Agenda

Sacramento Suburban Water District
Finance and Audit Committee

3701 Marconi Avenue, Suite 100
Sacramento, CA 95821

Monday, March 30, 2015
9:00 a.m.

Public documents relating to any open session item listed on this agenda that are distributed to the Committee members less than 72 hours before the meeting are available for public inspection in the customer service area of the District's Administrative Office at the address listed above.

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

In compliance with the Americans with Disabilities Act, if you have a disability, and you need a disability-related modification or accommodation to participate in this meeting, then please contact Sacramento Suburban Water District Human Resources at (916)679-3972. Requests must be made as early as possible and at least one-full business day before the start of the meeting.

Call to Order

Roll Call

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

Items for Discussion and Action

1. **Results of 2014 Annual Audit**
   Review results of the 2014 annual audit with the District's independent auditors, Richardson & Company, LLP.

2. **Draft 2014 Comprehensive Annual Financial Report**
   Review the draft 2014 Comprehensive Annual Financial Report with the District's independent auditors, Richardson & Company, LLP.

3. **Draft 2014 Compliance Reports and Single Audit Results**
   Review the draft 2014 Federal Compliance Reports and the Auditors Report on Internal Controls.

Adjournment

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Upcoming Meetings:

Monday, April 20, 2015, at 6:30 p.m., Regular Board Meeting

* *

I certify that the foregoing agenda for the March 30, 2015, meeting of the Sacramento Suburban Water District Finance and Audit Committee was posted by March 25, 2015, in a publicly-accessible location at the Sacramento Suburban Water District office, 3701 Marconi Avenue, Suite 100, Sacramento, California, and was made available to the public during normal business hours.

Robert S. Roscoe
General Manager/Secretary
Sacramento Suburban Water District

Back to Agenda

Agenda Item: 1

Date: March 25, 2015

Subject: 2014 Annual Audit Results

Staff Contact: Daniel A. Bills, Finance Director

Recommended Committee Action:
Receive auditor reports. Recommend to the full Board for acceptance.

Discussion:

As the Committee will recall, last August the Committee selected and engaged the firm of Richardson & Company, LLP to perform the District's 2014 audit. In addition to the Auditor's Opinion that is included in the Comprehensive Annual Report or CAFR, two reports are attached wherein the auditors provide the results of their audit.

1. Letter to the Board (Exhibit 1) – this letter is a required communication as designated under generally accepted auditing standards. This letter reports to the Board significant audit findings, estimates used by the District in the Annual Report, and difficulties encountered during the audit and disagreements, if any, with management amongst other matters. The Auditors state there were no significant findings or difficulties encountered during the audit.

   This auditors also report in this letter the additional procedures requested of them to be performed beyond the scope of work needed to audit the CAFR. They note there were "no significant deficiencies or material weaknesses noted as a result of the additional testing."

2. Letter to the Board and Management (Exhibit 2) – This letter is written to provide the District with information resulting from the audit on District internal controls. Internal controls are the financially-related policies and procedures of the District. In this letter the auditors mention six items the District will want to note or make changes to in 2015 that will further strengthen the District's procedures.

Fiscal Impact:
$37,900 – per Audit Engagement Letter with Richardson & Company, LLP - $31,900 for the audit and $6,000 for the additional procedures.

Strategic Plan Alignment:

Finance – 4.G. Produce annual financial statements and supporting documentation to allow outside auditors to provide the District with unqualified audit opinions.

EXHIBIT 1

DISCUSSION
DRAFT

Richardson & Company, LLP

550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

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

We have audited the financial statements of the Sacramento Suburban Water District for the year ended December 31, 2014, and have issued our report thereon dated ______________, 2015. Professional standards require that we provide you with the information about our responsibilities under generally accepted auditing standards and, if applicable, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transaction entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were: depreciable lives and method used to depreciate capital assets, the accrual for postemployment benefits, the estimate of uncollectible accounts receivables, the estimated interest payments on variable interest rate bonds, and the fair value of interest rate swaps. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole. The accrual for postemployment benefits was determined by an actuarial valuation, which is required to be performed every three years. The fair value of the interest rate swaps is based on a consultant's valuation based on market interest rates.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements were the postemployment benefit disclosure in Note 13 and the interest rate swaps in Note 7 to the financial statement.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no material misstatements identified during the audit. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements With Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated ______________, 2015.

Management Consultations With Other Independent Accountants

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

Issues Discussed Prior to Retention of Independent Auditors

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

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis and Schedule of Funding Progress – Other Postemployment Benefits (OPEB), which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We are not engaged to report on introductory and statistical sections, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Additional Procedures

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

Cash Disbursements

We selected 25 transactions randomly from all disbursements made during the year. We also selected 15 transactions haphazardly from higher dollar disbursements. In addition, we scanned the list of petty cash disbursements made during the year and haphazardly selected 10 transactions for testing.

Wire and Bank Transfers

We haphazardly selected 10 wire and bank transfers during the year.

Credit Card Transactions

We reviewed all transactions charged to the District's credit cards during one month. We also haphazardly selected additional charges made during the year. A total 72 total credit card transactions were reviewed.

Board and Employee Reimbursements

We scanned the listings of all Board and employee reimbursements made during the year. We haphazardly selected 5 reimbursements made to Board members and 10 reimbursements made to employees from the listings.

Payroll Disbursements

We randomly selected 9 employees for payroll disbursement testing. We also selected 7 employees for testing that are part of senior management or involved in the finance and accounting function.

No significant deficiencies or material weaknesses were noted as a result of this additional testing.

Restriction on Use

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

______________, 2015

SACRAMENTO SUBURBAN WATER DISTRICT
SUMMARY OF UNADJUSTED DIFFERENCES
YEAR ENDED DECEMBER 31, 2014

	Financial Statements Effect - Amount of Overstatement (Understatement) of:					
Description (Nature) of Audit Difference	Total Assets	Total Liabilities	Equity	Net Operating Income(Loss)	Net Non-operating Income(Loss)	Net Income(Loss)
Well cleaning (maintenance) recorded as CIP	$ 62,674		$ 62,674	$ 62,674		$ 62,674
Net Audit Differences	62,674	0	62,674	62,674	0	62,674
Financial Statement Caption Totals	319,705,676	108,666,805	220,321,926	12,049,165	(2,885,956)	9,163,209
Net Audit Differences as % of F/S Captions	0.02%	0.00%	0.03%	0.52%	0.00%	0.68%

EXHIBIT 2

Richardson & Company, LLP

550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

To the Board of Directors and Management
Sacramento Suburban Water District
Sacramento, California

In planning and performing our audit of the financial statements of the Sacramento Suburban Water District (the District) as of and for the year ended December 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given those 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.

During our audit, we became aware of the following matters that have been included in this letter for your consideration:

Monitoring of Subrecipient Activity for Federal Grants

The District has served as the lead agency on federal grants in which a portion of the funds are passed through to other governmental agencies. The lead agency is responsible for monitoring the subrecipients for compliance with grant requirements and Single Audit regulations, such as verifying subrecipients have a Single Audit completed within nine months of year end if they have more than $500,000 in expenditures from all federal awards during the year, monitoring findings on subrecipients audit reports, and ensuring subrecipients take corrective action on audit findings. The District has delegated much of the grant compliance responsibility to the Regional Water Authority. We noted the subrecipient audit reports had not been obtained prior to the start of the audit, but they were provided during the course of the audit. We recommend the District ensure that the Regional Water Authority is complying with the grant and Single Audit requirements for monitoring subrecipients.

Capital Assets

We recommend the construction in progress and fixed asset listings be reviewed periodically to ensure all amounts on the listings represent assets. We noted maintenance related costs for a well were included on the construction in progress listing that would more appropriately be recorded as expense. Also, during 2014, the District incurred costs for the demolition of wells but no wells were removed from the fixed asset listing. We recommend the District compare the list of wells in service to the fixed asset listing and remove wells that are no longer being used by the District. We also recommend the District review the asset list for other items that can be removed that may no longer be in service.

Discussion of the Risk of Fraud

We recommend the audit committee discuss the risk of fraud at least once a year and the results be documented in the Board minutes. In addition, we recommend that management include the topic of fraud as a discussion item at a staff meeting at least once a year.

Documentation of the Billing and Inventory Systems

The District has indicated they plan to review and document the controls and procedures of their Customer Information and Inventory Systems. We encourage the District to complete these reviews.

Credit Card Charges

We did note a few instances in our review of credit card charges where the detail of a meal was not provided with the receipts. We recommend the District verify with the purchaser the expenditures are allowable under District policy if a detailed receipt is not provided by the restaurant. The District could request the employee or Board member to provide a certification that no prohibited items were purchased in cases when a detailed receipt is not provided.

New Pronouncements

In June 2012, the GASB approved Statement No. 68, "Accounting and Financial Reporting for Pensions." This Statement requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as liability on the statement of net position and to more comprehensively and comparably measure the annual costs of pension benefits. Historically, GASB's pension standards viewed the obligation to provide benefits as belonging to the plan, rather than to the employer. As a result, employers disclosed the amount of unfunded pension liability in notes to their financial statements instead of recognizing a liability on the face of the statement of net position. As the District participates in a multi-employer cost-sharing plan, the District will be required to report a liability equivalent to their proportionate share of the net pension liability of the plan as well as the related pension expense and any deferred inflows or deferred outflow of resources. Historically, the District has only included their required contributions as an expense. Based on the June 30, 2013 actuarial evaluation, the District's share of the unfunded pension liability is $5,473,000 as of June 30, 2013, which is the latest available actuarial study. The provisions of the Statement are effective beginning with the December 31, 2015 financial statements.

* * * * *

We would like to take this opportunity to acknowledge the courtesy and assistance extended to us during the course of the examination. This communication is intended solely for the information and use of management, the Board of Directors, and others within the organization, and is not intended to be, and should not be, used by anyone other than the specified parties.

_______________, 2015

Back to Agenda

Agenda Item: 2

Date: March 25, 2015

Subject: Draft - 2014 Comprehensive Annual Financial Report and Annual Audit

Staff Contact: Daniel A. Bills, Finance Director

Recommended Committee Action:
Recommend the draft 2014 Comprehensive Annual Financial Report (CAFR) and related auditor reports to the full Board for acceptance.

Discussion:
Staff has prepared the draft District's CAFR for the year-ended December 31, 2014. The Auditor's have performed their audit and rendered their opinion on the CAFR, which is found on pages 1 and 2 of the Financial Section in the CAFR. The District received an unqualified (clean) opinion.

The CAFR is presented in three sections:

1. Introductory – Provides readers with the background and organization of the District.

2. Financial – Begins with the Auditors Opinion, followed by Management's Discussion and Analysis of the financial results for 2014 and 2013, followed by the Financial Statements and Footnotes.

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

Fiscal Impact:
None

Strategic Plan Alignment:
Finance – 4.G. Produce annual financial statements and supporting documentation to allow outside auditors to provide the District with unqualified audit opinions.

Sacramento Suburban
Water District

Sacramento, CA

Comprehensive Annual Financial Report

For the Fiscal Years Ended December 31, 2014 and 2013

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Comprehensive Annual Financial Report

For The Fiscal Years Ended December 31, 2014 and 2013

Sacramento Suburban Water District

Sacramento, California

Prepared by:

The Finance Department

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TABLE OF CONTENTS

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Introductory Section

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General Manager

Robert S. Roscoe, P. E.

SACRAMENTO SUBURBAN WATER DISTRICT

CLEARLY REFRESHING SERVICE!

Board of Directors

President - Neil W. Schild
Vice President - Kevin M. Thomas
Frederick A. Gayle
Craig M. Locke
Robert P. Wichert

March 23, 2015

Board of Directors
Sacramento Suburban Water District
Sacramento, California

The Sacramento Suburban Water District (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*. Pursuant to these requirements, the District hereby issues this Comprehensive Annual Financial Report (CAFR) of the District for the years ended December 31, 2014 and 2013.

This CAFR 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 CAFR. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is 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 CAFR is complete and reliable in all material respects.

The District's basic financial statements have been audited by Richardson & Company, LLP, an independent firm of licensed certified public accountants. In their role as independent auditors, Richardson & Company, LLP worked directly for the Board of Directors and the Board's standing Finance and Audit committee. The goal of the independent audit is to provide reasonable assurance that the District's basic financial statements for the fiscal year ended December 31, 2014 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 unqualified opinion that the District's basic financial statements for the fiscal year ended December 31, 2014 are fairly presented in conformity with GAAP. The Independent Auditor's Report is presented as the first component in the Financial Section of this CAFR.

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

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found immediately following the Independent Auditor's Report in the Financial Section of this CAFR.

District Profile

The District's mission is "to deliver a high quality, reliable supply of water and superior customer service at a reasonable price." District goals in support of this mission include: assure a safe and reliable supply of high quality water in an environmentally responsible and sustainable manner for District customers; plan, construct, operate and maintain the District water system facilities embracing sustainable practices to provide reliable delivery of high quality water; assure superior customer service; ensure effective and efficient management and public reporting of all District financial processes; and provide leadership on regional, statewide and national water management issues that affect the District.

The District was formed on February 1, 2002 under the State of California's County Water District Law by the consolidation of the Northridge Water District and the Arcade Water District. The consolidation was approved and ordered by the Sacramento County Local Agency Formation Commission. The District is located in northern Sacramento County, California and includes portions of the unincorporated area of Sacramento County, Antelope, Carmichael, Citrus Heights, Foothill Farms, and North Highlands; small portions of the cities of Sacramento and Citrus Heights; and all of McClellan Business Park (formerly McClellan Air Force Base). The District, which serves water to a population of approximately 173,000, generally is divided in two service areas. The North Service Area is comprised mainly of the former Northridge Water District's territory, the Arcade Water District's North Highlands service area and McClellan Business Park. The South Service Area is comprised mainly of the former Arcade Water District's Town and Country territory.

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

The District's service area covers approximately 36 square miles. The District's territory is substantially built out. Based on Sacramento Area Council of Governments projections, the District's population is expected to be 216,600 in 2035, when the District is expected to be fully built out. Other than residential and commercial in-fill projects, and industrial and commercial development at the McClellan Business Park, the District does not expect significant additional development within its territory.

The service area experiences cool and humid winters and hot and dry summers. The combination of hot and dry weather results in higher water demands during the summer than in winter. Fluctuation in water production from year-to-year typically results from weather conditions in the spring and fall. Demand during the summer and winter generally does not vary significantly from one year to the next with the notable exception of recent drought conservation efforts. The District's water conservation efforts, including ongoing meter retrofitting, have resulted in a lowering of per capita water use over the past several years.

The distribution system has roughly 698 miles of pipeline that range in size from 48-inch transmission mains down to 2 and 4-inch laterals. There are 49 emergency interties with neighboring agencies along the District's boundary. The District has 7 storage tanks with a collective capacity to hold approximately 16 million gallons of water. There are a total of 5 booster pumping stations in the District, three of which are co-located with major storage tanks.

Water Supplies and Management

California is beginning its fourth consecutive year of drought. While the District continues to enjoy an ample supply of water due to its investment in both surface water and groundwater infrastructure and supply sources, in response to two State Drought Emergency Declarations issued by the Governor in 2014, followed by the California State Water Resources Control Board issuing Emergency Regulations mandating California water agencies adopt a Water Shortage Contingency Plan wherein certain water use restrictions were required to be implemented, the District adopted a "Water Shortage Contingency Plan" by, amongst other actions, asking customers to voluntarily reduce their water consumption by 25%. As a result of these efforts, District water usage declined by 16% in 2014 compared to 2013.

The water supply of the District is a combination of both surface water and groundwater. Historically, the District had used groundwater as its water supply source; however, in 1998, the District initiated a conjunctive use program, supplementing its groundwater supply with surface water to address the declining groundwater table using in-lieu recharge. The District has made significant investments to put surface water supply and conjunctive use facilities in place, and as a result of these investments, groundwater levels have stabilized or improved.

The District pumps its groundwater from approximately 82 active wells. All of the wells pump directly into the distribution system and are generally between 210 and 1,260 feet deep. The wells of the District are located in the North American Groundwater Basin north of the American River. While groundwater levels fluctuate based on hydrological conditions, groundwater levels historically declined within the District over the 50 years prior to the millennium at an average rate of approximately 1.5 to 2.0 feet per year. Since 2000, however, groundwater levels in the portion of the North American Groundwater Basin from which the District pumps water have stabilized, in large part because of increasing surface water acquisitions by the District in addition to customer conservation practices. Total maximum daily production from the District's wells is about 130.9 million gallons and is sufficient to supply 100% of water demand within the District with a reasonable factor of safety. There are currently no legal or regulatory restrictions on the amount of groundwater that can be pumped by the District. The District is part of the Sacramento Groundwater Authority, a regional entity formed to manage, stabilize and sustain the groundwater basin.

