$1.1 million in 2023 after having decreased by \$4.7 million in 2022. The 2023 decrease is due primarily to maturing investments being held as cash and cash equivalent instead of being reinvested. The 2022 decrease is due primarily to a \$4.4 million 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 \$0.4 million decrease in the interest rate swap due to termination. 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

Sacramento Suburban Water District
Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2023 and 2022

equivalents had an unrealized fair value gain of \$1,815,904 as of December 31, 2023 compared to an unrealized loss of \$2,315,214 as of December 31, 2022.

Capital assets, net, increased \$14.0 million in 2023 due primarily to an increase in non-depreciable assets of \$11.4 million (easements and construction-in-progress (CIP)), capitalization of assets of \$15.6 million and net depreciation of \$13.0 million. The 2022 increase of \$15.5 million is 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 depreciation of \$12.2 million. Expenditures for 2023 and 2022 continue to be primarily for the construction and replacement of a portion of the District's transmission and distribution system (\$2.5 and \$6.8 million, respectively), the addition and/or improvement to well facilities (\$19.8 and \$14.9 million, respectively), and the addition of \$0.3 and \$1.1 million, respectively, of new water meter equipment. Several other capital asset construction projects are in various stages of completion with costs incurred during 2023 of \$2.3 million and \$0.9 million in 2022. Developers contributed \$2.0 million and \$4.2 million in 2023 and 2022, respectively (see Note 6).

As of December 31, 2023 and 2022, 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 (GASB 75) as well as the recognition of asset retirement obligations in accordance with GASB Statement No. 83 (GASB 83).

Total liabilities decreased by \$3.8 million and \$1.9 million as of December 31, 2023 and 2022, respectively. The 2023 decrease is due primarily to a decrease in long-term debt (\$5.7 million) offset by increases in net pension liability (\$1.2 million) and accounts payable (\$1.0 million). 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.

Current liabilities increased to \$15.6 million from \$14.9 million as of December 31, 2023 primarily related to an increase in accounts payable (\$1.0 million) and a decrease in accrued expenses (\$0.5 million). The 2022 increase of \$1.6 million was mostly related to an increase in accrued expenses (\$0.6 million) and increase in accounts payable (\$0.9 million) for several large construction related invoices for December.

Non-current liabilities decreased by \$4.5 million in 2023 compared to a decrease of 3.5 million in 2022. The 2023 decrease is primarily related to decrease in the non-current portion of long-term debt (\$5.8 million) offset by small increases in net pension liability (\$1.2 million) and asset retirement obligation (\$0.3 million). The 2022 decrease is primarily related to a reduction in long-term debt principal (\$7.3 million), termination of the Wells Fargo Bank, N.A. interest rate 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 District realized an overall increase in net position of \$21.8 million for the year ended December 31, 2023, compared to \$18.8 million and \$15.8 million for the years ended December 31, 2022 and 2021, respectively. The components of net position as of December 31, 2023 are:

- The largest component of District net position is the District's net investment in capital assets which increased by \$18.7 million to \$289.2 million as of December 31, 2023, and is comprised of total capital

**Sacramento Suburban Water District
Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2023 and 2022**

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.
- At the end of 2023, 2022 and 2021, the District showed a positive balance in its unrestricted net position of \$35.0 million, \$31.9 million, and \$35.9 million, respectively. The 2023 increase primarily reflects the increase in current assets and investments (\$4.0 million), increase in non-debt related deferred outflows (\$0.1 million), an increase in liabilities, net of capital related liabilities, (\$1.8 million) and a decrease in deferred inflows (\$0.8 million). The 2022 decrease of \$4.0 million primarily reflects the decrease in current assets and investments (\$6.5 million), increase in non-debt related 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).

Condensed Statements of Revenues, Expenses and Changes in Net Position

(Dollars in Thousands)

	2023	2022	Change	2021	Change
Revenues					
Operating revenues	\$ 53,449	\$ 53,359	\$ 90	\$ 48,973	\$ 4,386
Rental revenue	317	315	2	339	(24)
Interest and investment revenue	2,220	(1,664)	3,884	(321)	(1,343)
Grant revenue pass-through to sub recipients	-	-		468	(468)
Other non-operating revenues	791	54	737	765	(711)
Total revenues	56,777	52,064	4,713	50,224	1,840
Expenses					
Operating expenses	26,843	22,455	4,388	21,839	616
Depreciation and amortization	13,734	13,766	(32)	13,588	178
Interest expense	2,239	2,641	(402)	2,271	370
Sub recipient grant expense	-	-	(0)	468	(468)
Other non-operating expenses	21	344	(323)	132	212
Total expenses	42,837	39,206	3,631	39,927	908
Net revenue before capital contributions	13,941	12,858	1,083	11,927	932
Capital contributions	7,821	5,896	1,925	3,851	2,045
Change in net position	21,762	18,754	3,008	15,778	2,977
Net position, beginning of year	302,456	283,702	18,754	267,923	15,778
Restatement	-	-	-	-	-
Net position, end of year	\$ 324,218	\$ 302,456	\$ 21,762	\$ 283,702	\$ 18,755

**Sacramento Suburban Water District
Management’s Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2023 and 2022**

From the table above it can be seen that the District’s net position increased by \$21.8 million for the period ended December 31, 2023 compared to \$18.8 million for 2022. 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. The last of the flat rate bills were billed in October of 2023 as the District has completed its meter retrofit program. 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 were flat and increased by a mere \$90,000 compared to the year ended December 31, 2022, primarily due to the net effect of the following: 1) the District did not participate in a water transfer in 2023 resulting in a decrease in revenue from the previous year of \$1.7 million, 2) a 3% average rate increase went into effect on January 1, 2023, which resulted in increased service charge revenue of \$1.2 million, and 3) wheeling water revenue increased by \$0.8 million as a result of PCWA surface water availability in 2023. 2022 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..

Operating Revenues

(Dollars in Thousands)

	2023	2022	Change	2021	Change
Operating Revenues					
Water consumption sales	\$ 15,575	\$ 15,545	\$ 30	\$ 15,392	\$ 153
Water consumption sales – transfers	-	1,748	(1,748)	-	1,748
Water service charge	36,087	34,921	1,166	33,167	1,754
Wheeling water charge	794	7	787	6	1
Other charges for services	993	1,138	(145)	408	730
Total operating revenues	\$ 53,449	\$ 53,359	\$ 90	\$ 48,973	\$ 4,386

Non-operating revenues consist primarily of rental revenue, interest and investment income, and grant revenue. In 2023, non-operating revenues increased \$4.6 million primarily related to the following: 1) Interest and investment revenue increased \$3.9 million mostly related to a positive net change in the unrealized gain/loss of the investment portfolio (\$4.1 million) and 2) increase in other non-operating revenues (\$0.7 million) mostly related to non-capital grant revenues (\$0.2 million) and a write-down in the allowance for doubtful accounts (\$0.5 million). The 2022 decrease in non-operating revenue (\$2.5 million) was primarily due to a negative net change in the unrealized gain/loss 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).

**Sacramento Suburban Water District
Management’s Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2023 and 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, 2023, 2022, and 2021 was 2.82%, 1.44%, and 1.23%, respectively.

Capital Contributions – The District receives various types of income from capital contributions, such as capacity fees, developer contributions and grant income. The District received \$ 1.0 million, \$1.7 million, and \$1.2 million in capacity fees in the years ended December 31, 2023, 2022 and 2021, respectively. The capacity fee revenue for 2023, 2022, and 2021 primarily relates to the 473 unit Barret Ranch sub-division which completed in 2023.

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 2023, the value of such donated assets was \$2.0 million, compared to \$4.2 million in 2022 and \$2.5 million in 2021. The 2023, 2022 and 2021 donated assets primarily related to the Barret Ranch sub-division discussed previously.

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**Sacramento Suburban Water District
Management’s Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2023 and 2022**

Operating Expenses

(Dollars in Thousands)

	2023	2022	Change	2021	Change
Operating Expenses					
Source of supply	\$ 3,922	\$ 2,285	\$ 1,637	\$ 753	\$ 1,532
Pumping	5,911	5,602	309	6,242	(640)
Transmission and distribution	5,316	4,920	396	5,226	(306)
Water conservation	712	637	75	502	135
Customer accounts	1,827	1,798	29	1,477	321
Administrative and general	9,155	7,213	1,942	7,639	(426)
Total operating expenses	\$ 26,843	\$ 22,455	\$ 4,388	\$ 21,839	\$ 616

Operating expenses are primarily comprised of purchased treated surface water, electrical and chemical treatment costs of producing potable well ground 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 2023 by \$4.4 million (19.5%) from 2022 due primarily to the following: 1) an increase in surface water purchases from USBR and PCWA (\$1.6 million) as Section 215 water was available in the spring and fall and the full take-or-pay agreement with PCWA was in effect during all of 2023 both due to the significant amount of runoff from the winter and spring storms, 2) an increase in administrative and general expenses (\$1.9 million) mostly related to GASB Statement No. 68 (GASB 68) true-up expenses (\$1.0 million), salary and benefit cost increases (\$0.6 million), and an increase in consulting services (\$0.3 million), 3) an increase in pumping costs (\$0.3 million) mostly related to the net effect of increase in salary and benefit costs (\$0.4 million), GASB 68 true-up expenses (\$0.2 million), an increase in contract services (\$0.2 million) offset by a decrease in electrical and chemical costs (\$0.6 million), and 4) increase in transmission and distribution expense (\$0.4 million) mostly related to GASB 68 true-up expenses of \$0.5 million. 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 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..

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 2023 by \$0.4 million primarily related to principal paydowns on the 2018A and 2022B revenue bonds, and 2022A revenue bonds having lower effective interest rate than the refinanced 2009A COPs. 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.

**Sacramento Suburban Water District
Management’s Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2023 and 2022**

Capital Asset Administration

(Dollars in Thousands)

Changes in capital asset amounts for 2023 were as follows:

	Balance 2022	Additions/ Transfers	Deletions/ Transfers	Balance 2023
Capital assets:				
Non-depreciable assets	\$ 31,012	\$ 25,361	\$ (13,939)	\$ 42,434
Depreciable & amortizable assets	517,619	2,427	13,218	533,264
Accumulated depreciation & amortization	(224,090)	(13,734)	719	(237,105)
Total capital assets, net	\$ 324,541	\$ 14,503	\$ (2)	\$ 338,593

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

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 2023, the District recognized \$4.9 million in grant revenues, \$4.0 million related to the \$18.84 million ARTESIAN grant mentioned previously and \$0.9 million related to completion of Well 79, while no capital grant funds were received in 2022. As of December 31, 2023, the District has approximately \$4.0 million in financial obligations to contractors on its open construction contracts. See Note 17 for more information.

