Agenda

Sacramento Suburban Water District

Special Board Meeting

3701 Marconi Avenue, Suite 100 | Monday, April 23, 2018
Sacramento, California 95821 | 6:00 p.m.

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

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

In compliance with the Americans with Disabilities Act, if you have a disability, and you need a disability-related modification or accommodation to participate in this meeting, then please contact Sacramento Suburban Water District Human Resources at 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

Pledge of Allegiance

Roll Call

Announcements

Public Comment
This is the opportunity for the public to comment on non-agenda items within the Board's jurisdiction. Comments are limited to 3 minutes.

Board Vacancy

a. Board to Discuss Filling Vacancy Resulting from Director Schild's Passing

b. Election of a Vice President

c. Board President to Make Appointments to Fill Director Schild's Committee and Liaison Appointments.

Consent Items

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

1. Minutes of the March 19, 2018 Regular Board Meeting
Recommendation: Approve subject minutes.

2. Resolution No. 18-06 Calling for the November 6, 2018 District Election
Recommendation: Adopt subject resolution.

3. Resolution No. 18-07 Honoring Robert S. Roscoe, P.E., on His Upcoming Retirement
Recommendation: Adopt subject resolution.

4. Surplus Vehicles #02, #11, #14, #47, and #48
Recommendation: Approve the included vehicles as surplus.

5. Disposing of Surplus District Real Property, Vehicles and Large Equipment and Other Personal Property Policy (PL – Adm 003)
Recommendation: Approve recommended updates to subject policy.

Items for Discussion and/or Action

6. 2017 Comprehensive Annual Financial Report and Annual Audit
Recommendation: Accept the 2017 Comprehensive Annual Financial Report and Annual Audit

7. 2018 Water Conservation Program and Stage Declaration
Receive written staff report and direct staff as appropriate.

8. Voluntary Contribution for the Opposition of SB 623
Receive written staff report and direct staff as appropriate.

9. 2018 Water Rate Study
Receive written staff report and direct staff as appropriate.

10. 2018 Employee Compensation Study
Receive written staff report and direct staff as appropriate.

General Manager's Report

11. General Manager's Report

    a. Assistant General Manager Recruitment

    b. Long-Term Warren Act Contract Update

    c. Regional Water Meter Replacement Program

    d. 2018 Water Transfer Program

Director's Reports (Per AB 1234, Directors will report on their meeting activities)

12. a. Regional Water Authority (Director Wichert)
    No report.

    Regional Water Authority Executive Committee (General Manager York)
    Agenda from the March 21, 2018 Meeting.

    b. Sacramento Groundwater Authority (Director Schild)
    Agenda from the April 12, 2018 Meeting.

    c. Water Caucus Meeting (General Manager York)
    No report.

    d. Water Forum Successor Effort (General Manager York)
    Agenda from the April 12, 2018 Meeting.

    e. Other Reports

Committee Reports

13. a. Facilities and Operations Committee (Director Jones)
    No report.

    b. Finance and Audit Committee (Director Schild)
    Draft Minutes from the April 10, 2018 Meeting.

Information Items

14. Financial Markets Quarterly Report

15. Year-to-Date Interest Expense Quarterly Report

16. Legislative and Regulatory Update

17. CIP Projects Quarterly Report

18. Upcoming Water Industry Events

19. Upcoming Policy Review

    a. Director Sexual Harassment Prevention Training Policy (PL – BOD 005)

    b. Discrimination and Harassment Prevention Policy (PL – HR 012)

    c. Information Technology/Disaster Recovery Policy (PL – IT 004)

Department/Staff Reports

20. Financial Report

    a. Financial Statements – March 2018

    b. Investments Outstanding and Activity Quarterly Report

    c. Cash Expenditures – March 2018

    d. Credit Card Expenditures – March 2018

    e. Directors Compensation and Expense Accounting Quarterly Report

    f. Market Report Yields

    g. District Reserve Balances – March 2018

    h. Information Required by Bond Agreement

21. District Activity Report

    a. Water Operations and Exceptions Report

    b. Water Quality Report

    c. Water Conservation and Regional Water Efficiency Program Report

    d. Customer Service Report

e. Community Outreach Report

22. Engineering Report

    a. Major Capital Improvement Projects

    b. Other

Miscellaneous Correspondence and General Information

23. Correspondence received by the District

Director's Comments/Staff Statements and Requests
The Board and District staff may ask questions for clarification, and make brief announcements and comments, and Board members may request staff to report back on a matter, or direct staff to place a matter on a subsequent agenda.

Closed Session (Closed Session Items are not opened to the public)
None.

Adjournment

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Upcoming Meetings

Monday, May 21, 2018 at 6:00 p.m., Regular Board Meeting
Wednesday, May 30, 2018 at 2:00 p.m., Facilities and Operations Committee Meeting

* *

I certify that the foregoing agenda for the April 23, 2018 meeting of the Sacramento Suburban Water District Board of Directors was posted by April 19, 2018 in a publicly-accessible location at the Sacramento Suburban Water District office, 3701 Marconi Avenue, Suite 100, Sacramento, California, and was freely available to the public.

Dan York
General Manager/Secretary
Sacramento Suburban Water District

ITEM a.

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Bartkiewicz, Kronick & Shanahan
A Professional Corporation

MEMORANDUM

TO:	**DAN YORK, GENERAL MANAGER**
FROM:	**JOSH HOROWITZ, DISTRICT COUNSEL**
DATE:	**APRIL 16, 2018**
RE:	**FILLING VACANCIES ON THE SACRAMENTO SUBURBAN WATER DISTRICT BOARD OF DIRECTORS**

This memorandum discusses the procedure for filling a seat on the Sacramento Suburban Water District ("District") Board of Directors because of the vacancy created by Division 2 Director Neil Schild's death.

Water Code section 30504, part of the County Water District Law, provides that "all vacancies in the office of director shall be filled pursuant to [s]ection 1780 of the Government Code." Subdivisions (c) and (f) of Government Code section 1780 permit the District to fill a vacancy on the Board of Directors in the following ways: (1) by appointment; (2) by special election; or (3) if the Board does not appoint a successor or call an election to do so, the Sacramento County Board of Supervisors may make the selection independent of the District Board.

Like most local agencies that experience a vacancy on their governing boards, I have assumed that the District Board would prefer to appoint a successor to Director Schild, rather than incur the significant costs of holding a special election or permitting the Sacramento County Board of Supervisors to select a successor. Thus, the remainder of this memorandum focuses on the process for the Board to appoint a successor to Director Schild.

The steps provided by Government Code section 1780 to fill Board vacancies by appointment are:

1. The District must notify the Sacramento County Registrar of Voters of the vacancy no later than 15 days following either the date on which the District Board is notified of the vacancy or the effective date of the vacancy, whichever is later. Our understanding is that Director Schild passed away on April 16, 2018, and that the District was informed of his passing on the same day. Accordingly, the District has until Monday, May 1, 2018 to notify the Registrar of the vacancy.

2. At a minimum, the District must post a notice of the vacancy in three or more conspicuous places within the District at least 15 days before the appointment of a successor is made. The notice of vacancy may (but is not required to) invite qualified

applicants to apply for the position. In order for Director Schild's successor to be qualified to serve on the Board, he or she must be a voter of the District and have his or her primary residence in Division 2. (Water Code §§ 30500 and 30735.)

3. An appointment to fill the vacancy must be made within a period of 60 days after the date on which the District Board was notified of the vacancy or the effective date of the vacancy, whichever is later. In this case, the 60 day period for appointing a successor expires on Friday, June 15, 2018.

4. The District must notify the Sacramento County Registrar of Voters of the appointment of Director Schild's successor no later than 15 days after the Board makes the appointment.

The person appointed to fill the vacancy holds office until the next general District election that is scheduled 130 or more days after the date the Sacramento County Registrar of Voters is notified of the vacancy, and thereafter until the person elected at that election to fill the vacancy has been qualified. Because the District's next general election is November 6, 2018, it will occur more than 130 days after the deadline to notify the Registrar of the vacancy. As a result, Director Schild's appointed successor will hold office only until shortly after the November 2018 election, when the person who is elected to fill the seat being held by the appointee is qualified. If the appointee would like to continue serving on the Board, then he or she must file for candidacy and be elected to the Division 2 seat in the November 2018 election. In addition, because Director Schild's term ends in 2020, that seat would be up for election again in 2020. If Director Schild's successor elected at the November 6, 2018 election wishes to continue serving, he or she would need to run again in the November 2020 elections although the successful candidate then would be elected "on-cycle" and serve the normal four-year term.

Other than the above requirements, there is no statutory or common law authority that specifies procedures or requirements for the Director appointment process. Based on the applicable legal requirements and our experience with other clients that have filled their board vacancies by appointment, there are two general approaches that have worked well, with the more suitable approach dependent on the Board's preference and discretion.

Under the first approach, the entire Board would collectively discuss and choose the desired qualifications, application requirements and selection process to be used to appoint a successor Director. The full Board then would conduct the selected process collectively. This procedure would be conducted in a completely public process because there are no Brown Act exemptions permitting the entire Board to conduct any part of a director selection process in closed session. The key advantage of this option is that it permits all four remaining Directors to fully participate in selecting their new colleague.

Under the second approach, the Board President would appoint an ad hoc selection committee to choose candidate qualifications based on guidelines set by the Board, review applications and conduct interviews of candidates, and then recommend one or more candidates for final selection by the full Board. The ad hoc committee approach provides more flexibility in scheduling meetings and interviews, and interviews can be conducted in private because committee meetings do not have to be noticed under the Brown Act. Even if an ad hoc committee process is used, however, all meetings and interviews may be held in public if the Board prefers a more transparent process.

As soon as possible after the Board determines the selection criteria and procedures for appointing a successor Director, and as far in advance as possible of the 60-day deadline for appointing a new Director, the District should post the notices of vacancy. The notice should describe the qualifications for office and candidate selection, the Board's chosen application and selection procedures, the deadline for submitting applications to the Board or ad hoc committee, and the date of the meeting at which the Board will make the final selection of the successor Director.

After the Board appoints the successor Director, he or she must file a Form 700 Assuming Office Statement within 30 days of being appointed to the Board. In addition, within 10 days after making the appointment, the District must file an updated Statement of Facts, Roster of Public Agencies form with the Secretary of State's office and the Sacramento County Clerk. (Government Code § 53051.) This form is available at: http://bpd.cdn.sos.ca.gov/sf/forms/np-sf-405.pdf.

LEGAL COUNSEL DRAFT
FOR BOARD REVIEW AND DISCUSSION

NOTICE OF VACANCY

SACRAMENTO SUBURBAN WATER DISTRICT BOARD OF DIRECTORS

Pursuant to Government Code Section 1780, notice is hereby given that a vacancy exists on the Board of Directors of the Sacramento Suburban Water District. The Board of Directors is seeking letters of interest and résumés from qualified members of the public wishing to fill the vacancy left by the passing of Director Neil Schild, who served Division 2. The Board may appoint a successor no earlier than after 15 days from the date of this notice.

Persons interested in applying to fill the vacancy on the Board of Directors must be registered voters whose primary residence is located within Division 2 of the Sacramento Suburban Water District's service area. A map showing the boundaries of Division 2 is available by accessing the District's website at: http://www.sswd.org/about-sswd/board-of-directors/board-of-director-division-map, or by contacting the District using the information below. Qualified persons may submit letters of interest and résumé to the Sacramento Suburban Water District, attention General Manager, by mail or in person at 3701 Marconi Avenue, Suite 100, Sacramento, CA 95821, by no later than ____________, 2018. The remaining four Directors intend to appoint a replacement from among the qualified applications received by the deadline. The new Director's initial term will run until after the November 6, 2018 District election, when all newly elected Directors are sworn into office.

Directors set the policy and budgetary priorities and oversee the operations of the Sacramento Suburban Water District. All Directors are required to attend board meetings on the third Monday of each month beginning at 6:00 p.m., and to fulfill other duties as may be assigned. More information about the District can be found at http://www.sswd.org/.

Dated: _________, 2018

____

Dan York
General Manager & Board Secretary

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Agenda Item: b.

Date: April 17, 2018

Subject: Election of District Officer – Vice President

Staff Contact: Heather Hernandez-Fort, Executive Assistant to the General Manager

Recommended Board Action:
Board President to conduct election for Vice-President of the Board for the remainder of 2018.

Discussion:
Due to the untimely passing of Director Schild, the Board will need to vote on a Vice-President to replace the vacant position.

Below is an excerpt from PL - BOD 002 that outlines the selection of officers and the duties of the President.

Rule 1 – Selection of Officers

The President and Vice-President of the Board will be elected by the members of the Board for a one year term. The election will be held at the first regular meeting in December of each year or at any earlier special meeting called for the purpose of swearing in new members and organizing the Board. (See Water Code section 30520 and Elections Code section 10554.) The remaining provisions of this paragraph will be considered discretionary guidelines for the Board to follow in selecting its President and Vice-President, and will not be binding on the Board. The Board will normally follow a rotation for the election of President and Vice-President under which the Vice President will normally be elected President at the conclusion of the President's one year term. If the membership on the Board of the President is terminated before the expiration of his or her one year term of office, the Vice-President will automatically become the President for the balance of that term.

In the event of a contested election, the following is the recommended procedure for nominating and selecting the Board President or Vice President: (1) the then-presiding President should open nominations and ask if there are there any nominations for the contested office; (2) any Director then may make a nomination -- e.g., "I nominate Director X" -- no second is required for a nomination, although sometimes one or more Directors will second a nomination to indicate endorsement (a Director may nominate himself or herself, but nominations cannot be accepted from members of the public); (3) a Director may decline a nomination; (4) when it appears that no one else wishes to make a nomination, the President should ask if there are additional nominations -- if there is no response, the President then should declare that the nominations for the office are closed and state the names of the nominees (it is unnecessary to have a motion to close the nominations); (5) after nominations have been closed, nominations may be reopened only by a motion, second and majority vote to reopen them; (6) after nominations have been closed and before the vote, the public should be provided an opportunity to comment on the agenda item; (7) the President then should call for votes on the nominees by a roll call vote on each nominee, and each Director should cast his or her yea or nay vote on each nominee, e.g., "For the first nominee for President, Director X, please state your vote by yea or nay;" (8) nominees should be voted on in the order in which they are nominated and the process should continue until there is a majority approval of one of the nominees; and (9) as soon as one of the nominees receives a majority vote, the President should declare that person elected to the office and no vote is taken on any remaining nominees.

The Board will by majority vote appoint a Secretary and Treasurer, who will serve at the pleasure of the Board. (See Water Code sections 30540-30543.)

Rule 2 – Duties of President of Board

The President of the Board of Directors will be its presiding officer. (See Water Code section 30520.) The President's duties will include, but not be limited to, the following: acting as the liaison between the General Manager and the Board, calling special meetings of the Board, presiding over meetings of the Board, establishing and appointing committees of the Board, and appointing representatives of the District to associations of which the District is a member or in which it has a significant interest. The Board will appoint representatives of the District to joint powers authorities of which the District is a member. In the President's absence, the Vice-President of the Board will perform such duties. If both the President and Vice-President are absent from a noticed public meeting, the remaining three Board members will choose one of their number to preside.

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SACRAMENTO SUBURBAN WATER DISTRICT

Agenda Item: c.

Date: April 17, 2018

Subject: Board President to Make Appointments to Fill Director Schild's Committee and Liaison Appointments.

Staff Contact: Heather Hernandez-Fort, Executive Assistant to the General Manager

Recommended Board Action:

Due to the untimely passing of Director Schild, the Board President will appoint replacements to fill Director Schild's Committee and Liaison Assignments.

Discussion:

Per Board Policy PL – BOD 002 "Rules for Proceedings of the Board of Directors," the Board President appoints Directors to various committees. Typically, there is an annual review of committee assignments in December, when, in election years, the newly elected Directors are seated. At the December 2017 and January 2018 regular Board meetings, Board President Locke appointed the Committee and Liaison Assignments for 2018. Unfortunately, due to the untimely passing of Director Schild, the Board President will need to appoint replacements to fill the now vacant positions.

Included with this report is the most recent list of the 2018 Committee and Liaison Assignments indicating the vacant positions. (Exhibit 1).