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

Revenue Sources

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

The District continues to be in a period of transition as water meters are installed on unmetered residential connections and customers are gradually converted from flat rate accounts to metered rate accounts. Presently, 75 percent of the District is metered, with all connections expected to be fully metered before the year 2025. Current flat rate accounts include a fixed monthly service charge with a "variable" charge based on parcel size. The fixed portion of the charge reflects the estimated fixed costs of service as well as a base water allotment considered sufficient for indoor usage. The portion of the service charge tied to parcel size is intended to reflect an estimate of water usage for irrigation purposes. A capital facility charge is applied based on connection size and is intended to cover pay-as-you-go capital improvements and debt service charges. The District offers a water meter and metered billing to any flat-rate customer on request.

Current residential metered rates include fixed service charges plus two-tier water usage rates as well as a capital facility charge based on connection size. The tier structure includes 10 cubic feet (CCF) per month at a lower initial rate with usage in excess of 10 CCF at a higher rate. 10 CCF is equivalent to roughly 250 gallons per day, and is intended to approximate typical indoor water usage for residential customers.

Non-residential customers are subject to fixed service charges plus a seasonal water usage rate structure as well as a capital facility charge based on connection size. Under the seasonal rates a higher rate applies to water usage during peak months (May through October) and a lower rate during non-peak months (November through April). All non-residential customers are on metered accounts.

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

Local Economy[1]

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the District operates. Sacramento County (County) is the eighth most populous county in California with a population of roughly 1.46 million and is home to the state's capital. The County sits in the middle of the agriculturally rich 400-mile long Central Valley of California. Sacramento's four-county metropolitan statistical area (metro-area) is the largest metro-area in the Central Valley and is the fifth largest metro-area in the state. From 2008-2013, the population of Sacramento County grew at an annual average rate of 0.7%. Employment in the County consists of a labor force of 679,700 with an unemployment rate of 7.3% in 2014 down from 8.8% in 2013. Employment and population are projected to grow by an average 1.7% and 1.0% per annum, respectively, over the next five years in the County.

The County's economy is broadly based. Government, professional and business services are the largest sectors of employment in the area, while education, healthcare, wholesale and retail trade and leisure and hospitality follow. Because it contains the state capital, the County's economy is highly influenced by the public sector. Government

[1] Source: State of California, Department of Transportation, Socio Economic Files, Sacramento County Economic Forecast.

jobs account for almost 27% of total wage and salary employment. Healthcare providers such as UC Davis Health Systems, Sutter Health, Dignity Health, along with technology based Intel are large private employers in the county. Job creation over the next five years is expected to come predominantly from professional and business services, education, healthcare and government.

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, over the past several years the District has dedicated significant resources to the development of a comprehensive infrastructure assessment and the establishment of 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 Charges and Rate Setting Policy, Reserve Policy, Debt Management 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.

<u>Water Service Charges and Rate Setting Policy</u>
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.

<u>Reserve Policy</u>
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.

<u>Debt Management Policy</u>
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 charges and rates over time. However, to minimize dependency on debt financing for capital projects, the District strives to fund annual renewal and replacement capital projects from rates. The District intends to manage itself to at least meet, and potentially exceed, the minimum and target Debt Service Coverage (DSC) requirements imposed by bond covenants. The District will not issue long-term debt to support operating costs.

<u>Budget Policy</u>
The District's budget serves as the foundation for financial planning and control. The budget is a one year financial plan for operating and maintenance expenses and capital projects and is adopted by the Board of Directors prior to each new calendar year. The budget is based on certain policies set by the Board of Directors

and is reviewed monthly as part of the District's regular financial reporting process. The Board of Directors must approve all supplemental amendments to the budgets and transfers between budgets. The General Manager directs the Finance Director/District Treasurer in transfers between category levels within individual adopted budgets throughout the fiscal year with subsequent reporting to the Board of Directors.

Internal Controls

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 also ensures 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 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.

Major Initiatives

Major initiatives the District is pursuing involve regional efforts concerning water supply and quality, including water conservation and water metering. Selected from the recently developed asset management plans, the 2015 budget calls for certain capital improvement projects totaling $18.3 million. Major projects include: well rehabilitation and replacements of $2.5 million; distribution main replacements and improvements of $9.7 million; and water meter installations and replacements totaling $1.7 million.

Awards and Acknowledgments

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 comprehensive annual financial report for the year ended December 31, 2013. This was the third consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual 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 comprehensive annual financial 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 CAFR 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,

Robert S. Roscoe
General Manager

Daniel A. Bills
Finance Director and
District Treasurer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Sacramento Suburban Water District

California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2013

Executive Director/CEO

Principal District Officials

Board of Directors - Elected Officials

Title	Name	Division	Current Term
President	Neil W. Schild	Division 2	12/2012-12/2016
Vice President	Kevin M. Thomas	Division 4	12/2014-12/2018
Director	Frederick A. Gayle	Division 1	12/2012-12/2016
Director	Craig M. Locke	Division 5	12/2014-12/2018
Director	Robert P. Wichert	Division 3	12/2014-12/2018

Staff - Appointed Officials

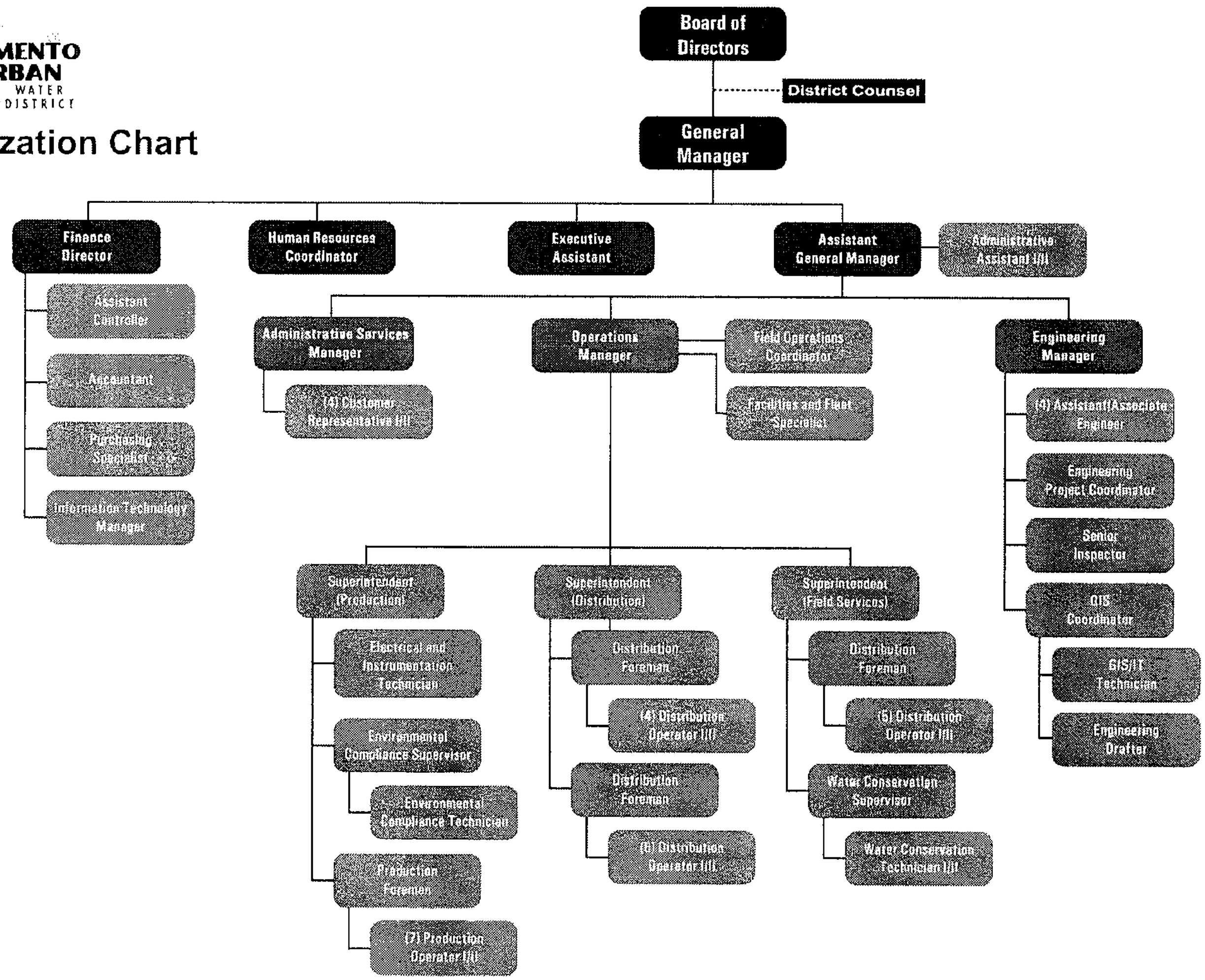
Title	Name
General Manager and Secretary	Robert S. Roscoe
Finance Director and District Treasurer	Daniel A. Bills
District Counsel	Bartkiewicz, Kronick & Shanahan, Joshua M. Horowitz

Additional Key Management Staff

Title	Name
Assistant General Manager	Daniel R. York
Operations Manager	James E. Arenz
Engineering Manager	John E. Valdes
Administrative Services Manager	Annette L. O'Leary

SACRAMENTO SUBURBAN WATER DISTRICT

Organization Chart



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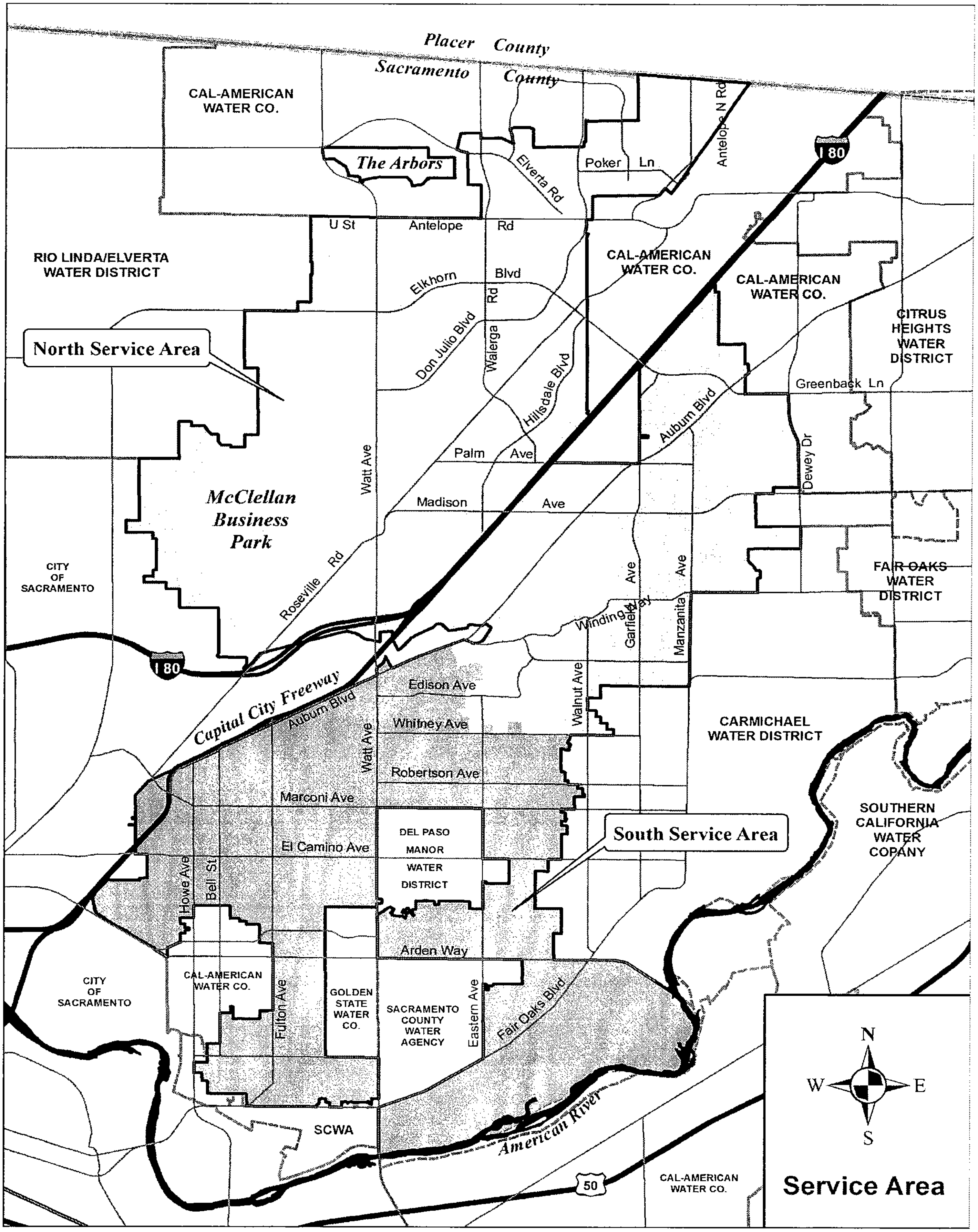
Placer County
Sacramento County
CAL-AMERICAN WATER CO.
The Arbors
Elverta Rd
Poker Ln
Antelope N Rd
I 80
U St
Antelope Rd
RIO LINDA/ELVERTA WATER DISTRICT
Elkhorn Blvd
Walerga Rd
Don Julio Blvd
Hillsdale Blvd
CAL-AMERICAN WATER CO.
CAL-AMERICAN WATER CO.
CITRUS HEIGHTS WATER DISTRICT
Greenback Ln
North Service Area
Auburn Blvd
Palm Ave
Watt Ave
Dewey Dr
McClellan Business Park
Madison Ave
CITY OF SACRAMENTO
Roseville Rd
Garfield Ave
Manzanita Ave
FAIR OAKS WATER DISTRICT
Winding Way
I 80
Capital City Freeway
Auburn Blvd
Edison Ave
Walnut Ave
Whitney Ave
CARMICHAEL WATER DISTRICT
Watt Ave
Robertson Ave
Marconi Ave
SOUTHERN CALIFORNIA WATER COPANY
El Camino Ave
DEL PASO MANOR WATER DISTRICT
South Service Area
Howe Ave
Bell St
Arden Way
CITY OF SACRAMENTO
CAL-AMERICAN WATER CO.
Fulton Ave
GOLDEN STATE WATER CO.
SACRAMENTO COUNTY WATER AGENCY
Eastern Ave
Fair Oaks Blvd
N
W
E
S
SCWA
American River
50
CAL-AMERICAN WATER CO.
Service Area

Financial Section

Richardson & Company, LLP

550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Sacramento Suburban Water District (the District), which comprise the statement of net position as of December 31, 2014, and the related statements of revenues, expenses, changes in net position, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors
Sacramento Suburban Water District

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2014 and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Prior Period Financial Statements

The financial statements of the District as of and for the year ended December 31, 2013 were audited by other auditors whose report dated April 4, 2014 expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the Schedule of Funding Progress – Other Postemployment Benefits on pages 3 through 12 and 48 be presented to supplement the basic financial statements. Such information, 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Districts basic financial statements. The introductory and statistical sections listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March __, 2015, 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 and contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

March 23, 2015

Sacramento Suburban Water District
Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2014 and 2013

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, 2014, and 2013. 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 Highlights

Operating activity of the District varies, sometimes significantly, 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 2014, 2013, and 2012, are highlighted below.

Water Activities and Highlights

- California is beginning its fourth consecutive year of drought. While the District continues to enjoy an ample supply of water due to its investment in both surface water and groundwater infrastructure and supply sources, in response to two State Drought Emergency Declarations issued by the Governor in 2014, followed by the California State Water Resources Control Board issuing Emergency Regulations mandating California water agencies adopt a Water Shortage Contingency Plan wherein certain water use restrictions were required to be implemented, the District adopted a "Water Shortage Contingency Plan" by, amongst other actions, asking customers to voluntarily reduce their water consumption by 25%. As a result of these efforts, District water usage declined by 16% in 2014 compared to 2013. Accordingly, water consumption sales declined by $1.6 million (13%) in 2014 compared to 2013, with net water sales revenue declining by $1.3 million.

- In addition to the Drought Emergency Declarations of 2014, per state law, the District must reduce its per capita water consumption by 20 percent by the year 2020 when compared to a "baseline period," which for the District is the average per capita usage for the years 1997 to 2006. The District is on track to meet this mandate, utilizing various conservation measures such as water audits, outreach programs, water metering and monitoring during periods of peak demand.

- For the period ended December 31, 2014, the District supplied 32,676 acre-feet of water to 46,112 retail connections, compared to 38,902 acre-feet of water to 45,391 connections in 2013, and 38,731 acre-feet of water to 44,776 connections in 2012. Effectively, all of the water supplied for the periods ended December 31, 2014 and 2013, was pumped from the ground, compared to 72 percent for the period ended December 31, 2012.

- Water transfer sales and water wheeled to adjacent water-purveyors continue to provide the District with additional revenues. In 2013, the District sold 2,822 acre-feet of surface water to the State Water Contractors Association for net revenues of $0.4 million. In 2014, the District wheeled 125 acre-feet of water to neighboring purveyors, compared to 348 acre-feet in 2013, and 642 acre-feet in 2012 for $5,000, $6,000 and $170,000, respectively.