**Sacramento Suburban Water District
Management’s Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2023 and 2022**

Long-Term Debt Administration

(Dollars in Thousands)

Changes in long-term debt amounts for 2023 were as follows:

	Balance 2022	Additions	Retirements	Balance 2023
Long-term debt:				
2018A Revenue bond	\$ 6,915	\$ -	\$ (1,285)	\$ 5,630
2022A Revenue bond	34,455	-	-	34,455
2022B Revenue bond	6,585	-	(3,625)	2,964
Other ⁽¹⁾	6,961	-	(788)	6,173
Total long-term debt	\$ 54,916	\$ -	\$ (5,698)	\$ 49,218

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 ⁽²⁾	4,976	7,552	(5,567)	6,961
Total long-term debt	\$ 65,276	\$ 48,862	\$ (59,222)	\$ 54,916

(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 had utilized both fixed-rate debt and variable-rate debt. With the extremely low interest rates available on municipal debt during 2021 and early 2022, on March 15, 2022, the District completed the refinancing of its 2009A variable-rate COP and its 2012A fixed-rate 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

**Sacramento Suburban Water District
Management’s Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2023 and 2022**

both 2023 and 2022, 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.

2024 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 to 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 16, 2023, the Board approved a \$71.5 million Revenue and Sources of Funds Budget, a \$29.7 million Capital Budget (\$26.7 million for Long-Term Capital and \$3.0 million for Intermediate-Term Capital), a \$27.2 million Operating Budget, and a \$7.0 million Debt Service Budget for fiscal year 2024. 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, and will continue to maintain, adequate groundwater supplies to meet water demands in its service area through 2024 and beyond.

The winter of 2022/23 saw near historic snowfall in the mountains that provide the source for the District’s contracted surface water supplies during the spring and summer resulting in the District taking additional surface water over what was budgeted. As was the case in CY2023, the District is anticipating taking up to 12,000 acre feet of PCWA surface water in CY2024. This may lead to a budget amendment of approximately \$1.0 million to cover the increased cost of surface water over groundwater. The District has reserves set aside for such occurrences, if needed.

**Sacramento Suburban Water District
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For the Years Ended December 31, 2023 and 2022**

During 2021 and 2022 the Consumer Price Index for All Urban Consumers (CPI-U) for the West – Size Class B/C (2.5 million or less) increased 13.1%. The District started to feel the impacts of this increase during CY2023. The cost of materials and supplies as well as labor have increased significantly. This has put pressure on the District’s Capital and Operating budgets. The debt service and operating budgets are the priority in establishing any annual budget with the remaining funds available for capital spending. While the debt service budget is fixed until maturity, the operating budget continues to increase. These increases have been met by the implemented rate increases from 2020 - 2024. These challenges are also being met by a planned rate study in 2024 that may lead to rate increases starting in January 2025.

Operationally, the District is still experiencing supply chain issues with materials and supplies for its capital projects. Supply chain issues have improved since 2021, however, shortages are still occurring that are affecting the scheduling and completion of several district projects. This has resulted in underspending both the 2023 and 2022 capital improvement budgets by approximately \$4.1 million and \$5.2 million, respectively. These unspent funds have been allocated to projects and are available to be spent in subsequent years. Approximately \$3.9 million of the 2022 unspent budget was spent in 2023 with approximately \$1.2 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

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Basic Financial Statements

Sacramento Suburban Water District
Statements of Net Position
December 31, 2023 and 2022

Assets	2023	2022
Current assets:		
Cash and cash equivalents (note 3)	\$ 10,269,668	\$ 11,743,777
Restricted cash and cash equivalents (notes 3 and 4)	15,624	2,359
Receivables, net (note 5)	11,557,706	5,117,274
Inventory	893,594	947,207
Prepays and other current assets	1,448,222	1,290,767
Total current assets	24,184,814	19,101,383
Noncurrent assets:		
Investments (note 3)	36,111,153	37,208,892
Capital assets not being depreciated (note 6)	42,434,637	31,012,320
Capital assets being depreciated and amortized, net (note 6)	296,158,671	293,529,151
Total noncurrent assets	374,704,461	361,750,363
Total assets	398,889,275	380,851,746
Deferred outflows of resources		
Deferred amount on long-term debt refundings (note 1)	3,170,940	4,129,419
Pensions (note 13)	4,833,965	4,842,834
Other post-employment benefits (OPEB) (note 14)	1,124,093	1,300,500
Deferred outflow asset retirement obligation (note 15)	1,258,539	981,340
Total deferred outflows of resources	10,387,537	11,254,093
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	5,333,766	4,827,195
Accrued interest payable	330,665	347,482
Unearned revenue and customer deposits	3,734,361	3,801,333
Compensated absences, current portion (note 7)	1,200,000	1,000,000
Current portion of long-term debt (note 8)	5,010,000	4,910,000
Total current liabilities	15,608,792	14,886,010
Noncurrent liabilities:		
Compensated absences (note 7)	173,378	331,763
Net pension liability (note 13)	13,884,790	12,721,219
Net OPEB liability (note 14)	3,077,711	3,139,340
Long-term debt, net of current portion (note 8)	44,207,532	50,005,515
Asset retirement obligation (note 15)	5,454,858	5,133,984
Total noncurrent liabilities	66,798,269	71,331,821
Total liabilities	82,407,061	86,217,831
Deferred inflows of resources		
Pensions (note 13)	409,458	705,650
OPEB (note 14)	2,242,137	2,726,012
Total deferred inflows of resources	2,651,595	3,431,662
Net position		
Net investment in capital assets (note 9)	289,215,353	270,541,612
Restricted for debt service reserve fund (note 10)	15,624	2,359
Unrestricted (note 2 and 11)	34,987,179	31,912,375
Total net position	\$ 324,218,156	\$ 302,456,346

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, 2023 and 2022

	2023	2022
Operating Revenues:		
Water consumption sales	\$ 15,575,205	\$ 15,545,075
Water consumption sales – transfers	-	1,748,400
Water service charge	36,087,140	34,920,697
Wheeling water charge	794,004	6,806
Other charges for services	992,930	1,137,823
Total operating revenues	<u>53,449,278</u>	<u>53,358,801</u>
Operating Expenses:		
Source of supply	3,922,463	1,849,669
Source of supply – transfers	-	435,646
Pumping	5,911,119	5,602,361
Transmission and distribution	5,316,476	4,919,967
Water conservation	711,920	637,057
Customer accounts	1,826,190	1,797,422
Administrative and general	9,154,969	7,212,451
Total operating expenses	<u>26,843,138</u>	<u>22,454,573</u>
Operating income before depreciation and amortization	<u>26,606,140</u>	<u>30,904,228</u>
Depreciation and amortization (note 6)	(13,734,405)	(13,766,157)
Operating income	<u>12,871,735</u>	<u>17,138,071</u>
Nonoperating revenues (expenses):		
Rental revenue	317,159	314,816
Interest and investment revenue	2,220,422	(1,663,671)
Interest expense	(2,238,571)	(2,640,560)
Other non-operating revenues	715,648	53,509
Other non-operating expenses	(20,735)	-
Gain (loss) on disposal of capital assets, net	75,145	(343,802)
Total non-operating revenues (expenses), net	<u>1,069,068</u>	<u>(4,279,708)</u>
Income before capital contributions	<u>13,940,803</u>	<u>12,858,363</u>
Capital contributions:		
Capacity Fees	954,971	1,680,572
Developer capital contributions	2,011,835	4,215,855
Federal, state and local capital grants	4,854,201	-
Total capital contributions	<u>7,821,007</u>	<u>5,896,427</u>
Increase in net position	<u>21,761,810</u>	<u>18,754,789</u>
Net position, beginning of year	<u>302,456,346</u>	<u>283,701,557</u>
Net position, end of year	<u>\$ 324,218,156</u>	<u>\$ 302,456,346</u>

See accompanying notes to the basic financial statements

Sacramento Suburban Water District
Statements of Cash Flows
For The Years End December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Cash receipts from customers	\$ 50,744,251	\$ 51,439,901
Cash paid to suppliers for goods and services	(16,278,946)	(16,502,000)
Cash paid to employees for services	(8,492,799)	(6,773,975)
Other non-operating receipts	354,356	368,325
Net cash provided by operating activities	26,326,862	28,532,251
Cash flows from non-capital financing activities:		
Grant Receipts	201,743	-
Net cash provided by non-capital financing activities	201,743	-
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(25,054,661)	(24,328,128)
Proceeds from disposal of capital assets	76,760	-
Principal payments on long-term debt	(4,910,000)	(53,655,00)
Interest payments on long-term debt	(2,084,892)	(2,114,402)
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)
Cash paid for termination of interest rate swap borrowing payable	-	(5,642,000)
Cash paid for asset retirement obligation	-	-
Capacity fees received	759,154	1,809,287
Capital contribution received	-	120,083
Net cash used by capital and related financing activities	(31,213,639)	(35,362,518)
Cash flows from investing activities:		
Purchase of investment securities	(13,053,701)	(8,618,638)
Proceeds from sales and maturities of investment securities	15,264,550	10,650,228
Interest received on investment securities	1,013,342	662,531
Net cash (used) provided by investing activities	3,224,191	2,694,124
Net increase in cash and cash equivalents	(1,460,844)	(4,136,143)
Cash and cash equivalents at beginning of year	11,746,136	15,882,279
Cash and cash equivalents at end of year	\$ 10,285,292	\$ 11,746,136
Reconciliation of cash and cash equivalents to the statements of net position:		
Cash and cash equivalents	\$ 10,269,668	\$ 11,743,777
Restricted cash and cash equivalents	15,624	2,359
Total cash and cash equivalents	\$ 10,285,292	\$ 11,746,136