Note that some assignments are necessary to establish the District's voting representation with outside entities, while others are to assign liaison interests for the purpose of establishing compensable attendance per District Policy PL – BOD 003 "Directors' Compensation and Expense Reimbursement Policy."

Fiscal Impact:

No change from the 2018 adopted budget.

Strategic Plan Alignment:

Leadership – 5.B. Engage in a role with professional water industry groups to provide proficiency in technical and policy matters.

Representation at meetings can forward the District's position and increase knowledge of other professional groups' activities.

Sacramento Suburban Water District
2018 Committee and Liaison Assignments

Committees (date of last appointment)

Facilities and Operations Committee (01/22/18) .... Dave Jones, Chair
(Standing: no regularly assigned meeting time) .... Bob Wichert
.... Staff Contact: Dan York

Finance and Audit Committee (01/22/18) .... VACANT, Chair
(Standing: no regularly assigned meeting time) .... Kevin Thomas
.... Staff Contact: Dan Bills

Liaison Assignments (date of last appointment)

ACWA/JPIA (01/22/18) .... Director Position: VACANT
.... Staff Position: Dan York

ACWA General Election Voting Delegate (01/22/18) .... VACANT

ACWA Groundwater Committee (01/22/18)... Dave Jones
.... VACANT
.... Kevin Thomas
.... Craig Locke
.... Dan York
.... Robert Roscoe

ACWA Water Quality Committee (01/22/18) .... Bob Wichert
.... Dave Jones

ACWA Energy Committee (01/22/18) .... Kevin Thomas

ACWA Communications Committee (01/22/18) .... Kevin Thomas

ACWA Legal Affairs Committee (01/22/18) .... Ryan Bezerra

California Special Districts Association (01/22/18) .... Kevin Thomas
.... Dave Jones

CSDA Transparency and Formation Expert Feedback Teams (01/22/18) ..... Kevin Thomas

CSDA Fiscal and Education Committees (01/22/18) .... Dave Jones

LAFCo Special District Advisory Committee (01/22/18) .... None

Regional Water Authority (01/22/18).. Bob Wichert
.... Dan York

Regional Water Authority Executive Committee (01/22/18) .... Staff Rep: Dan York

Sacramento Groundwater Authority (01/22/18) .... VACANT, Board Rep.
.... Dan York, Staff Rep.
.... Kevin Thomas, Alternate
.... Bob Wichert, Alternate
.... Craig Locke, Alternate
.... Dave Jones, Alternate

Sacramento Water Forum Successor Effort (01/22/18) .... Staff Rep: Dan York
.... Kevin Thomas
.... Craig Locke, Alternate
.... VACANT, Alternate
.... Bob Wichert, Alternate
.... Dave Jones, Alternate

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ITEM 1

Minutes

Sacramento Suburban Water District
Regular Board Meeting
Monday, March 19, 2018

Call to Order
President Locke called the meeting to order at 6:00 p.m.

Pledge of Allegiance
President Locke led the Pledge of Allegiance.

Roll Call

Directors Present:	Dave Jones, Craig Locke, Neil Schild, Kevin Thomas and Robert Wichert.
Directors Absent:	None.
Staff Present:	General Manager Dan York, Finance Director Dan Bills, Heather Hernandez-Fort, Robert Roscoe, Dana Dean, Matt Underwood, Jim Arenz, David Morrow, David Armand and David Espinoza.
Public Present:	William Eubanks, Avery Wiseman, Ted Costa, Ken Miller, Rosario Kapeller, Spenser Short, Robert Porr, Doug Brown and Ryan Bezerra.

Announcements
General Manager Dan York (GM York) announced:

- A reminder that the 2018 ACWA Spring Conference deadline was approaching;
- The PowerPoint presentation for Item 3, printed and available to all;
- Condolences to Dan Bills (Mr. Bills) for the passing of his mother.

Public Comment
None.

Consent Items

1. **Minutes of the February 26, 2018 Regular Board Meeting**

2. **Resolution No. 18-03 Amending Regulations Nos. 1, 7 and 9 of the Regulations Governing Water Service**

   Director Wichert moved to approve the Consent Items; Director Schild seconded. The motion passed by unanimous vote.

AYES:	Jones, Thomas, Locke, Schild and Wichert.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:			

Items for Discussion and/or Action

3. **Resolution No. 18-04 Authorizing the Issuance of Not to Exceed $22,000,000 Refunding Revenue Bonds and Approving the Execution and Delivery of Certain Documents in Connection Therewith and Certain Other Matters**
Mr. Bills presented the staff report.

Mr. Bills introduced Robert Porr, Senior Vice President of Feldman, Rollap and Associates, who presented the PowerPoint presentation.

Director Wichert moved the staff recommendation; Director Jones seconded. The motion passed by unanimous vote.

AYES:	Jones, Thomas, Locke, Schild and Wichert.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:			

4. **Review of Debt Obligation Continuing Disclosure Policy (PL – Fin 013)**
Mr. Bills presented the staff report.

Doug Brown, with Stradling, Yocca, Carlson & Rauth, presented the Power Point presentation.

5. **2018 Water Transfer Program**
GM York presented the staff report. He noted that staff planned on bringing the Item with further detail as part of the water rate analysis to the Finance and Audit Committee (F&A Committee) meeting.

Director Schild expressed the he wasn't convinced that the water transfers made as much of a profit as anticipated based on all of the costs that the District incurs.

Director Wichert inquired about a more thorough accounting for the overall cost of providing water to the District's rate payers.

GM York expressed that staff was planning on providing those figures at the upcoming F&A Committee meeting.

President Locke expressed that any money from a water transfer would just be additional money that could be used towards other expenses such as CIP or Debt Service. He expressed that he was worried that by the time staff did an analysis on an overall cost of a water transfer, that the opportunity to do a water transfer would pass.

Director Wichert noted that the District paid surface water rates to bank the groundwater, and inquired about how much it cost the District for the in-lieu banking of the groundwater. He wanted to know how much that was worth on an acre foot basis.

GM York expressed that staff would get that figure.

President Locke expressed that all of those costs were already incorporated in the overall budget, and that those figures were not germane to a water transfer. He expressed that the water that the District already sold covered the fixed cost. He further noted that this Item was an opportunity to make more money for the District and even get the water back in surface water.

Mr. Bills expressed that the pricing decision is based on the marginal cost of water, that is, what the next acre foot costs the District to produce.

Director Schild expressed that a transfer was still deteriorating the system.

Director Schild expressed that he was working with GM York on the water transfers for a while and that he believed that GM York had laid some good groundwork. He further noted that staff just needed to use some good discretion. He suggested not to go less than $300 per acre foot.

Director Wichert noted that he would not vote for any transfers to Southern California. He clarified that he was opposed to any water transfer below the Tehachapi's, but that he was flexible otherwise.

Director Thomas moved the staff recommendation.

Director Jones expressed that the District should maximize how much we could get. He further expressed that he agreed with Director Wichert to not sell south of the Tehachapi's, but that he didn't mind anything north of that. He additionally stated that $250 sounded too low and that he would be comfortable with $300 or above.

Director Jones offered an amendment to Director Thomas's motion, to exclude any transfers south of the Tehachapi's.

Director Schild expressed that if you remove anything south of the Tehachapi's, then you take out about 80% of the market.

Director Thomas expressed that he was ok with Director Jones' suggested amendment.

GM York expressed that the motion would take the District out of the regional effort noted in the staff report.

Director Thomas rejected the amendment.

Director Thomas moved the staff recommendation as it was presented, Director Locke seconded. The motion failed by a 2/3 vote.

AYES:	Thomas and Locke.	ABSTAINED:	
NOES:	Jones, Schild and Wichert.	RECUSED:	
ABSENT:			

Director Jones moved to accept the staff recommendation except to not do any water transfers south of the Tehachapi's; Director Wichert seconded. The motion passed by a 3/2 vote.

AYES:	Jones, Schild and Wichert.	ABSTAINED:	
NOES:	Thomas and Locke.	RECUSED:	
ABSENT:			

6. **Status of the San Juan Water District Merger Discussion**
GM York presented the staff report.

Robert Roscoe (Mr. Roscoe) further presented the staff report.

Director Schild suggested that staff request a signed document from the wholesale entities that noting that they support the merger discussions.

GM York reviewed the three options with the Board.

President Locke noted that he was in favor of option 2, appoint Directors to a 2x2 Committee and reinitiate merger discussions with San Juan Water District (SJWD.)

Director Wichert noted that nothing had changed since the last discussion with SJWD.

Director Jones suggested continuing to move forward to complete the Phase 2B process to have all of the questions answered.

Director Wichert expressed that he was opposed to a 2x2 Committee noting that he believed that it disenfranchised the rest of the Board.

Director Jones further expressed that he was interested in completing the Phase 2B, noting that he was interested in forming a 2x2 Committee.

Director Wichert expressed that he wanted to be sure that this was not a political movement rather than what was best for the District as a business decision.

Discussion ensued regarding the scope if a committee was to be assigned.

Director Thomas moved to approve option 2, to appoint Directors to a 2x2 Committee where the Committee would decide whether to meet with staff or SJWD first; Director Jones seconded.

GM York suggested to have the 2x2 Committee first meet with the General Manager for an overall discussion and then bring back to the full Board what was discussed at a future Board meeting.

Director Thomas accepted the amendment.

AYES:	Jones, Thomas and Locke.	ABSTAINED:	
NOES:	Schild and Wichert.	RECUSED:	
ABSENT:			

President Locke appointed himself and Director Jones to be on the 2x2 Committee.

7. **Directors Out of State Travel Request**
GM York presented the staff report.

Director Wichert moved to approve the staff recommendation; Director Jones seconded. The motion passed by a 4/1 vote.

AYES:	Jones, Thomas, Locke and Wichert.	ABSTAINED:	
NOES:	Schild.	RECUSED:	
ABSENT:			

8. **California Special Districts Association Call for Nominations for Seat A**
GM York presented the staff report.

No action was taken by the Board.

9. **Resolution No. 18-05 Authorizing Application for Funding Assistance through the Bay-Delta Restoration Program: CalFed Water Use Efficiency Grant Program**
Dana Dean (Mr. Dean) presented the staff report.

Director Wichert moved to approve the staff recommendation; Director Jones seconded. The motion passed by a unanimous vote.

AYES:	Jones, Thomas, Locke, Schild and Wichert.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:			

Department/Staff Reports

10. **General Manager's Report**
GM York presented the staff report.

   a. *McClellan Business Park Successor Agreement Update*
   A written report was provided.

   b. *Assistant General Manager Recruitment*
   A written report was provided.

   c. *Antelope Transmission Pipeline Update*
   A written report was provided.

d. Long Term Warren Act Contract Update
A written report was provided.

11. **Financial Report**
A written report was provided.

a. DRAFT - Financial Statements – February 2018
A written report was provided.

b. Cash Expenditures – February 2018
A written report was provided.

c. Credit Card Expenditures – February 2018
A written report was provided.

d. DRAFT - District Reserve Balances – February 2018
A written report was provided.

e. DRAFT - Information Required by Bond Agreement
A written report was provided.

12. **District Activity Report**
A written report was provided.

a. Water Operations and Exceptions Report
A written report was provided.

b. Water Quality Report
A written report was provided.

David Armand provided an update to the report on 123 TCP.

GM York expressed that staff would report on any updates.

c. Water Conservation and Regional Water Efficiency Program Report
A written report was provided.

d. Customer Service Report
A written report was provided.

e. Community Outreach Report
A written report was provided.

13. **Engineering Report**
A written report was provided.

a. Major Capital Improvement Projects
A written report was provided.

b. Other
A written report was provided.

Director's Reports (Per AB 1234, Directors will report on their meeting activities)

14. a. Regional Water Authority (Director Wichert)
The agenda from the March 8, 2018 Meeting was provided.

Director Thomas provided an oral report of the meeting.

Regional Water Authority Executive Committee (General Manager York)
No report.

b. Sacramento Groundwater Authority (Director Schild)
No report.

c. Water Caucus Meeting (General Manager York)
No report.

d. Water Forum Successor Effort (General Manager York)
No report.

e. Other Reports

Director Schild provided an oral report on the ACWA Groundwater Committee Meeting that he attended on February 21, 2018.

President Locke provided an oral report on the ACWA Fall Conference that he attended November 27 – December 1, 2017.

Director Jones provided an oral report on the meeting he had with the General Manager on February 7, 2018; and the SGA meeting that he attended on February 8, 2018.

Director Thomas provided oral reports on the State Water Resource Control Board meeting that he attended on February 20, 2018; the meeting he had with the Finance Director on March 6, 2018; and the meeting he had with the General Manager on March 14, 2018.

Committee Reports

15. a. Facilities and Operations Committee (Director Jones)
The draft Minutes from the March 6, 2018 Meeting were provided.

Director Jones provided an oral report on the meeting.

b. Finance and Audit Committee (Director Schild)
None.

Information Items

16. **Legislative and Regulatory Update**
Ryan Bezerra (Mr. Bezerra) with Bartkiewicz, Kronick and Shanahan provided an update to the report.

17. **Upcoming Water Industry Events**
A written report was provided.

18. **Upcoming Policy Review**
A written report was provided.

a. Disposing of Surplus District Real Property, Vehicles and Large Equipment and Other Personal Property Policy (PL – Adm 003)
A written report was provided, Director comments are due by April 2, 2018.

Miscellaneous Correspondence and General Information

19. **Correspondence received by the District**
None.

Director's Comments/Staff Statements and Requests
None.

Closed Session (Closed Session Items are not opened to the public)
The Board convened in Closed Session at 7:25 p.m. to discuss the following:

20. Conference with legal counsel – potential litigation; Government Code sections 54954.5(c) and 54956.9(a) and (d)(4); consideration of initiating litigation involving the State Water Resources Control Board's proceedings related to the California Water Fix and the Bay-Delta Water Quality Control Plan Update.

Return to Open Session
The Board convened in open session at 7:27 p.m. There was no reportable action.

Adjournment
President Locke adjourned the meeting at 7:47 p.m.

Dan York
General Manager/Secretary
Sacramento Suburban Water District

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SACRAMENTO SUBURBAN WATER DISTRICT

Agenda Item: 2

Date: April 9, 2018

Subject: Resolution No. 18-06 Calling for the November 6, 2018 District Election

Staff Contact: Dan York, General Manager

Recommended Board Action:
It is recommended that the Board of Directors approve the following actions:

1. Adopt Resolution No. 18-06 Calling the November 6, 2018 District Election, Requesting Consolidation of Elections and Designating Payment for Publication of Statements of Qualifications.

2. Authorize the General Manager/Secretary to prepare, execute and submit the necessary documents to the County of Sacramento, Office of Voter Registration and Elections to call for the election of Directors for Divisions 3, 4 and 5 at the November 6, 2018 general election, including the Notice of District Election and Publication of Notice of Election.

3. Authorize payment of invoices for fees required by the Sacramento County Office of Voter Registration and Elections for the District's share of costs for the elections held in 2018.

Discussion:
Sacramento Suburban Water District elects Directors by Division in even numbered years. In 2018, Division 3 (Robert Wichert), Division 4 (Kevin M. Thomas) and Division 5 (Craig Locke) are scheduled for election.

To place items on the November 6, 2018 ballot, the District must take several actions to meet requirements of the County of Sacramento, Office of Voter Registration and Elections. Four items must be returned to the Office of Voter Registration and Elections by the County's administrative deadline of June 6, 2016. Those items include:

- Resolution Calling General District Election
- Notice of District Election
- Publication of Notice of Election
- Certification of Maps and Boundaries

The Notice of Election must provide information on the date of the election, offices for which candidates may file, qualifications required for the candidates, and, in an effort to reduce costs to the District while still meeting requirements of election code, the statement that the election notice will be published combining information with other districts scheduled for the November 6, 2018 election into one notice. The District must pay the costs of its share of the election in accordance with the fee schedule provided by the office of the Sacramento County Voter Registration and Elections.

The Elections Code further requires that at a current map and boundary description must be delivered to the Office of Voter Registration and Elections by June 6, 2018. An updated District map was submitted to the County after the Board adopted Resolution No. 11-13, Reapportioning Divisions for the Election of Directors After the 2010 Federal Census. The Board has made no changes to the Division Boundaries since then, so the same Division Maps will be used.

Legal Counsel reviewed the resolution and forms included in this report.