- The District continues to enjoy access to groundwater and, when available, surface water sources that meet drinking water requirements. Where the source water quality exceeds any regulated constituent, the source is removed from service or, treatment is provided that meets regulatory levels established by the USEPA and the State Water Resources Control Board's Division of Drinking Water. 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 each summer. Regulations governing drinking water quality require that the District comply with certain maximum contaminant levels established at the federal and state levels.

Capital Project Activities and Highlights

- The District is continuously working on various major construction projects, most of which are related to the replacement of distribution system mainlines that are near the end of their useful service life and the installation of water meters meeting state law requirements as discussed more fully below. In 2014, approximately 10.6 miles of new pipeline and appurtenances were installed, compared to 9.1 miles in 2013 and 7.9 miles in 2012. Additionally, in 2014 five groundwater production wells were rehabilitated, one was abandoned and three were destroyed. Total expenditures for all capital projects in 2014, 2013, and 2012 were $20.2 million, $19.8 million and $16.1 million, respectively.

- In accordance with state law, the District is continuing its progress to have all its connections on water meters by the year 2025. During 2014, 1,984 new meters were installed, compared to 2,590 in 2013 and 1,909 in 2012. The increase in 2013 was due to the receipt of additional federal and state grants to accelerate water meter installation in the amount of $198,000 and $274,000, respectively. With the additional grant funding, the District was able to install another 462 water meters at a reduced cost to its customers. As of December 31, 2014, approximately 75 percent of the District's connections are on water meters compared to 71 percent at the end of 2013 and 67 percent at the end of 2012. Accordingly, the District is on track to meet this mandate.

Description of the Basic Financial Statements

The Basic Financial Statements are designed to provide readers with a broad overview of the District's finances. Since the District's primary function is to deliver a high quality, reliable supply of water to its consumers and recover the associated costs through customer 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, 2014 and 2013. 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 Comprehensive Annual Financial Report (CAFR) includes information describing the District's contributions to, and funding progress of, the postemployment benefits other than pensions for District employees.

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

Condensed Statements of Net Position

(Dollars in Thousands)

Assets	2014	2013	Change	2012	Change
Current assets	$ 4,611	$ 9,632	$ (5,021)	$ 9,045	$ 587
Non-current assets	43,456	44,416	(960)	43,299	1,117
Capital assets, net	271,639	260,118	11,521	248,784	11,334
Total assets	319,706	314,166	5,540	301,128	13,038
Deferred outflows	9,283	9,251	32	11,556	(2,305)
Liabilities					
Current liabilities	7,935	7,840	95	7,844	(4)
Non-current liabilities	100,732	104,334	(3,602)	110,403	(6,069)
Total liabilities	108,667	112,174	(3,507)	118,247	(6,073)
Deferred inflows	-	2,565	(2,565)	-	2,565
Net position					
Net investment in capital assets	176,717	161,531	15,186	146,682	14,849
Restricted for debt service fund	3,540	3,520	20	3,532	(12)
Unrestricted	40,065	43,627	(3,562)	44,223	(596)
Total net position	$ 220,322	$ 208,678	$ 11,644	$ 194,437	$ 14,241

Referring to the table above, total assets increased by $5.5 million compared to December 31, 2013, to $319.7 million as of December 31, 2014. The principal reason for the increase continues to be investments in capital assets as the District replaces its aging infrastructure. The source of funds for capital projects is primarily customer "Capital Facility Charges" collected monthly, as well as state and federal grants when available.

Current assets decreased by $5.0 million in 2014 compared to an increase of $0.6 million in 2013. The 2014 decrease was primarily attributable to investing an additional $1.0 million of cash (investments are classified as non-current assets) and a $1.6 million reduction in water consumption sales revenues resulting primarily from drought related water conservation requirements as discussed more fully above. The 2013 increase was primarily attributable to the liquidation of certain investments to meet operating needs. Such decreases in current assets are planned decreases as the Board of Directors has approved annual budgets where expenses exceed expected revenues in order to reduce District reserve levels since 2010.

Non-current assets decreased by $1.0 million in 2014, compared to an increase of $1.1 million in 2013. The decrease in 2014 is primarily attributable to a decrease in the negative fair market value of the interest rate swap (swap) that hedges a portion of the Series 2009A COP obligation (see Notes 1 and 7 and the non-current liability analysis below). The increase in 2013 reflects an increase in the negative fair market value of the swap. Investments comprise the majority of non-current assets. The District continues to invest most of its available cash in the capital markets and maintains a minimal investment in the state's investment pool. The investment portfolio had an unrealized market value loss of $0.3 million as of December 31, 2014 and 2013, compared to a $0.2 million unrealized market value gain as of December 31, 2012, reflecting changes in market rates.

Capital assets, net, increased $11.5 million in 2014 due primarily to the construction and replacement of a portion (10.6 miles) of the District's transmission and distribution system, the rehabilitation of five wells, the addition of water infrastructure appurtenances such as fire hydrants, pressure reduction valves and water valves, and the installation of 1,984 new water meters. Several other capital asset construction projects are in various stages of completion with costs incurred as of December 31, 2014 amounting to $5.5 million (see Note 5).

As of December 31, 2014 and 2013, deferred outflows primarily include deferred gains and losses on advance debt refundings. As of December 31, 2014, deferred outflows of resources also includes the "on-market" portion of the negative fair market value of the swap (see Notes 1 and 7).

Total liabilities decreased by $3.5 million to $108.7 million as of December 31, 2014. The decrease in 2014 primarily reflects expected decreases in the amount of debt outstanding due to scheduled principal payments of $3.7 million, partially offset by the decrease in the negative fair market value of the swap of $0.7 million.

Non-current liabilities - As part of its debt management strategy, the $93.4 million debt principal outstanding as of December 31, 2014 includes both fixed-rate debt - $51.4 million, and variable-rate debt - $42.0 million (as of December 31, 2013 and 2012, the District had debt principal outstanding of $97.0 million and $100.6 million, respectively). The variable-rate debt is supported by an irrevocable direct-pay Letter of Credit provided by an international bank that expires in June 2015, and is partially hedged by a pay-fixed, receive-variable interest rate swap with a notional amount of $33.3 million as of December 31, 2014, 2013 and 2012. During 2012, the terms of the swap were changed resulting in an "imputed borrowing" equivalent to the negative fair market value of the "off-market" portion of the swap of $6.7 million at the time of restructure, the unamortized portion of which is $5.9 million, and is reported as a component of long-term debt in the Statements of Net Position. As of December 31, 2014, the negative fair market value of the swap decreased from negative $4.2 million as of December 31, 2013 to negative $7.4 million. Accordingly, the "on market" component of the swap moved from a non-current asset and deferred inflow of resources of $2.6 million as of December 31, 2013 to a non-current liability and deferred outflow of resources of $0.7 million as of December 31, 2014. The imputed borrowing "off-market" portion of the swap, which is amortized over the life of the swap, was $5.9 million and $6.2 million as of December 31, 2014 and 2013, respectively (see Note 7).

The District realized an overall increase in net position of $11.6 million for the year ended December 31, 2014, compared to $14.2 million and $7.1 million for the years ended December 31, 2013 and 2012, respectively. The components of net position as of December 31, 2014 are:

- The largest component of District net position is the District's net investment in capital assets which includes total capital assets (net of accumulated depreciation) plus deferred outflows on long-term debt refundings less related long-term debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending. Such net position increased by $15.2 million to $176.7 million as of December 31, 2014.

- Restricted net position consists solely of debt reserves held in escrow for the District's debt obligations. Changes to this amount in any one year are minor and typically reflect interest earned or market value changes on debt reserves held in escrow.

- At the end of 2014, 2013 and 2012, the District showed a positive balance in its unrestricted net position of $40.1 million, $43.6 million, and $44.2 million, respectively. The decrease of $3.6 million in the unrestricted net position for 2014 reflects the District's commitment to its capital plan, and is an indicator that the financial condition of the District remains strong.

Condensed Statements of Revenues, Expenses and Changes in Net Position

(Dollars in Thousands)

	2014	2013	Change	2012	Change
Revenues					
Operating revenues	$ 38,929	$ 41,319	$ (2,390)	$ 40,211	$ 1,108
Rental revenue	286	307	(21)	300	7
Interest and investment revenue	548	89	459	(3,889)	3,978
Grant revenue pass-through to sub recipients	948	-	948	-	-
Other non-operating revenues	82	92	(10)	61	31
Total revenues	40,793	41,807	(1,014)	36,683	5,124
Expenses					
Operating expenses	15,994	16,324	(330)	16,882	(558)
Depreciation and amortization	10,886	10,424	462	9,890	534
Interest expense	3,802	3,914	(112)	4,157	(243)
Sub recipient grant expense	948	-	948	-	-
Other non-operating expenses	-	-	-	418	(418)
Total expenses	31,630	30,662	968	31,347	(685)
Net revenue before capital contributions	9,163	11,145	(1,982)	5,336	5,809
Capital contributions	2,481	3,096	(615)	1,729	1,367
Change in net position	11,644	14,241	(2,597)	7,065	7,176
Net position, beginning of year	208,678	194,437	14,241	187,372	7,065
Net position, end of year	$ 220,322	$ 208,678	$ 11,644	$ 194,437	$ 14,241

From the table above it can be seen that the District's net position increased by $11.6 million for the period ended December 31, 2014 compared to $14.2 million for 2013. The increase results from a variety of factors as described more fully below.

The District's operating revenues come primarily from its customers. The District charges a metered rate to its commercial customers and a metered or flat rate to residential customers depending on whether the service connections of such customers have a water meter. All District customers, regardless of the type of service, are charged an operation and maintenance charge (service charge) and a capital facilities charge based on the size of their respective service lines. Capital facility charges are established for the purpose of paying for capital project and debt service costs.

Further, as shown in the table above, and as more fully illustrated in the table below, operating revenues decreased by $2.4 million (5.8 percent) compared to the year ended December 31, 2013, primarily due to a decrease in retail water consumption sales of $1.6 million as retail water production was down 16 percent primarily due to drought related water conservation requirements as described more fully above in the section "Water Activities and Highlights." For 2013, the District sold 2,822 acre-feet of surface water entitlements to the State Water Contractors Association through its Transfer Program for $0.5 million that did not recur in 2014.

Operating Revenues

(Dollars in Thousands)

	2014	2013	Change	2012	Change
Operating Revenues					
Water consumption sales	$ 10,827	$ 12,451	$ (1,624)	$ 11,656	$ 795
Water consumption sales – transfers	-	536	(536)	-	536
Water service charge	6,306	6,608	(302)	6,820	(212)
Capital facilities charge	20,678	20,650	28	20,619	31
Wheeling water charge	5	6	(1)	170	(164)
Other charges for services	1,113	1,068	45	946	122
Total operating revenues	$ 38,929	$ 41,319	$ (2,390)	$ 40,211	$ 1,108

Non-operating revenues consist primarily of rental revenue, interest and investment income, and grant revenue to be passed through to subrecipients as the District was the lead agency in securing the grant.

Interest and Investment Income - Nearly all of the District's unrestricted cash is invested in fixed-income marketable securities. The yield to maturity on the unrestricted market portfolio as of December 31, 2014, 2013, and 2012 was 1.02 percent, 0.88 percent, and 0.91 percent, respectively. The District also invested its restricted cash in fixed-income market securities. The yield to maturity on the restricted portfolio as of December 2014 was 0.76 percent.

In 2014, the District also received $1.0 million of federal grant monies passed-through to four local water purveyors who joined with the District in receiving federal grant awards for the installation of water meters.

Grant Income - From time-to-time, the District also receives financial assistance from other governmental agencies in the form of grants. In the years ended December 31, 2014, 2013 and 2012, the District received

$26,000, $1.4 million and $0.2 million, respectively, in federal and state grant funds for the purposes of promoting water conservation, installing a new well site and the installation of water meters to accelerate the District's Water Meter Replacement Plan that has been established to meet state law. As stated above, the District is required to have water meters on all of its connections by the year 2025.

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 of its customers. After a one-year warranty period, the developer is no longer liable to the District. All such assets are accounted for at fair market value at the time of the donation. In 2014, the fair market value of such donated assets was $1.9 million, compared to $1.6 million in 2013 and $1.2 million in 2012.

Operating Expenses

(Dollars in Thousands)

	2014	2013	Change	2012	Change
Operating Expenses					
Source of supply	$ 67	$ 279	$ (212)	$ 2,039	$ (1,760)
Source of supply – transfers	-	127	(127)	-	127
Pumping	4,637	4,706	(69)	4,238	468
Transmission and distribution	3,651	3,886	(235)	3,596	290
Water conservation	400	321	79	295	26
Customer accounts	1124	1,086	38	976	110
Administrative and general	6,115	5,919	195	5,738	181
Total operating expenses	$ 15,994	$ 16,324	$ (331)	$ 16,882	$ (558)

Operating expenses are primarily comprised of purchased treated surface water, electrical and chemical treatment costs of well water, ongoing system repairs and maintenance, and employee salaries and benefits. The volatility of such expenses from one year to another is primarily driven by the amount of surface water purchased in that year compared to the previous year. As shown in the table above, operating expenses decreased in 2014 by $0.3 million (2.1 percent) relative to 2013, primarily due to lower water costs. Due to the dry hydrological conditions in 2014 and 2013, the District was mostly unable to purchase surface water for delivery to its customers. In its place, groundwater was pumped at a cost that is less than the cost of purchasing and treating surface water. Transmission and distribution costs decreased by $0.2 million in 2014 relative to 2013, due to a reduction in the cost of repairs on the District's distribution system. Administrative and general expenses increased by $0.2 million in 2014 relative to 2013 due to biannual Board election costs and consulting expenses for various engineering studies.

Non-operating expenses consist primarily of interest expense on the District's debt and the pass-through of grant revenues to subrecipients on grants where the District was the lead agency in securing the grant. Interest expense decreased by $0.1 million in 2014 relative to 2013, due primarily to reduced debt principal outstanding, as market rates were relatively stable in both years. In 2014, non-operating expenses also included $1.0 million of grant monies passed through to subrecipients.

Capital Asset Administration

(Dollars in Thousands)

Changes in capital asset amounts for 2014 were as follows:

	Balance 2013	Additions/ Transfers	Deletions/ Transfers	Balance 2014
Capital assets:				
Non-depreciable assets	$ 6,036	$ 20,680	$ (16,948)	$ 9,768
Depreciable & amortizable assets	384,406	18,675	(89)	402,992
Accumulated depreciation & amortization	(130,324)	(10,886)	89	(141,121)
Total capital assets, net	$ 260,118	$ 28,469	$ (16,948)	$ 271,639

Changes in capital asset amounts for 2013 were as follows:

	Balance 2012	Additions/ Transfers	Deletions/ Transfers	Balance 2013
Capital assets:				
Non-depreciable assets	$ 10,426	$ 20,659	$ (25,049)	$ 6,036
Depreciable & amortizable assets	358,258	26,148	-	384,406
Accumulated depreciation & amortization	(119,900)	(10,424)	-	(130,324)
Total capital assets, net	$ 248,784	$ 36,383	$ (25,049)	$ 260,118

As the District is a water utility most of its 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 and other water utilities throughout the United States. 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, maximization of 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. Such planning includes assessing each asset's risk of failure and the consequences to District operations. The assessment of infrastructure asset needs have been thoroughly reviewed and assessed by District engineering staff and outside consultants. For each infrastructure asset group a long-term asset management plan has been developed. Infrastructure plans for all District assets are now in place. Despite such plans having a long-term focus, typically to the end of each asset's useful service life, each plan is reviewed and reassessed biannually. See Note 5 for more detailed information on capital asset activity.

Funding for capital projects comes primarily from District customers as they are billed a monthly "Capital Facilities Charge" levied by the District for the payment of 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 2014, the District received $26,000 in grant monies, compared to $1.4 million in 2013 and $0.2 million in 2012. The District does not intend to issue additional debt to pay for capital asset projects. As of December 31, 2014, the District has $6.2 million in financial obligations to contractors on its open construction contracts. See Note 15 for more information.

Sacramento Suburban Water District
Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2014 and 2013

Long-Term Debt Administration
(Dollars in Thousands)

Changes in long-term debt amounts for 2014 were as follows:

	Balance 2013	Additions	Retirements	Balance 2014
Long-term debt:				
2009A Certificates of participation	$ 42,000	$ -	$ -	$ 42,000
2009B Certificates of participation	29,700	-	(1,785)	27,915
2012A Revenue bond	25,330	-	(1,890)	23,440
Other (1)	10,808	-	(634)	10,174
Total long-term debt	$ 107,838	$ -	$ (7,984)	$ 103,529

Changes in long-term debt amounts for 2013 were as follows:

	Balance 2012	Additions	Retirements	Balance 2013
Long-term debt:				
2009A Certificates of participation	$ 42,000	$ -	$ -	$ 42,000
2009B Certificates of participation	31,405	-	(1,705)	29,700
2012A Revenue bond	27,205	-	(1,875)	25,330
Other (1)	11,435	-	(627)	10,808
Total long-term debt	$ 112,045	$ -	$ (4,207)	$ 107,838

(1) Consists of unamortized long-term debt premiums and an imputed borrowing on an off-market interest rate swap (See Note 7.)