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, 2023 and 2022

	2023	2022
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 12,871,735	\$ 17,138,071
Adjustments to reconcile operating revenue to net cash provided by operating activities:		
Depreciation and amortization	13,734,405	13,766,157
Asset retirement obligation amortization	43,675	37,966
Bad debt expense	-	(63,682)
Other non-operating receipts	354,356	368,325
Change in pension deferred (outflows)	8,869	(3,122,468)
Change in pension inflows	(296,192)	(4,742,780)
Change in OPEB deferred (outflows)	176,407	(721,937)
Change in OPEB inflows	(483,875)	763,527
Changes in operating assets and liabilities		
(Increase) decrease in operating assets:		
Accounts receivable	(2,833,872)	(162,009)
Other receivables	1,797,583	(1,785,933)
Inventory	53,613	101,313
Prepays and other current assets	(157,454)	(161,142)
Increase (decrease) in operating liabilities:		
Accounts payable	240,699	453,465
Unearned revenue	128,845	59,587
Accrued compensated absences	41,615	133,030
Net pension liability	1,163,571	6,941,384
Net OPEB liability	(61,629)	(451,111)
Accrued expenses	(455,489)	7,488
Total adjustments	13,455,126	11,394,181
Net cash provided by operating activities	\$ 26,326,862	\$ 28,532,251
Noncash investing, capital and financing transactions:		
Receipt of donated capital assets	\$ 2,011,835	\$ 4,215,855
Change in fair value of investments	1,726,712	(2,251,020)
Amortization of premium on long-term debt	(787,983)	(650,905)
Amortization of defeasance costs on long-term debt	958,478	884,045
Change in fair value of interest rate swap	-	(373,563)
Change in asset retirement obligation	320,874	53,119
Change in allowance for uncollectible accounts	(455,973)	-

See accompanying notes to the basic financial statements

**Sacramento Suburban Water District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2023 and 2022**

(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 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 47,788 connections within its boundaries. The water supply of the District is a combination of both groundwater and surface water. 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 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, 2023 and 2022, primarily involved the payment of annual membership dues and grant administration expenses, which were not material to the District's financial statements. Copies of RWA's annual financial reports and other pertinent information may be obtained from their office at 5620 Birdcage Street, Suite 180, Citrus Heights, CA 95610, from their website at www.rwah2o.org, or by calling (916) 967-7692.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2023 and 2022

(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 cash equivalents.

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

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2023 and 2022

(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 and purchased pipeline and treatment plant capacity in a transmission pipeline and water treatment plant owned and operated by the City of Sacramento.

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

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2023 and 2022

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

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 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. Lease and Subscription-Based Information Technology Arrangements (SBITA) Accounting

A lease or SBITA is defined as a contract that conveys control of the right to use another entity's nonfinancial assets (the underlying 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, equipment and software. The District's policy is to evaluate leases and SBITAs annually. 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 Statement No. 87 (GASB 87) and GASB Statement No. 96 (GASB 96) as appropriate. As of December 31, 2023 and 2022, the District did not have any leases or SBITAs meeting this threshold.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2023 and 2022

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

13. Net Position

GASB Statement No. 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.

- **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, 2023 and 2022, were \$3,170,940 and \$4,129,419, 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 \$34,987,179 and \$31,912,375 at December 31, 2023 and 2022, respectively, includes the net pension and OPEB liability and asset retirement obligation. The deferred outflows of resources related to net pension liability of \$4,833,965 and \$4,842,834 at December 31, 2023 and 2022, 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 \$1,124,093 and \$1,300,500 at December 31, 2023 and 2022, 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 \$1,258,539 and \$981,340 at December 31, 2023 and 2022 will be amortized and recognized as an operating expense over the remaining estimated useful life of the related assets. The deferred inflows of resources related to pensions of \$409,458 and \$705,650 at December 31, 2023 and 2022 will be amortized and recognized as pension expense over periods of five years or less. The deferred inflows of resources related to OPEB of \$ 2,242,137 and \$2,726,012 at December 31, 2023 and 2022 will be amortized and recognized as OPEB expense over periods of five years or less.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2023 and 2022

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

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, rent and grant revenues and capital contributions.

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.

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 with adjustments for certain cash and non-cash items. 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.

H. Implementation of Governmental Accounting Standards Board Pronouncements

Management adopted the provisions of the following Governmental Accounting Standards Board statements during the year ended December 31, 2023.

GASB Statement No. 99 – Omnibus 2022 – In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2023 and 2022

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

GASB Statement No. 100 – Accounting Changes and Error Corrections – 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.

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. 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.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government’s highest level of decision-making authority. Concentrations and constraints may limit a government’s ability to acquire resources or control spending. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2023 and 2022

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

could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The disclosure should include descriptions of the following: 1) The concentration or constraint, 2) Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements, and 3) Actions taken by the government prior to the issuance of the financial statements to mitigate the risk. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

(2) Change in Accounting Principles

During the year ended December 31, 2023, there were no changes in accounting principles. In addition, the District adopted GASB Statement No. 100, *Accounting Changes and Error Corrections*, but had no accounting changes or error corrections to report.

During the year ended December 31, 2022, the District adopted GASB 87, *Leases* and GASB 96, *Subscription-Based Information Technology Arrangements*. 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 financial policy in fiscal year 2022 that 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 GASB 96, as appropriate. As of December 31, 2023, and 2022, the District did not have any leases or SBITAs meeting this threshold.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2023 and 2022

(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 annually 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, 2023 and 2022 are classified in the Statements of Net Position as follows:

	2023	2022
Cash and cash equivalents	\$ 10,269,668	\$ 11,743,777
Restricted cash and cash equivalents*	15,624	2,359
Investments	36,111,153	37,208,892
Total	\$ 46,396,445	\$ 48,955,028

* Restricted cash and cash equivalents 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, 2023, and 2022 by investment type are as follows:

	2023	2022
Cash on hand	\$ 3,950	\$ 3,950
Deposits with financial institutions	7,554,691	3,232,370
Cash held by bond trustee	15,624	2,359
Total cash	7,574,265	3,238,679
California Local Agency Investment Fund (LAIF)	11,754	4,707,305
Money market mutual funds	2,699,273	3,800,151
Total cash equivalents	2,711,027	8,507,457
Negotiable certificates of deposit	-	297,103
U.S. treasury notes/bonds	13,058,812	14,360,465
Federal agency securities	2,773,683	6,260,972
Municipal obligations	1,630,150	1,655,104
Corporate notes	9,873,699	8,998,736
Mortgage backed and asset backed securities	8,348,957	4,338,961
Supranationals	425,852	1,297,551
Total investments	36,111,153	37,208,892
Total	\$ 46,396,445	\$ 48,955,028

Fair Value Measurement

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

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2023 and 2022

(3) Cash, Cash Equivalents and Investments, continued

The District has the following recurring fair value measurements as of December 31, 2023:

Investments by fair value level	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. treasury notes/bonds	\$ 13,058,812	\$ 3,058,812	\$ -	\$ -
Federal agency securities	2,773,683	-	2,773,683	-
Municipal obligations	1,630,150	-	1,630,150	-
Corporate notes	9,873,699	-	9,873,699	-
Mortgage and asset backed securities	8,348,957	-	8,348,957	-
Supranationals	425,852	-	425,852	-
Total investments by fair value level	\$ 36,111,153	\$ 13,058,812	\$ 23,052,341	\$ -

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

Investments by fair value level	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Negotiable certificates of deposit	\$ 297,103	\$ -	\$ 297,103	\$ -
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 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 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.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2023 and 2022

(3) Cash, Cash Equivalents and Investments, continued

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.

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 California Government Code Section 16429 under the oversight of 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 the LAIF 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 total fair value of all public agencies invested in LAIF at December 31, 2023 and 2022 was \$21.0 billion and \$27.7 billion, respectively.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2023 and 2022

(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, 2023, and 2022, the effective duration of the "Bank of America Merrill Lynch 0-5 Year U.S. Treasury Index" was 2.02 and 1.97, respectively.

Duration of cash and investments for 2023 were as follows:

	Fair Value	Maturities		
		12 Months or Less	13 to 24 Months	25 to 60 Months
Cash	\$ 7,574,265	\$ 7,574,265	\$ -	\$ -
LAIF	11,754	11,754	-	-
Money market funds	2,699,273	2,699,273	-	-
Total Cash and Cash Equivalent	10,285,292	10,285,292	-	-
U.S. treasury notes/bonds	13,058,812	97,047	926,875	12,034,890
Federal agency securities	2,773,683		2,773,684	
Municipal obligations	1,630,150	293,070	1,253,092	83,988
Corporate notes	9,873,699	3,429,795	2,374,129	4,069,774
Mortgage backed and asset backed securities	8,348,957	283,143	721,197	7,344,617
Supranationals	425,852	425,852		
Total Investments	36,111,153	4,528,907	8,048,977	23,533,269
Total cash and investments by fair value level	\$ 46,396,445	\$ 14,814,199	\$ 8,048,977	\$ 23,533,269

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2023 and 2022

(3) Cash, Cash Equivalents and Investments, continued

Duration of cash and investments for 2022 were as follows:

	Fair Value	Maturities		
		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	297,103	297,103	-	-
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

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, 2023, were as follows:

Cash Equivalent Type		Minimum Legal Rating	Ratings as of Year-End		
			Not Rated	AAA/AA	A-1+/A-1
LAIF	\$ 11,754	-	\$ 11,754	\$ -	\$ -
Money market funds	2,699,273	AAA		2,699,273	
Total cash equivalents	\$ 2,711,027		\$ 11,754	\$ 2,699,273	\$ -

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2023 and 2022

(3) Cash, Cash Equivalents and Investments, continued

Investment credit ratings as of December 31, 2023, 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
U.S. treasury notes/bonds	\$ 13,058,812	-	\$ -	\$ -	\$ 13,058,812	\$ -
Federal agency securities	2,773,683	-	-	-	2,773,683	-
Municipal obligations	1,630,150	-	598,089	122,207	909,854	-
Corporate notes	9,873,699	A	-	-	2,661,628	7,212,071
Mortgage backed and asset backed securities	8,348,957	AA	576,751	2,566,732	5,205,474	-
Supranationals	425,852	AA	-	425,852	-	-
Total investments	\$ 36,111,153		\$ 1,174,840	\$ 3,114,791	\$ 24,609,451	\$ 7,212,071

Cash equivalents credit ratings as of December 31, 2022, were as follows:

Cash Equivalent Type		Minimum Legal Rating	Not Rated	Ratings as of Year-End	
				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	\$ -

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	\$ 297,103	A	\$ -	\$ -	\$ -	\$ 297,103
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	6,703,692
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	\$ 24,449,016	\$ 7,700,795

Concentration of Credit Risk

At December 31, 2023 and 2022 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.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2023 and 2022

(3) Cash, Cash Equivalents and Investments, continued

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, 2023 and 2022, \$8,341,674 and \$3,316,931, 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:

	<u>2023</u>	<u>2022</u>
2012A Revenue bond interest payment fund	\$ -	\$ 10
2018A Revenue bond interest payment fund	3,694	1,687
2022A Revenue bond interest payment fund	2,187	626
2022B Revenue bond interest payment fund	9,743	36
Total	<u>\$ 15,624</u>	<u>\$ 2,359</u>