Fiscal Impact:

While final costs will not be known until a bill is submitted to the District after the November 2018 election, the District has budgeted for expected costs for the election of three directors in 2018 in the amount of $56,000.

Strategic Plan Alignment:

Customer Service – 3.A. Operate in an open manner including public information to the Board of Directors.

Elections provide District customers an opportunity to become directly involved in SSWD, exercise the democratic process, and voice an opinion on their elected representative on the District's Board of Directors.

Voter Registration and Elections Department
Jill LaVine, Registrar of Voters

Exhibit 1

Divisions
Campaign Services
Outreach
Precincts
Registration
Vote By Mail
Voting Systems and Technology

County of Sacramento

February 20, 2018

Dan York, General Manager
Sacramento Suburban Water District
3701 Marconi Ave, Suite 100
Sacramento, CA 95821

Dear Dan York:

Preparations are currently in progress for the November 6, 2018 General Election. Several items will need to be acted upon by your district board in conjunction with the required "election resolution". Please provide in writing the information outlined below.

1. **RESOLUTION CALLING THE ELECTION**

The district election will be held on the same date as the November 6, 2018 General Election. Pursuant to Elections Code §10403, you are required to file a resolution requesting consolidation and setting forth the exact form of any question(s) or office(s) to be voted upon at such election. The resolution requesting the consolidation shall be adopted and filed at the same time as the adoption of the ordinance, resolution, or order calling the election. *Please include in the resolution, in case of a tie vote, the method for determining the winner, and who is responsible for determining winner.*

A. **Elective offices**

Date and purpose of the election.

If a vacancy occurs between the date of your resolution and the beginning of the nomination period, please notify our office immediately.

B. **Candidate's Statement — number of words**

The district board must determine whether to limit candidate statements of qualifications to 200 words or authorize an extension to 400 words (We recommend 200 words). (Reference: Elections Code §13307(a))

C. **Candidate's Statement costs**

The district board must determine whether the individual candidate(s) or the district will pay for the publication of the voluntary candidates' statements included in the County Voter Information Guide. Whether the Candidate or the district pays the cost of the candidate's statement, the candidate statement payment is required at the Voter Registration and Elections office at the time the candidate(s) files their nomination documents, and a statement to this effect must be included in the resolution.

2. **NOTICE OF DISTRICT ELECTION AND PUBLICATION OF ELECTION NOTICE**

Elections Code §12112 requires that we publish a notice of election that contains the date of the election, the offices for which candidates may file, qualifications required by your principal act, and other information. In an effort to reduce costs to the district(s) while still meeting requirements of code, we will publish one election notice, combining information on all districts scheduled for election on November 6, 2018.

3. **REIMBURSEMENT OF COSTS**

The Board of Supervisors has adopted an ordinance establishing a schedule of fees and charges for the administration of elections by Sacramento County Voter Registration and Elections. **Please refer to the current fee schedule to calculate your cost.**

A bill will be submitted to your district after the November 6, 2018 election certification.

4. **CERTIFICATION OF MAPS AND BOUNDARIES**

Please provide a current map and boundary description to the Registrar of Voters. **Our recommended deadline is June 6, 2018** for the November 6, 2018 Election.

In addition, jurisdictions that elect by area or division must have their new area or division legal boundary descriptions and maps in our office by June 6, 2018.

Any pending annexation will need to be completed prior to this date and be reflected on the map you provide or certify. This certification may be done by letter or by completion of a certification form in this office. Please contact our mapping department at (916) 875-6248 if you have any questions in this regard.

5. **OTHER**

If your district is contemplating placing a measure on the November 6, 2018 General Election ballot, please coordinate this with our office at the earliest date possible. The recommended deadline for a district measure to be consolidated with the November election is July 30, 2018. If this deadline cannot be met, contact this office immediately. It is important for your district and our office to coordinate the details of what and how items need to be submitted to us.

If any resolutions necessitate special requirements that the Elections Office needs to fulfill, such requirements need to be listed in the resolution.

6. **RETURN TO VOTER REGISTRATION AND ELECTIONS**

►Your Resolution	►Publication of Notice of Election Form
►Notice of Election	►Certification of maps and boundaries

Enclosed is a sample resolution which may be of assistance to you in providing the required information. The deadline for submission of the resolution requesting consolidation with the November 6, 2018 General Election is July 5, 2018* (Start date falls on a weekend or holiday. The date listed is the next business day).

The nomination period for the November 6, 2018 election is July 16, 2018 through August 10, 2018. A Candidate's Guide for the election is being prepared and will be provided to all candidates at the time they obtain their nomination papers.

If you have any questions regarding the election, or require additional information or clarification of the above, please call my staff at (916) 875-6276.

Very truly yours,

Karen Startup

Karen Startup
Campaign Services Manager
Enclosure

RESOLUTION NO. 18-06

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SACRAMENTO SUBURBAN WATER DISTRICT CALLING THE NOVEMBER 6, 2018 DISTRICT ELECTION, REQUESTING CONSOLIDATION OF ELECTIONS AND DESIGNATING PAYMENT FOR PUBLICATION OF STATEMENTS OF QUALIFICATIONS

WHEREAS, a statewide general election will be held within the County of Sacramento on Tuesday, November 6, 2018;

WHEREAS, it is the District's policy to hold its elections for Directors on the same date as the statewide general election on the first Tuesday after the first Monday in November in even numbered years in order to promote interest in the election and to reduce costs for ratepayers;

WHEREAS, an election is required to be held within the Sacramento Suburban Water District on November 6, 2018 for the purpose of electing members of the Board of Directions by and from Divisions 3, 4 and 5, which will affect Sacramento County;

WHEREAS, the Board of Directors adopted a description of the boundaries of and map designating the District's voting divisions on June 20, 2011 ("Map"), a copy of which Map was certified and delivered to the Sacramento County Board of Supervisors and Registrar of Voters;

WHEREAS, it is the District's policy to require candidates for seats on the Board of Directors to pay for the cost of publishing their statements of qualifications; and

WHEREAS, Elections Code section 10403 requires the District to file with the Board of Supervisors, with a copy to the Registrar of Voters, a resolution requesting consolidation with a statewide election if such consolidation is desired.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of Sacramento Suburban Water District as follows:

1. In accordance with Elections Code section 10403, the District requests that the Board of Supervisors of Sacramento County consolidate the regularly scheduled general district election with the statewide election to be held on November 6, 2018.

2. The Board hereby re-certifies the Map, which is on file with the Registrar of Voters, and confirms that there have not been any changes in the boundaries of the District's electoral divisions since the Map was certified and filed with the Registrar;

3. In accordance with Water Code sections 30733 and 30735 and section 1, subdivision (h)(3) of Resolution No. LAFC 1237, the Board (a) determines that a candidate for

election to the Board of Directors of the District will be a resident of the division from which he or she is elected, and will be elected by the voters alone of that division, and (b) authorizes and directs the General Manager to hold an election in Divisions 3 and 4 and 5, as such divisions are shown on the Map, at the November 6, 2018 general district election.

4. Each candidate for the office of Director in Divisions 3, 4 and 5 will pay his or her pro rata share of the costs of publication of that candidate's statement as required under Elections Code section 13307 and as determined by the County Registrar of Voters. The limitation on the number of words that each candidate may use in his or her candidate's statement is 200 words. Each candidate will prepay the costs of his or her candidate's statement to the Registrar of Voters at her office at the time the candidate files his or her nomination papers.

5. In accordance with Elections Code sections 1303, 10509 and 10522 and the Sacramento County Registrar of Voters' administrative regulations, the District Board authorizes and directs the Secretary to execute and seal this resolution, and to deliver the signed and sealed resolution to the Sacramento County Registrar of Voters, who will submit this Resolution to the Sacramento County Board of Supervisors on behalf of the District, as required by law, by no later than July 5, 2018.

6. The District agrees to reimburse the Registrar of Voters for actual costs incurred to conduct the District election, such costs to be calculated by the method set forth in the County's current Election Cost Allocation Procedures, and billed to and paid by the District after the November 6, 2018 general election.

7. In accordance with the Sacramento County Registrar of Voters' administrative guidelines, the District hereby certifies that it will use the following method of selecting a winning candidate for Director in Division 3, 4 and 5 in case of a tie vote at the November 6, 2018 general District election:

   Upon notification of a tie by the Registrar of Voters, the District Secretary will notify the candidates who have received the tie votes and order those candidates or their designated representatives to appear before the Board of Directors for a determination of the winner at the time and place designated by the Board. At the designated time and place, the Board will determine the tie by a drawing of lots conducted by the Board President or his or her designee, and the winner of the drawing shall be declared the winner by the Board. (Elections Code Section 10551, subd. (b).)

PASSED AND ADOPTED by the Board of Directors of Sacramento Suburban Water District at a meeting on the 23rd day of April, 2018 by the following vote:

AYES:
NOES:
ABSENT:

By: ______________________________
Craig Locke
President, Board of Directors
Sacramento Suburban Water District

****

I hereby certify that the foregoing resolution was duly and regularly adopted and passed by the Board of Directors of Sacramento Suburban Water District at a Special meeting hereof held on the 23rd day of April, 2018.

By: ______________________________

(SEAL)

Dan York
General Manager/Secretary
Sacramento Suburban Water District

NOTICE OF DISTRICT ELECTION

Sacramento Suburban Water District

Notice is hereby given that a General District Election will be held November 6, 2018 in this district. The offices for which candidates may declare their candidacy are:

Director, three positions, representing Divisions 3, 4 and 5.

Qualifications: Each candidate must meet the following qualifications for office as specified in the principal act under which the District is organized (Water Code sections 30000 et seq.):

Each candidate must reside in and be a registered voter of the Division by and from which he or she would be elected both while a candidate and if elected, while he or she remains in office.

(Elections Code section 359; Water Code sections 30021 and 30735.)

Official declarations of candidacy for eligible candidates desiring to file for any of the above elective offices may be obtained from the office of the Registrar of Voters at 7000 65th Street, Suite A, Sacramento, CA 95823-2315, on and after July 16, 2018 and must be filed not later than 5:00 p.m. on August 10, 2018. However, if a declaration of candidacy for an incumbent is not filed by the latter date and hour, any person other than the incumbent shall have until 5:00 p.m. on August 10, 2018, to file a declaration of candidacy for such office.

Appointment to each elective office will be made by the supervising authority as prescribed by Elections Code §10515 in the event there are no candidates or an insufficient number of candidates for such office and a petition for an election is not filed within the time prescribed by Elections Code §10515; that is, by 5:00 p.m. on August 10, 2018.

Dated this 23rd day of April, 2018.

(District Seal)

Dan York
District Secretary

PUBLICATION OF NOTICE OF ELECTION

Elections Code §12112 requires the publication of a "Notice of Election." The notice shall contain the date of the general district election, name the offices for which candidates may file, and state the qualifications required by the principal act for each office, as well as other pertinent information.

Sacramento Suburban Water District

Recommends the following (check one only):

[X] The Registrar of Voters publish a combined election notice with other districts

or

[ ] A separate/individual district notice.

If a separate/individual district notice is requested, the district requesting is responsible for publication in a newspaper that circulates district-wide.

Dated: April 23, 2018

Dan York
District Secretary

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SACRAMENTO SUBURBAN WATER DISTRICT

Agenda Item: 3

Date: April 5, 2018

Subject: Resolution No. 18-07 Honoring Robert S. Roscoe, P.E., on His Upcoming Retirement

Staff Contact: Dan York, General Manager

Recommended Board Action:

Adopt Resolution No. 18-07 Honoring Robert S. Roscoe, P.E., on His Upcoming Retirement.

Discussion:

Robert S. Roscoe, P.E., has been a respected, admired and valued General Manager of the Sacramento Suburban Water District for over 15 years, having been hired on March 10, 2003, following the merger of the predecessor Arcade and Northridge Water Districts. His last day of work as the General Manager for the District was on December 31, 2017. He has continued to provide valuable support to the new General Manager as a Special Advisor since January 1, 2018. Effective May 1, 2018, he will continue to provide support at the specific request of the General Manager pending his upcoming retirement by or before January 30, 2019. The resolution commemorates his service. Staff has prepared a ceremonial, framed version of the resolution for presentation to Mr. Roscoe at the retirement event to be held in his honor on May 4, 2018.

Fiscal Impact:

Negligible.

Strategic Plan Alignment:

Customer Service – 3.B. Attract and retain a well-qualified staff with competitive compensation, effective training, and professional development to ensure safe, efficient and effective job performance.

This resolution benefits District customers in that it recognizes the General Manager's dedication to making the District a more efficient organization with superior customer service and increased water supply reliability.

Resolution No. 18-07
A Resolution Honoring
Robert S. Roscoe, P.E.,
On His Retirement

Whereas, Robert "Rob" S. Roscoe, P.E., completed over 15 years of service with the Sacramento Suburban Water District, having been hired as General Manager on March 10, 2003; and

Whereas, Rob's dedication to public service and expertise in utility management made the Sacramento Suburban Water District a more efficient organization with improved customer service and increased water supply reliability; and

Whereas, Rob's focus on long-term sustainability, asset management, conjunctive use of water supplies and District finances positioned the District well for the future; and

Whereas, Rob earned the admiration and respect of his fellow employees, District management staff, the Board of Directors and the public for his dedication, collegiality, enthusiasm, hard work and consummate professionalism; and

Whereas, Rob can now travel with his family and friends, plan hiking and camping adventures, visit brewpubs and wineries, and spend countless hours mentoring his grandsons toward a career in Civil Engineering.

Now therefore, be it resolved by the Board of Directors of the Sacramento Suburban Water District that:

The Board of Directors expresses its deep and sincere appreciation to Robert S. Roscoe, P.E., for his years of dedicated public service to the District.

The Board of Directors wishes Rob all the best for a healthy, happy and productive future.

PASSED AND ADOPTED by the Board of Directors of the Sacramento Suburban Water District on this 23rd day of April 2018.

AYES:
NOES:
ABSENT:

By: ______________________________
Craig M. Locke
President, Board of Directors
Sacramento Suburban Water District

By: ______________________________
Daniel R. York
General Manager/Secretary
Sacramento Suburban Water District

(SEAL)

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SACRAMENTO SUBURBAN WATER DISTRICT

Agenda Item: 4

Date: April 13, 2018

Subject: Surplus Vehicles #02, #11, #14, #47, and #48

Staff Contact: Matt Underwood, Operations Manager

Recommended Action:
Approve the following vehicles as surplus at the listed Kelley Blue Book Private Party Value and dispose of in accordance with the Disposing of Surplus District Real Property, Vehicles and Large Equipment and Other Property Policy (PL – Adm 003):

- Truck #02 (1999 Ford F-550 Dump Truck) - $7,000
- Truck #11 (2001 Toyota Tacoma) - $6,000
- Truck #14 (2005 Ford F-250 Utility Truck) - $11,000
- Truck #47 (2006 Ford F-250 Utility Truck) - $12,000
- Truck #48 (2006 Ford F-250 Utility Truck) - $12,000

Discussion:
The District has adopted a Disposing of Surplus District Real Property, Vehicles and Large Equipment and Other Personal Property Policy, PL Adm 003, last revised on April 18, 2016. In this policy, it defines the guidelines for disposing of District real property, vehicles and large equipment and other personal property. Timely replacement of vehicles is important because it may affect emergency response, customer service, safety, reliability, and operating costs. The District's policy on disposing of vehicles and large equipment states that if the dollar amount is less than $4,000.00, the General Manager has the authority to approve the sale/disposal of such items. Vehicles and large equipment with an estimated value greater than $4,000 will be sold as surplus following authorization by the Board of Directors at a public meeting.

In order to achieve the maximum return of investment in the District's motor vehicle fleet, staff developed a method to allow the District to look into the future to project actual fleet costs throughout the life of the vehicles. The method staff developed was a Vehicle Point System (see Exhibit 1), which is a process that utilizes age/depreciation, maintenance and repairs, miles, type of service (what the vehicle is being utilized for on a daily basis), reliability, and condition of vehicle.

To accurately obtain the value of surplus vehicles, staff utilizes the Kelley Blue Book (KBB) Private Party Value. This resource informs staff about the current market value of a vehicle when a buyer is purchasing a used vehicle from a private party, such as the District. Per KBB, the following descriptions of vehicle condition are used when selecting the value:

- Good Condition – This means that the vehicle is free of any major defects. This vehicle has a clean title history. The paint, body and interior have only minor (if any) blemishes, and there are no major mechanical problems. There should be little or no rust on this vehicle. The tires match and have substantial tread wear remaining. A "good" vehicle will need some reconditioning to be sold at retail. Most consumer owned vehicles fall into this category.