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 all the while provide the District with options to be utilized in future periods if needed. The District considers managing such risks more beneficial than eliminating such risks.

As part of its debt management strategy, the District issues both fixed-rate debt and variable-rate debt. No new transactions involving long-term debt have been undertaken in 2014 and 2013. During 2012, however, the District issued a fixed-rate revenue refunding bond (Series 2012A) to current refund the variable-rate Series 2008A-2 COP obligation. Simultaneous with the refunding, the District amended its swap that now partially hedges the Series 2009A variable-rate COP obligation (the unmatched portion of the swap is hedged against interest rate risk through the use of certain District investments). The District has in place an irrevocable direct-pay Letter of Credit (LOC) on the Series 2009A COP that is set to expire in June 2015. See Note 7 for more information.

For both 2014 and 2013, 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.

2015 Budget

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

The District utilizes two primary budgets to manage its activities. One is an annual Capital Budget (divided into two parts - intermediate-term capital and long-term capital) and the other is an Operations and Maintenance Budget. The long-term capital budget is intended to cover all District infrastructure projects that incorporate significant costs or long lead times and planning to complete. The intermediate-term capital budget is intended to incorporate expenditures for operational capital items, such as vehicles, field equipment, back hoes, and computer equipment. The Operations and Maintenance budget covers all recurring operational costs, such as the purchase and treatment of water, repairs and maintenance, employee salaries and benefits and other such expenditures.

On October 20, 2014, the Board of Directors approved an $18.3 million long-term capital budget, a $1.1 million intermediate-term capital budget, a $7.9 million debt service budget and an $18.0 million Operations and Maintenance budget for calendar year 2015. Upon adoption of the long-term capital budget, the Board of Directors also approved certain capital projects as outlined in the District's asset- management plans developed for each infrastructure asset group as discussed previously.

Conditions Affecting Current Financial Position

On March 16, 2015, the District executed an amendment with its current LOC provider to extend the terms and provisions of its LOC on the Series 2009A COP from terminating on June 30, 2015 to June 30, 2018 and reduced its annual facility fee from 57.5 basis points to 45 basis points as long as it's credit rating remains above A+ as determined by S&P or above A1 as determined by Moody's. The District's current credit ratings are noted above.

The District and San Juan Water District (located in Granite Bay, CA) have been exploring the possibility of merging for purposes of improving long-term water management and reliability. In April 2014, both District Boards of Directors accepted an initial report prepared by a professional consulting firm showing certain benefits to each district from merging. Further analysis continues, delving into organizational and other issues related to combining the two districts.

Requests for Information

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

Finance Director
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, 2014 and 2013

Assets	**2014**	**2013**
Current assets:		
Cash and cash equivalents (note 2)	$ 1,313,305	$ 5,413,907
Restricted cash and cash equivalents (notes 2 and 3)	32,271	31,397
Receivables, net (note 4)	2,241,329	3,014,435
Inventory	570,864	581,685
Prepaids and other current assets	453,270	590,561
Total current assets	4,611,039	9,631,985
Noncurrent assets:		
Investments (note 2)	39,959,090	38,373,316
Restricted investments (notes 2 and 3)	3,497,003	3,478,267
Fair value of interest rate swap (notes 1 and 7)	-	2,564,670
Capital assets not being depreciated (note 5)	9,768,292	6,036,482
Capital assets being depreciated and amortized, net (note 5)	261,870,252	254,081,176
Total noncurrent assets	315,094,637	304,533,911
Total assets	319,705,676	314,165,896
Deferred outflows of resources		
Deferred outflow of effective swap (notes 1 and 7)	675,593	-
Deferred amount on long-term debt refundings (note 1)	8,607,462	9,250,586
Total deferred outflows of resources	9,283,055	9,250,586
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	2,404,021	1,871,396
Accrued interest payable	458,417	474,503
Unearned revenue and customer deposits	677,961	1,189,233
Compensated absences, current portion (note 6)	600,000	630,000
Current portion of long-term debt (note 7)	3,795,000	3,675,000
Total current liabilities	7,935,399	7,840,132
Noncurrent liabilities:		
Compensated absences (note 6)	321,934	170,990
Long-term debt, net of current portion (note 7)	99,733,879	104,162,562
Fair value of interest rate swap (notes 1 and 7)	675,593	-
Total noncurrent liabilities	100,731,406	104,333,552
Total liabilities	108,666,805	112,173,684
Deferred inflows of resources		
Deferred inflow of effective swap (notes 1 and 7)	-	2,564,670
Total deferred inflows of resources	-	2,564,670
Net position		
Net investment in capital assets (note 8)	176,717,127	161,530,682
Restricted for debt service reserve fund (note 9)	3,540,082	3,520,472
Unrestricted (note 10)	40,064,717	43,626,974
Total net position	$ 220,321,926	$ 208,678,128

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, 2014 and 2013

	2014	2013
Operating Revenues:		
Water consumption sales	$ 10,826,599	$ 12,451,284
Water consumption sales – transfers	-	536,218
Water service charge	6,306,241	6,607,557
Capital facilities charge	20,677,853	20,650,099
Wheeling water charge	5,551	6,127
Other charges for services	1,113,268	1,067,869
Total operating revenues	38,929,513	41,319,154
Operating Expenses:		
Source of supply	66,844	278,758
Source of supply – transfers	-	127,155
Pumping	4,636,673	4,705,822
Transmission and distribution	3,651,454	3,885,987
Water conservation	400,092	321,564
Customer accounts	1,124,358	1,086,079
Administrative and general	6,114,517	5,919,127
Total operating expenses	15,993,938	16,324,492
Operating income before depreciation and amortization	22,935,575	24,994,662
Depreciation and amortization (note 5)	(10,886,410)	(10,423,858)
Operating income	12,049,165	14,570,804
Nonoperating revenues (expenses):		
Rental revenue	286,217	306,473
Interest and investment revenue	548,363	89,155
Interest expense (note 7)	(3,802,350)	(3,913,617)
Other non-operating revenues	61,029	92,346
Grant revenue pass-through to subrecipients	947,563	-
Other non-operating expenses	(149)	(55)
Subrecipient grant expenses	(947,563)	-
Gain on disposal of capital assets, net	20,934	-
Total nonoperating revenues (expenses), net	(2,885,956)	(3,425,698)
Income before capital contributions	9,163,209	11,145,106
Capital contributions:		
Facility development charges	560,784	187,246
Developer capital contributions	1,893,996	1,553,213
Federal, state and local capital grants	25,809	1,355,783
Total capital contributions	2,480,589	3,096,242
Increase in net position	11,643,798	14,241,348
Net position, beginning of year	208,678,128	194,436,780
Net position, end of year	$ 220,321,926	$ 208,678,128

See accompanying notes to the basic financial statements

Sacramento Suburban Water District
Statements of Cash Flows
For The Years End December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Cash receipts from customers	$ 38,818,829	$ 41,188,832
Cash paid to suppliers for goods and services	(10,685,853)	(12,004,370)
Cash paid to employees for services	(4,506,403)	(4,702,769)
Net cash provided by operating activities	23,626,753	24,481,693
Cash flows from non-capital financing activities:		
Other nonoperating receipts	347,097	398,764
Grant receipts	947,563	-
Pass-through to sub-recipients	(947,563)	-
Net cash provided by nonoperating financing activities	347,097	398,764
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(20,513,301)	(20,203,921)
Proceeds from disposal of capital assets	20,934	-
Principal payments on long-term debt	(3,675,000)	(3,580,000)
Interest payments on long-term debt	(3,498,761)	(3,578,507)
Principal payments on interest rate swap borrowing payable	(310,234)	(303,884)
Facility development charges received	99,774	294,685
Capital contributions received	869,232	478,390
Net cash used by capital and related financing activities	(27,007,356)	(26,893,237)
Cash flows from investing activities:		
Purchase of investment securities	(27,893,029)	(30,578,973)
Proceeds from sales and maturities of investment securities	26,305,097	31,610,234
Interest received on investment securities	521,890	527,621
Net cash (used) provided by investing activities	(1,066,042)	1,558,882
Net decrease in cash and cash equivalents	(4,099,728)	(453,898)
Cash and cash equivalents at beginning of year	5,445,304	5,899,202
Cash and cash equivalents at end of year	$ 1,345,576	$ 5,445,304
Reconciliation of cash and cash equivalents to the statements of net position:		
Cash and cash equivalents	$ 1,313,305	$ 5,413,907
Restricted cash and cash equivalents	32,271	31,397
Total cash and cash equivalents	$ 1,345,576	$ 5,445,304

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, 2014 and 2013

	2014	2013
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 12,049,165	$ 14,570,804
Adjustments to reconcile operating revenue to net cash provided by operating activities:		
Depreciation and amortization	10,886,409	10,423,858
Bad debt expense	(58,539)	(57,258)
Changes in operating assets and liabilities		
(Increase) decrease in operating assets:		
Accounts receivable	(51,653)	229
Other receivables	49,771	(66,778)
Inventory	10,821	7,617
Prepaids and other current assets	137,291	(69,832)
Increase (decrease) in operating liabilities:		
Accounts payable	931,290	(826,919)
Unearned revenue	(50,262)	(6,515)
Accrued compensated absences	120,944	(98,144)
Accrued expenses	(398,664)	604,631
Total adjustments	11,577,408	9,910,889
Net cash provided by operating activities	$ 23,626,573	$ 24,481,693
Noncash investing, capital and financing transactions:		
Receipt of capital assets	$ 1,893,996	$ 1,553,213
Change in fair value of investments	2,397	(543,040)
Amortization of premium on long-term debt	(323,449)	(323,449)
Amortization of defeasance costs on long-term debt	643,124	691,595
Change in fair value of interest rate swap	(3,240,263)	4,178,560

See accompanying notes to the basic financial statements

(1) Reporting Entity and Summary of Significant Accounting Policies

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

A. Reporting Entity

The Sacramento Suburban Water District (District) provides water to residential, commercial and industrial customers with a total population of approximately 173,000 people within its boundaries. The water supply of the District is a combination of both surface water and groundwater. The District was formed on February 1, 2002 under the County Water District Law (California Water Code Sections 30000-33901) by the consolidation of the Northridge Water District and the Arcade Water District. The consolidation was approved and ordered by the Sacramento County Local District Formation Commission under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (California Government Code Sections 56000-57550). The District is located in northwest Sacramento County, California and includes a portion of the unincorporated area of Sacramento County, as well as portions of Antelope, Carmichael, Citrus Heights, Foothill Farms, North Highlands, the City of Sacramento, and all of McClellan Business Park (formerly McClellan Air Force Base). The District is currently governed by a five member Board of Directors elected by the voters within the District for staggered four year terms, every two years.

B. Component Unit

The Sacramento Suburban Water District Financing Corporation (Corporation), formerly known as the Arcade Water District Financing Corporation, was created to provide assistance in the issuance of debt. The Corporation is a nonprofit public benefit Corporation organized under the laws of the State of California. The Corporation is governed by a five member Board of Directors, each of whom must be a member of the District's Board of Director's. Although legally separate from the District, the Corporation is reported as if it were part 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 other transactions and does not issue separate financial statements.

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 20 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, 2014 and 2013, primarily involved the payment of annual membership dues and grant administration expenses, which were not material to the District's financial statements. Copies of RWA's annual financial reports and other pertinent information may be obtained from their office at 5620 Birdcage Street, Suite 180, Citrus Heights, CA 95610, from their website at www.rwah2o.org, or by calling (916) 967-7692.

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

D. Basis of Accounting and Principles of Presentation

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

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

The 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. Operating revenues and expenses generally result from providing and delivering water and water-related services to District customers. 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. All other revenues and expenses are reported as non-operating revenues and expenses.

The 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 and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the basic financial statements and the reported changes in net position during the reporting period. Therefore, 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 all short-term debt securities (including those for restricted assets) purchased with an original maturity of three months or less at the date of purchase to be cash and cash equivalents. The District also invests funds with the Local Agency Investment Fund (LAIF). Due to the high liquidity of this investment, these funds are classified as a cash equivalent.

2. Receivables and Allowance for Uncollectible Accounts

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

3. Inventory

Inventory consists primarily of water meters, pipe, valves and pipe-fittings for construction and repair to 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 the individual items are withdrawn from inventory or consumed.

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

4. Prepaid Expenses

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

5. Investments and Investment Policy

In 2002, the District adopted an investment policy directing the District Treasurer/Finance Director to invest funds in various types of financial instruments. Investments are reported in the accompanying Statements of Net Position at fair value determined using closing market prices as of the last business day of the year as supplied by Interactive Data, Bloomberg or Telerate. Where prices are not available from generally recognized sources, the securities are priced using a yield-based matrix system to arrive at an estimated market 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, unrealized changes in fair value, and any gains or losses realized upon the liquidation or maturity of investments.

6. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. Donated assets are recorded at estimated fair market value at the date of donation. 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 $3,000 for water system infrastructure assets, $500 for office furniture and computer and communication equipment, and $1,000 for all other assets. As more fully explained under the caption "Interest Expense and Income Capitalized," net interest expense incurred during the construction phase of capital assets is included as part of the capitalized value of the constructed assets. 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). In cases where an improvement or replacement is made to an existing capital asset and the existing capital asset's book value is not separately identifiable, the cost of the new capital asset is fully capitalized as it is assumed the existing capital asset's book value is negligible. Depreciation/amortization is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Pipelines, Reservoirs, and Pumping Stations — 10 to 80 years
- Building and Building Improvements — 10 to 40 years
- Vehicles and Equipment — 5 to 10 years
- Furniture and Fixtures — 4 to 7 years
- Construction-In-Progress — None until placed in service

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

7. Interest Expense and Income Capitalized

In 2012, the District implemented GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements," (GASB 62) retroactively. Consistent with GASB 62, the District capitalizes interest expense as a component of the cost of construction in progress and offsets capitalized interest cost with interest income related to unspent bond proceeds. No interest cost or interest income was capitalized in the years ended December 31, 2014 or 2013, respectively.

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

8. Deferred Outflows and Deferred Inflows of Resources – Effective Interest Rate Swap

The District entered into an interest rate swap agreement (swap) to manage interest rate risk and reduce debt service costs on variable-rate debt originally issued simultaneous with the swap. The swap is reported in the accompanying Statements of Net Position at fair value as of December 31, 2014 and 2013, determined using the zero-coupon measurement method, which calculates the future net settlement payments based on current forward rates implied by the yield curve. See Note 7 for a description of the reporting of the negative fair value of the swap at December 31, 2014 and 2013, as either a Deferred Outflow of Resources or a Deferred Inflow of Resources.

In 2010 the District implemented GASB Statement No. 53, "Accounting and Reporting for Derivative Instruments," (GASB 53), which was further amended and clarified By GASB Statements No. 59 and 64. As more fully described in Note 7, in accordance with the provisions of these statements the swap has been determined to serve as an effective cash flow hedge of the District's variable-rate COP obligations as determined using the synthetic instrument method.

9. Deferred Outflows of Resources - Long-Term Debt Refundings

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

10. Compensated Absences

Compensated absences are accrued and reported as a liability in the period earned. Amounts payable are included in the Statements of Net Position. The District's policy provides vacation leave to employees at a rate of 12 days up to 25 days per year based on the number of years of employment and is considered earned on a pro-rata basis as of each payroll period throughout the year. Earned vacation leave is paid to employees upon separation from the District. Employees under age 55 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 11) or the California Public Employee Retirement System (CalPERS) defined benefit pension plan provided by the District for additional service credit (See Note 12). 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 6).

11. 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.

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

12. Net Position

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

- **Net Investment in Capital Assets** – This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of long-term debt and deferred amounts related to debt refunding used to acquire such assets. 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 Net Position from Deferred Outflow of Effective Swap** – The unrestricted net position amount of $40,064,717 and $43,626,974 at December 31, 2014 and 2013, respectively, includes the effect of deferring the recognition of losses from the decline in market value of the District's swap in 2014 and gains from the increase in market value of the District's swap in 2013. The deferred outflows of resources related to the fair market value of the swap of $675,593 at December 31, 2014 would be recognized as an investment loss upon early termination of the swap, while the deferred inflows of resources related to the fair value of the swap of $2,564,670 at December 31, 2013, would be recognized as an investment gain upon early termination of the swap. The District currently has no intention of terminating its swap in advance of the contractual termination date. The deferred outflows would also be recognized as an investment loss and the deferred inflows an investment gain if the swap was determined to no longer be an effective hedge. Further, if the bond associated with the swap is refunded, the deferred outflows would be reduced and the deferred loss on refunding increased by the same amount. The deferred loss on refunding would be amortized as a component of interest expense over the life of the old debt or the new debt, whichever is shorter.