(5) Receivables, Net and Restricted Receivable

Receivables as of December 31 consist of the following:

	<u>2023</u>	<u>2022</u>
Water sales and services receivable	\$ 6,492,454	\$ 3,658,582
Allowance for doubtful accounts	(-)	(455,973)
Accrued interest receivable	211,050	117,081
Receivable from City of Sacramento	-	1,793,188
Receivable, grants from RWA	4,854,201	4,395
Total	<u>\$ 11,557,706</u>	<u>\$ 5,117,274</u>

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2023 and 2022

(6) Capital Assets

Changes in capital assets for the year ended December 31, 2023, were as follows:

	Balance 2022	Additions	Deletions	Transfers	Balance 2023
Non-depreciable assets:					
Land	\$ 2,851,278	\$ -	\$ -	\$ 74,609	\$ 2,925,887
Permanent easements	5,460,810	422,775	-	-	5,883,585
Construction-in-progress	22,700,232	24,938,498	-	(14,013,565)	33,625,165
Total non-depreciable assets	31,012,320	25,361,273	-	(13,938,956)	42,434,637
Depreciable and amortizable assets:					
Land improvements	1,918,663	15,748	-	587,239	2,521,650
Pumping and wells	69,511,899	6,027	-	6,614,761	76,132,687
Hydrants, PRV stations, valves	150,774,679	1,115,590	(31,892)	2,059,167	153,917,544
Purchased trans & dist pipelines	199,742,522	473,470	-	3,440,180	203,656,172
Capacity entitlement	20,680,032	12,398	-	-	20,692,430
Storage facilities – reservoirs	14,544,783	58,073	-	-	14,602,856
Water meters	44,817,732	29,214	(4,716)	598,126	45,440,356
Buildings	3,150,040	-	-	547,610	3,697,650
Buildings improvements	3,897,974	131,248	-	21,415	4,050,637
Machinery and equipment	1,591,087	-	-	-	1,591,087
Fleet equipment	2,190,460	380,942	(285,001)	-	2,286,401
Office equipment	137,993	-	-	-	137,993
Computer software	3,116,972	33,310	(32,035)	-	3,118,247
Computer hardware & equipment	1,543,854	170,564	(366,868)	70,458	1,418,008
Total depreciable & amort. Assets	517,618,690	2,426,584	(720,512)	13,938,956	533,263,718
Accumulated depreciation and amortization:					
Land improvements	(996,687)	(79,302)	-	-	(1,075,989)
Pumping and wells	(38,856,489)	(2,397,794)	-	-	(41,254,283)
Hydrants, PRV stations, valves	(88,808,845)	(4,054,734)	31,892	-	(92,831,687)
Purchased trans & dist pipelines	(34,159,602)	(2,496,345)	-	-	(36,655,947)
Capacity entitlement	(14,201,078)	(789,714)	-	-	(14,990,792)
Storage facilities – reservoirs	(6,071,608)	(361,768)	-	-	(6,433,376)
Water meters	(28,757,523)	(1,963,735)	3,101	-	(31,531,224)
Buildings	(1,776,136)	(813,067)	-	-	(1,853,910)
Buildings improvements	(3,142,801)	(77,774)	-	-	(3,297,503)
Machinery and equipment	(1,308,510)	(154,702)	-	-	(1,466,677)
Fleet equipment	(1,732,665)	(158,167)	285,001	-	(1,626,829)
Office equipment	(117,425)	(179,165)	-	-	(121,882)
Computer software	(2,832,857)	(4,457)	32,035	-	(2,827,029)
Computer hardware & equipment	(1,327,313)	(26,207)	366,868	-	(1,137,919)
Total accumulated depr. & amort.	(224,089,539)	(13,734,405)	718,897	-	(237,105,047)
Total depr. & amort. assets, net	293,529,151	(11,307,821)	(1,615)	13,938,956	296,158,671
Total capital assets, net	\$ 324,541,471	\$ 14,053,452	\$ (1,615)	\$ -	\$ 338,593,308

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2023 and 2022

(6) Capital Assets, continued

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	-	(13,775,572)	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	3,987,974	-	-	-	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)	(30,400)	-	-	(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

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2023 and 2022

(6) Capital Assets, continued

Major capital asset additions during 2023 and 2022 include construction and major upgrades to wells, the transmission and distribution system, and SCADA and Electrical. 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:

	2023	2022
Butano/Cottage well/pump construction	\$ -	\$ 4,139,625
Walnut/Auburn well construction	7,369,897	3,776,753
Antelope North/Poker 3 wells construction	12,236,272	5,530,867
Antelope/Don Julio well construction	6,544,964	1,053,460
Well rehabilitation/pump improvements	2,985,778	2,465,885
Q Street main replacements	962,145	907,658
Watt main extension	-	1,432,913
SCADA & Electrical Improvement	1,572,330	1,286,517
Various other distribution main replacements	271,092	624,057
Various reservoir & tank improvement	531,098	404,085
Various other minor projects	786,412	752,369
MBP Easements	365,179	326,044
Total Construction-in-progress	\$ 33,625,165	\$ 22,700,233

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, 2023 and 2022.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2023 and 2022

(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 2022	Earned	Taken	Balance 2023	Due Within One Year
\$ 1,331,763	\$ 1,261,477	\$ (1,219,862)	\$ 1,373,378	\$ 1,200,000

Balance 2021	Earned	Taken	Balance 2022	Due Within One Year
\$ 1,198,732	\$ 1,111,527	\$ (978,496)	\$ 1,331,763	\$ 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 Bonds (bonds) issued for the purpose of refunding debt originally issued to fund portions of the District’s capital improvement program (CIP). The bonds are secured by a pledge of the District’s net revenues. Such bonds contain certain restrictive covenants, with which the District has complied.

Long-term debt activities for the year ended December 31, 2023, are as follows:

	Balance 2022	Additions	Retirements	Balance 2023	Current Portion
2018A Revenue bond	\$ 6,915,000	\$ -	\$ (1,285,000)	\$ 5,630,000	\$ 1,330,000
2022A Revenue bond	34,455,000	-	-	34,455,000	720,000
2022B Revenue bond	6,585,000	-	(3,625,000)	2,960,000	2,960,000
Total principal	47,955,000	-	(4,910,000)	43,045,000	\$ 5,010,000
Unamortized bond premium	6,960,515	-	(787,983)	6,172,532	
Total long-term debt	\$ 54,915,515	\$ -	\$ (5,697,983)	\$ 49,217,532	

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2023 and 2022

(8) Long-Term Debt, continued

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	

The future debt service schedule of all long-term debt as of December 31, 2023, is as follows:

Year	Principal	Interest	Total
2024	\$ 5,010,000	\$ 1,983,992	\$ 6,993,992
2025	5,145,000	1,848,428	6,993,428
2026	5,385,000	1,610,084	6,995,084
2027	5,635,000	1,358,300	6,993,300
2028	5,900,000	1,093,500	6,993,500
2029-2031	15,970,000	1,450,250	17,420,250
Total	43,045,000	\$ 9,344,554	\$ 52,389,554
Less current portion	(5,010,000)		
Unamortized bond premium	6,172,532		
Total non-current long-term debt	\$ 44,207,532		

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2023 and 2022

(8) Long-Term Debt, continued

2009 Series A COP

In June 2009, the District issued a \$42,000,000 COP obligation, Series 2009A at a variable interest rate, to current refund the \$41,275,000 COP obligation, Series 2004. 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 Statement No. 53 as amended by GASB Statement Nos. 59 and 64, even though the swap terms did not completely match those of this COP obligation.

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).

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2023 and 2022

(8) Long-Term Debt, continued

2018 Series A Revenue Refunding Bond (Taxable)

On May 2, 2018, the District issued \$19,615,000 of Refunding Revenue Bonds Series 2018A 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%. This serial bond's maturity extends to November 1, 2027, and is subject to optional and extraordinary redemption provisions, without premium. 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.

As of December 31, 2023, the future debt service schedule of the 2018 Series A Bond is as follows:

Year	Principal	Interest	Total
2024	\$ 1,330,000	\$ 207,962	\$ 1,537,962
2025	1,380,000	161,678	1,541,678
2026	1,420,000	111,584	1,531,584
2027	1,500,000	58,050	1,558,050
Total	5,630,000	\$ 539,274	\$ 6,169,274
Less current portion	(1,330,000)		
Total non-current bond obligation	\$ 4,300,000		

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2023 and 2022

(8) Long-Term Debt, continued

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 a portion of 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.

As of December 31, 2023, the future debt service schedule of the 2022 Series A Revenue Bond is as follows:

Year	Principal	Interest	Total
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	5,900,000	1,093,500	6,993,500
2029-2031	15,970,000	1,450,250	17,420,250
Total	34,455,000	\$ 8,752,000	\$ 43,207,000
Less current portion	(720,000)		
Unamortized bond premium	6,172,532		
Total non-current bond obligation	\$ 39,907,532		

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2023 and 2022

(8) Long-Term Debt, continued

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 Bond 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.

As of December 31, 2023, the future debt service schedule of the 2022 Series B Bond is as follows:

Year	Principal	Interest	Total
2024	2,960,000	53,280	3,013,280
Total	\$ 2,960,000	\$ 53,280	\$ 3,013,280
	Less current portion	(2,960,000)	
Total non-current bond obligation	\$	-	

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, 2023 and 2022, the District has no arbitrage rebate liability.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2023 and 2022

(8) Long-Term Debt, continued

Interest Rate Swap

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

(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:

	<u>2023</u>	<u>2022</u>
Capital assets not being depreciated	\$ 42,434,637	\$ 31,012,320
Capital assets being depreciated and amortized, net	296,158,671	293,529,151
Deferred outflows on long-term debt refundings	3,170,940	4,129,419
Long term debt	(49,217,532)	(54,915,515)
Other capital-related liabilities	(3,331,364)	(3,213,763)
Net investment in capital assets, considered non-expendable	<u>\$ 289,215,352</u>	<u>\$ 270,541,612</u>

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2023 and 2022

(10) Restricted Net Position

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

	2023	2022
2012A Revenue bond interest payment fund	\$ -	\$ 10
2018A Revenue bond interest payment fund	3,694	1,687
2022A Revenue bond interest payment fund	2,187	626
2022B Revenue bond interest payment fund	9,743	36
Total	\$ 15,624	\$ 2,359

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, 2023 and 2022 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, 2023 and 2022, amounted to \$5,852,023 and \$5,327,366, respectively. The District’s Program is not considered a Pension Plan as defined under GASB Statement No. 97.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2023 and 2022

(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/>.