- Fair Condition – This means that the vehicle has some mechanical or cosmetic defects and needs servicing, but is still in reasonable running condition. This vehicle has a clean title history. The paint, body and/or interior need work performed by a professional. The tires may need to be replaced. There may be some repairable rust damage.

- Poor Condition – This means that the vehicle has severe mechanical and/or cosmetic defects and is in poor running condition. The repairs will most likely exceed the value of the vehicle. The vehicle may have problems that cannot be readily fixed such as a damaged frame or a rusted-through body. Kelley Blue Book does not provide values for vehicles that fall into this criterion.

The following vehicles were approved for replacement in the CY2018 Budget:

Truck #02
A 1999 Ford F-550 Diesel Dump Truck, with approximately 75,181 miles on the odometer. Based on the District's Vehicle Point System, this vehicle rated Condition 4, at 38.96 points; Condition 4 indicates that this vehicle needs to be replaced. KBB condition is Fair. This truck is equipped with a 3-4 yard dump bed. Truck #02 will be replaced with the same size vehicle. The replacement has been ordered and is awaiting delivery.

Truck #11
A 2001 Toyota Tacoma, with approximately 114,121 miles on the odometer. Based on the District's Vehicle Point System, this vehicle rated Condition 4, at 37.54 points; Condition 4 indicates that this vehicle needs to be replaced. KBB condition is Fair. The vehicle was utilized by the Distribution Superintendent on a daily basis. Truck #11 will be replaced with the same type of vehicle. The replacement has been ordered and is awaiting delivery.

Truck #14
A 2005 Ford F-250, with approximately 101,394 miles on the odometer. Based on the District's Vehicle Point System, this vehicle rated Condition 3, at 33.04 points; Condition 3 qualified this vehicle for replacement. KBB condition is Fair. The vehicle was utilized by the Field Operations (Meter) Department on a daily basis. Truck #14 will be replaced with the same size/type vehicle. The replacement has been ordered and is awaiting delivery.

Truck #47
A 2006 Ford F-250, with approximately 109,367 miles on the odometer. Based on the District's Vehicle Point System, this vehicle rated Condition 3, at 34.19 points; Condition 3 qualified this

vehicle for replacement. KBB condition is Fair. The vehicle was utilized by the Field Operations (Meter) Department on a daily basis. Truck #47 will be replaced with the same size/type vehicle. The replacement has been ordered and is awaiting delivery.

Truck #48
A 2006 Ford F-250, with approximately 115,659 miles on the odometer. Based on the District's Vehicle Point System, this vehicle rated Condition 3, at 34.82 points; Condition 3 qualified this vehicle for replacement. KBB condition is Fair. The vehicle was utilized by the Field Operations (Meter) Department on a daily basis. Truck #48 will be replaced with the same size/type vehicle. The replacement has been ordered and is awaiting delivery.

If Board approval to surplus these vehicles is received, Trucks #02, #11, #14, #47 and #48 will be sold by public auction once the new vehicles are placed into service.

Fiscal Impact:
The estimated revenue from the sale of these vehicles at auction is unknown at this time. All proceeds from the sale of these vehicles will be placed in the general ledger.

Strategic Plan Alignment:
Facilities and Operations – 2.D. Implement protective, preventive and predictive maintenance programs on all District assets to extend their life and reduce service interruptions.

Replacing vehicles/equipment in a timely manner improves fleet management and promotes a more efficient and economical vehicle support function.

Exhibit 1
Vehicle Point System

Factor	Points
Age	One point for each year of chronological age, based on in-service date.
Miles/Hours	One point for each 10,000 miles for gas vehicles/One point each 20,000 miles for diesel vehicles.
Type of Service	1 to 5 points are assigned based on the type of service that vehicle receives: 1= Administration/Pool Vehicle 2= Supervisory 3=Foremen, Inspectors, USA, Facilities Fleet Spec, On-Call, Conservation 4= Production, Field Services, Distribution, Dump Trucks 5= Distribution (pulling trailers)
Reliability	1 to 5 points are assigned based on the following factors: 1 = Vehicle with a low frequency of reported problems and the cost to repair those problems is low 2 = Vehicle with a low frequency of reported problems but the cost to repair those problems is high 3 = Vehicle has had a moderate frequency of reported problems and the cost to repair those problems is low 4 = Vehicle has had a high frequency of reported problems regardless of repair costs 5 = Vehicle has had a high frequency of reported problems and the cost to repair those problems is high
Maintenance Costs	1 to 5 points are assigned based on total life maintenance costs. A 5 is assigned to a vehicle with life maintenace costs equal or greater to the vehicle's original purchase price, while a 1 is given to a vehicle with life mainenance costs equal to 20% or less of its original purchase cost: 1=20%, 2=40%, 3=60%, 4=80%, 5=100%
Repair Costs	1 to 5 points are assigned based on total life repair costs (not including repair of accident damage). A 5 is assigned to a vehicle with life repair costs equal or greater to the vehicle's original purchase price, while a 1 is given to a vehicle with life repair costs equal to 20% or less of its original purchase cost: 1=20%, 2=40%, 3=60%, 4=80%, 5=100%
Condition	This category takes into consideration body condition, rust, interior condition, accident history, anticipated repairs, etc. A scale of 1 to 5 points is used with 5 being poor condition.

Under 23 points	Condition 1	Excellent
23 to 29 points	Condition 2	Good
30 to 34 points	Condition 3	Qualifies for replacement
Over 35 points	Condition 4	Needs to be scheduled for replacement

Used a three year average for the average miles per year.

Vehicle # 2	1999 Ford F-550 Dump Truck 7.3 - Diesel	
Cost New	$32,114	
Age	19	19
Miles/Hours	75,181	3.76
Type of Service	Distribution - Average miles per year 2,177	4
Reliability	2	2
Maintenace Costs	$16,378	2.5
Repair Costs	$33,312	5.2
Condition	2.5	2.5
TOTAL	Transmission replaced 6/17/15 @ 69,540 miles (3 year warranty) - PTO Replaced 9/12/15	38.96

Vehicle # 11	2001 Toyota Tacoma 2.4 - Gas	
Cost New	$19,165	
Age	17	17
Miles/Hours	114,121	11.41
Type of Service	Supervisory- Average miles per year 6,744	2
Reliability	1	1
Maintenace Costs	$10,632	2.75
Repair Costs	$3,421	0.875
Condition	2.5	2.5
TOTAL		37.54

Vehicle # 14	2005 Ford F-250 - Gas	
Cost New	$27,374	
Age	13	13.00
Miles/Hours	101,394	10.14
Type of Service	Meter Dept. - Average miles per year 3,936	4.00
Reliability	1	1.00
Maintenace Costs	$13,396	2.50
Repair Costs	$2,325	0.40
Condition	2	2.00
TOTAL		33.04

Vehicle # 47	2006 Ford F-250 - Gas	
Cost New	$29,351	
Age	12	12
Miles/Hours	109,367	10.94
Type of Service	Meter Department- Average miles per year 8,815	4
Reliability	1	1
Maintenace Costs	$12,197	2
Repair Costs	$12,852	2.25
Condition	2	2
TOTAL		34.19

Vehicle # 48	2006 Ford F-250 - Gas	
Cost New	$29,400	
Age	12	12
Miles/Hours	115,659	11.57
Type of Service	Meter Department- Average miles per year 8,079	4
Reliability	1	1
Maintenace Costs	$11,774	2
Repair Costs	$12,846	2.25
Condition	2	2
TOTAL		34.82

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SACRAMENTO SUBURBAN WATER DISTRICT

Agenda Item: 5

Date: April 3, 2018

Subject: Disposing of Surplus District Real Property, Vehicles and Large Equipment and Other Personal Property Policy (PL – Adm 003)

Staff Contact: Matt Underwood, Operations Manager

Recommended Board Action:
Approve the District's updated Disposing of Surplus District Real Property, Vehicles and Large Equipment and Other Personal Property Policy (PL – Adm 003), attached to this report as Exhibit 1.

Discussion:
As presented at the March 19, 2018, Board of Directors meeting, the Disposing of Surplus District Real Property, Vehicles and Large Equipment and Other Personal Property Policy (PL - Adm 003) had its last biennial review in April 2016. It was presented for Board review and comment at the March 19, 2018, regular Board meeting with no staff recommended changes.

Comments from Directors were requested by April 2, 2018. Directors did not recommend any changes to the policy. The policy was not submitted to legal counsel for review.

Fiscal Impact:
None.

Strategic Plan Alignment:
Finance 4C – Combine sound and efficient business procedures with regular and simple reporting, ensuring proper handling and reporting of all District financial processes.

The proposed policy will provide the General Manager an efficient way to remove surplus items from the District's list of assets which have little value and may cost more to sell than they are worth, which is a benefit to the ratepayers.

Sacramento Suburban Water District

Disposing of Surplus District Real Property, Vehicles and Large Equipment and Other Personal Property Policy

Adopted: July 21, 2003

Ratified without changes on April 23, 2018
~~Revised: June 19, 2006, May 18, 2009, February 22, 2010, July 18, 2011, September 16, 2013, April 21, 2014, April 18, 2016~~

100.00 Purpose of the Policy

The primary purpose of this policy is to allow management staff to determine if a parcel of real property, easement, vehicles or large equipment or other personal property is no longer needed for daily, emergency and/or future operations. A staff report is generated to document why a parcel of real property, easement, vehicles or large equipment or other District property should not be retained.

100.10 Definitions

Real Property – Any parcel of land owned by the District.

Easement – An interest in another's real property that permits the District to make limited use of that real property for a District purpose.

Vehicles and Large Equipment – Utility trucks, dump trucks, tractors, backhoes, forklifts, and other significant self-propelled equipment used in District operations.

Personal Property – Small equipment (cut-off saws, drills, etc), computer equipment (monitors, printers, etc), office furniture.

200.00 Disposal of Real Property

1. District management staff determines if a parcel of real property no longer meets the needs of daily, emergency and/or future operations. A staff report is generated to document why the parcel should not be retained.

2. District management staff determines if a parcel falls within the notice and offer procedures provided in Government Code sections 54220 through 54232, as they may be amended from time to time. If the statutory notice and offer procedures

must be followed, the District must obtain a qualified appraisal of the parcel and offer the surplus real property to specified public agencies before it can sell the property to other public agencies or a private party. The specified public agencies are as follows:

a) Sacramento County for developing low- and moderate-income housing;

b) Sacramento County Parks and Recreation Department for park and recreational purposes;

c) Any regional park authority that has jurisdiction over the area in which the surplus real property is located if it is to be used for park and recreational purposes;

d) The State Resources Agency for park and recreational purposes; and

e) The school district in whose jurisdiction the parcel is located.

3. A parcel of real property is exempt from the statutory notice and offer procedures if it:

   a) Is less than 5,000 square feet; **or**

   b) Is less than "the minimum legal residential building lot size for the jurisdiction in which the parcel is located"; **or**

   c) Has no recorded access and is less than 10,000 square feet; **and**

   d) Is not: (a) contiguous to land owned by a state or local agency that is used for park, recreational, open-space, low- or moderate-income housing; or (b) located in an enterprise zone or high-density, economically-distressed areas involved in certain redevelopment program; **and**

   e) Is sold to the owner of contiguous land.

4. The Board of Directors declares real property surplus and determines if a parcel must be offered to the designated public agencies under the statutory notice and offer procedures prescribed by the Government Code or is exempt from such procedures. If the District must sell a surplus parcel under the statutory notice and offer procedures, the General Manager will give qualifying public agencies notice of the parcel's availability for purchase. If none of the agencies to which notice must be given notifies the District within 60 days after receiving notice that they are interested in buying the surplus parcel, then the District may sell the parcel by advertised public sale.

5. In all cases where the statutory notice and offer procedures have not resulted in disposal of a parcel, the District will sell surplus real property by public sale. The General Manager will notice the parcel's sale at the appraised value unless the Board of Directors authorizes a different price. The notice of sale will contain a description of the property; a statement of time and place for opening bids. Bids for the purchase of real property will be accepted or rejected by a resolution of the District Board of Directors. Alternatively, the District may list the surplus parcel for public sale with a licensed real estate broker in good standing who advertises the parcel through a multiple listing service or similar listing system at a fair market value determined by the broker using comparable sales data. Documents for the conveyance of title to surplus real property will be executed by the President of the Board upon authorization by the Board of Directors.

6. If the General Manager determines that a surplus parcel is exempt from the Government Code's notice and offer procedures, it will not be necessary to obtain a formal appraisal of the property. If circumstances warrant, the surplus parcel may be sold for less than fair market value. In such cases, the General Manager or his designee will prepare a staff report documenting why the parcel was not appraised, why it may be sold for less than fair market value, the fiscal impact of selling the parcel and why it is exempt from the Government Code notice and offer procedures. After review of the staff report, the Board of Directors may approve the sale of the surplus parcel by motion. A staff report and a certified copy of the Board of Directors Meeting minutes reflecting the Board's approval of the sale is sufficient to authorize the General Manager to make the sale.

300.00 Relinquishment of District Interest in Easements

1. Staff determines if an easement no longer meets the needs of daily, emergency and/or future operations of the District. Staff then will generate a report that documents the justification for relinquishing the easement and makes a determination whether the easement has any fair market value. Staff then will forward the report to the General Manager for review. If staff determines that the easement has fair market value, the General Manager will present the staff report to the Board at its next regular meeting with a recommendation for Board action on relinquishing the easement in accordance with Article 200.00 of this policy.

2. If staff determines that the easement has nominal fair market value, the General Manager shall have the authority, upon review and approval of the recommendation in the staff report, to sign and record a quitclaim deed to relinquish the District's interest in the easement. If the easement is a Public Utility Easement, the General Manager shall have the authority, upon review and approval of the recommendation in the staff report, to sign an easement relinquishment letter.

3. If, upon recommendation of staff, the General Manager authorizes disposal of an easement under this Article, then the General Manager will report the disposal of the easement to the Board at its next regular meeting following the recording of the quitclaim deed relinquishing the easement.

400.00 Disposal of Vehicles and Large Equipment

1. At least once each fiscal year, the General Manager will prepare a list of District vehicles and items of large equipment that are deemed surplus because they exceed the District's Vehicle Point System. This system is used to project actual vehicle and equipment value throughout the life of the asset. The system utilizes age/depreciation, maintenance and repairs, miles, type of service, reliability, and condition as criteria for this determination.

2. District management staff will establish values and set minimum bid prices for each vehicle or item of large equipment to be sold by public auction. If staff, during the process of establishing value to a vehicle or piece of large equipment, determines that the particular vehicle or equipment has diminutive or no value or the costs of preparation for sale and sale are greater than the value of the vehicle or equipment, then the General Manager is authorized to dispose of the property in accordance with Sections 500.00 (5) and (6) of this policy.

3. The General Manager may authorize the sale of surplus vehicles and large equipment with an estimated value of $4,000 or less. Vehicles and large equipment with an estimated value greater than $4,000 will be sold as surplus following authorization by the Board of Directors at a public meeting.

4. Vehicles or large equipment are to be sold at public auction. The General Manager will consign the vehicles or equipment to a public auctioneer after posting a notice concerning the sale of the vehicle and/or large equipment.

400.10 Guidelines Concerning the Sale of Surplus Vehicles and Large Equipment

Prior to the sale of surplus vehicles or large equipment, the General Manager will direct staff to take the following actions:

1. Remove all District equipment from the vehicle or large equipment (radio, decals, etc.).

2. Clean and if necessary, repair the vehicle or large equipment if it has an immediate safety issue.

3. Vehicle or large equipment will be sold at public auction.

4. Establish vehicle or large equipment value using an appropriate, publicly available valuation tool such as the Kelley Blue Book, qualified appraisal, trade publications or classified newspaper advertisements. Staff will prepare a written report concerning the valuation of the item and attach appropriate documentation.

5. Arrange for the delivery and consignment of the item and in consultation with the General Manager and auctioneer, determine an appropriate reserve or minimum price for the item.

6. Prepare and post a notice of sale. The notice and advertisement will include the vehicle or large equipment description, minimum bid, conditions of sale, and place of public auction.