- **Effect on Net Position from Deferred amount on Long-Term Debt Refundings** – Long-term debt refundings involve the issuance of new debt whose proceeds are used to repay previously issued debt. For refundings resulting in defeasance of the prior debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources. The reacquisition price is the amount required to repay previously issued debt in a refunding transaction. Deferred outflows from long-term debt refundings are recognized as a component of interest expense over the life of the related debt using the straight-line method.

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

F. Revenues

1. Water Consumption Sales, Service Charges and Capital Facility 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 who pay on a set 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 throughout a monthly period. Estimated unbilled water sales revenue for consumption use are accrued and recorded in the period the water was used. Capital facility charges are applied to all District customers based on their respective service size connection. Such charges are for the purpose of generating revenue for capital asset projects and debt service payments. Wheeling charges are revenues received from neighboring water purveyors who utilize the District's transmission and distribution system. Other charges for services consist of customer related revenues for various services provided by the District including penalty charges. All other revenues are considered non-operating revenues, which comprise primarily investment and grant revenues.

2. Capital Contributions

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

G. Budgetary Policies

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

H. Future Accounting Pronouncements

Management has evaluated new accounting pronouncements and has determined that GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27," (GASB 68) and GASB Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68" (GASB 71), will have a significant impact on the District's financial statements. The provisions of these statements are required to be implemented retroactively in 2015, and require a restatement of beginning net position. These statements provide requirements for how pension costs and obligations are measured and reported in financial statements. When an organization's pension

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

liability exceeds the pension plan's net assets available for paying benefits, there is a net pension liability. Governments will now be required to report that amount as a liability in their financial statements.

In addition, GASB 68 and 71 require that projected benefit payments be discounted to their actuarial present value using a single rate that reflects (1) a long-term expected rate of return on pension plan investments to the extent that the pension plan's fiduciary net position is projected to be sufficient to pay benefits and pension plan assets are expected to achieve that rate, and (2) a tax-exempt, high-quality municipal bond rate to the extent that conditions under (1) are not met. See Note 12 for current information on the District's pension plan.

I. Reclassification

For the year ended December 31, 2014, certain classifications have been changed to improve financial statement presentation. For comparative purposes, prior year balances have been reclassified to conform with the 2014 presentation.

(2) Cash, Cash Equivalents and Investments

As a public agency, the District's investment practices are prescribed by various provisions of the California Government Code, as well as by Board policy. The District's investment policy is reviewed at least biennially by the Board of Directors and describes the Finance Director/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, 2014 and 2013 are classified in the Statements of Net Position as follows:

	2014	2013
Cash and cash equivalents	$ 1,313,305	$ 5,413,907
Restricted cash and cash equivalents	32,271	31,397
Investments	39,959,090	38,373,316
Restricted investments	3,497,003	3,478,267
Total	$ 44,801,669	$ 47,296,887

Restricted cash, cash equivalents and investments are amounts established by Trust Agreements per certain long-term debt covenants. See Note 3 for further details.

(2) Cash, Cash Equivalents and Investments, continued

Cash, cash equivalents, and investments by investment type as of December 31, 2014 and 2013 consist of the following:

	2014	2013
Cash on hand	$ 3,050	$ 2,200
Deposits with financial institutions	386,822	3,888,077
Total cash	389,872	3,890,277
California Local Agency Investment Fund (LAIF)	842,165	1,335,492
Money market funds	81,268	188,138
Held by bond trustee:		
Restricted money market funds	32,271	31,397
Total cash equivalents	955,704	1,555,027
Negotiable certificates of deposit	5,769,935	5,431,563
U.S. treasury notes/bonds	8,191,763	6,628,097
Federal agency securities	12,049,995	14,646,536
Municipal bonds	2,021,286	1,783,171
Corporate notes	11,926,111	9,883,949
Held by bond trustee:		
Restricted Federal agency securities	3,497,003	3,478,267
Total investments	43,456,093	41,851,583
Total	$ 44,801,669	$ 47,296,887

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.

(2) Cash, Cash Equivalents and Investments, continued

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

(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 $50 million. There is no ceiling on bond proceeds invested in LAIF.

Investments Authorized by Debt Agreements

The District must maintain required amounts of cash and investments with trustees under the terms of certain long-term debt issuances. These funds are pledged reserves to be used if the District fails to meet its obligations under these debt issues. Investments of debt proceeds held in trust are governed by provisions of the debt agreements and California Government Code and not the District's investment policy.

Investment in LAIF

The District is a voluntary participant in LAIF that is regulated by the California Government Code under oversight by the Local Investment Advisory Board, which consists of five members, with the Treasurer of the State of California serving as chairman. The fair value of the District's investment in this pool is reported in the Statements of Net Position as a cash equivalent based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The District's investment in LAIF at December 31, 2014 and 2013 was $842,165 and $1,335,492, respectively. The total fair value of all public agencies invested in LAIF at December 31, 2014 and 2013 was $19,493,012,136 and $19,894,495,635, respectively.

(2) 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 generally manages this risk by holding investments to maturity or by adjusting the effective duration (a calculation for fixed-income instruments with an embedded option when the value is calculated to include the expected change in cash flows caused by the option as interest rates change. Effective duration measures the responsiveness of a bond's price to interest rate changes, and illustrates the fact that the embedded option will also affect the bond's price) of the investment portfolio against a nationally recognized benchmark index that most closely relates to the District's investment objectives. The District selected the "Merrill Lynch Zero-to-Five 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, 2014 and 2013, the effective duration of the "Merrill Lynch Zero-to-Five U.S. Treasury Index" was 2.17.

Weighted-average effective duration of cash equivalents were as follows:

	December 31, 2014		December 31, 2013	
Cash Equivalent Type	**Fair Value**	**Duration**	**Fair Value**	**Duration**
LAIF	$ 842,165	0.56	$ 1,335,492	0.57
Money market mutual funds	113,539	-	219,535	-
Weighted average duration	$ 955,704	0.49	$ 1,555,027	0.49

Weighted-average effective duration on investments were as follows:

	December 31, 2014		December 31, 2013	
Investment Type	**Fair Value**	**Duration**	**Fair Value**	**Duration**
U.S. treasury notes/bonds	$ 8,191,763	1.84	$ 6,628,097	1.29
Federal agency securities	15,546,998	2.31	18,124,803	2.18
Municipal bonds	2,021,286	2.60	1,783,171	3.55
Corporate notes	11,926,111	2.58	9,883,949	3.32
Negotiable certificates of deposit	5,769,935	0.64	5,431,563	0.41
Weighted average duration	$ 43,456,093	2.09	$ 41,851,583	2.14

(2) Cash, Cash Equivalents and Investments, continued

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, 2014, were as follows:

Cash Equivalent Type		Minimum Legal Rating	Ratings as of Year-End		
			Not Rated	AAA/AA	A/A-1
LAIF	$ 842,165	-	$ 842,165	$ -	$ -
Money market mutual funds	113,539	-	-	113,539	-
Total cash equivalents	$ 1,555,027	-	$ 1,335,492	$ 113,539	$ -

Investment credit ratings as of December 31, 2014 were as follows:

Investment Type		Minimum Legal Rating	Ratings as of Year-End		
			AAA	AA+/AA-	A+/A-1
U.S. treasury notes/bonds	$ 8,191,763	-	$ -	$ 8,191,763	$ -
Federal agency securities	15,546,998	-	-	15,546,998	-
Municipal bonds	2,021,286	-	-	703,222	1,318,064
Corporate notes	11,926,111	A	256,708	5,488,212	6,181,191
Negotiable certificates of deposit	5,769,935	A	-	-	5,769,935
Total investments	$ 43,456,093	-	$ 256,708	$ 29,930,195	$ 13,269,190

Cash equivalents credit ratings as of December 31, 2013, were as follows:

Cash Equivalent Type		Minimum Legal Rating	Ratings as of Year-End		
			Not Rated	AAA/AA	A/A-1
LAIF	$ 1,335,492	-	$ 1,335,492	$ -	$ -
Money market mutual funds	219,535	-	-	219,535	-
Total cash equivalents	$ 1,555,027	-	$ 1,335,492	$ 219,535	$ -

(2) Cash, Cash Equivalents and Investments, continued

Investment credit ratings as of December 31, 2013, were as follows:

Investment Type		Minimum Legal Rating	Ratings as of Year-End AAA	AA+/AA-	A+/A-1
U.S. treasury notes/bonds	$ 6,628,097	-	$ -	$ 6,628,097	$ -
Federal agency securities	18,124,803	-	-	18,124,803	-
Municipal bonds	1,783,171	-	-	691,532	1,091,639
Corporate notes	9,883,949	A	253,649	5,510,246	4,120,055
Negotiable certificates of deposit	5,431,563	A	-	2,173,601	3,257,962
Total investments	$ 41,851,583	-	$ 253,649	$33,128,279	$ 8,469,655

Concentration of Credit Risk

At December 31, 2014 and 2013, the District had the following investments (obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government not listed) representing five percent or more of its investments:

Issuer	Investment Type	2014		2013	
Federal National Mortgage Association	Federal agency securities	$ 7,458,014	17.16%	$ 6,722,909	16.06%
Federal Home Loan Mortgage	Federal agency securities	$ 4,206,973	9.68%	$10,653,151	25.45%
Federal Home Loan Bank	Federal agency securities	$ 3,882,011	8.93%	-	-

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, 2014 and 2013, $2,499,623 and $4,575,328, 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 market 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.

(3) Restricted Cash, Cash Equivalents and Investments

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:

	2014	2013
2009B Certificates of participation reserve fund	$ 32,257	$ 31,391
2012A Revenue bond interest payment fund	14	6
Total	$ 32,271	$ 31,397

Restricted investments as of December 31 were as follows:

	2014	2013
2009B Certificates of participation reserve fund	$ 3,497,003	$ 3,478,267

(4) Receivables, Net and Restricted Receivable

Receivables as of December 31 consist of the following:

	2014	2013
Water sales and services receivable	$ 2,272,525	$ 2,220,871
Allowance for doubtful accounts	(244,612)	(303,151)
Accrued interest receivable	116,578	106,683
Receivable from OPEB trust	62,868	112,639
Grant receivable	33,970	877,393
Total	$ 2,241,329	$ 3,014,435

(5) Capital Assets

Changes in capital assets for the year ended December 31, 2014, were as follows:

	Balance 2013	Additions/ Transfers	Deletions/ Transfers	Balance 2014
Non-depreciable assets:				
Land	$ 1,634,815	$ 46,000	$ -	$ 1,680,815
Permanent easements	2,094,212	463,430	-	2,557,642
Construction-in-progress	2,307,455	20,170,750	(16,948,370)	5,529,835
Total non-depreciable assets	6,036,482	20,680,180	(16,948,370)	9,768,292
Depreciable and amortizable assets:				
Land improvements	1,036,009	-	-	1,036,009
Pumping and wells	68,903,899	501,425	-	69,405,324
Hydrants, PRV stations, valves	121,162,406	4,318,510	-	125,480,916
Purchased trans & dist pipelines	135,468,905	10,542,415	-	146,011,320
Capacity entitlement	5,282,728	-	-	5,282,728
Storage facilities – reservoirs	13,673,880	-	-	13,673,880
Water meters	25,864,762	2,582,773	-	28,447,535
Buildings	2,756,891	-	-	2,756,891
Buildings improvements	3,614,196	53,439	-	3,667,635
Machinery and equipment	1,040,099	44,931	(25,618)	1,059,412
Fleet equipment	1,490,696	-	(63,803)	1,426,893
Office equipment	365,264	3,398	-	368,662
Computer software	2,577,377	487,742	-	3,065,119
Computer hardware & equipment	1,168,331	140,853	-	1,309,184
Total depreciable & amort. assets	384,405,443	18,675,486	(89,421)-	402,991,508
Accumulated depreciation and amortization:				
Land improvements	(759,445)	(30,846)	-	(790,291)
Pumping and wells	(28,605,674)	(2,515,060)	-	(31,119,734)
Hydrants, PRV stations, valves	(56,930,889)	(3,602,034)	-	(60,532,923)
Purchased trans & dist pipelines	(15,433,546)	(1,694,357)	-	(17,127,903)
Capacity entitlement	(2,777,830)	(174,195)	-	(2,952,025)
Storage facilities – reservoirs	(2,920,572)	(340,010)	-	(3,260,582)
Water meters	(12,967,454)	(2,041,008)	-	(15,008,462)
Buildings	(1,237,162)	(67,232)	-	(1,304,394)
Buildings improvements	(2,812,248)	(112,276)	-	(2,924,524)
Machinery and equipment	(853,833)	(66,375)	25,618	(894,590)
Fleet equipment	(1,311,424)	(61,954)	63,803	(1,309,575)
Office equipment	(298,365)	(23,223)	-	(321,588)
Computer software	(2,460,409)	(60,737)	-	(2,521,146)
Computer hardware & equipment	(955,416)	(98,103)	-	(1,053,519)
Total accumulated depr. & amort.	(130,324,267)	(10,886,410)	89,421	(141,121,256)
Total depr. & amort. assets, net	254,081,176	7,789,076	-	261,870,252
Total capital assets, net	$ 260,117,658	$ 28,469,256	$ (16,948,370)	$271,638,544

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2014 and 2013

(5) Capital Assets, continued

Changes in capital assets for the year ended December 31, 2013, were as follows:

	Balance 2012	Additions/ Transfers	Deletions/ Transfers	Balance 2013
Non-depreciable assets:				
Land	$ 1,634,815	$ -	$ -	$ 1,634,815
Permanent easements	1,280,848	813,364	-	2,094,212
Construction-in-progress	7,510,726	19,845,642	(25,048,913)	2,307,455
Total non-depreciable assets	10,426,389	20,659,006	(25,048,913)	6,036,482
Depreciable and amortizable assets:				
Land improvements	994,324	41,685	-	1,036,009
Pumping and wells	65,198,110	3,705,789	-	68,903,899
Hydrants, PRV stations, valves	114,910,241	6,252,165	-	121,162,406
Purchased trans & dist pipelines	122,284,529	13,184,376	-	135,468,905
Capacity entitlement	5,282,728	-	-	5,282,728
Storage facilities – reservoirs	13,673,880	-	-	13,673,880
Water meters	23,643,507	2,221,255	-	25,864,762
Buildings	2,432,232	324,659	-	2,756,891
Buildings improvements	3,373,323	240,873	-	3,614,196
Machinery and equipment	997,136	42,963	-	1,040,099
Fleet equipment	1,410,196	80,500	-	1,490,696
Office equipment	365,264	-	-	365,264
Computer software	2,577,377	-	-	2,577,377
Computer hardware & equipment	1,115,555	52,776	-	1,168,331
Total depreciable & amort. assets	358,258,402	26,147,041	-	384,405,443
Accumulated depreciation and amortization:				
Land improvements	(717,279)	(42,166)	-	(759,445)
Pumping and wells	(26,207,736)	(2,397,938)	-	(28,605,674)
Hydrants, PRV stations, valves	(53,477,320)	(3,453,569)	-	(56,930,889)
Purchased trans & dist pipelines	(13,904,546)	(1,529,000)	-	(15,433,546)
Capacity entitlement	(2,603,636)	(174,194)	-	(2,777,830)
Storage facilities – reservoirs	(2,580,562)	(340,010)	-	(2,920,572)
Water meters	(11,026,128)	(1,941,326)	-	(12,967,454)
Buildings	(1,177,965)	(59,197)	-	(1,237,162)
Buildings improvements	(2,712,119)	(100,129)	-	(2,812,248)
Machinery and equipment	(787,780)	(66,053)	-	(853,833)
Fleet equipment	(1,250,737)	(60,687)	-	(1,311,424)
Office equipment	(267,426)	(30,939)	-	(298,365)
Computer software	(2,330,230)	(130,179)	-	(2,460,409)
Computer hardware & equipment	(856,945)	(98,471)	-	(955,416)
Total accumulated depr. & amort.	(119,900,409)	(10,423,858)	-	(130,324,267)
Total depr. & amort. assets, net	238,357,993	15,723,183	-	254,081,176
Total capital assets, net	$ 248,784,382	$ 36,382,189	$ (25,048,913)	$ 260,117,658

(5) Capital Assets, continued

Major capital asset additions during 2014 and 2013 include construction and major upgrades to the transmission and distribution system, fire hydrants, valves, PRV stations, water meters, and wells. A significant portion of these additions were constructed by the District and transferred out of construction-in-progress upon completion of these various projects.

Construction-In-Progress

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

	2014	2013
Well rehabilitation/pump improvements	$ 1,182,064	$ 570,070
SCADA RTU panels improvements	880,645	436,745
Rutland well construction	324,529	
North Country Club Estates – phase 4	963,254	-
Heatherdale main extension	388,756	-
Mckinney way main extension	200,211	
Various other distribution main replacements	1,416,832	
Arden Oaks main replacement – phase 2	-	1,043,477
Various other minor projects	173,544	257,163
Construction-in-progress	$5,529,835	$ 2,307,455

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, 2014 and 2013.