Benefits Provided:

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

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2023 and 2022

(13) Defined Benefit Pension Plan, continued

The Plans' provisions and benefits in effect at December 31, 2023 and 2022, are summarized as follows:

	<u>Miscellaneous</u>		
	<u>Classic Tier I</u>	<u>Classic Tier II</u>	<u>PEPRA</u>
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%	8.25% 2023 7.25% 2022
Required employer contribution rates	18.24% 2023 16.15% 2022	12.63% 2023 11.06% 2022	7.76%
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 certain other requirements

In addition to the contribution rates above, the District was also required to make a payment of \$867,099 and \$913,542 toward its unfunded actuarial liability of all Plans during the year ended December 31, 2023 and 2022, 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.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2023 and 2022

(13) Defined Benefit Pension Plan, continued

For the years ended December 31, 2023 and 2022 (measurement date June 30, 2022 and 2021), the active employee contribution rates and average employer contribution rates were as follows:

	2023		2022	
	Employee Contribution Rate	Employer Contribution Rate	Employee Contribution Rate	Employer Contribution Rate
Classic Tier I	8.00%*	18.24%	8.00%*	16.17%
Classic Tier II	7.00%**	12.63%	7.00%**	11.06%
PEPRA	8.25%	8.00%	7.25%	7.76%

(* 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 \$1,675,527 and \$1,537,685 for the years ended December 31, 2023 and 2022, respectively. Of those amounts, the District's pickup of the employee's 8.0% and 7.0% share was \$227,801 and \$234,363, respectively.

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

As of December 31, 2023 and 2022, the District reported a net pension liability for its proportionate share of the net pension liability of the Plans of \$13,884,790 and \$12,721,219, 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, 2023 and 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 and 2021 rolled forward to June 30, 2023 and 2022 using standard update procedures. For June 30, 2023 and 2022, 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, 2023 and 2022 was as follows:

Proportion - June 30, 2023	0.27767%
Proportion - June 30, 2022	<u>0.27187%</u>
Change - Increase (Decrease)	<u><u>.0058%</u></u>

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2023 and 2022

(13) Defined Benefit Pension Plan, continued

For the year ended December 31, 2023 and 2022, the District recognized pension expense of \$2,551,776 and \$586,820, respectively. At December 31, 2023 and 2022, 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	
	2023	2022	2023	2022
Pension contributions subsequent to measurement date	\$ 842,933	\$ 799,285	\$ -	\$ -
Changes in assumptions	838,287	1,303,555	-	-
Net differences between projected and actual earnings on plan investments	2,248,072	2,330,189	-	-
Differences between expected and actual experience	709,310	255,467	110,031	171,101
Differences between the employer's contribution and the employer's proportionate share of contributions	-	-	299,427	534,549
Change in employer's proportion	195,363	154,338	-	-
Total	<u>\$ 4,833,965</u>	<u>\$ 4,842,834</u>	<u>\$ 409,458</u>	<u>\$ 705,650</u>

The \$842,933 and \$799,285 reported as deferred outflows of resources as of December 31, 2023 and 2022 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, 2024 and 2023, 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)
2024	\$ 1,055,668
2025	726,341
2026	1,735,059
2027	64,506
Thereafter	-
Total	\$ 3,581,574

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2023 and 2022

(13) Defined Benefit Pension Plan, continued

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

The collective total pension liability for the June 30, 2023 and 2022 measurement period was determined by an actuarial valuation as of June 30, 2022 and 2021, with update procedures used to roll forward the total pension liability to June 30, 2023 and 2022, respectively. The collective total pension liability was based on the following assumptions:

	2023	2022
	Miscellaneous	Miscellaneous
Valuation Date	June 30, 2022	June 30, 2021
Measurement Date	June 30, 2023	June 30, 2022
Actuarial Cost Method	Entry-Age Normal	Entry-Age Normal
Actuarial Assumptions:		
Discount Rate	6.90%	6.90%
Inflation	2.30%	2.30%
Projected Salary Increase	Varies by Entry Age and Service	Varies by Entry Age and Service
Post-retirement benefit increase	(1)	(1)
Long-Term Rate of Return	(2)	(2)

⁽¹⁾ Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies.

⁽²⁾ See Long-Term Expected Rate of Return section below.

The underlying mortality assumptions and all other actuarial assumptions used for June 30, 2023 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, 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.

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.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2023 and 2022

(13) Defined Benefit Pension Plan, continued

The expected real rates of return by asset class for December 31, 2023, are as follows:

<u>Asset Class</u>	<u>Assumed Allocation</u>	<u>Real Return Years 1 – 10 ^{1,2}</u>
Global Equity (cap-weighted)	30.0%	4.54%
Global Equity (non-cap-weighted)	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real assets	15.0%	3.21%
Leverage	-5.00%	-0.59%
Total	<u>100.0%</u>	

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 to determine the discount rate for the Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and that the contributions from employers will be made at the statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2023 and 2022

(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:

		2023		2022
		Sensitivity to 1- Percent Change		Sensitivity to 1- Percent Change
1% Decrease		5.90%		5.90%
Net Pension Liability	\$	21,194,028	\$	19,603,749
Current Discount Rate		6.90%		6.90%
Net Pension Liability	\$	13,884,790	\$	12,721,219
1% Increase		7.90%		7.90%
Net Pension Liability	\$	7,868,660	\$	7,058,605

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, 2023 and 2022, the District had no outstanding payable to the pension plans.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2023 and 2022

(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 June 30, the following current and former employees were covered by the benefit terms:

	<u>2023</u>	<u>2022</u>
Inactive employees or beneficiaries currently receiving benefit payments	39	41
Inactive employees entitled to but not yet receiving benefits	3	4
Active employees	<u>69</u>	<u>65</u>
Total number of participants	<u>111</u>	<u>110</u>

Contributions: The contribution requirements of plan members and the District are established and may be amended by the District. The District funds the plan by contributing at least 100% of actuarially determined contributions. During the year ended December 31, 2023, the District’s contribution was \$648,304, comprised of a cash contribution to the trust of \$66,804, benefit payments of \$504,338, an estimated implicit subsidy of \$75,728 and administrative expenses of \$1,434. 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.

Net OPEB Liability: The District's net OPEB liability was measured as of June 30, 2023 and 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022. Update procedures are used to roll forward the Total OPEB Liability from the valuation date (June 30, 2022) to the measurement date (June 30, 2023).

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2023 and 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, 2023 and 2022
Contribution Policy	District contributes full ADC with CERBT Trust
Actuarial assumptions:	
Investment rate of return	6.25% 2023; 6.25% 2022
Discount rate	6.25% 2023; 6.25% 2022
General Inflation	2.50% 2023; 2.50% 2022
Salary increases	<u>Aggregate</u> - 2.75% annually <u>Merit</u> - 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	<u>Non-Medicare</u> - 6.50% for 2023, decreasing to an ultimate rate of 3.75% in 2076 <u>Medicare (Non-Kaiser)</u> - 5.65% for 2023, decreasing to an ultimate rate of 3.75% in 2076 <u>Medicare (Kaiser)</u> - 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	<u>Actives</u> - 90% <u>Retirees</u> - based on current coverage
Spouse Coverage	<u>Covered</u> - based on current coverage <u>Waived</u> - 80% elect spouse coverage at retirement
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	<u>Actives</u> - males 3 years older than females <u>Retirees</u> - males 3 years older than females if spouse birthday unknown
Waived Retiree Re-election	None
Medicare Eligibility	All participants assumed to be Medicare eligible and elect Medicare plans at age 65

There were no changes of assumptions or benefit terms since the June 30, 2022 Measurement Date.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2023 and 2022

(14) Postemployment Benefits Other Than Pensions, continued

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 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, 2023 are as follows:

Asset Class	Trust Target Allocation	Expected Real Rate of Return
Global Equity	49.0%	4.56%
Fixed Income	23.0%	1.56%
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 6.25% as of June 30, 2023 and 2022, the measurement date, respectively. The 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.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2023 and 2022

(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, 2023, is as follows:

	Increase (Decrease)		
	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance at December 31, 2022	\$ 11,419,024	\$ 8,279,684	\$ 3,139,340
Changes for the Year:			
Service Cost	367,548	-	367,548
Interest	719,375	-	719,375
Actual vs. expected experience	-	-	-
Assumption Changes	-	-	-
Contributions – employer	-	621,286	(621,286)
Net investment income	-	532,757	(532,757)
Benefit payments	(553,139)	(553,139)	-
Administrative expenses	-	(5,491)	5,491
Net Changes	533,784	595,413	(61,629)
Balance at December 31, 2023 (measurement date June 30, 2023)	\$ 11,952,808	\$ 8,875,097	\$ 3,077,711

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

	Increase (Decrease)		
	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
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

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2023 and 2022

(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:

	2023	2022
	Sensitivity to 1- Percent Change	Sensitivity to 1- Percent Change
1% Decrease	5.25%	5.25%
Net OPEB Liability	\$ 4,601,656	\$ 4,606,434
Current Discount Rate	6.25%	6.25%
Net OPEB Liability	\$ 3,077,711	\$ 3,139,340
1% Increase	7.25%	7.25%
Net OPEB Liability	\$ 1,809,441	\$ 1,773,007

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:

	2023	2022
	Sensitivity to 1- Percent Change	Sensitivity to 1- Percent Change
1% Decrease		
Net OPEB Liability	\$ 1,554,460	\$ 1,773,007
Current Healthcare Trend		
Net OPEB Liability	\$ 3,077,711	\$ 3,139,340
1% Increase		
Net OPEB Liability	\$ 4,958,463	\$ 4,820,490

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

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2023 and 2022

(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, 2023 and 2022, the District recognized OPEB expense of \$279,207 and \$434,454, respectively. At December 31, 2023 and 2022, 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	
	2023	2022	2023	2022
Net difference between projected and actual experience	\$ -	\$ -	\$ 1,611,911	\$ 1,965,748
Changes in assumptions	243,127	298,383	630,226	760,264
Net difference between projected and actual earnings in plan investments *	587,548	735,717	-	-
Employer contributions made subsequent to the measurement date	293,418	266,400	-	-
Total	<u>\$ 1,124,093</u>	<u>\$ 1,300,500</u>	<u>\$ 2,242,137</u>	<u>\$ 2,726,012</u>

*Deferred Inflows and Outflows combined for footnote disclosure.