7. When the vehicle or large equipment is sold, the General Manager or his/her designee will sign the "pink slip", bill of sale and any other documents required to complete the sale.

8. After the vehicle or large equipment is sold, the General Manager or his/her designee will complete paperwork as required by DMV to report the sale of the vehicle or large equipment, and return all completed forms and vehicle license plates to DMV.

500.00 Disposal of Other Personal Property Other than Vehicles/Large Equipment

1. At least once each fiscal year, the General Manager will prepare a list of District personal property, other than vehicles and large equipment, which is deemed surplus.

2. District management staff will establish values and set minimum bid prices for each item of personal property to be sold by public auction. If staff, during the process of establishing value to an item of personal property, determines it to be of diminutive or no value, the General Manager is authorized to dispose of the property in accordance with Sections 500.00 (5) and (6) of this policy.

3. The General Manager may authorize the sale of personal property with an estimated value of $4,000 or less. Personal property with an estimated value greater than $4,000 will be sold as surplus following authorization by the Board of Directors at a public meeting.

4. Surplus personal property is to be sold at public auction. The General Manager will consign the personal property to a public auctioneer after posting a notice concerning the District's sale of the property.

5. For surplus items not sold, the General Manager has the authority to donate such items to another government agency or any non-discriminatory, tax exempt non-profit organization qualified under Internal Revenue Code section 501(c)(3).

6. If an item of surplus property is not sold during sale and the General Manager is unable to donate the surplus items to a qualified government agency or tax-exempt organization, the General Manager may properly dispose of such items at a legal disposal site.

600.00 Revenue from Disposal of Surplus Property

All revenue received from the disposal of surplus real or personal property will be deposited in the District's General Operating Fund unless otherwise specified by the Board of Directors.

700.00 Prohibition Against Upgrades

Unless necessary to ensure the safety, merchantability and/or serviceability of surplus property, District staff may not make any repairs or upgrades to any real or personal property recommended or already deemed to be surplus. For example, staff may not replace a vehicle's worn but serviceable tires with new tires, nor may staff add or replace optional equipment that enhances a vehicle's value. Before sale and upon the General Manager's authorization, District staff may repair or replace parts on a surplus item if it is necessary to ensure that it is safe, serviceable and/or merchantable.

800.00 Prohibited Director, Officer and Employee Transactions

In accordance with Government Code section 1090, all members of the District Board of Directors and the General Manager are prohibited from purchasing surplus District real or personal property. Staff members generally are eligible to buy surplus District real or personal property noticed for sale on the same terms and conditions as those offered to members of the public, except that any District employee who actively participated in determining an item's price, surplus status or conditions of sale is prohibited from purchasing such items because the employee is deemed by law to have a prohibited interest in the sale. The General Manager, in consultation with the Board and legal counsel, will determine if an employee has a prohibited interest in an item of surplus property.

900.00 Lot or Group Sales

The District reserves the right to place items of surplus property in a group or lot for sale to the highest bidder.

900.10 Discretion of Board and General Manager

Except as prohibited by law, the Board of Directors and General Manager will have the discretion to waive any minor irregularity in the procedures for the surplusing and disposing of surplus property. Such discretion will be exercised in a non-discriminatory manner.

1000.00 Policy Review

This Policy shall be reviewed at least biennially.

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SACRAMENTO SUBURBAN WATER DISTRICT

Agenda Item: 6

Date: April 11, 2018

Subject: 2017 Comprehensive Annual Financial Report and Annual Audit

Staff Contact: Daniel A. Bills, Finance Director

Recommended Board Action:
As recommended by the Finance and Audit Committee, accept the 2017 Comprehensive Annual Financial Report (CAFR) and related Auditor Letters as attached.

Discussion:
Staff has prepared the District's CAFR for the year-ended December 31, 2017. The Auditors have performed their audit and rendered their opinion on the CAFR, which is found on pages 1 and 2 in the Financial Section of the CAFR (Exhibit 4). In addition to the Auditor's Opinion, the CAFR includes the Auditor's Report on Internal Controls as required under Government Auditing Standards (pages 74 and 75). Also, the auditors have provided two letters to the Board (Exhibits 1 and 2) wherein they discuss the results of their audit.

1. Governance Letter (Exhibit 1) – This letter is a required communication as designated under generally accepted auditing standards. The letter reports to the Board significant audit findings, if any, noted during the audit, estimates used by the District in preparing the CAFR, 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.

   The 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 noted "no findings were noted as a result of this additional testing."

2. Management Letter (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 two items the District will want to note or make changes to in 2018 that will further strengthen District procedures.

3. Staff Response to the Management Letter (Exhibit 3)

4. The CAFR (Exhibit 4) is presented in three sections:

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

b) Financial – Begins with the Auditors Opinion, followed by Management's Discussion and Analysis of the financial results for 2017 and 2016, followed by the Financial Statements and Footnotes.

c) 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:
$39,290 – per Audit Engagement Letter with Richardson & Company, LLP - $34,920 for the audit and $4,370 for the Board requested 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.

The annual financial report is a benefit to District customers as it demonstrates the District's commitment to financial transparency.

SACRAMENTO SUBURBAN WATER DISTRICT

BOARD OF DIRECTORS
AUDIT PRESENTATION AGENDA

April 23, 2018

Presentation by Ingrid Sheipline, Managing Partner of Richardson & Company, LLP of the Audit, including the following communications required by Generally Accepted Auditing Standards:

Reports issued
- Governance (required communications) letter
- Management letter with recommendations
- Auditor's opinion
- Report on internal control and compliance

Governance Letter
- No change in accounting principles
- Significant adjusted audit differences
    - One immaterial adjustments was made as a result of our audit
    - One immaterial unposted adjustment
    - Accounting records are clean
- No difficulties in performing the audit and no unusual accounting practices
- Additional procedures requested by management—no findings noted

Management Letter
- No material weaknesses in internal control
- Good controls in place
- Other items noted
    - Late billing of water sales
    - Review of delinquent accounts

Independent Auditor's Report
- Unmodified (clean) opinion on basic financial statements

Financial statement highlights
- Increased cash and unrestricted net position of $3 million due to unexpended capital facilities fees
- Increased water sales of $2.5 million
- Increased consultant costs and pension costs caused $1 million increase in admin expenses
- Net income of $11.5 million added to reserves

Reports on Internal Control and Compliance
- No internal control weaknesses
- District complied with applicable laws, regulations

RICHARDSON & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

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GOVERNANCE LETTER

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, 2017, and have issued our report thereon dated April 2, 2018. Professional standards require that we provide you with the information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated July 12, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated July 12, 2017 our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we will consider the internal control of the District. Such considerations are solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will also perform tests of the District's compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involves judgment about the number of transactions to be examined and the areas to be tested.

Our audit includes obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. No material weaknesses in internal control were noted as a result of 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 1 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 transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates 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 two 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 disclosures affecting the financial statements were the pension disclosure in Note 13, the postemployment benefit disclosure in Note 14 and the interest rate swaps in Note 8 to the financial statement. The disclosure of the pension liability in Note 13 to the financial statements discusses the pension liability that is now reflected in the Statement of Net Position and related deferred balances as well as the assumptions that were used to determine the amounts, as well as other required disclosures. Two required supplementary information schedules provide additional information on the pension obligation.

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. Only one reclassification adjustment was made during the audit to reclassify an assessment from expense to prepaid expense. 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 April 2, 2018.

Management Consultations With Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, Schedule of Funding Progress – Other Postemployment Benefits (OPEB), and Schedules of Proportionate Share of the Net Pension Obligation and Contributions 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 assurance the financial statements are free of material misstatement. The requested procedures by the District resulted in the selection of additional transactions to be tested over the amounts required, in our judgment, for the audit. Our sample sizes, including the additional testing, included:

Cash Disbursements

We selected 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 of 59 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 9 reimbursements made to Board members and 6 reimbursements made to employees from the listings.

Payroll Disbursements

We randomly selected 10 employees for payroll disbursement testing. We also selected 6 employees for testing that are part of senior management or involved in the finance and accounting function.

No findings 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.

Richardson & Company, LLP

April 2, 2018

SACRAMENTO SUBURBAN WATER DISTRICT
SUMMARY OF UNADJUSTED DIFFERENCES
YEAR ENDED DECEMBER 31, 2017

Description (Nature) of Audit Difference	Financial Statements Effect - Amount of Overstatement (Understatement) of: Total Assets	Total Liabilities	Equity	Net Operating Income(Loss)	Net Non-operating Income(Loss)	Net Income(Loss)
Water delivered in 2016 was not billed or recorded as revenue until 2017				$ 53,569		$ 53,569
Net Audit Differences	$ -	$ -	$ -	$ 53,569	$ -	$ 53,569
Financial Statement Caption Totals	341,202,517	104,122,052	245,431,452	11,109,704	(2,501,951)	11,570,996
Net Audit Differences as % of F/S Captions	0.00%	0.00%	0.00%	0.48%	0.00%	0.46%

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MANAGEMENT LETTER

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, 2017, 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.

The following items were noted in our current year audit:

Late Billings of Water Sales

We noted the District provided water to the California America Water Company in 2016 totaling $53,569, which was not billed or recorded as revenue until 2017. This appears to be due to similar water not being provided in recent years and changes in staffing at both the District and the Water Company. We recommend the District ensure that all water sales are billed and recorded in a timely matter.

Review of Delinquent Accounts

The District developed new procedures in 2017 to improve internal controls over the customer billing and cash receipt functions. One new procedure is the periodic review of the accounts receivable aging report and the verification of delinquent accounts by the finance department. We noted this review is being done electronically but evidence of review is not documented on the reports. The District's procedures state that review of the report should be indicated by initialing the report. We recommend in the future at least the last page of the report be printed and initialed to indicate review.

To the Board of Directors and Management
Sacramento Suburban Water District

* * * * *

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.

Richardson & Company, LLP

April 2, 2018

EXHIBIT 3

SACRAMENTO SUBURBAN WATER DISTRICT

To: Finance and Audit Committee

From: Daniel A. Bills, Finance Director

Date: April 11, 2018

RE: Response to Management Letter from Richardson & Company, LLP

The Auditors (Richardson & Company, LLP) have provided the District with recommendations to improve District procedures in their Management Letter. While the auditor's note that these recommendations are not in response to material weaknesses or significant internal control deficiencies, staff, nevertheless, concurs with the recommendations and intends on implementing all of them in 2018 by amending or adding to District procedures as follows:

1. **Late Billing of Water Sales**

   Auditor Comment:

   We noted the District provided water to the California America Water Company in 2016 totaling $53,569, which was not billed or recorded as revenue until 2017. This appears to be due to similar water not being provided in recent years and changes in staffing at both the District and the Water Company. We recommend the District ensure that all water sales are billed and recorded in a timely manner.

   Staff Response:

   As indicated by the Auditor, due to the prolonged nature of the drought, California America Water Company last took District wheeled water in 2012. As staff from both the District and the Water Company had turned over since that time, the billing task fell through the cracks and was not reassigned. In 2017, new assignments were made to District staff and processes put in place for such billings.

2. **Review of Delinquent Accounts**

   Auditor Comment:

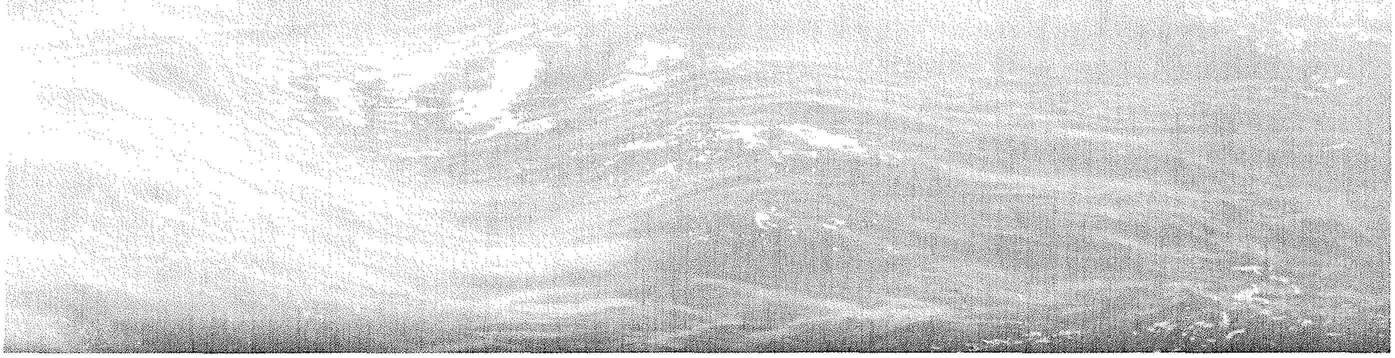
   The District developed new procedures in 2017 to improve internal controls over the customer billing and cash receipt functions. One new procedure is the periodic review of the accounts receivable aging report and the verification of delinquent accounts by the finance department. We noted this review is being done electronically but evidence of review is not documented on the reports. The District's procedures state that review of the report should be indicated by initialing the report. We recommend in the future at least the last page of the report be printed and initialed to indicate review

   Staff Response:

   Staff will change its process by printing off the last page of the delinquency report and having the Finance Director initial indicating a proper review has been performed.

Sacramento Suburban
Water District

Sacramento, CA



Comprehensive Annual Financial Report

For the Fiscal Years Ended December 31, 2017 and 2016

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Comprehensive Annual Financial Report

For The Fiscal Years Ended December 31, 2017 and 2016

SACRAMENTO SUBURBAN WATER DISTRICT

CLEARLY REFRESHING SERVICE!

Sacramento Suburban Water District

Sacramento, California

Prepared by:

The Finance Department

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Introductory Section

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General Manager

Daniel R. York

SACRAMENTO SUBURBAN WATER DISTRICT
CLEARLY REFRESHING SERVICE!

Board of Directors

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

April 2, 2018

Board of Directors
Sacramento Suburban Water District
Sacramento, California

We are pleased to present this Comprehensive Annual Financial Report (CAFR) of the Sacramento Suburban Water District (District) for the years ended December 31, 2017 and 2016. The District is required under State law to publish, within six months of the close of each fiscal year, a complete set of basic financial statements presented in conformity with generally accepted accounting principles (GAAP). These basic financial statements are required to be audited in accordance with generally accepted auditing standards, accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the State Controller's *Minimum Audit Requirements for California Special Districts*.

This 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 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 years ended December 31, 2017 and 2016 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's basic financial statements for the years ended December 31, 2017 and 2016 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

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

District Profile

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

The District was formed on February 1, 2002 under the State of California's County Water District Law by the consolidation of the Northridge Water District and the Arcade Water District. The consolidation was approved and ordered by the Sacramento County Local Agency Formation Commission. The District is located in Sacramento County, north of the American River and serves a large suburban area including portions of Citrus Heights, Carmichael, North Highlands, City of Sacramento (City), and Antelope, as well as McClellan Business Park (formerly McClellan Air Force Base). The District serves water to a population of approximately 177,900 through 46,318 connections.

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 the State's Department of Water Resources Population Tool projections, the District's population is expected to be 190,700 in 2031, when the District is expected to be fully built out having 50,250 connections. 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, including storage, pump stations and interconnections, has roughly 696 miles of pipeline that range in size from 48-inch transmission mains down to 4-inch distribution mains. There are 49 emergency interties with neighboring agencies along the District's boundary. The District has 7 storage tanks with a collective capacity to hold approximately 16 million gallons of water. There are a total of 6 booster pumping stations in the District, three of which are co-located with major storage tanks.

Water Supplies and Management

California has recently experienced a historic four-year drought followed by one of the wettest years on record in weather year 2017. 2018 is shaping up to be another dryer than normal year. The District continues to enjoy an ample supply of groundwater due to its investment in both surface water and groundwater infrastructure and supply sources. In response to Executive Orders issued by the Governor in both 2014 and 2015, the District adopted a "Water Shortage Contingency Plan" (Plan). In 2014, the Plan, amongst other actions, asked customers to voluntarily reduce their water consumption by 20%. In 2015, due to mandatory actions implemented by the California State Water Resources Control Board, beginning in June, customers were asked to reduce their water consumption by 32% compared to a base year of 2013/2014. As a result of these efforts, District water demand declined by 15.5% in 2015 compared to calendar year 2014 and 15.6% in 2014 compared to calendar year 2013. In 2017, as the drought alleviated, water demand rebounded to some degree but per capita demand remained well below 2012 pre-drought levels.