(6) 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 2013	Earned	Taken	Balance 2014	Due Within One Year
$800,990	$709,123	$(588,179)	$921,934	$600,000

Balance 2012	Earned	Taken	Balance 2013	Due Within One Year
$899,134	$741,492	$(839,636)	$800,990	$630,000

(7) Long-Term Debt

Description of the District's Long-Term Debt

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

Long-term debt activities for the year ended December 31, 2014, are as follows:

	Balance 2013	Additions	Retirements	Balance 2014	Current Portion
2009A Certificates of participation	$ 42,000,000	$ -	$ -	$ 42,000,000	$ -
2009B Certificates of participation	29,700,000	-	(1,785,000)	27,915,000	1,870,000
2012A Revenue bond	25,330,000	-	(1,890,000)	23,440,000	1,925,000
Total principal	97,030,000	-	(3,675,000)	93,355,000	$3,795,000
Unamortized bond premium	4,558,158	-	(323,449)	4,234,709	
Imputed borrowing - off-market swap	6,249,404	-	(310,234)	5,939,170	
Total long-term debt	$107,837,562	$ -	$(4,308,683)	$103,528,879	

Long-term debt activities for the year ended December 31, 2013, are as follows:

	Balance 2012	Additions	Retirements	Balance 2013	Current Portion
2009A Certificates of participation	$ 42,000,000	$ -	$ -	$ 42,000,000	$ -
2009B Certificates of participation	31,405,000	-	(1,705,000)	29,700,000	1,785,000
2012A Revenue bond	27,205,000	-	(1,875,000)	25,330,000	1,890,000
Total principal	100,610,000	-	(3,580,000)	97,030,000	$3,675,000
Unamortized bond premium	4,881,608	-	(323,450)	4,558,158	
Imputed borrowing - off-market swap	6,553,288	-	(303,884)	6,249,404	
Total long-term debt	$112,044,896	$ -	$(4,207,334)	$107,837,562	

(7) Long-Term Debt, continued

The future debt service schedule of all long-term debt as of December 31, 2014, is as follows:

Year	Principal	Interest (1)	Total
2015	$ 3,795,000	$ 3,661,669	$ 7,456,669
2016	3,945,000	3,524,910	7,469,910
2017	4,060,000	3,362,960	7,422,960
2018	4,240,000	3,178,885	7,418,885
2019	4,390,000	2,991,306	7,381,306
2020-2024	21,690,000	11,875,029	33,565,029
2025-2029	24,825,000	7,011,061	31,836,061
2030-2034	26,410,000	2,394,262	28,804,262
Total	93,355,000	$ 38,000,082	$131,355,082
Less current portion	(3,795,000)		
Unamortized bond premium	4,234,709		
Imputed borrowing on off-market swap	5,939,170		
Total non-current long-term debt	$ 99,733,879		

(1) Includes – 1) fixed-rate interest at scheduled payments, 2) variable-rate interest at an estimated rate of 0.73 percent as of December 31, 2014 (includes market rate plus facility and remarketing fees), and 3) swap payments based on a 3.283 percent fixed-rate per the amended and restated Swap Confirmation dated April 11, 2012, less the variable receive rate of 0.277 percent as of December 31, 2014.

2009 Series A COP

In June 2009, the District issued a $42,000,000 COP obligation, Series 2009A at a variable interest rate, to current refund the $41,275,000 COP obligation, Series 2004. The variable interest rate resets weekly. This COP obligation was issued with an irrevocable direct-pay letter-of-credit (LOC) which currently expires on June 30, 2015[1]. This term debt's maturity is November 1, 2034 and is subject to optional, mandatory and extraordinary sinking fund prepayment and optional and mandatory tender redemption provisions, without premium. As discussed more fully under the caption "Interest Rate Swap" below, subsequent to its issuance, a swap was issued to hedge this COP obligation which itself was amended and restructured in 2012 to proportionately match the terms of this COP obligation. The swap has been determined to serve as an effective cash flow hedge in accordance with the provisions of GASB No. 53 as amended by GASB 59 and 64, even though the swap terms do not completely match those of this COP obligation.

[1] On March 16, 2015, the District executed an amendment with its current LOC provider to extend the terms and provisions of its LOC on the 2009 Series A COP from terminating on June 30, 2015 to June 30, 2018 and reduced its annual facility fee from 57.5 basis points to 45 basis points as long as it's credit rating remains above A+ as determined by Standard & Poor's Ratings Services or above A1 as determined by Moody's Investor Services.

(7) Long-Term Debt, continued

As of December 31, 2014, the future debt service schedule of the 2009 Series A COP obligation and associated swap payments are as follows:

	2009 Series A COP		Interest Rate (1)	
Year	Principal	Interest (2)	Swap, Net	Total
2015	$ -	$ 306,600	$ 1,000,885	$ 1,307,485
2016	-	306,600	1,000,885	1,307,485
2017	-	306,600	1,000,885	1,307,485
2018	-	306,600	1,000,885	1,307,485
2019	-	306,600	1,000,885	1,307,485
2020-2024	2,390,000	1,521,734	4,967,579	8,879,313
2025-2029	13,200,000	1,309,291	4,274,549	18,783,840
2030-2034	26,410,000	561,285	1,832,977	28,804,262
Total	42,000,000	$ 4,925,310	$ 16,079,530	$ 63,004,840
Less current portion	-			
Imputed borrowing- off-market swap	5,939,170			
Total non-current COP obligation	$ 47,939,170			

(1) Based on a 3.283 percent fixed-rate per the amended and restated Swap Confirmation dated April 11, 2012, less the variable receive rate of 0.277percent as of December 31, 2014.

(2) Estimated at an assumed rate of 0.73 percent as of December 31, 2014 (includes market rate plus facility and remarketing fees).

2009 Series B COP

In June 2009, the District issued a $36,155,000 COP obligation, Series 2009B at a true interest cost of 4.54 percent, to current refund the $36,725,000 Series 2008A-1 COP obligation. This serial debt's maturity extends to November 1, 2028 and is subject to optional and extraordinary redemption provisions, without premium. The Debt Service Reserve Fund obligation on this COP obligation is $3,517,500. As of December 31, 2014 and 2013, the fair market value of permitted investments in the reserve fund, including accrued interest, was $3,540,082 and $3,520,472, respectively, while the amortized cost was $3,557,190 and $3,556,316, respectively.

(7) Long-Term Debt, continued

As of December 31, 2014, the future debt service schedule of the 2009 Series B COP obligation is as follows:

Year	Principal	Interest	Total
2015	$ 1,870,000	$ 1,382,834	$ 3,252,834
2016	1,950,000	1,307,500	3,257,500
2017	2,030,000	1,225,583	3,255,583
2018	2,135,000	1,123,208	3,258,208
2019	2,230,000	1,016,596	3,246,596
2020-2024	9,990,000	3,370,821	13,360,821
2025-2028	7,710,000	1,101,271	8,811,271
Total	27,915,000	$ 10,527,813	$ 38,442,813
Less current portion	(1,870,000)		
Unamortized bond premium	1,158,922		
Total non-current COP obligation	$ 27,203,922		

2012 Series A Bond

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

(7) Long-Term Debt, continued

As of December 31, 2014, the future debt service schedule of the 2012 Series A Revenue Bond is as follows:

Year	Principal	Interest	Total
2015	$ 1,925,000	$ 971,350	$ 2,896,350
2016	1,995,000	909,925	2,904,925
2017	2,030,000	829,892	2,859,892
2018	2,105,000	748,192	2,853,192
2019	2,160,000	667,225	2,827,225
2020-2024	9,310,000	2,014,895	11,324,895
2025-2027	3,915,000	325,950	4,240,950
Total	23,440,000	$ 6,467,429	$ 29,907,429
Less current portion	(1,925,000)		
Unamortized bond premium	3,075,787		
Total non-current bond obligation	$ 24,590,787		

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, 2014 and 2013, the District has no arbitrage rebate liability.

Interest Rate Swap

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

(7) Long-Term Debt, continued

Fair Value

Based on existing market conditions as of December 31, 2014 and 2013, the swap had a negative fair value of $7,420,593 and $4,180,330 to the District, respectively. The fair value of the District's swap was a negative number due to the overall decline in interest rates for a comparable swap as of those dates. From the District's perspective, this is because the expected future variable-rate payments due from Wells Fargo Bank, N.A., as of those dates, are lower than when the swap was entered into. Pursuant to the requirements of GASB 53, as amended by GASB 59 and 64, as of December 31, 2014, the "on-market" portion of the swap's negative fair value is reported as a component of deferred outflows of resources and non-current liabilities on the Statements of Net Position. As of December 31, 2013, the "on-market" portion of the swap's negative fair value is reported as a component of deferred inflows of resources and non-current assets on the Statements of Net Position. The "on-market" portion of the swap is considered an effective hedging instrument as of December 31, 2014 and 2013.

	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value	Swap Term Date	Counterparty Credit Rating (1)
Dec. 31, 2014	$33,300,000	April 11, 2012	3.283%	60% LIBOR +.18%	$ (7,420,593)	Nov. 1, 2034	Aa3/AA-/AA-
Dec. 31, 2013	$33,300,000	April 11, 2012	3.283%	60% LIBOR +.18%	$ (4,180,330)	Nov. 1, 2034	Aa3/AA-/AA-

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

(7) Long-Term Debt, continued

Swap Payments and Notional Amortization for the Period Ended December 31, 2014:

	Notional Amortization	Swap Payments, Net (1)	Total
2015	$ -	$ 1,000,885	$ 1,000,885
2016	-	1,000,885	1,000,885
2017	-	1,000,885	1,000,885
2018	-	1,000,885	1,000,885
2019	-	1,000,885	1,000,885
2020-2024	1,895,000	4,967,579	6,862,579
2025-2029	10,460,000	4,274,549	14,734,549
2030-2034	20,945,000	1,832,977	22,777,977
Total	$ 33,300,000	$ 16,079,530	$ 49,379,530

(1) Based on a 3.283 percent fixed-rate per the amended and restated Swap Confirmation dated April 11, 2012, less the variable receive rate of 0.277 percent as of December 31, 2014.

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

Credit Risk

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

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

Basis Risk

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

(7) Long-Term Debt, continued

Termination Risk

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

Credit and Extension Risk

The District's Series 2009A COP is supported by Sumitomo Mitsui Banking Corporation through a direct-pay letter of credit facility. Such a facility is required for the Series 2009A COP to remain marketable and outstanding as variable rate securities. If Series 2009A COP investors perceive this facility negatively, the Series 2009A COP may bear higher rates than comparable securities (which may result in basis risk). In addition, the Certificate credit and liquidity facility must be extended periodically or replaced by a comparable provider. The current facility expires on June 30, 2015. To the extent the facility cannot be replaced or extended, various potential impacts of this, including accelerations of Series 2009A COP principal repayment, could result in a swap termination event.

Collateral Posting Risk

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

Tax Risk

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

(8) Net Investment in Capital Assets

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

	2014	2013
Capital assets not being depreciated	$ 9,768,292	$ 6,036,482
Capital assets being depreciated and amortized, net	261,870,252	254,081,176
Deferred outflows on long-term debt refundings	8,607,462	9,250,586
Long term debt	(103,528,879)	(107,837,562)
Net investment in capital assets, considered non-expendable	$176,717,127	$161,530,682

(9) Restricted Net Position

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

	2014	2013
2009B Certificates of participation reserve fund	$ 3,540,068	$ 3,520,466
2012A Revenue bond interest payment fund	14	6
Total restricted net position	$ 3,540,082	$ 3,520,472

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

(10) 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, 2014 and 2013 the District has one committed fund with a balance of $28,378 and $21,873, respectively. The committed fund is for developers required to install extension facilities (up-sized line or the extension of facilities beyond the frontage of a parcel) as a requirement for obtaining water service. This fund is utilized to reimburse the developer, in whole or in part, for the extension facility based on the proportion of funds collected from all developers for that calendar year. Assigned funds are those financial assets determined necessary to be retained for specific risk-mitigation purposes as determined by the Board annually or as needs arise. The Board has several classes of such assigned funds but is not bound legally or contractually on the retention of such funds and, as such, amounts in assigned funds are available to meet the general obligations of the District.

(11) 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 market value of all plan assets held in trust by the District for its deferred compensation program at December 31, 2014 and 2013, amounted to $2,977,830 and $3,055,090, respectively.

(12) Defined Benefit Pension Plan

Plan Description

The District contributes to the California Public Employees Retirement System (CalPERS) cost-sharing multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public agencies within the State of California. All permanent full and part-time District employees working at least 1,000 hours per year are eligible to participate in CalPERS. Under CalPERS, benefits vest after five years of service. The District has three levels of retirement groups: Miscellaneous 3 percent at 60 (Misc 3% @ 60), Miscellaneous 2 percent at 55 (Misc 2% @ 55), and Miscellaneous 2 percent at 62 (Misc 2% @ 62). Upon retirement, eligible participants are entitled to an annual retirement benefit, payable for life, in an amount equal to a benefit factor multiplied by their average full-time monthly salary for the highest twelve consecutive months of employment for participants in the Misc 3% @ 60 plan (thirty-six consecutive months for Misc 2% @ 55 and Misc 2% @ 62 participants). Benefit provisions, contribution requirements of participants and the District, and any and all other requirements are established by state statute. Copies of CalPERS annual financial report and pertinent past trend information may be obtained by contacting CalPERS at (888) 225-7377 or at their Executive Offices at 400 P Street, Sacramento, CA 95814.

Funding Policy

Active plan members in the CalPERS plans are required to contribute 8 percent for Misc 3% @ 60 (7 percent for Misc 2% @ 55 members) of their annual covered salary. Effective January 1, 2013, new active members are required to contribute 6.5 percent of their annual covered salary due to CalPERS's implementation of Public Employees' Pension Reform Act of 2013 (PEPRA). The District is required to contribute at an actuarially determined rate. The current rates are 17.822 percent for the Misc 3% @ 60 plan, 11.840 percent for the Misc 2% @ 55 plan, and 6.7 percent for the Misc 2% @ 62 plan. The District makes the contributions required of District employees on their behalf for the employees in the Misc 3% @ 60 and Misc 2% @ 55 plans, which amounted to $295,491, $316,721 and $317,427 for the years ended December 31, 2014, 2013, and 2012, respectively. With the implementation of the Public Employees' Pension Reform Act (PEPRA) taking place on January 1, 2013, members in the Misc 2% @ 62 plan are required to make their own required contributions. The contribution requirements of plan members and the District are established and may be amended by CalPERS. The District's contributions for the years ended December 31, 2014, 2013, and 2012 were $620,038, $623,286 and $606,773, respectively, which were equal to the annual required contribution (ARC) for each year. The ARC is an amount actuarially determined and represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District's Miscellaneous 2 percent at 55 CalPERS plan was placed in a Risk Pool upon its inception in 2006.

(13) Postemployment Benefits

Plan Description

In addition to pension benefits, the District provides certain healthcare benefits through CalPERS, and dental and vision benefits through private insurance carriers (postemployment benefits) for retired employees, certain former Northridge Water District directors, and their survivor dependents, subject to certain conditions.

(13) Postemployment Benefits, continued

The District made the decision to establish an irrevocable trust to prefund postemployment benefits by participating in the "California Employers' Retiree Benefit Trust (CERBT)", which is an agent-multiple employer plan as defined in GASB Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" (GASB 43) and meets the requirements to qualify as a prefunding Trust as defined by Section 115 of the Internal Revenue Code. CERBT is run by CalPERS for investment purposes. Copies of the CERBT annual financial report may be obtained by contacting CalPERS at (888) 225-7377 or at their Executive Offices at 400 P Street, Sacramento, CA 95814. Prior to establishing the irrevocable trust with CERBT, the District expensed on a pay-as-you-go basis the direct costs of premiums paid on postemployment benefits for current retirees.

Eligibility
Substantially all of the District's full-time employees may become eligible for postemployment 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 benefits (the District must be the last employer prior to retirement). In addition, former Northridge Water District directors with twelve years of service are also eligible for postemployment benefits. At December 31, 2014, and 2013, 27 retired employees, directors, and their survivor dependents met those eligibility requirements, respectively.

Funding Policy
Employees are not required to make contributions to the plan in order to receive benefits. Contribution requirements of employees and the District are established and may be amended by the Board of Directors. During 2008, the District adopted a policy to fully fund the Annual Required Contribution (ARC) for postemployment benefits into CERBT. The ARC rate for 2014 and 2013 are 14.11 percent and 13.70 percent of annual covered payroll, respectively.

In accordance with the provisions of GASB 45, as the District is fully funding its ARC the Actuarial Accrued Liability (AAL) is not shown on the Statements of Net Position. The ARC was fully funded in both 2014 and 2013 in the amount of $592,700 and $576,300, respectively. The ARC amounts funded include the normal cost of $346,800 in 2014 and $319,300 in 2013, and $245,900 and $257,000 to amortize the Unfunded Actuarial Accrued Liability (UAAL) in 2014 and 2013, respectively.