The \$293,418 and \$266,400 reported as deferred outflows of resources as of December 31, 2023 and 2022 related to contributions after the measurement date, consisted of the following:

	2023	2022
Trust contributions	\$ -	\$ -
Benefit payments paid outside of trust	292,703	265,776
Administrative expenses	715	624
Total	<u>\$ 293,418</u>	<u>\$ 266,400</u>

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

Year Ended December 31	Deferred Outflow/(Inflow)
2024	\$ (295,927)
2025	(346,933)
2026	(52,725)
2027	(307,750)
2028	(285,208)
Thereafter	(122,919)
Total	<u>\$ (1,411,462)</u>

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2023 and 2022

(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 years as of July 1, 2022 (beginning of measurement period). Participants with no liability excluded for the purpose of calculating the average.

Payable to the OPEB Plan: At December 31, 2023 and 2022, the District had no outstanding payable to the OPEB plan.

(15) Asset Retirement Obligations

The District owns and operates 104 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 104 wells, 76 are active, 28 are inactive. 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 Statement No. 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 19 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

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2023 and 2022

(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, \$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 \$10,000,000 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 member aggregate limit of \$3,000,000 and Aggregate limit of \$5,000,000 with the following sub-limit: Funds transfer fraud up to \$250,000. Cyber Liability Deductible varies from \$50,000 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 2023 and 2022 were \$32,837 and \$30,779, respectively. Future estimated lease commitment costs for the period January 1, 2024, to May 31, 2037, are estimated to be \$471,636 as of December 31, 2023.

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 June 1, 2022 to October 31, 2026. The annual lease costs for fiscal years 2023 and 2022 were \$24,540 and \$14,000, respectively. Future estimated lease commitment costs for the period January 1, 2024, to October 31, 2026, are estimated to be \$73,624 as of December 31, 2023.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2023 and 2022

(17) Commitments and Contingencies, continued

Placer County Water District – Take-or-Pay Contract

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

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

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

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

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

Grant Awards

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

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2023 and 2022

(17) Commitments and Contingencies, continued

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition as of December 31, 2023.

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, 2023, the District's commitment on open construction contracts is approximately \$4.0 million:

Project Name	Approved Contract	Spent To Date	Remaining Commitment
New Well Construction - Well 80 Watt/Auburn	\$ 7,381,576	\$ 5,922,153	\$ 1,459,423
New Well Construction - Well 81/82/83 Antelope N./Poker	12,424,334	12,053,811	370,523
New Well Construction - Well 84 Antelope/Don Julio	7,680,925	6,763,963	916,963
Well Rehabilitation	2,400,000	2,022,737	377,263
Well N35 Antelope North PCE Treatment	259,394	99,498	159,896
Well N32A-C Wells Blending	173,894	21,386	152,508
Fluoride Pump Replacement - 14 Facilities	65,000	-	65,000
SCADA Network Improvement	57,840	-	57,840
Reservoir Improvement - Enterprise/Northrop	120,600	51,460	69,140
Property Acquisition - Walerga/Antelope Property	435,600	100,000	335,600
Total	<u>\$ 30,999,163</u>	<u>\$ 27,035,008</u>	<u>\$ 3,964,155</u>

Required Supplementary Information

**Sacramento Suburban Water District
Required Supplementary Information (Unaudited)
For The Years Ended December 31, 2023 and 2022**

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

	Measurement Date June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.23815%	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	\$ 13,885	\$ 12,721	\$ 5,807	\$ 10,600	\$ 9,698	\$ 8,812	\$ 8,998	\$ 7,654	\$ 5,722	\$ 5,062
Covered payroll – measurement period	\$ 6,603	\$ 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	210.27%	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	76.21%	76.68%	88.29%	75.10%	75.26%	75.26%	73.31%	74.06%	78.40%	83.03%

Notes to Schedule:

- (1) 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.
- (2) Changes in Assumptions: In 2017, the accounting discount rate reduced from 7.65% to 7.15%.
- (3) 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, 2023 and 2022**

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

	December 31									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution (actuarially determined)	\$ 1,676	\$ 1,538	\$ 1,409	\$ 1,298	\$ 1,089	\$ 797	\$ 879	\$ 800	\$ 835	\$ 620
Contributions in relation to the actuarially determined contributions	(1,676)	(1,538)	(1,409)	(1,298)	(1,089)	(797)	(879)	(800)	(835)	(620)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll – calendar year	\$ 7,080	\$ 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	23.67%	24.95%	24.43%	21.72%	22.09%	16.35%	19.56%	18.64%	19.52%	15.26%
Valuation Date (June 30,)	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012

	December 31									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Methods and assumptions used to determine contribution rates:										
Actuarial cost method	Entry-Age Normal									
Amortization method	Level percentage of payroll, direct rate smoothing									
Remaining amortization period	Varies, not more than 30 years									
Asset valuation method	Market value of assets									
Inflation	2.3%	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 ⁽¹⁾	6.80%	7.00%	7.00%	7.00%	7.25%	7.50%	7.50%	7.50%	7.50%	7.50%
Retirement age and mortality	(6)	(5)	(5)	(5)	(5)	(4)	(3)	(2)	(2)	(2)

Notes to Schedule:

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

- (1) Net of pension plan investment and administrative expenses.
- (2) Probabilities of retirement and mortality are based on CalPERS' 2010 Experience Study for the period from 1997 to 2007.
- (3) Probabilities of retirement and mortality are based on CalPERS' 2014 Experience Study for the period from 1997 to 2011.
- (4) Probabilities of retirement and mortality are based on CalPERS' 2017 Experience Study for the period from 1997 to 2015.
- (5) 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.
- (6) Derived using CalPERS' Membership Data for all Funds. The post-retirement mortality rates include 15 years of projected on-going mortality improvement using 80% of the Society of Actuaries' Scale MP-2020.

**Sacramento Suburban Water District
Required Supplementary Information (Unaudited)
For The Years Ended December 31, 2023 and 2022**

**Single-Employer Defined Benefit OPEB Plan
Schedule of Contributions
Last 10 Years⁽¹⁾**

December 31,	2023	2022	2021	2020	2019	2018
Actuarially determined contribution (ADC)	\$ 634,954	\$ 836,685	\$ 811,996	\$ 975,498	\$ 946,596	\$ 603,457
Contributions in relation to the ADC	648,304	843,975	946,836	996,502	947,699	603,457
Contribution deficiency (excess)	\$ (13,350)	\$ (7,290)	\$ (134,840)	\$ (21,004)	\$ (1,103)	\$ -
Covered-employee payroll	\$ 7,678,858	\$ 6,676,905	\$ 6,405,487	\$ 6,497,090	\$ 5,738,672	\$ 5,286,650
Contributions as a percentage of covered-employee payroll	8.4%	12.6%	14.8%	15.3%	16.5%	11.4%
Valuation Date	6/30/2022	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	16 year fixed	Varies, not more than 20 years				
Asset valuation method	Assets valued at market value					
Discount rate	6.25%	6.75%	6.75%	6.75%	6.75%	6.75%
General inflation	2.50%	2.75%	2.75%	2.75%	2.75%	2.75%
Medical trend	(6)	(3)	(3)	(2)	(2)	(2)
Mortality & mortality improvement	(7)	(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.
- (6) Non-Medicare – 6.50%, decreasing to 3.75% in 2076 and later. Medicare (Non-Kaiser) – 5.65%, decreasing to 3.75% by 2076. Medicare (Kaiser) – 4.60%, decreasing to 3.75% by 2076.
- (7) Probabilities of retirement and mortality are based on CalPERS' 2000-2019 Experience Study. Mortality improvement projected fully generational with scale MP-2021.

**Sacramento Suburban Water District
Required Supplementary Information (Unaudited)
For The Years Ended December 31, 2023 and 2022**

**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	2023	2022	2021	2020	2019	2018
Changes in Total OPEB Liability:						
Service cost	\$ 367,548	\$ 486,063	\$ 445,831	\$ 474,204	\$ 460,392	\$ 446,983
Interest	719,375	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	(553,139)	(487,682)	(468,898)	(443,356)	(362,199)	(332,597)
Net change in total OPEB liability	533,784	(1,425,103)	1,186,956	(425,448)	873,650	833,665
Total OPEB liability – beginning	11,419,024	12,844,127	11,657,171	12,082,619	11,208,969	10,375,304
Total OPEB liability – ending(a)	<u>\$ 11,952,808</u>	<u>\$ 11,419,024</u>	<u>\$ 12,844,127</u>	<u>\$ 11,657,171</u>	<u>\$ 12,082,619</u>	<u>\$ 11,208,969</u>
Changes in Plan Fiduciary Net Position:						
Contributions – employer	\$ 621,286	\$ 802,499	\$ 765,582	\$ 1,296,059	\$ 628,922	\$ 600,779
Net investment income ⁽²⁾	532,757	(1,283,365)	1,946,853	185,150	363,678	363,740
Benefit payments	(553,139)	(487,682)	(468,898)	(443,356)	(362,199)	(332,597)
Administrative expenses	(5,491)	(5,444)	(4,804)	(4,117)	(1,823)	(9,675)
Net change in plan fiduciary net position	595,413	(973,992)	2,238,733	1,033,736	628,578	622,247
Plan fiduciary net position – beginning	8,279,684	9,253,676	7,014,943	5,981,207	5,352,629	4,730,382
Plan Fiduciary Net position – ending(b)	<u>\$ 8,875,097</u>	<u>\$ 8,279,684</u>	<u>\$ 9,253,676</u>	<u>\$ 7,014,943</u>	<u>\$ 5,981,207</u>	<u>\$ 5,352,629</u>
Net OPEB Liability – ending (a)-(b)	<u>\$ 3,077,711</u>	<u>\$ 3,139,340</u>	<u>\$ 3,590,451</u>	<u>\$ 4,642,228</u>	<u>\$ 6,101,412</u>	<u>\$ 5,856,340</u>
Fiduciary Net Position as a percentage of the Total OPEB Liability	74.3%	72.5%	72.0%	60.2%	49.5%	47.8%
Covered-employee payroll	\$ 7,209,945	\$ 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	<u>42.7%</u>	<u>46.3%</u>	<u>57.2%</u>	<u>76.8%</u>	<u>108.8%</u>	<u>116.4%</u>

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)

Sacramento Suburban Water District Statistical Information (Unaudited)