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

The District pumps its groundwater from approximately 107 wells (73 active). All of the wells pump directly into the distribution system and range between 270 and 1,310 feet deep. The wells of the District are located in the North American Sub-basin which is part of the Sacramento Valley Groundwater Basin. While groundwater levels fluctuate based on hydrological conditions, groundwater levels historically declined within the District over the 50 years prior to the millennium at an average rate of approximately 1.5 to 2.0 feet per year. Since 2000, however, groundwater levels in the portion of the North American Sub basin from which the District pumps water have stabilized, in large part because of increasing surface water acquisitions by the District in addition to customer conservation practices. Peak season average daily demand from the District's wells is approximately 134 acre feet and is sufficient to supply 100% of water demand within the District. The District is part of the Sacramento Groundwater Authority (SGA), a regional entity formed to manage, stabilize and sustain the Groundwater Basin. Under the provisions of SGA, the District's annual average pumping allotment for groundwater is 35,035 acre-feet. Amounts pumped in excess of this target are subtracted from the District's "Exchangeable Water Balance" (banked groundwater). Amounts of groundwater pumped below this target that are replaced with purchased surface water are added to the District's "Exchangeable Water Balance" with the District credited for in the in-lieu groundwater banked. As of December 31, 2017, the District has banked 210,870 acre-feet of groundwater that it may use at its discretion subject to limitations placed on the District such as the Governor's Drought Emergency Executive Orders, and subject to future potential regulations imposed under the 2014 Sustainable Groundwater Management Act (SGMA).

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 are treated by San Juan Water District at the Peterson Water Treatment Plant pursuant to contract and then conveyed through District-owned transmission pipelines or 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. This supply flexibility positions the District very favorably with California's new Sustainable Groundwater Management Act.

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, 86 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 sources of non-operating 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 1.5 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 2011-2016, the population of Sacramento County grew at an annual average rate of 1.0%. Employment in the County consists of a labor force of 699,400 with an unemployment

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

rate of 4.7% in 2017 down from 5.4% in 2016. Employment and population are projected to grow by an average 1.1% 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, while education, healthcare, professional services, wholesale and retail trade, leisure and hospitality follow. Because it contains the state capital, the County's economy is highly influenced by the public sector. Government jobs account for roughly 12% of total employment. Healthcare providers such as UC Davis Health Systems, Sutter Health, Kaiser Permanente and Dignity Health, along with technology based Intel and Apple are large private employers in the county. Job creation over the next five years is expected to come predominantly from professional and business services, followed by education, healthcare, and leisure and hospitality.

Long-Term Financial Planning

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

Relevant Financial Policies and Controls

Key District Financial Policies include the Water Service 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.

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

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

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

Budget Policy

The District's budget serves as the foundation for financial planning and control. The budget is a one year financial plan for operating and maintenance expenses 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

District management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft, or misuse. The internal control composition is designed to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles and other reporting, including regulatory reporting, in accordance with the requirements of such reporting. The internal control structure is also designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Major Initiatives

Major initiatives the District is pursuing include regional efforts regarding water supply and quality, including water conservation and metering. Selected from the recently developed asset management plans, the 2018 budget calls for certain capital improvement projects totaling $19.2 million. Major projects include: well replacements and rehabilitation of $4.9 million and distribution main replacements and improvements of $13.9 million; which includes water meter installations and replacements.

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 CAFR for the year ended December 31, 2016. 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 CAFR 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,

Daniel R. York
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, 2016

Christopher P. Morrill

Executive Director/CEO

Principal District Officials

Board of Directors - Elected Officials

Title	Name	Division	Current Term
President	Craig M. Locke	Division 5	12/2014-12/2018
Vice President	Neil W. Schild	Division 2	12/2016-12/2020
Director	David A. Jones	Division 1	12/2016-12/2020
Director	Kevin M. Thomas	Division 4	12/2014-12/2018
Director	Robert P. Wichert	Division 3	12/2014-12/2018

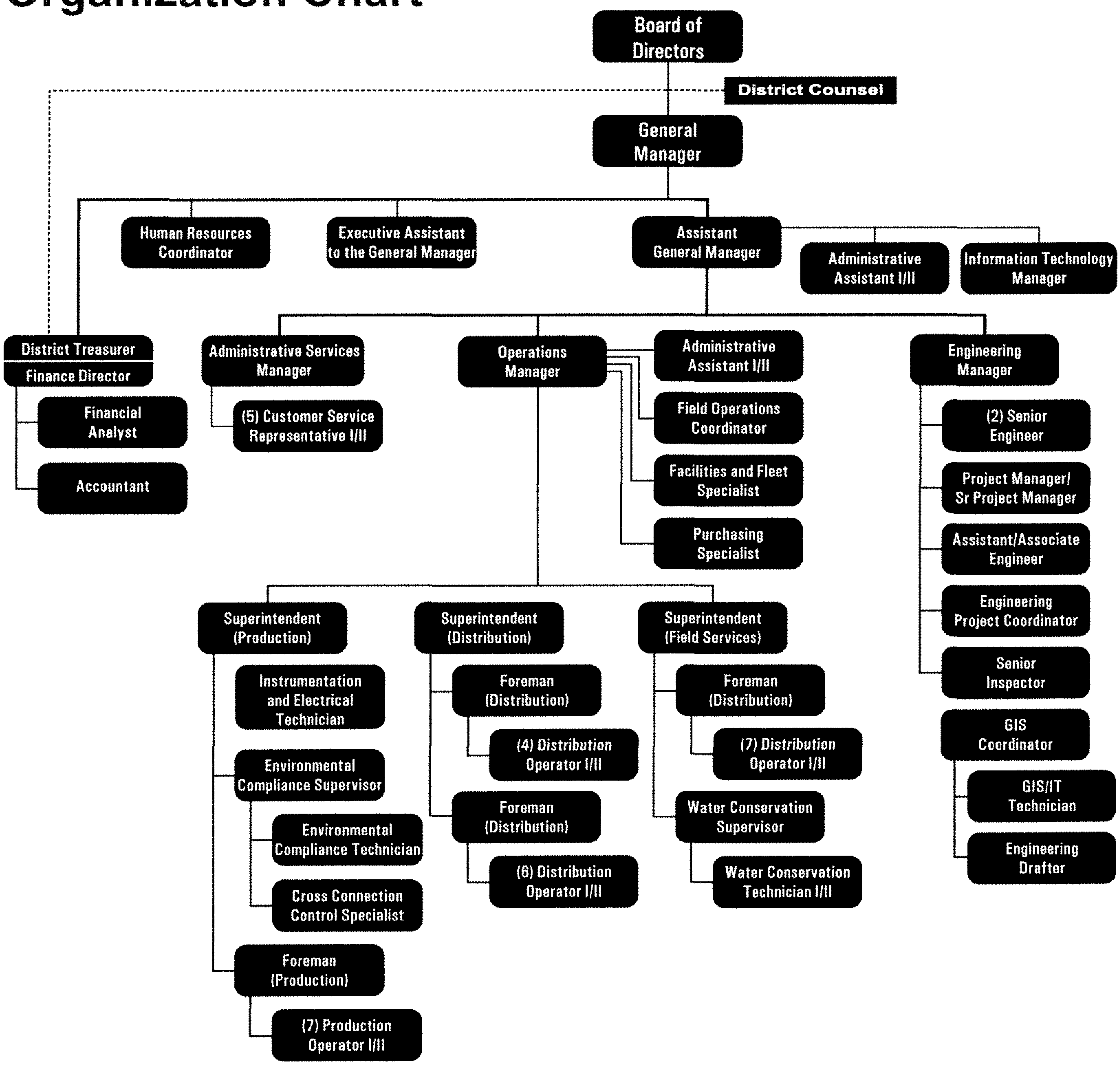
Staff - Appointed Officials

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

Additional Key Management Staff

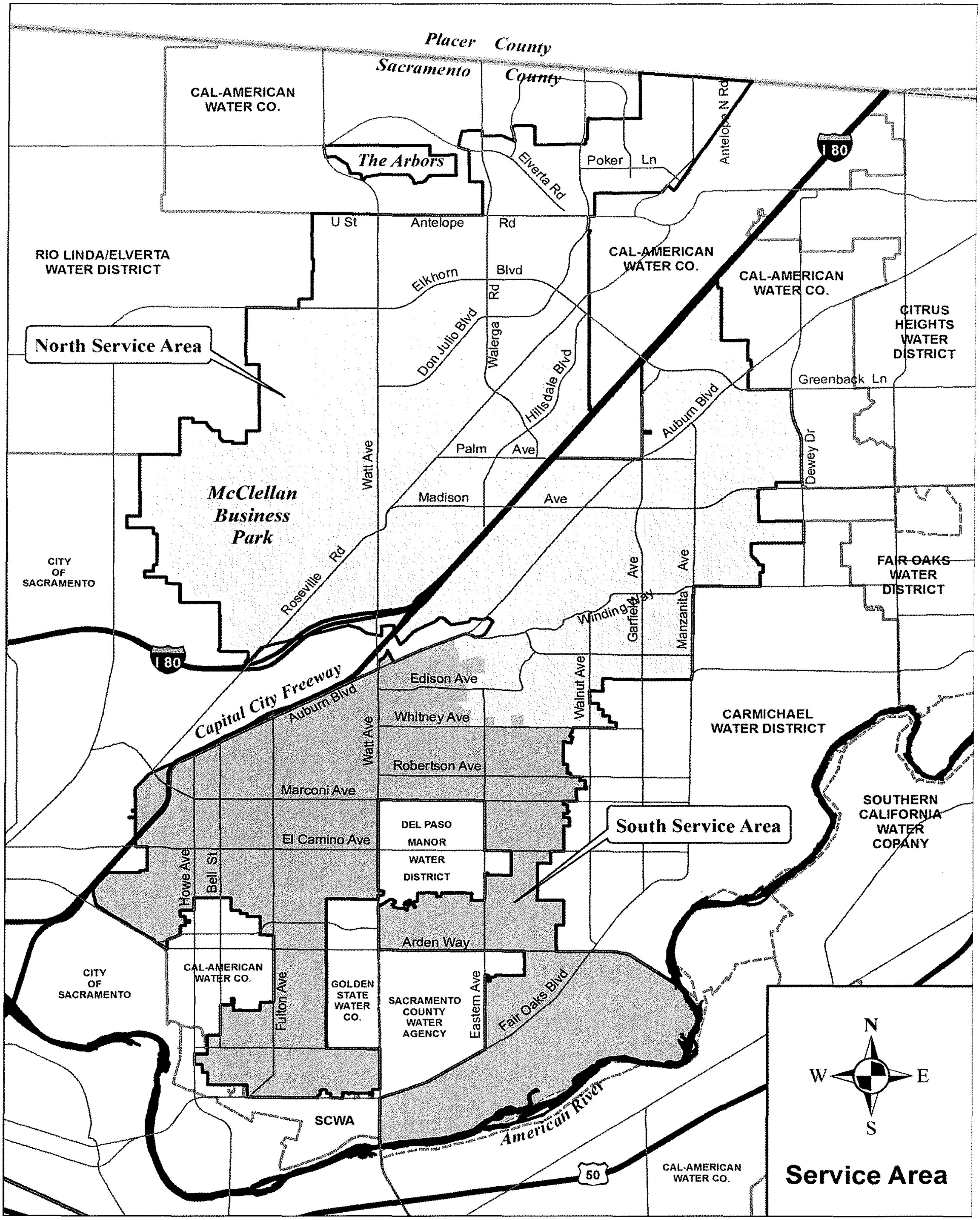
Title	Name
Assistant General Manager	Open
Operations Manager	Matthew T. Underwood
Engineering Manager	Dana S. Dean
Administrative Services Manager	Annette L. O'Leary

Organization Chart



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

12/19/2017


Placer County
Sacramento County
CAL-AMERICAN WATER CO.
The Arbors
I 80
Poker Ln
Antelope N Rd
Elverta Rd
U St
Antelope Rd
RIO LINDA/ELVERTA WATER DISTRICT
CAL-AMERICAN WATER CO.
CAL-AMERICAN WATER CO.
Elkhorn Blvd
CITRUS HEIGHTS WATER DISTRICT
North Service Area
Don Julio Blvd
Walerga Rd
Hillsdale Blvd
Greenback Ln
Auburn Blvd
Palm Ave
Dewey Dr
Watt Ave
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
CARMICHAEL WATER DISTRICT
Whitney Ave
Watt Ave
Robertson Ave
Marconi Ave
SOUTHERN CALIFORNIA WATER COPANY
DEL PASO MANOR WATER DISTRICT
El Camino Ave
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
CERTIFIED PUBLIC ACCOUNTANTS

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 statements of net position as of December 31, 2017 and 2016, and the related statements of revenues, expenses, changes in net position, and cash flows for the years 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 audits. We conducted our audits 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, 2017 and 2016 and the results of its operations and cash flows for the years 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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the Schedule of Funding Progress – Other Postemployment Benefits, the Schedule of Proportionate Share of the Net Pension Obligation and the Schedule of Contributions to the Pension Plan 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 District's 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 April 2, 2018, 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.

Richardson & Company, LLP

April 2, 2018

Sacramento Suburban Water District
Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2017 and 2016

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, 2017 and 2016. 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 2017, 2016, and 2015, are highlighted below.

Water Activities and Highlights

- California recently experienced a historic four-year drought followed by one of the wettest years on record in weather year 2017. To date, 2018 is expected to be a dryer than normal year. Notwithstanding the foregoing, the District continues to enjoy an ample supply of groundwater due to its investment in both surface water and groundwater infrastructure and supply sources. In response to the January 17, 2014 executive order and the 2015 Executive Order, discussed under the caption "—California Drought and Response" above, the District adopted a "Water Shortage Contingency Plan" (the "Contingency Plan"). In 2014, the Contingency Plan, amongst other actions, asked customers to voluntarily reduce their water consumption by 20%. In June 2015, due to mandatory actions implemented by the California State Water Resources Control Board, customers were asked to reduce their water consumption by 32% compared to a base year of 2013/2014. As a result of these efforts, District water demand declined by 15.5% in 2015 compared to calendar year 2014 and 15.6% in 2014 compared to calendar year 2013. In 2017, as the recent drought ended, water demand rebounded to some extent but per capita demand remained significantly below 2012 pre-drought levels. Also effecting water consumption sales changes for each of the past three years was a 4.0 percent rate increase effective January 1 of each year.

- For the period ended December 31, 2017, the District supplied 31,254 acre-feet of water to 46,318 retail connections, compared to 29,312 acre-feet of water to 46,650 connections in 2016, and 27,502 acre-feet of water to 46,414 connections in 2015. In 2017 and 2016, the water supplied included 11,463 and 11,448 acre-feet of surface water, respectively, while for 2015 all of the water supplied was groundwater.

- The District's groundwater and surface water supplies are sufficient to meet its current and future needs. The water delivered to District's customers meets the regulatory requirements established by the USEPA and State Water Resources Control Board's Division of Drinking Water. Regulations governing drinking water quality require that the District comply with certain maximum contaminant levels established at the federal and state levels. If the water quality of a source exceeds the regulatory threshold of a constituent, that source is removed from active service or, treatment is provided. The District regularly tests for over 120 different constituents in its raw and treated water. The results of any detected constituents are published in the "Consumer Confidence Report" or, "Annual Water Quality Report" that is distributed to customers each year in early summer.

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 to meet state law requirements as discussed more fully below. In 2017, approximately 5.5 miles of new pipeline and appurtenances were installed at a cost of $9.1 million, compared to 7.8 miles in 2016 and 6.5 miles in 2015 at costs of $9.7 million and $12.0 million, respectively. Total expenditures for all capital projects in 2017, 2016, and 2015 were $13.0 million, $17.4 million and $18.6 million, respectively.

- In accordance with state law, the District is continuing its progress to have all its connections on water meters by the year 2025. During 2017, 1,591 new meters were installed, compared to 2,101 in 2016 and 1,791 in 2015. As of December 31, 2017, approximately 86 percent of the District's connections are on water meters compared to 83 percent at the end of 2016 and 78 percent at the end of 2015. 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, 2017 and 2016. 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.