Funded Status and Funding Progress of the Plan

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2013	$ 2,579,100	$ 6,348,900	$ 3,769,800	40.62%	$ 4,200,000	89.76%

(13) Postemployment Benefits, continued

The District's annual other postemployment benefit costs (OPEB) for the years ended December 31, 2014, 2013, and 2012, were equal to its ARC amounts for each year of $592,700, $576,300 and $558,200, respectively. As the District fully funds its ARC, there is no reportable net OPEB obligation for each of the years so referenced.

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits. The Schedule of Funding Progress, presented in the Required Supplementary Information section of this report, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Valuation date	July 1, 2013
Actuarial cost method	Projected unit credit
Amortization method	Level percent of payroll amortization
Remaining amortization period – closed	24 years as of the valuation date
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return (discount rate)	7.50%
Projected salary increase	3.00%
Long-term inflation rate	3.00%
Projected medical increase	5.50%
Projected dental increase	5.00%
Projected vision increase	2.00%

(14) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District and approximately 295 other municipalities (the Members) have entered into a joint powers agreement with the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA) for the purpose of risk sharing to meet the needs of its Members for liability, property and workers' compensation insurance coverage. Each Member selects one representative to serve as a director, with nine directors serving staggered terms as an executive committee. The only transactions between the District and ACWA/JPIA during the years ending December 31, 2014 and 2013 were regularly scheduled premium payments which were not material to the District's financial statements. At December 31, 2014, the District participated in the following programs of the ACWA/JPIA:

- General and auto liability, public officials and errors and omissions: Total risk financing self-insurance limits of $2,000,000, per occurrence. ACWA/JPIA purchased additional excess coverage layers: $60 million for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.

In addition to the above, the District also has the following insurance coverage:

- Crime coverage up to $100,000 per loss includes public employee dishonesty, forgery or alteration and theft, and computer fraud, subject to a $1,000 deductible per loss.

- Property loss for buildings, fixed equipment or personal property is paid at the replacement cost, if replaced within two years after the loss, otherwise paid on an actual cash value basis; property loss for mobile equipment and vehicles is paid at actual cash value basis, subject to a $2,500 deductible for buildings, fixed equipment and personal property, and a $1,000 deductible for mobile equipment and vehicles per occurrence. The ACWA/JPIA self insures for the first $100,000 and has purchased reinsurance up to $100 million per loss.

- Boiler and machinery coverage for the replacement cost up to $100 million per occurrence, subject to various deductibles depending on the type of equipment.

- Workers' compensation insurance up to California statutory limits, and Employer's Liability of $4,000,000 for all work related injuries/illnesses covered by California law. The ACWA/JPIA self insures for the first $2 million and has purchased excess coverage.

Settled claims have not exceeded any of the coverage amounts in any of the last three years and there were no reductions in the District's insurance coverage during the years ending December 31, 2014 and 2013. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of December 31, 2014 and 2013.

Copies of ACWA/JPIA's annual financial reports and other pertinent information may be obtained from their office at 2100 Professional Drive, Roseville, CA 95661-3700, from their website at www.acwajpia.com., or by calling (800) 231-5742.

(15) 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 is June 1, 1987 to May 31, 2012. In 2012, the District exercised its option upon expiration of the initial term of the lease and extended the lease term to May 31, 2037. The original lease amount of $12,750, paid in advance each year, is adjusted annually on the anniversary date of the lease to reflect any increase or decrease of the National Consumer Price Index of the preceding year. The annual lease costs for calendar years 2014 and 2013 were $26,504 and $26,051, respectively. Future estimated lease commitment costs for the period January 1, 2015, to May 31, 2037, are estimated to be $579,365, as of December 31, 2014.

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

In 1995 (and amended in 2000 & 2008), the District and the Placer County Water Agency (Agency) entered into a 25-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	7,000	-	acre feet
2001	11,000	-	acre feet
2002	12,000	-	acre feet
2003	14,000	-	acre feet
2004	16,000	-	acre feet
2005	18,000	-	acre feet
2006	20,000	-	acre feet
2007	22,000	-	acre feet
2008*	23,000	-	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 2025	12,000	29,000	acre feet

* Contract renegotiated in 2008. effective in 2010. requires 12,000 acre feet per year take-or-pay with the option to buy additional water.

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.

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

(15) Commitments and Contingencies, continued

($35); (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.

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, 2014.

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 "Capital Facilities Charge" included in their monthly invoice. As of December 31, 2014, the District's commitment on open construction contracts is $6,420,573:

Project Name	Approved Contract	Payments To Date	Remaining Commitment
Santa Anita Main Replacement	$ 25,000	$ (10,255)	$ 14,745
Local Groundwater Monitoring & Modeling	87,640	(4,751)	82,889
Miscellaneous Main Repair Issues	91,795	(24,639)	67,156
Various Wells Rehabilitation	105,170	(78,040)	27,130
Arden Oaks Main Repl. Raising and Lowering	127,600	(32,340)	95,260
Arc Flash Design and Mitigation	141,770	(94,690)	47,080
McKinney Way Improvement	224,305	(179,380)	44,925
Belcot Road Improvements	268,838	(98,449)	170,389
Heatherdale Improvement	447,466	(368,686)	78,780
Rutland Well	645,168	(298,042)	347,126
North Country Club Estate Phase 4	1,248,838	(813,866)	434,972
2015 Meter Retrofit	1,418,275	-	1,418,275
Antelope pump back project	3,750,819	(158,973)	3,591,846
Total	$ 8,582,684	$ (2,162,111)	$ 6,420,573

Required Supplementary Information

Sacramento Suburban Water District
Schedule of Funding Progress (Unaudited)
Other Postemployment Benefits (OPEB)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2013	$2,579,100	$ 6,348,900	$ 3,769,800	40.62%	$ 4,200,000	89.76%
7/1/2011	1,681,000	5,770,700	4,089,700	29.13%	4,073,600	100.40%
1/1/2010	729,000	4,787,000	4,058,000	15.23%	3,780,000	107.35%

Statistical Section (Unaudited)

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Sacramento Suburban Water District
Statistical Information (Unaudited)

Contents

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

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Assets										
Current assets	$ 27,762	$ 22,948	$ 25,229	$ 29,194	$ 18,554	$ 17,056	$ 12,711	$ 9,045	$ 9,632	$ 4,611
Noncurrent assets	43,051	36,628	33,928	32,509	43,421	40,180	42,714	43,299	44,416	43,456
Capital assets:										
Nondepreciable assets	16,934	17,280	8,208	4,925	14,755	12,483	23,829	10,426	6,036	9,768
Depreciable assets	219,640	243,834	266,782	285,410	295,392	320,928	327,124	358,258	384,406	402,992
Accumulated depreciation	(64,623)	(70,249)	(74,711)	(83,006)	(91,246)	(100,380)	(110,084)	(119,900)	(130,324)	(141,121)
Capital assets, net	171,951	190,865	200,279	207,329	218,901	233,031	240,869	248,784	260,118	271,639
Total assets	242,764	250,441	259,436	269,032	280,876	290,267	296,294	301,128	314,166	319,706
Deferred outflows of resources	-	-	-	-	4,544	12,656	16,254	11,556	9,251	9,283
Liabilities										
Current liabilities	6,499	6,023	6,630	7,297	7,242	9,387	8,287	7,844	7,840	7,935
Noncurrent liabilities	125,159	122,883	120,811	109,622	111,368	116,508	116,889	110,403	104,334	100,732
Total liabilities	131,658	128,906	127,441	116,919	118,610	125,895	125,176	118,247	112,174	108,667
Deferred inflows of resources	-	-	-	-	-	-	-	-	2,565	-
Net position										
Net investment in capital assets	82,246	82,389	88,634	99,014	110,210	126,110	137,004	146,682	161,531	176,717
Restricted	7,250	8,469	9,467	6,310	6,762	6,642	6,643	3,532	3,520	3,540
Unrestricted	21,610	30,677	33,894	46,789	49,838	44,277	43,725	44,223	43,627	40,065
Total net position	$ 111,106	$ 121,535	$ 131,995	$ 152,113	$ 166,810	$ 177,029	$ 187,372	$ 194,437	$ 208,678	$220,322

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Operating Revenues										
Water sales	$25,294	$9,245	$9,689	$10,897	$11,031	$10,967	$10,151	$11,656	$12,451	$10,827
Water transfers	-	-	-	-	2,347	637	-	-	536	-
Water service charge	-	7,263	8,495	8,050	7,415	7,174	7,095	6,820	6,608	6,306
Capital facilities charge	-	9,066	12,545	16,436	19,977	20,493	20,448	20,619	20,650	20,678
Wheeling water charge	62	160	146	295	148	273	303	170	6	6
Other charges	471	387	733	1,129	971	991	960	946	1,068	1,113
Total operating revenues	25,827	26,121	31,608	36,807	41,889	40,535	38,957	40,211	41,319	38,930
Operating Expenses										
Source of supply	1,411	1,345	1,599	1,843	2,334	2,290	2,663	2,039	406	67
Pumping	2,715	2,614	3,582	3,253	3,461	3,265	3,341	4,238	4,706	4,637
Transmission and distribution	3,094	2,943	3,973	3,544	3,838	3,583	3,997	3,596	3,886	3,651
Water conservation	289	302	286	483	490	415	202	295	321	400
Customer accounts	643	635	726	918	960	968	1,003	976	1,086	1124
Administrative and general	5,220	4,650	5,595	5,950	5,709	10,176	6,135	5,738	5,919	6,115
Total operating expenses	13,372	12,489	15,761	15,991	16,792	20,697	17,341	16,882	16,324	15,994
Operating income before depreciation	12,455	13,631	15,847	20,816	25,097	19,838	21,616	23,329	24,995	22,936
Depreciation	(6,346)	(5,880)	(7,465)	(8,295)	(8,792)	(9,171)	(9,705)	(9,890)	(10,424)	(10,886)
Operating income	**6,109**	**7,751**	**8,382**	**12,521**	**16,305**	**10,667**	**11,911**	**13,439**	**14,571**	**12,049**
Non-operating revenues	2,175	2,807	3,464	10,545	1,504	1,693	1,520	(3,540)	488	895
Interest expense	(4,592)	(4,430)	(5,321)	(6,266)	(5,183)	(5,133)	(4,773)	(4,157)	(3,914)	(3,802)
Other non-operating expenses	(1)	(14)	(2)	(132)	(103)	(117)	(7)	(418)	-	
Gain (loss) on disposal of capital assets, net	-	(528)	(18)	-	(1)	243	-	12	-	21
Income before capital contributions	**3,691**	**5,586**	**6,505**	**16,668**	**12,522**	**7,353**	**8,651**	**5,336**	**11,145**	**9,163**
Capital contributions	6,390	4,843	3,955	3,450	2,175	2,405	1,692	1,729	3,096	2,481
Increase in net position	**10,081**	**10,429**	**10,460**	**20,118**	**14,697**	**9,758**	**10,343**	**7,065**	**14,241**	**11,644**
Net position, beginning of year	101,025	111,106	121,535	131,995	152,113	166,810	177,029	187,372	194,437	208,678
Adjustment	-	-	-	-	-	461	-	-	-	-
Net position, end of year	111,106	121,535	131,995	152,113	166,810	177,029	187,372	194,437	208,678	220,322

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Water Sales (Dollars in Thousands):										
Retail	$25,294	$25,574	$30,730	$35,383	$38,423	$38,634	$37,694	$39,095	$39,709	$37,811
Wheeling	62	160	146	295	149	273	303	170	6	6
Water Transfers	-	-	-	-	2,347	637	-	-	536	-
Total Water Sales	$25,356	$25,734	$30,876	$35,678	$40,919	$39,544	$37,997	$39,265	$40,251	$37,816
Water Production (Acre Feet):										
Retail	40,771	36,914	44,024	37,040	34,517	36,353	35,828	38,089	38,554	32,561
Wheeling	421	1,092	558	1,458	588	1,632	2,106	642	348	115
Water Transfers	-	-	-	-	8,462	2,712	-	-	2,822	-
Total Water Production	41,192	38,006	44,582	38,498	43,567	40,697	37,934	38,731	41,724	32,676
Water Sales/Acre Foot (Whole Dollars):										
Retail	$620	$693	$698	$955	$1,113	$1,062	$1,052	$1,026	$1,030	$1,161
Wheeling	$147	$147	$262	$202	$251	$168	$144	$265	$17	$52
Water Transfers	-	-	-	-	$277	$235	-	-	$190	-

Source: District.

Sacramento Suburban Water District
Statistical Information (Unaudited)
Retail Water Rates

Last Eight Years*

	2007	2008	2009	2010	2011	2012	2013	2014
Flat Accounts								
Usage Charge ($/1,000 per sq. foot)	$ 0.70	$ 0.80	$ 0.91	$ 0.91	$ 0.91	$ 0.91	$ 0.91	$ 0.91
Flat Service Charge (single unit)								
¾" connection	15.30	15.12	14.89	14.89	14.89	14.89	14.89	14.89
1" connection	22.82	22.23	21.55	21.55	21.55	21.55	21.55	21.55
1 ½" connection	43.62	42.24	40.69	40.69	40.69	40.69	40.69	40.69
2" connection	49.55	45.04	40.19	40.19	40.19	40.19	40.19	40.19
Metered Accounts								
Usage Charge ($/100 cubic feet (CCF))								
Residential – 1st Tier (0-10 CCF)	0.66	0.73	0.80	0.80	0.80	0.80	0.80	0.80
Residential – 2nd Tier (11+ CCF)	0.83	0.91	1.00	1.00	1.00	1.00	1.00	1.00
Non-Resid–Off-Peak Rate (Nov-Apr)	0.69	0.75	0.81	0.81	0.81	0.81	0.81	0.81
Non-Resid.–Peak Rate (May-Oct)	0.86	0.94	1.01	1.01	1.01	1.01	1.01	1.01
Meter Service Charge (by Meter Size)								
5/8" meter	5.05	4.35	3.60	3.60	3.60	3.60	3.60	3.60
¾" meter	7.35	6.35	5.25	5.25	5.25	5.25	5.25	5.25
1" meter	12.05	10.35	8.50	8.50	8.50	8.50	8.50	8.50
1 ½" meter	23.75	20.30	16.60	16.60	16.60	16.60	16.60	16.60
2" meter	37.80	32.30	24.60	24.60	24.60	24.60	24.60	24.60
3" meter	70.60	60.25	49.20	49.20	49.20	49.20	49.20	49.20
4" meter	117.50	100.20	81.75	81.75	81.75	81.75	81.75	81.75
6" meter	234.55	200.05	163.15	163.15	163.15	163.15	163.15	163.15
8" meter	422.00	359.85	293.40	293.40	293.40	293.40	293.40	293.40
10" meter	679.70	579.55	472.50	472.50	472.50	472.50	472.50	472.50
12" meter	1,007.60	859.10	700.40	700.40	700.40	700.40	700.40	700.40
Flat and Metered Accounts								
Capital Facilities Charge								
5/8" meter	12.35	15.55	19.25	19.25	19.25	19.25	19.25	19.25
¾" meter or connection	18.40	23.20	28.70	28.70	28.70	28.70	28.70	28.70
1" meter or connection	30.75	38.75	48.00	48.00	48.00	48.00	48.00	48.00
1 ½" meter or connection	61.25	77.25	95.65	95.65	95.65	95.65	95.65	95.65
2" meter or connection	98.05	123.65	153.10	153.10	153.10	153.10	153.10	153.10
3" meter	184.00	232.05	287.30	287.30	287.30	287.30	287.30	287.30
4" meter	306.7	386.85	478.95	478.95	478.95	478.95	478.95	478.95
6" meter	613.20	773.40	957.60	957.60	957.60	957.60	957.60	957.60
8" meter	1,103.90	1,392.20	1,723.80	1,723.80	1,723.80	1,723.80	1,723.80	1,723.80
10" meter	1,778.60	2,243.25	2,777.45	2,777.45	2,777.45	2,777.45	2,777.45	2,777.45
12" meter	2,636.65	3,325.55	4,117.65	4,117.65	4,117.65	4,117.65	4,117.65	4,117.65

*Water rates prior to 2006 based on property location: North Service Area vs. South Service Area. No District-wide rates.

Source: District.