Contents

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

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

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Assets										
Current assets	\$ 4,611	\$ 7,258	\$ 7,944	\$ 11,061	\$ 11,061	\$ 13,382	\$ 14,796	\$ 21,270	\$ 19,101	\$ 24,185
Noncurrent assets	43,456	40,702	38,165	39,875	37,934	39,097	41,212	41,956	37,209	36,111
Capital assets:										
Nondepreciable assets	9,754	10,179	9,761	16,784	10,941	9,779	10,737	18,464	31,012	42,435
Depreciable assets	396,906	416,875	435,906	441,705	466,401	483,875	493,229	502,486	517,649	533,264
Accumulated depreciation	(136,477)	(147,676)	(158,960)	(168,222)	(180,222)	(190,327)	(199,117)	(211,888)	(224,089)	(237,105)
Capital assets, net	270,183	279,378	286,707	290,267	286,179	293,547	304,849	309,062	324,542	338,593
Total assets	318,250	327,338	332,816	341,203	348,071	355,805	360,856	372,289	380,852	398,889
Deferred outflows of resources	9,743	9,276	9,400	9,485	8,272	8,809	9,072	7,307	11,254	10,388
Liabilities										
Current liabilities	7,935	8,583	9,314	9,256	11,212	15,719	12,578	13,276	14,886	15,609
Noncurrent liabilities	101,940	98,484	94,866	91,524	87,552	92,953	87,833	74,833	71,332	66,798
Total liabilities	113,728	110,523	107,798	104,122	102,736	108,672	100,411	88,110	86,218	82,407
Deferred inflows of resources	1,819	799	558	1,134	2,333	839	1,594	7,784	3,432	2,652
Net position										
Net investment in capital assets	175,262	188,248	199,526	207,156	221,715	232,469	238,712	247,828	270,542	289,215
Restricted	3,540	3,523	3,540	3,548	10	2	-	-	2	16
Unrestricted	33,644	33,521	30,794	34,727	29,549	22,632	29,212	35,874	31,912	34,987
Total net position	\$ 212,446	\$ 225,292	\$ 233,860	\$ 245,431	\$ 251,274	\$ 255,103	\$ 267,923	\$ 283,702	\$ 302,4556	\$ 324,218

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operating Revenues										
Water sales	\$ 10,827	\$ 9,644	\$ 11,053	\$ 12,544	\$ 13,272	\$ 13,251	\$ 15,948	\$ 15,392	\$ 15,545	\$ 15,575
Water transfers	-	-	-	-	1,761	43	979	-	1,748	-
Water service charge	6,306	6,402	6,349	6,366	6,371	6,197	31,694	33,167	34,921	36,087
Capital facilities charge	20,678	21,646	22,575	23,499	24,499	24,454	-	-	-	-
Wheeling water charge	6	6	167	676	510	644	83	6	7	794
Other charges	1,113	992	939	1,077	1,054	1,133	524	408	1,138	993
Total operating revenues	38,930	38,690	41,083	44,162	47,417	45,722	49,228	48,973	53,359	53,449
Operating Expenses										
Source of supply	67	57	2,471	2,980	3,789	3,525	1,861	753	2,285	3,922
Pumping	4,631	5,124	4,852	4,516	4,946	5,331	5,227	6,242	5,602	5,911
Transmission and distribution	3,643	3,621	3,973	4,016	4,193	7,034	4,761	5,226	4,920	4,705
Water conservation	399	773	587	452	441	490	534	502	637	712
Customer accounts	1,122	1,159	1,145	1,305	1,301	1,373	1,279	1,477	1,797	1,826
Administrative and general	6,100	6,120	6,818	7,600	7,791	8,612	8,644	7,639	7,212	9,766
Total operating expenses	15,962	16,854	19,846	20,870	22,461	26,365	22,307	21,839	22,455	26,843
Operating income before depreciation	22,968	21,836	21,237	23,292	24,956	19,357	26,921	27,134	30,904	26,606
Depreciation	(10,812)	(11,229)	(11,808)	(12,182)	(12,460)	(12,993)	(13,715)	(13,588)	(13,766)	(13,734)
Operating income	12,156	10,607	9,429	11,110	12,496	6,363	13,206	13,546	17,138	12,872
Non-operating revenues	920	816	834	938	1,195	2,826	1,974	783	(1,295)	3,253
Interest expense	(3,802)	(3,633)	(3,561)	(3,450)	(3,112)	(2,632)	(2,552)	(2,271)	(2,641)	(2,238)
Other non-operating expenses	-	-	-	(3)	-	-	(5)	-	-	(21)
Gain (loss) on disposal of capital assets, net	21	6	(13)	12	(7)	(24)	(1,348)	(132)	(344)	75
Income before capital contributions	9,295	7,796	6,689	8,608	10,572	6,534	11,275	11,927	12,858	13,941
Capital contributions	2,455	5,049	1,879	2,963	894	1,648	1,546	3,851	5,896	7,821
Increase in net position	11,750	12,845	8,568	11,571	11,466	8,182	12,821	15,778	18,755	21,762
Net position, beginning of year	201,169	212,447	225,292	233,860	245,431	251,274	255,103	267,923	283,702	302,456
Adjustment	(472)	-	-	-	(5,623)	(4,353)	-	-	-	-
Net position, end of year	\$212,447	\$ 225,929	\$ 233,860	\$ 245,431	\$ 251,274	\$ 255,103	\$ 267,923	\$ 283,702	\$ 302,456	\$ 324,218

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Water Sales (Dollars in Thousands):										
Retail	\$37,811	\$37,692	\$39,977	\$42,409	\$44,092	\$43,902	\$47,642	\$48,559	\$50,466	\$51,662
Wheeling	6	6	167	676	510	644	83	6	7	794
Water Transfers	-	-	-	-	1,761	43	979	-	1,748	-
Total Water Sales	\$37,817	\$37,698	\$40,144	\$43,085	\$46,363	\$44,589	\$48,704	\$48,565	\$52,221	\$52,456

Water Production (Acre Feet):										
Retail	32,561	27,502	29,312	31,254	30,874	30,610	33,087	32,154	30,963	30,018
Wheeling	115	51	264	1,984	1,704	1,539	160	585	12	1,802
Water Transfers	-	-	-	-	3,875	-	6,667	-	3,842	-
Total Water Production	32,676	27,553	29,576	33,238	36,453	32,149	39,914	32,739	34,817	31,819

Water Sales/Acre Foot (Whole Dollars):										
Retail	\$ 1,161	\$ 1,371	\$ 1,364	\$ 1,357	\$ 1,428	\$ 1,428	\$ 1,440	\$ 1,510	\$ 1,630	\$ 1,721
Wheeling	52	118	633	341	299	418	519	10	389	441
Water Transfers	-	-	-	-	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	2023
Flat Accounts:									
Consumption Charge (\$/1,000 sq. feet)	\$ 0.91	\$ 0.95	\$ 0.98	\$ 1.02	\$ 1.06	\$ 2.35	\$ 2.44	\$ 2.52	\$ 2.59
Flat Service Charge (single unit)									
¾" connection	14.89	15.49	16.11	16.75	17.42	44.40	46.18	47.56	48.99
1" connection	21.55	22.41	23.31	24.24	25.21	69.16	71.96	74.12	76.34
1 ½" connection	40.69	42.32	44.01	45.77	47.60	131.17	136.42	140.51	144.72
2" connection	40.19	41.80	43.47	45.21	47.02	205.53	213.75	220.16	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	0.95	0.98
Single Family Residential – 2nd Tier	1.00	1.04	1.08	1.12	1.17	1.15	1.20	1.24	1.28
Multi-Family Residential	-	-	-	-	-	1.26	1.31	1.35	1.39
Non-Resid–Off-Peak Rate (Nov-Apr)	0.81	0.84	0.88	0.91	0.95	1.33	1.38	1.42	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	34.29	35.32
¾" meter	5.25	5.46	5.68	5.91	6.14	44.40	46.18	47.56	48.99
1" meter	8.50	8.84	9.19	9.56	9.94	69.19	71.96	74.12	76.34
1 ½" meter	16.60	17.26	17.95	18.67	19.42	131.17	136.42	140.51	144.72
2" meter	24.60	27.46	28.55	29.70	30.88	205.53	213.75	220.16	226.77
3" meter	49.20	51.17	53.21	55.34	57.56	403.85	420.00	432.60	445.58
4" meter	81.75	85.02	88.42	91.96	95.64	626.95	652.03	671.59	691.74
6" meter	163.15	169.68	176.46	183.52	190.86	1,246.68	1,296.55	1,335.44	1,375.51
8" meter	293.40	305.14	317.34	330.04	343.24	2,238.25	2,327.78	2,397.61	2,369.54
10" meter	472.50	491.40	511.06	531.50	552.76	2,981.93	3,101.21	3,194.24	3,290.07
12" meter	700.40	728.42	757.55	787.85	819.37	4,190.40	4,358.02	4,488.76	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 (Connection Fees)
Last Ten Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
5/8" service	\$ 2,762	\$ 3,130	\$ 3,168	\$ 3,228	\$ 3,418	\$ 3,524	\$ 4,056	\$ 4,143	\$ 4,252	\$ 4,463
¾" service	4,122	4,672	4,728	4,817	5,102	5,260	6,085	6,216	6,379	6,695
1" service	6,884	7,802	7,896	8,045	8,519	8,785	10,141	10,359	10,631	11,158
1 ½" service	13,726	15,558	15,745	16,041	16,989	17,518	20,282	20,719	21,262	22,315
2" service	31,970	24,902	25,202	25,676	27,192	28,039	32,452	33,151	34,020	35,704
3" service	41,220	46,720	47,282	48,172	51,016	52,605	64,903	66,300	68,040	71,409
4" service	68,714	77,882	78,820	80,304	85,044	87,692	101,411	103,594	106,312	111,576
6" service	137,386	155,718	157,952	160,559	170,038	175,332	202,823	207,189	212,625	223,152
8" service	219,826	249,158	252,157	256,904	272,071	280,541	365,081	372,940	382,725	401,674
10" service	316,034	358,202	362,514	369,339	391,143	403,320	486,775	497,254	510,300	535,565
12" service	463,725	525,600	531,927	541,941	573,935	591,803	684,527	699,263	717,609	753,138

Source: District.