Sacramento Suburban Water District
Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2017 and 2016

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	**2017**	**2016**	**Change**	**2015**	**Change**
Current assets	$ 11,061	$ 7,944	$ 3,116	$ 7,258	$ 676
Non-current assets	39,875	38,165	1,710	40,702	(2,537)
Capital assets, net	290,266	286,707	3,559	279,378	7,329
Total assets	341,203	332,816	8,386	327,338	5,478
Deferred outflows	9,485	9,400	85	9,276	124
Liabilities					
Current liabilities	9,256	9,314	(58)	8,583	731
Non-current liabilities	94,866	98,484	(3,618)	101,940	(3,456)
Total liabilities	104,122	107,798	(3,676)	110,523	(2,725)
Deferred inflows	1,134	558	576	799	(241)
Net position					
Net investment in capital assets	207,156	199,526	7,630	188,248	11,278
Restricted for debt service fund	3,548	3,540	8	3,523	17
Unrestricted	34,727	30,794	3,933	33,521	(2,727)
Total net position	$ 245,431	$ 233,860	$ 11,571	$ 225,292	$ 8,568

Referring to the table above, total assets increased by $8.4 million compared to December 31, 2016, to a total of $341.2 million as of December 31, 2017. 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 increased by $3.1 million in 2017 compared to $0.7 million in 2016. The 2017 increase was primarily the result of a $3.4 million increase in cash and cash equivalents as District expenditures on Capital Improvement Projects (CIP) was less than 2016 and 2015 due to permitting and other delays in two major CIP projects. The 2016 increase was primarily due to the liquidation of $3.0 million of investments during the year (investments are classified as non-current assets) less a $0.5 million decrease in receivables resulting from payments received from a neighboring water district on a joint capital project. In addition, since 2010 current assets have generally decreased due to actions taken by the Board of Directors to reduce District cash reserve levels by adopting annual budgets where anticipated expenses exceed expected revenues.

Non-current assets increased by $1.7 million in 2017 compared to 2016 primarily due to a $1.2 million increase in investments as deferred cash expenditures on CIP projects were delayed until 2018. In 2017, non-current assets decreased by $2.5 million in 2016, compared to a decrease of $2.8 million in 2015. The decrease in 2016 and 2015 is primarily attributable to the liquidation of $3.0 million and $3.2 million, respectively, in investments needed for operations as discussed above. 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, 2017 compared to an unrealized loss of $0.2 million as of December 31, 2016.

Capital assets, net, increased $3.6 million in 2017 due primarily to the construction and replacement of a portion (5.5 miles) of the District's transmission and distribution system, the addition and/or improvements to well facilities, and the installation of 1,591 new water meters. Several other capital asset construction projects are in various stages of completion with costs incurred as of December 31, 2017 amounting to $10.9 million (see Note 6).

As of December 31, 2017 and 2016, deferred outflows of resources primarily include deferred gains and losses on advance debt refundings as well as the recognition of pension expense in accordance with the provisions of Government Accounting Standards Board (GASB) Statements No. 68 and 71.

Total liabilities decreased by $3.7 million to $104.1 million as of December 31, 2017. The decrease in 2017 primarily reflects expected decreases in the amount of debt outstanding due to scheduled principal payments of $4.1 million. Similarly, the $2.7 million decrease in 2016 primarily reflects scheduled debt principal payments of $3.9 million.

Non-current liabilities - As part of its debt management strategy, the $81.6 million debt principal outstanding as of December 31, 2017 includes both fixed-rate debt - $39.6 million, and variable-rate debt - $42.0 million (as of December 31, 2016 and 2015, the District had debt principal outstanding of $85.6 million and $89.6 million, respectively). The variable-rate debt is supported by an irrevocable direct-pay Letter of Credit provided with an international bank that expires in June 2023, and is partially hedged by a pay-fixed, receive-variable interest rate swap with a notional amount of $33.3 million as of December 31, 2017, 2016 and 2015. 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 $5.0 million, and is reported as a component of long-term debt in the Statements of Net Position. As of December 31, 2017, the negative fair market value of the swap decreased from negative $6.7 million as of December 31, 2016 to negative $6.3 million. Accordingly, the fair market value of the "on market" component of the swap, reported as a deferred inflow of resources and a noncurrent asset was $487,057 as of December 31, 2017. As of December 31, 2016, the fair market value of the swap was $14,266. The imputed borrowing "off-market" portion of the swap, which is amortized over the life of the swap, was $5.0 million and $5.3 million as of December 31, 2017 and 2016, respectively (see Note 8).

The District realized an overall increase in net position of $11.6 million for the year ended December 31, 2017, compared to $8.6 million and $12.8 million for the years ended December 31, 2016 and 2015, respectively. The components of net position as of December 31, 2017 are:

- The largest component of District net position is the District's net investment in capital assets which increased by $7.6 million to $207.2 million as of December 31, 2017, and is comprised of total capital assets (net of accumulated depreciation) plus deferred outflows on long-term debt refundings less related long-term debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending.

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

- At the end of 2017, 2016 and 2015, the District showed a positive balance in its unrestricted net position of $34.7 million, $30.8 million, and $33.5 million, respectively. The increase of $3.9 million in the unrestricted net position for 2017 reflects the deferral of two CIP projects contemplated for completion in 2017 to 2018 in the amount of $3.7 million. Because of the deferral, a portion of 2017 revenues collected from customers for capital facilities charges will not be expended until 2018.

Condensed Statements of Revenues, Expenses and Changes in Net Position

(Dollars in Thousands)

	2017	2016	Change	2015	Change
Revenues					
Operating revenues	$ 44,162	$ 41,083	$ 3,079	$ 38,690	$ 2,393
Rental revenue	258	261	(3)	250	11
Interest and investment revenue	495	558	(63)	458	100
Grant revenue pass-through to sub recipients	407	764	(357)	369	395
Other non-operating revenues	197	18	179	114	(96)
Total revenues	45,519	42,684	2,836	39,881	2,803
Expenses					
Operating expenses	20,870	19,846	1,024	16,854	2,992
Depreciation and amortization	12,182	11,808	374	11,229	579
Interest expense	3,450	3,561	(111)	3,633	(72)
Sub recipient grant expense	407	764	(357)	369	395
Other non-operating expenses	3	16	(13)	-	16
Total expenses	36,912	35,995	917	32,085	3,910
Net revenue before capital contributions	8,608	6,689	1,919	7,796	(1,107)
Capital contributions	2,963	1,879	1,084	5,049	(3,170)
Change in net position	11,571	8,568	3,003	12,845	(4,277)
Net position, beginning of year	233,860	225,292	8,568	212,447	12,845
Net position, end of year	$ 245,431	$ 233,860	$ 1,571	$ 225,292	$ 8,568

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, 2017 compared to $8.6 million for 2016 and $12.8 million in 2015. The increases result from a variety of factors as described more fully below.

The District's operating revenues come primarily from its customers. The District charges a metered rate to its commercial customers and a metered or flat rate to residential customers depending on whether the service connections of such customers have a water meter. All District customers, regardless of the type of service, are charged 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.

In addition, as shown in the table above, and as more fully illustrated in the table below, operating revenues increased by $3.1 million (7.5 percent) compared to the year ended December 31, 2016, primarily due to the increase in retail water consumption sales of $1.5 million as retail water production was up 6.6 percent in 2017 as described more fully above in the section above entitled "Water Activities and Highlights." In addition, a 4.0 percent general water rate increase was effective for all of 2017. In 2016, operating revenues increased by $2.4 million (6.2 percent) as retail water production was up 6.6 percent as more fully described above. In 2015, operating revenues decreased by $0.2 million as retail water production was down 15.8 percent due primarily to the effects of the continued drought in California mitigated somewhat by a 4.0 percent general water rate increase that was in effect for all of 2015.

Operating Revenues
(Dollars in Thousands)

	2017	2016	Change	2015	Change
Operating Revenues					
Water consumption sales	$ 12,543	$ 11,053	$ 1,490	$ 9,644	$ 1,409
Water service charge	6,366	6,349	17	6,402	(53)
Capital facilities charge	23,499	22,575	924	21,646	929
Wheeling water charge	676	167	509	6	161
Other charges for services	1,077	939	138	992	(53)
Total operating revenues	$ 44,161	$ 41,083	$ 3,078	$ 38,690	$ 2,393

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 various grants.

Interest and Investment Income – Most 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, 2017, 2016, and 2015 was 1.81 percent, 1.43 percent, and 1.32 percent, respectively. The District also invests its restricted cash in fixed-income market securities. The yield to maturity on the restricted portfolio as of December 2017 and 2016 was 0.97 percent and 0.97 percent, respectively.

Capital Income – The District receives various types of income from capital contributions, such as facility development charges, developer contributions and grant income. Regarding grant income, in the years ended December 31, 2017, 2016 and 2015, the District received $1.1 million, $0.4 million and $0.4 million, respectively, in federal and state grant funds for the purposes of installing a new pumping facility, 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.

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 2017, the fair market value of such donated assets was $1.7 million, compared to $1.2 million in 2016 and $1.2 million in 2015.

Operating Expenses
(Dollars in Thousands)

	2017	2016	Change	2015	Change
Operating Expenses					
Source of supply	$ 2,980	$ 2,471	$ 509	$ 57	$ 2,414
Pumping	4,516	4,852	(336)	5,124	(272)
Transmission and distribution	4,016	3,973	43	3,621	352
Water conservation	452	587	(135)	773	(186)
Customer accounts	1,305	1,145	160	1,159	(14)
Administrative and general	7,600	6,818	782	6,120	698
Total operating expenses	$ 20,869	$ 19,846	$ 1,023	$ 16,854	$ 2,992

Operating expenses are primarily comprised of purchased treated surface water, electrical and chemical treatment costs of producing potable well water, ongoing system repairs and maintenance, and employee salaries and benefits. The volatility of such expenses from one year to another is primarily driven by the amount of surface water purchased in that year compared to the previous year. As shown in the table above, operating expenses increased in 2017 by $1.0 million (5.2 percent) relative to 2016, primarily due to the purchase of treated surface water that was available in 2017. In addition pension expense increased to $1.6 million in 2017 up from $1.0 million in 2016. In 2016, operating expenses increased by $3.0 million (18.0 percent) relative to 2015, primarily due to increased purchased surface water costs.

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 and $0.1 million in 2017 relative to 2016 and 2016 relative to 2015, respectively, due primarily to reduced debt principal outstanding, as market rates were relatively stable in both years.

Capital Asset Administration
(Dollars in Thousands)

Changes in capital asset amounts for 2017 were as follows:

	Balance 2016	Additions/ Transfers	Deletions/ Transfers	Balance 2017
Capital assets:				
Non-depreciable assets	$ 9,761	$ 13,483	$ (6,460)	$ 16,784
Depreciable & amortizable assets	435,906	2,283	3,516	441,705
Accumulated depreciation & amortization	(158,960)	(12,182)	2,920	(168,222)
Total capital assets, net	$ 286,707	$ 3,584	$ (24)	$ 290,267

Changes in capital asset amounts for 2016 were as follows:

	Balance 2015	Additions/ Transfers	Deletions/ Transfers	Balance 2016
Capital assets:				
Non-depreciable assets	$ 10,180	$ 17,939	$ (18,357)	$ 9,761
Depreciable & amortizable assets	416,875	19,568	(537)	435,906
Accumulated depreciation & amortization	(147,677)	(11,807)	524	(158,960)
Total capital assets, net	$ 279,378	$ 25,700	$ (18,370)	$ 286,707

As a water utility, most of the District's assets and annual expenditures relate to the construction, repair and maintenance of its infrastructure. Repair and replacement of aging infrastructure is one of the most significant challenges facing the District. The District assesses and manages its infrastructure and other capital asset needs through prudent and cost focused planning taking into consideration both current and future water resource availability, consumer peak-demand needs, maximizing the use of existing facilities, consideration for climatic changes, and other such assessments that can be used to sustain service to both current and future consumers. Infrastructure assessment also includes assessing each asset's risk of failure and the attendant consequences to District operations. For each infrastructure asset group a long-term asset management plan has been developed. Infrastructure plans for all District assets are now in place. Despite such plans having a long-term focus, typically to the end of each asset's useful service life, each plan is reviewed and reassessed biannually. See Note 6 for more detailed information on capital asset activity.

Funding for capital projects comes primarily from District customers via 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 2017, the District received $1.1 million in grant funds, compared to $0.4 million in both 2016 and 2015. As of December 31, 2017, the District has $9.6 million in financial obligations to contractors on its open construction contracts. See Note 16 for more information.

Long-Term Debt Administration

(Dollars in Thousands)

Changes in long-term debt amounts for 2017 were as follows:

	Balance 2016	Additions	Retirements	Balance 2017
Long-term debt:				
2009A Certificates of participation	$ 42,000	$ -	$ -	$ 42,000
2009B Certificates of participation	24,095	-	(2,030)	22,065
2012A Revenue bond	19,520	-	(2,030)	17,490
Other (1)	8,887	-	(654)	8,233
Total long-term debt	$ 94,502	$ -	$ (4,714)	$ 89,788

Changes in long-term debt amounts for 2016 were as follows:

	Balance 2015	Additions	Retirements	Balance 2016
Long-term debt:				
2009A Certificates of participation	$ 42,000	$ -	$ -	$ 42,000
2009B Certificates of participation	26,045	-	(1,950)	24,095
2012A Revenue bond	21,515	-	(1,995)	19,520
Other [1]	9,534	-	(647)	8,887
Total long-term debt	$ 99,094	$ -	$ (4,592)	$ 94,502

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

The issuance of long-term debt is a valuable funding resource for the District. Used appropriately and prudently, long-term debt can minimize the District's water system charges and rates over time. The District manages its debt portfolio so as to mitigate risks inherent in debt issuances within an acceptable tolerance level. By managing debt and its repayment, the District is able to reduce various debt-related risk exposures such as market risk, credit risk, renewal risk, basis risk and tax risk, yet still provide the District with financing options to be utilized in future periods if needed. The District 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. The District does not presently intend to issue additional debt. During 2017, the District renegotiated the terms of its irrevocable direct-pay Letter of Credit (LOC) on the Series 2009A COP that extended the term to June 2023.

The District's debt covenants require that "Net Revenues" exceed 115% of annual debt service costs. For compliance history, please see the "Schedule of Net Revenues" in the Statistical Section of this CAFR. For both 2017 and 2016, the District's credit rating was AA+ and Aa2 as rated by Standard and Poor's Ratings Services, Inc. (S&P) and Moody's Investor Services, Inc. (Moody's), respectively. See Note 8 for more information.

2018 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 or 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 November 20, 2017, the Board approved a $19.2 million Long-Term Capital budget, a $1.2 million Intermediate-Term Capital budget and a $21.9 million Operations and Maintenance budget for calendar year 2018.

Upon adoption of the Long-Term Capital budget, the Board also approved certain capital projects as outlined in the District's asset-management plans developed for each infrastructure asset group.

Conditions Affecting Current Financial Position

California continues to face the threat of severe droughts. Although it is not possible to forecast the impact of the drought on District surface water supplies or the effect, if any, on its financial position, the District has adequate groundwater supplies to meet water demands in its service area through 2018 and beyond.

As noted in Note 17 to the Basic Financial Statements, the District is in the process of advanced refunding its Series 2009B Certificates of Participation in order to lower debt service costs.