Sacramento Suburban Water District
Statistical Information (Unaudited)

Facility Development Charges (Connection Fees)

Last Ten Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
5/8" service	N/A	$ 2,417	$ 2,510	$ 2,773	$ 2,874	$ 2,996	$ 3,338	$ 3,544	$ 3,826	$ 2,762
¾" service	$ 3,532	3,608	3,747	4,157	4,309	4,472	4,982	5,290	5,711	4,122
1" service	5,898	6,025	6,257	6,942	7,196	7,468	8,319	8,834	9,537	6,884
1 ½" service	11,762	12,015	12,477	13,843	14,350	14,891	16,589	17,616	19,017	13,726
2" service	18,825	19,230	19,971	22,157	22,968	23,835	26,552	28,196	30,439	21,970
3" service	35,520	36,080	37,469	41,570	43,092	44,718	49,817	52,901	57,108	41,220
4" service	58,878	60,145	62,460	69,297	71,834	74,545	83,045	88,185	95,199	68,714
6" service	117,722	120,254	124,883	138,553	143,625	149,046	166,040	176,318	190,341	137,386
8" service	211,290	216,478	224,812	249,420	258,551	268,309	298,902	317,403	342,648	219,826
10" service	341,438	348,782	362,210	401,857	416,569	432,291	481,581	511,390	552,063	316,034
12" service	353,200	517,130	537,038	595,835	617,648	640,946	714,028	758,225	818,529	463,725

Source: District.

Sacramento Suburban Water District
Statistical Information (Unaudited)
Principal Retail Rate Payers
Current Year and Ten Years Prior*

	December 31, 2014			December 31, 2004		
Principal Retail Rate Payers	**Revenues Collected**	**Rank**	**Percent of Retail Sales Revenue**	**Revenues Collected**	**Rank**	**Percent of Retail Sales Revenue**
McClellan Business Park	$ 384,395	1	1.02%	N/A	N/A	N/A
San Juan Unified School District	223,228	2	0.59%	N/A	N/A	N/A
Woodside Association, Inc.	184,397	3	0.49%	N/A	N/A	N/A
Carmel Partners, MS#3, The Arbors	145,547	4	0.38%	$ 216,358	1	1.02%
Henson Gardens Eskaton	98,703	5	0.26%	N/A	N/A	N/A
Autumn Ridge Apartments	96,468	6	0.26%	48,908	2	0.23%
Twin Rivers Union School District	79,942	7	0.21%	N/A	N/A	N/A
Sunrise Recreation/Park District	79,548	8	0.21%	N/A	N/A	N/A
Eskaton Village	73,775	9	0.20%	N/A	N/A	N/A
Sacramento County (AFS/SCRSD)	72,965	10	0.19%	24,583	6	0.12%
Kaiser Permanente	-	-	-	31,361	3	0.15%
Sacramento Mercy Healthcare	-	-	-	27,164	4	0.13%
Hillsdale Mobile Home Park	-	-	-	26,772	5	0.13%
Arden Fair Mall	-	-	-	22,716	7	0.11%
Rio Americano High School	-	-	-	21,220	8	0.10%
Fairway Estates	-	-	-	19,845	9	0.09%
Red Lion's Sacramento	-	-	-	19,230	10	0.09%
Total Principal Retail Rate Payers	$ 1,438,968	-	3.81%	$ 458,157	-	2.16%
Total Annual Retail Water Sales Revenue	$37,810,693	-	-	$21,212,454	-	-

* Principal retail rate payers revenue data for 2005 not available on the same basis as above

Source: District.

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Long-Term Debt Principal:										
(Dollars in Thousands)										
Series 2004	$41,275	$41,275	$41,275	$41,275						
Series 2005A	78,225	76,675	75,075							
Series 2005B	7,165	5,860	4,505	3,110	$ 1,645	$ 125				
Series 2008A-1				36,725						
Series 2008A-2				36,725	35,860	34,960	$33,300			
Series 2009A					42,000	42,000	42,000	$42,000	$42,000	$42,000
Series 2009B					35,295	34,615	33,085	31,405	29,700	27,915
Series 2012A								27,205	25,330	23,440
Total Debt	126,665	123,810	120,855	117,835	114,800	111,700	108,385	100,610	97,030	93,355
No. of Connections	43,484	43,983	43,998	44,091	44,147	44,185	44,655	44,776	45,391	46,112
Debt Per Connection (Whole Dollars)	$ 2,913	$ 2,815	$ 2,747	$ 2,673	$ 2,600	$ 2,528	$ 2,427	$ 2,247	$2,138	$2,025

Source: District

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

	2005	2006	2007	2008	2009	Restated 2010	Restated 2011	2012	2013	2014
Revenues										
Water sales	$ 25,294	$ 25,605	$ 30,730	$ 35,383	$ 38,423	$ 38,634	$ 37,694	$39,095	$39,709	$37,811
Water transfers	-	-	-	-	2,347	637	-	-	536	-
Wheeling charge	62	160	146	295	149	273	303	170	6	6
Water services	471	356	734	1,129	970	991	960	946	1,068	1,113
Facility development charges	1,390	1,035	487	1,660	424	121	161	380	187	561
Investment income	887	1,585	2,550	2,738	1,112	1,267	1,052	(3,888)	89	548
Other	7	135	341	557	392	669	468	360	399	368
Total revenues	28,111	28,876	34,988	41,762	43,817	42,592	40,638	37,063	41,994	40,407
Operating Expenses										
Transmission and distribution	3,094	2,943	3,973	3,544	3,838	3,583	3,997	3,596	3,886	3,651
Administrative and general*	4,866	4,267	5,225	6,082	5,813	10,293	6,142	6,156	5,919	6,115
Pumping	2,715	2,614	3,582	3,253	3,461	3,265	3,341	4,238	4,706	4,637
Water purchases	1,411	1,345	1,599	1,843	2,334	2,290	2,663	2,039	406	67
Customer accounts	643	635	726	919	959	968	1,003	976	1,086	1,124
Water conservation	290	316	286	483	490	415	202	295	321	400
Total expenses	13,019	12,120	15,391	16,124	16,895	20,814	17,348	17,300	16,324	15,994
Net revenue	15,092	16,756	19,597	25,638	26,922	21,778	23,290	19,763	25,670	24,413
Debt service	7,052	6.965	7.933	9.034	8,095	7,974	7,829	7.576	7.125	7.158
Coverage ratio	**2.14**	**2.41**	**2.47**	**2.84**	**3.33**	**2.73**	**2.97**	**2.61**	**3.60**	**3.41**
Revenues available for capital projects and other purposes	$ 8,040	$ 9,791	$ 11,664	$ 16,604	$ 18,827	$ 13,804	$ 15,460	$ 12,187	$ 18,545	$17,255

* 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
2014	Information Not Currently Available			679,700	630,400	49,300	7.30%
2013	1,462,131	$63,512,541	$43,348	680,000	620,200	59,800	8.80%
2012	1,448,053	$61,370,761	$42,382	682,900	611,400	71,400	10.50%
2011	1,435,277	$58,242,904	$40,580	680,700	598,600	82,000	12.10%
2010	1,421,973	$55,216,582	$38,831	684,700	597,700	87,000	12.70%
2009	1,408,601	$54,480,186	$38,677	681,700	605,000	76,800	11.30%
2008	1,394,438	$55,319,306	$39,671	680,500	631,700	48,800	7.20%
2007	1,381,161	$53,920,784	$39,040	676,800	640,000	36,800	5.40%
2006	1,369,563	$51,707,729	$37,755	670,500	638,600	31,900	4.80%
2005	1,360,816	$48,997,083	$36,006	665,600	632,500	33,100	5.00%

* Information for Demographic and Economic Statistics 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.

Source:
Population and Income: U.S. Department of Commerce, Bureau of Economic Analysis.
Labor Force and Employment Data: Annual Averages; State of California, Employment Development Department.

Sacramento Suburban Water District
Statistical Information (Unaudited)
Principal Employers
Sacramento County*

	December 31, 2014			December 31 ,2006**		
Principal Employers	**Employees**	**Rank**	**Percentage of Total Employed**	**Employees**	**Rank**	**Percentage of Total Employed**
State of California	72,220	1	10.62%	67,467	1	10.06%
Sacramento County	10,700	2	1.57%	14,408	2	2.15%
U.S. Government	9,906	3	1.46%			
UC Davis Health System	9,905	4	1.46%	7,901	3	1.18%
Sutter Health Sacramento Sierra Region	7,352	5	1.08%	-	-	-
Dignity Health	6,212	6	0.91%	4,897	10	0.73%
Intel Corp.	6,000	7	0.88%	7,000	4	1.04%
Kaiser Permanente	5,421	8	0.80%	6,656	6	0.99%
Elk Grove Unified School District	5,410	9	0.80%	-	-	-
San Juan Unified School District	4,200	10	0.62%	5,775	8	0.86%
Sacramento City Unified School District	-	-	-	7,000	4	1.04%
Los Rios Community College	-	-	-	6,000	7	0.89%
City of Sacramento	-	-	-	5,105	9	0.76%
Total	137,326		20.20%	132,209		19.72%
Total Labor Force	679,700			670,500		

* Information for Principal Employers 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.

** Data for periods ended prior to December 31, 2006 not available.

Source:
Principal Employers: Sacramento Business Journal, Book of Lists 2014, Vol. 31, No. 44, p.21.
Total Labor Force: Annual Averages; State of California, Employment Development Department.

Sacramento Suburban Water District
Statistical Information (Unaudited)

Annual Water Production

Last Ten Years

(Reported in Acre Feet)

	North Service Area			South Service Area			
Year	Surface	Ground	Sub Total	Surface	Ground	Sub Total	Total Production
2014	0	18,801	18,801	0	13,875	13,875	32,676
2013	409	21,886	22,295	-	16,607	16,607	38,902
2012	4,738	17,697	22,435	6,463	9,833	16,296	38,731
2011	14,729	7,741	22,470	4,084	11,380	15,464	37,934
2010	15,518	6,522	22,040	2,289	13,656	15,945	37,985
2009	8,212	10,203	18,415	3,872	12,818	16,690	35,105
2008	12,239	6,985	19,224	2,743	16,531	19,274	38,498
2007	3,842	21,839	25,681	3,701	15,200	18,901	44,582
2006	12,642	5,480	18,122	-	19,884	19.884	38,006
2005	14.363	5,681	20,044	-	21,148	21,148	41,192

Source: District.

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

Year	California American Water Company	Citrus Heights Water District	Rio Linda / Elverta Water District	City of Sacramento	County of Sacramento	Total Deliveries
2014			11	104		115
2013	-	17	-	331	-	348
2012	584	-	25	28	5	642
2011	2,103	1	2	-	-	2,106
2010	1,627	2	3	-	-	1,632
2009	567	10	11	-	-	588
2008	1,407	49	2	-	-	1,458
2007	430	19	109	-	-	558
2006	1,070	22	-	-	-	1,092
2005	421	-	-	-	-	421

Source: District.

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Production Department									
Service Orders									
Preventive Maintenance:									
-- Work Orders Completed	8,769	16,896	16,338	15,012	15,130	16,580	15,364	15,427	11,988
Corrective Maintenance:									
-- Work Orders Completed	155	272	433	251	237	175	281	210	242
Water Quality									
Complaints	73	272	287	179	214	131	137	174	30
Inquiries	130	182	28	88	90	114	159	171	110
Distribution Department									
Service Orders									
Main Leaks	88	96	92	87	76	82	64	77	61
Service Line Leaks	222	217	171	147	199	232	268	242	125
Locate & Expose	235	401	311	375	507	320	332	253	353
Determine Responsibility	1101	1852	1512	1785	1346	1557	1770	1891	839
Water Main Shutdown:									
-- Emergency	46	67	69	99	85	83	99	110	86
-- Scheduled	13	91	90	84	76	125	160	170	100
Preventive Maintenance Program									
Fire Hydrants Inspected	-	6,038	45	-	-	437	1,248	1,237	1,255
Fire Hydrant Valves Inspected									1,202
Fire Hydrants Valves Exercised	-								975
Valves Inspected		1138	5287	2602	1235	442	1406	923	898
Underground Service Alert									
Reviewed	11,514	13,291	15,624	13,184	13,513	14,114	15,100	16,058	14,614
Marked	3,683	3,683	6,232	5,034	4,267	5,344	4,848	5,233	4,369
After Hours Activity									
Calls Received	888	1,117	966	857	810	925	1,012	1,012	1,024
Calls Responded	406	472	358	318	322	437	433	367	338
Average Call Time Hours									2
Overtime Hours									880

* Activity prior to 2005 not available on the same basis as above.

Source: District.

Sacramento Suburban Water District
Statistical Information (Unaudited)
Operating Activity, continued
Last Nine Years*

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Field Services Department									
Meters									
Preventive Maintenance – Meters Tested	2	155	190	197	142	53	150	135	57
Preventive Maintenance – Meters Replaced	104	150	166	258	804	268	189	644	143
Preventive Maintenance – Meter Re-Builds									67
Customer Service									
Shut Off (non-payment)	1,652	3,841	4,115	3,221	2,940	3,127	2,158	2,066	2,561
Restore Service	1,032	1,708	2,552	2,272	2,004	1,799	1,976	1,451	2,100
Customer Pressure Inquiries									121
Field Operations Department									
Service Requests Generated	965	12,921	17,804	17,963	15,761	21,221	23,026	18,641	22,736
Work Orders Generated	451	7,785	5,338	9,972	12,187	15,625	12,382	14,460	11,939

* Activity prior to 2005 not available on the same basis as above.

Source: District.

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Administration	8	8	8	8	8	8	8	8	8	10
Customer Service	5	5	6	6	6	6	6	6	6	5
Engineering	9	9	9	9	9	9	9	9	10	10
Production and Water Treatment	10	10	13	14	14	14	15	15	13	15
Distribution	21	21	23	23	23	23	23	23	22	22
Total	53	53	59	60	60	60	61	61	59	62

Source: District.

SACRAMENTO SUBURBAN WATER DISTRICT

Back to Agenda

Agenda Item: 3

Date: March 25, 2015

Subject: Draft - 2014 Single Audit Results

Staff Contact: Daniel A. Bills, Finance Director

Recommended Committee Action:
Recommend the draft 2014 Compliance Reports to the full Board for acceptance.

Discussion:
Attached as Exhibit 1 are the Compliance Reports, including the Auditor's Report on Internal Controls over Financial Reporting and the Auditor's Report on Major Program Compliance, related to District Federal Grant monies received in 2014 in accordance with Government Auditing Standards. The Auditor's Report on Internal Controls over Financial Reporting states that "we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses" (p. 1, last paragraph.) The Auditor's Report on Major Program Compliance states "In our opinion, the District complied, in all material respects, with the type of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014. The results of our auditing procedures, disclosed no instances of noncompliance that are required to be reported in accordance with OMB Circular A-133." (p. 3, last paragraph and first paragraph top of p. 4.)

Fiscal Impact:
$4,000 per Audit Engagement Letter with Richardson & Company, LLP.

Strategic Plan Alignment:
Finance – 4.G. Produce annual financial statements and supporting documentation to allow outside auditors to provide the District with unqualified audit opinions.

EXHIBIT 1

DISCUSSION
DRAFT

SACRAMENTO SUBURBAN WATER DISTRICT

COMPLIANCE REPORTS

December 31, 2014

SACRAMENTO SUBURBAN WATER DISTRICT

COMPLIANCE REPORTS

December 31, 2014

TABLE OF CONTENTS

Richardson & Company, LLP

550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Sacramento 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 financial statements of the Sacramento Suburban Water District (the District), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated ____________, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency is a deficiency*, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

To the Board of Directors
Sacramento Suburban Water District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatements, 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 provision was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

____________, 2015

Richardson & Company, LLP

550 Howe Avenue, Suite 210
Sacramento, California 95825
Telephone: (916) 564-8727
FAX: (916) 564-8728

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited Sacramento Suburban Water District's (the District's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended December 31, 2014. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

To the Board of Directors
Sacramento Suburban Water District

The results of our auditing procedures disclosed no instances of noncompliance that are required to be reported in accordance with OMB Circular A-133.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the District as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated _______________, 2015 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other

To the Board of Directors
Sacramento Suburban Water District

records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

__________________, 2015

SACRAMENTO SUBURBAN WATER DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2014

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

1. Type of auditor's report issued:	Unmodified
2. Internal controls over financial reporting:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be considered to be material weaknesses?	No
3. Noncompliance material to financial statements noted?	No

Federal Awards

1. Internal control over major programs:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be considered to be material weaknesses?	No
2. Type of auditor's report issued on compliance for major programs:	Unqualified
3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510(a)?	No
4. Identification of major programs:	
CFDA Number	Name of Federal Program
15.533	California Water Security and Environmental Enhancement
5. Dollar Threshold used to distinguish between Type A and Type B programs?	$300,000
6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530?	No

FINDINGS – FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

SACRAMENTO SUBURBAN WATER DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2014

Federal Grantor/Pass-through Grantor/ Program Title	Grant Identifying Number	Federal CFDA Number	Expenditures
MAJOR FEDERAL AWARDS:			
US Bureau of Reclamation			
Water Meter Installation Program - Passed through to subrecipients			
2012 Meter Grant:			
City of Sacramento	R12AP20029	15.533	$ 198,000
City of West Sacramento	R12AP20029	15.533	198,000
County of Sacramento	R12AP20029	15.533	396,000
2013 Meter Grant:			
County of Sacramento	R13AP20052	15.533	155,563
TOTAL MAJOR FEDERAL AWARDS			$ 947,563

SACRAMENTO SUBURBAN WATER DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.