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

Principal Retail Rate Payers
Current Year and Ten Years Prior

December 31, 2023

December 31, 2014

Principal Retail Rate Payers	<u>December 31, 2023</u>			<u>December 31, 2014</u>		
	Revenues Collected	Rank	Percent of Retail Sales Revenue	Revenues Collected	Rank	Percent of Retail Sales Revenue
McClellan Business Park	\$ 577,673	1	1.19%	\$ 384,395	1	1.02%
San Juan Unified School District	377,396	2	0.78%	223,228	2	0.59%
Carmel Partners MS#3	243,889	3	0.47%	145,547	4	0.38%
Woodside Assoc Inc	196,616	4	0.41%	184,397	3	0.49%
KW Fund VI Autumn Ridge LLC	195,441	5	0.41%	96,468	6	0.26%
Fulton-El Camino Rec/Park District	171,420	6	0.33%	-	-	-
Twin Rivers Unified School District	157,182	7	0.32%	79,942	7	0.21%
Eskaton Village	150,954	8	0.33%	73,775	9	0.20%
Logan Park Apt LP	149,121	9	0.31%	-	-	-
The Homes at McClellan Park	139,150	10	0.31%	-	-	-
Henson Gardens Eskaton	-	-	-	98,703	5	0.26%
Sunrise Recreation/Park District	-	-	-	79,548	8	0.21%
Sacramento County (AFS/SCRSD)	-	-	-	72,965	10	0.19%
Total Principal Retail Rate Payers	\$ 2,358,843	-	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

<u>Fiscal Year ending</u> <u>December 31</u>	<u>Water Sales Revenues ⁽¹⁾</u>	<u>Transferred to Tax Roll</u>
2023	\$ 52,456,348	\$ 391,187
2022	50,472,578	-
2021	48,565,271	-
2020	47,724,962	-
2019	44,545,600	-
2018	44,601,655	-
2017	43,084,389	-
2016	40,143,786	-
2015	37,698,578	-
2014	37,816,244	-

⁽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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Long-Term Debt:										
(Dollars in Thousands)										
Series 2009A	\$ 47,939	\$ 47,623	\$ 47,299	\$ 46,969	\$ 46,632	\$ 46,288	\$ 45,937	\$ 45,578	\$ -	\$ -
Series 2009B	29,074	27,120	25,056	22,973	-	-	-	-	-	-
Series 2012A	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	5,630
Series 2022A	-	-	-	-	-	-	-	-	41,416	40,628
Series 2022B	-	-	-	-	-	-	-	-	6,585	2,960
Total Debt	103,529	99,094	94,472	89,789	81,429	76,220	70,840	65,276	54,916	49,218
No. of Connections⁽¹⁾	46,696	47,016	47,031	47,062	47,104	47,132	47,176	47,402	47,680	47,788
Debt Per Connection										
(Whole Dollars)	\$ 2,217	\$ 2,108	\$ 2,009	\$ 1,908	\$ 1,729	\$ 1,617	\$ 1,502	\$ 1,377	\$ 1,152	\$ 1,030

(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)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues										
Water sales	\$ 37,811	\$ 37,692	\$ 39,977	\$ 42,408	\$ 44,092	\$ 43,902	\$ 47,643	\$ 48,559	\$ 50,466	\$ 51,662
Water transfers	-	-	-	-	1,761	43	979	-	1,748	-
Wheeling charge	6	6	167	676	510	644	83	6	7	794
Water services	1,113	992	939	1,077	1,054	1,133	524	408	1,138	993
Capacity Fees	561	543	264	135	158	287	470	1,213	1,681	955
Investment income	547	271	613	572	767	1,076	1,077	649	652	405
Other	373	358	279	444	449	1,064	374	1,104	368	577
Total revenues	40,410	39,863	42,239	45,312	48,791	48,149	51,150	51,939	56,060	55,386
Operating Expenses										
Transmission and distribution	3,642	3,621	3,973	4,016	4,193	6,721	4,548	5,100	5,235	4,445
Administrative and general*	6,100	6,120	6,822	7,603	7,791	8,191	8,601	8,026	8,160	9,668
Pumping	4,632	5,124	4,852	4,516	4,946	5,195	5,304	6,252	5,666	5,777
Water purchases	67	57	2,471	2,980	3,789	3,525	1,861	754	2,285	3,922
Customer accounts	1,122	1,159	1,145	1,305	1,301	1,320	1,250	1,460	1,829	1,806
Water conservation	400	773	587	452	441	472	523	495	653	696
Total expenses	15,963	16,854	19,850	20,873	22,461	25,424	22,088	22,087	23,828	26,313
Net revenue	24,447	23,008	22,389	24,439	26,330	22,724	29,061	29,852	32,232	29,073
Debt service	7,484	7,443	7,471	7,559	7,462	7,150	7,238	7,121	7,165	6,995
Coverage ratio	3.26	3.09	2.99	3.23	3.53	3.18	4.02	4.19	4.50	4.16
Revenues available for capital projects and other purposes	<u>\$ 16,963</u>	<u>\$ 15,565</u>	<u>\$ 14,918</u>	<u>\$ 16,880</u>	<u>\$ 18,868</u>	<u>\$ 15,574</u>	<u>\$ 21,823</u>	<u>\$ 22,730</u>	<u>\$ 25,066</u>	<u>\$ 22,078</u>

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

Source: District

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

Year	Population	Personal Income (\$ in 000s)	Per Capita Income	Labor Force	Number Employed	Number Unemployed	Unemployment Rate
2023	Information	Not Currently	Available	731,900	697,100	34,700	4.7%
2022	1,584,169	\$ 97,517,936	\$ 61,558	728,300	699,800	28,500	3.9%
2021	1,588,921n	\$ 98,241,828	\$ 61,829	719,700	669,900	49,900	6.9%
2020	1,586,241	\$ 91,842,584	\$ 57,991	712,200	644,800	67,400	9.5%
2019	1,575,602	\$ 83,515,309	\$ 53,005	711,700	685,300	26,400	3.7%
2018	1,560,721	\$ 78,819,492	\$ 50,502	704,200	676,900	27,300	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%

* 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: Report 400C - 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, 2023

December 31, 2014

Principal Employers	Employees	Rank	Percentage of Total Labor Force	Employees	Rank	Percentage of Total Labor Force
State of California	107,876	1	14.74%	72,220	1	10.62%
UC Davis Health System	16,075	2	2.20%	9,905	4	1.46%
Sacramento County	13,252	3	1.81%	10,700	2	1.57%
Kaiser Permanente	10,934	4	1.49%	5,421	8	0.80%
U.S. Government	10,507	5	1.44%	9,906	3	1.46%
Sutter Health Sacramento Sierra Region	9,350	6	1.28%	7,352	5	1.08%
Dignity Health	7,353	7	1.00%	6,212	6	0.91%
Intel Corp.	5,000	8	0.68%	6,000	7	0.88%
San Juan Unified School District	4,801	9	0.66%	4,200	10	0.62%
Los Rios Community College Dist.	3,049	10	0.42%	-	-	-
Elk Grove Unified School District	**	-	-	5,410	9	0.80%
Total	188,197		25.71%	137,326		20.20%
Total Labor Force	731,900			679,700		

* 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 2023

Source:

Employers – Sacramento County: Sacramento Business Journal, Book of Lists 2023, Vol. 40, No. 46, p.69.

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

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

Year	<u>North Service Area</u>			<u>South Service Area</u>			Total Production
	Surface	Ground	Sub Total	Surface	Ground	Sub Total	
2023	11,299	5,670	16,969	7,471	5,578	13,049	30,018
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

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	Del Paso Manor Water District	San Juan Water District	Total Deliveries
2023	1,802	-	-	-	0.4	-	1,802
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

Source: District.

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

Operating Activity

Last Ten Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<u>Production Department</u>										
<i>Water Quality</i>										
Complaints	30	1	13	51	14	16	8	12	37	16
Inquiries	110	159	197	119	159	129	163	130	180	103
<u>Distribution Department</u>										
<i>Service Orders</i>										
Main Leaks	61	70	66	52	40	53	51	47	52	73
Service Line Leaks	125	101	75	105	72	65	69	67	76	63
Locate & Expose	353	253	208	172	165	97	57	51	56	69
Determine Responsibility	839	630	654	621	681	621	729	827	984	606
<i>Water Main Shutdown:</i>										
-- Emergency	86	27	29	29	16	34	31	44	64	57
-- Scheduled	100	32	13	6	9	13	56	44	56	59
<i>Preventive Maintenance Program</i>										
Fire Hydrants Inspected	1,255	1,597	251	28	200	873	931	1,277	1,231	1,298
Fire Hydrant Valves Inspected	1,202	1,508	247	51	235	845	896	1,388	1,242	1,174
Fire Hydrant Valves Exercised	975	1,385	225	49	234	768	794	1,205	1,170	1,099
Valves Inspected	898	434	880	708	1,758	1,900	1,757	3,116	5,572	2,251
Valves Exercised	-	-	-	641	1,536	1,414	1,289	2,356	3,726	1,932
<i>After Hours Activity</i>										
Calls Received	1,024	1,145	741	553	496	704	553	901	892	852
Calls Responded	338	605	442	342	332	417	321	385	419	368
<u>Field Services Department</u>										
<i>Meters</i>										
Preventive Maintenance – Meters Tested	57	32	128	135	114	125	122	123	122	120
Preventive Maintenance – Meters Replaced	143	117	1,159	279	941	929	797	1,200	1,029	832
Preventive Maintenance – Meter Re-Builds	67	43	240	232	245	245	253	264	264	245
<i>Customer Service</i>										
Shut Off (non-payment) ⁽¹⁾	2,561	2,051	1,804	1,772	1,861	1,949	312	-	1,277	-
Restore Service	2,100	1,801	1,742	1,772	1,723	1,795	450	92	1,183	107
Customer Pressure Inquiries	121	113	143	118	125	132	132	117	86	99
<i>Service Requests/Work Orders</i>										
Service Requests Generated	22,736	24,204	16,092	17,858	18,957	24,483	16,951	14,570	17,008	9,458
Work Orders Generated	11,939	10,898	12,417	14,257	14,722	15,870	16,414	20,038	13,148	13,932

Source: District.

Notes:

(1) As of January 1, 2023, the District discontinued Shut-Offs as the primary means of delinquent account collections.

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Administration	13	13	14	14	15	15	16	16	17	17
Conservation	2	2	2	2	2	2	2	2	2	2
Customer Service	5	5	6	6	6	6	6	6	6	6
Distribution	20	21	22	22	23	23	23	22	22	22
Engineering	10	10	10	10	10	10	10	10	10	10
Production and Water Treatment	12	12	13	13	14	14	14	15	16	16
Total	62	63	67	67	70	70	70	71	73	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, 2023, and have issued our report thereon dated April 3, 2024.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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.

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 3, 2024, 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 3, 2024