Requests for Information

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

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, 2017 and 2016

Assets	2017	2016
Current assets:		
Cash and cash equivalents (note 3)	$ 6,084,811	$ 2,694,456
Restricted cash and cash equivalents (notes 3 and 4)	12,504	263
Receivables, net (note 5)	3,679,482	2,836,913
Inventory	687,362	1,869,899
Prepaids and other current assets	596,879	543,061
Total current assets	11,061,038	7,944,592
Noncurrent assets:		
Investments (note 3)	35,860,505	34,619,873
Restricted investments (notes 3 and 4)	3,527,684	3,531,061
Fair value of interest rate swap (notes 1 and 8)	487,057	14,266
Capital assets not being depreciated (note 6)	16,783,698	9,760,642
Capital assets being depreciated and amortized, net (note 6)	273,482,535	276,946,215
Total noncurrent assets	330,141,479	324,872,057
Total assets	341,202,517	332,816,649
Deferred outflows of resources		
Deferred amount on long-term debt refundings (note 1)	6,678,090	7,321,214
Deferred outflows from pensions (notes 2 and 13)	2,807,227	2,078,534
Total deferred outflows of resources	9,485,317	9,399,748
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	2,994,149	3,387,304
Accrued interest payable	426,439	465,592
Unearned revenue and customer deposits	895,651	701,140
Compensated absences, current portion (note 7)	700,000	700,000
Current portion of long-term debt (note 8)	4,240,000	4,060,000
Total current liabilities	9,256,239	9,314,036
Noncurrent liabilities:		
Compensated absences (note 7)	319,781	387,883
Net pension liability (notes 2 and 13)	8,997,648	7,654,038
Long-term debt, net of current portion (note 8)	85,548,384	90,441,927
Total noncurrent liabilities	94,865,813	98,483,848
Total liabilities	104,122,052	107,797,884
Deferred inflows of resources		
Deferred inflow of effective swap (notes 1 and 8)	487,057	14,266
Deferred inflows from pension (notes 2 and 13)	647,273	543,791
Total deferred inflows of resources	1,134,330	558,057
Net position		
Net investment in capital assets (note 9)	207,155,939	199,526,144
Restricted for debt service reserve fund (note 10)	3,548,170	3,540,038
Unrestricted (note 11)	34,727,343	30,794,274
Total net position	$ 245,431,452	$ 233,860,456

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, 2017 and 2016

	2017	2016
Operating Revenues:		
Water consumption sales	$ 12,543,644	$ 11,053,442
Water service charge	6,365,984	6,348,507
Capital facilities charge	23,498,931	22,574,500
Wheeling water charge	675,830	167,337
Other charges for services	1,077,174	939,242
Total operating revenues	44,161,563	41,083,028
Operating Expenses:		
Source of supply	2,980,224	2,470,806
Pumping	4,516,090	4,852,232
Transmission and distribution	4,016,335	3,972,951
Water conservation	452,328	587,395
Customer accounts	1,304,645	1,144,521
Administrative and general	7,600,325	6,818,371
Total operating expenses	20,869,947	19,846,276
Operating income before depreciation and amortization	23,291,616	21,236,752
Depreciation and amortization (note 6)	(12,181,912)	(11,807,580)
Operating income	11,109,704	9,429,172
Nonoperating revenues (expenses):		
Rental revenue	258,327	260,922
Interest and investment revenue	494,946	557,770
Interest expense	(3,449,550)	(3,560,697)
Other non-operating revenues	185,205	18,309
Grant revenue pass-through to subrecipients	407,170	763,754
Other non-operating expenses	(3,087)	(3,682)
Subrecipient grant expenses	(407,170)	(763,754)
Gain (loss) on disposal of capital assets, net	12,208	(12,688)
Total nonoperating revenues (expenses), net	(2,501,951)	(2,740,066)
Income before capital contributions	8,607,753	6,689,106
Capital contributions:		
Facility development charges	135,073	264,209
Developer capital contributions	1,740,424	1,216,369
Federal, state and local capital grants	1,087,746	398,603
Total capital contributions	2,963,243	1,879,181
Increase in net position	11,570,996	8,568,287
Net position, beginning of year	233,860,456	225,292,169
Net position, end of year	$ 245,431,452	$ 233,860,456

See accompanying notes to the basic financial statements

Sacramento Suburban Water District
Statements of Cash Flows
For The Years End December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Cash receipts from customers	$ 43,269,383	$ 41,682,229
Cash paid to suppliers for goods and services	(14,945,862)	(16,032,524)
Cash paid to employees for services	(4,538,225)	(4,630,774)
Other nonoperating receipts	440,445	275,548
Net cash provided by operating activities	24,225,741	21,295,179
Cash flows from non-capital financing activities:		
Grant receipts	407,170	763,754
Pass-through to sub-recipients	(407,170)	(763,754)
Net cash provided by nonoperating financing activities	-	-
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(14,025,116)	(17,933,328)
Proceeds from disposal of capital assets	36,461	-
Principal payments on long-term debt	(4,060,000)	(3,945,000)
Interest payments on long-term debt	(3,169,028)	(3,202,562)
Principal payments on interest rate swap borrowing payable	(330,093)	(323,336)
Facility development charges received	269,657	231,881
Capital grants received	1,238,228	351,000
Net cash used by capital and related financing activities	(20,039,891)	(24,821,345)
Cash flows from investing activities:		
Purchase of investment securities	(23,479,993)	(24,317,655)
Proceeds from sales and maturities of investment securities	22,066,112	26,833,799
Interest received on investment securities	630,627	580,337
Net cash (used) provided by investing activities	(783,255)	3,096,481
Net increase (decrease) in cash and cash equivalents	3,402,596	(429,684)
Cash and cash equivalents at beginning of year	2,694,719	3,124,404
Cash and cash equivalents at end of year	$ 6,097,315	$ 2,694,719
Reconciliation of cash and cash equivalents to the statements of net position:		
Cash and cash equivalents	$ 6,084,811	$ 2,694,456
Restricted cash and cash equivalents	12,504	263
Total cash and cash equivalents	$ 6,097,315	$ 2,694,719

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, 2017 and 2016

	2017	2016
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 11,109,704	$ 9,429,172
Adjustments to reconcile operating revenue to net cash provided by operating activities:		
Depreciation and amortization	12,181,912	11,807,580
Bad debt expense	18,716	(6,472)
Other nonoperating receipts	440,445	275,548
Change in pension deferred (outflows)	(728,693)	(1,531,808)
Change in pension inflows	103,482	(254,743)
Changes in operating assets and liabilities		
(Increase) decrease in operating assets:		
Accounts receivable	(961,854)	32,282
Other receivables	(8,970)	506,674
Inventory	1,182,538	(1,384,952)
Prepaids and other current assets	(53,818)	(203,686)
Increase (decrease) in operating liabilities:		
Accounts payable	(539,952)	(2,075)
Unearned revenue	59,927	67,417
Accrued compensated absences	(68,103)	84,006
Net pension liability	1,343,610	1,932,020
Accrued expenses	146,797	544,216
Total adjustments	13,116,039	11,866,007
Net cash provided by operating activities	$ 24,225,741	$ 21,295,179
Noncash investing, capital and financing transactions:		
Receipt of donated capital assets	$ 1,740,425	$ 1,216,369
Change in fair value of investments	(80,171)	(56,168)
Amortization of premium on long-term debt	(323,449)	(323,449)
Amortization of defeasance costs on long-term debt	643,124	643,124
Change in fair value of interest rate swap	472,791	779,490

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 177,900 through 46,318 connections within its boundaries. The water supply of the District is a combination of both surface water and groundwater. The District was formed on February 1, 2002 under the County Water District Law (California Water Code Sections 30000-33901) by the consolidation of the Northridge Water District and the Arcade Water District. The consolidation was approved and ordered by the Sacramento County Local District Formation Commission under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (California Government Code Sections 56000-57550). The District is located in Sacramento County, north of the American River and serves a large suburban area including portions of Citrus Heights, Carmichael, North Highlands, City of Sacramento, and Antelope, as well as McClellan Business Park (formerly McClellan Air Force Base). The District is currently governed by a five member Board of Directors elected by the voters within the District for staggered four year terms, every two years.

B. Component Unit

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

C. Jointly Governed Organization

The District is a signatory to the Regional Water Authority's (RWA) Joint Powers Agreement. The RWA was formed to address regional water issues with a mission to serve and represent the regional water supply interests of its 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, 2017 and 2016, primarily involved the payment of annual membership dues and grant administration expenses, which were not material to the District's financial statements. Copies of RWA's annual financial reports and other pertinent information may be obtained from their office at 5620 Birdcage Street, Suite 180, Citrus Heights, CA 95610, from their website at www.rwah2o.org, or by calling (916) 967-7692.

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

D. Basis of Accounting and Principles of Presentation

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

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

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

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

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

1. Unrestricted and Restricted Cash and Cash Equivalents

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

2. Receivables and Allowance for Uncollectible Accounts

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

3. Inventory

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

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

4. Prepaid Expenses

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

5. Investments and Investment Policy

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

6. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. Donated capital assets are recorded at acquisition value at the date of donation. Donated easements are recorded at estimated fair market value. Maintenance and repairs are charged to operations when incurred. It is the District's policy to capitalize all capital assets with a cost of more than $5,000. 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). Depreciation/amortization is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

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

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

7. Interest Expense and Income Capitalization

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, 2017 or 2016.

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

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

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

9. 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 12) or the California Public Employee Retirement System (CalPERS) defined benefit pension plan provided by the District for additional service credit (See Note 13). Employees under age 55 are paid once a year for all earned sick leave exceeding 240 hours at one-half of their current hourly rate of pay (See Note 7).

10. 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.

11. Pensions

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

12. 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, 2017 and 2016, determined using the zero-coupon measurement method, which calculates the future net settlement payments based on current forward rates implied by the yield curve. Using the synthetic instrument method, the swap has been determined to serve as an effective cash flow hedge of the District's variable-rate COP obligations. This swap is categorized as Level 2 based on observable market data derived from LIBOR.

13. Net Position

GASB 63 requires that net position be reported as the difference between assets, plus deferred outflows of resources, less liabilities and less deferred inflows of resources. Net position is to be further classified into

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

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 Unrestricted Net Position from Deferred Inflow and Outflow of Resources** – The unrestricted net position amount of $34,724,344 and $30,794,273 at December 31, 2017 and 2016, respectively, includes the effect of deferring the recognition of losses from long-term debt refundings, the increase in market value of the District's swap and the net pension liability. The deferred outflows from losses on long-term debt refundings at December 31, 2017 and 2016, were $6,678,090 and $7,321,214, respectively, and are amortized and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

  The deferred inflows of resources related to the fair market value of the swap of $487,057 and $14,266 at December 31, 2017 and 2016, would be recognized as an investment gain upon early termination of the swap. The District will only terminate its swap in advance of the contractual termination dates if market conditions permit. The deferred inflow would be recognized as an investment gain if the swap was determined to no longer be an effective hedge. Further, if the debt associated with the swap is refunded, the deferred inflow would be reduced and the deferred loss on refunding decreased by the same amount. The deferred loss on refunding would be amortized as interest expense over the life of the old debt or the life of the new debt, whichever is shorter.

  The deferred outflows of resources related to net pension liabilities of $2,807,227 and $2,078,534 at December 31, 2017 and 2016, will be amortized and recognized as pension expense over periods of five years or less.

  The deferred inflows of resources related to pensions of $647,273 and $543,791 at December 31, 2017 and 2016 will be amortized and recognized as pension expense over periods of five years or less.

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

2. Capital Contributions

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

G. Budgetary Policies

The District does not operate under any legal budgeting requirement. However, the District adopts an annual non-appropriated 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

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

In June 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement replaces the requirements of GASB Statement No. 45 and requires governments responsible for OPEB liabilities related to their own employees to report a net OPEB liability on the face of the financial statements. Governments that participate in an agent multiple employer OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their net OPEB liability.

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

Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. This Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. This Statement is effective for periods beginning after June 15, 2017.

In March 2016, the GASB issued Statement No. 82, Pension Issues, an Amendment of GASB Statements No. 67, No. 68, and No. 73. This Statement clarifies certain accounting and reporting issues related to pension plans, including the presentation of payroll related measures in required supplementary information to be covered payroll or the payroll on which contributions are based, clarifies the use of the term deviation for the selection of assumptions, and clarifies the classification of employer-paid member contributions as employee contributions classified like other employee contributions within salaries and the period in which they should be recognized. The requirements of this Statement are effective for reporting periods with plan measurement dates used for computing the pension liability that are on after June 15, 2017, and should be applied retroactively.

In November 2016, the GASB issued Statement No. 83, Certain Asset Retirement Obligations. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset (example is decommissioning a water treatment plant). A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The best estimate should include probability weighting of all potential outcomes, when such information is available or can be obtained at reasonable cost. The requirements of this Statement are effective for periods beginning after June 15, 2018.

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

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

In March 2017, the GASB issued Statement No. 85, Omnibus 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). Topics that may be applicable include criteria for an enterprise fund to blend a component unit, measuring certain money market investments at amortized cost, timing of pension and OPEB liabilities and expenditures under the current financial resources measurement focus, presenting payroll related measures in RSI for OPEB plans, classifying employer paid member contributions for OPEB plans, accounting and financial reporting for multiple-employer defined benefit OPEB Plans. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

In May 2017, the GASB issued Statement No. 86, Certain Debt Extinguishment Issues. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. For governments that extinguish debt, whether through a legal extinguishment or through an in-substance defeasance, this Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

(2) Change in Accounting Principles and Reclassifications

Certain amounts in 2016 have been reclassified to conform to the 2017 financial presentation. The reclassifications had no effect on the total net position or change in net position.

(3) Cash, Cash Equivalents and Investments

As a public agency, the District's investment practices are prescribed by various provisions of the California Government Code, as well as by Board policy. The District's investment policy is reviewed at least biennially by the Board of Directors and describes the 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.

(3) Cash, Cash Equivalents and Investments, continued

Cash and investments as of December 31, 2017 and 2016 are classified in the Statements of Net Position as follows:

	2017	2016
Cash and cash equivalents	$ 6,084,811	$ 2,694,456
Restricted cash and cash equivalents	12,504	263
Investments	35,860,505	34,619,873
Restricted investments	3,527,684	3,531,061
Total	$ 45,485,504	$ 40,845,653

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

Cash, cash equivalents and investments as of December 31, 2017 and 2016 by investment type are as follows:

	2017	2016
Cash on hand	$ 4,750	$ 4,250
Deposits with financial institutions	618,897	1,406,257
Total cash	623,647	1,410,507
California Local Agency Investment Fund (LAIF)	3,161,906	1,153,836
Money market mutual funds	208,952	130,113
Commercial paper	2,090,306	-
Held by bond trustee:		
Restricted money market mutual funds	12,504	263
Total cash equivalents	5,473,668	1,284,212
Negotiable certificates of deposit	7,552,951	7,839,441
U.S. treasury notes/bonds	10,905,008	7,206,850
Federal agency securities	1,475,572	5,799,060
Municipal obligations	925,422	1,146,889
Corporate notes	8,781,001	8,401,104
Mortgage backed and asset backed securities	3,597,589	3,708,876
Supranationals	2,622,962	517,653
Held by bond trustee:		
Restricted Federal agency securities	3,527,684	3,531,061
Total investments	39,388,189	38,150,934
Total	$ 45,485,504	$ 40,845,653

Fair Value Measurement

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

(3) Cash, Cash Equivalents and Investments, continued

The District has the following recurring fair value measurements as of December 31, 2017:

		Fair Value Measurements Using		
Investments by fair value level	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Negotiable certificates of deposit	$ 7,552,951	$ -	$ 7,552,951	$ -
U.S. treasury notes/bonds	10,905,008	10,905,008	-	-
Federal agency securities	1,475,572	-	1,475,572	-
Municipal obligations	925,422	-	925,422	-
Corporate notes	8,781,001	-	8,781,001	-
Mortgage backed and asset backed securities	3,597,589	-	3,597,589	-
Supranationals	2,622,962	-	2,622,962	-
Restricted Federal agency securities	3,527,684	-	3,527,684	-
Total investments by fair value level	39,388,189	10,905,008	28,483,181	-
Commercial paper	2,090,306	-	2,090,306	-
Total	$ 41,478,495	$ 10,905,008	$ 30,573,487	$ -

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

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

All securities classified in Level 3 are valued using cost.

(3) Cash, Cash Equivalents and Investments, continued

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

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

Authorized Investment Type	Maximum Maturity(1)	Maximum Percentage Of Portfolio	Maximum Investment in One Issuer
U.S. treasury notes/bonds	5 years	None	None
Federal agency securities	5 years	None	None
Municipal Obligations	5 years	None	None
Repurchase agreements	1 year	50%	None
Bankers acceptances	180 days	40%	5%
Commercial paper (2)	270 days	25%	5%
Negotiable certificates of deposit	5 years	30%	5%
Medium-term notes	5 years	30%	5%
Time deposits	1 year	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
Local Agency Investment Fund (LAIF)(3)	N/A	(3)	None
Supranationals	5 years	15%	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 $65 million. There is no ceiling on bond proceeds invested in LAIF. Transactions are limited to 15 per month with a 24 hour notice for withdrawals in excess of $10 million. Maximum withdrawal amounts are $65 million and LAIF funds are not eligible for borrowing.

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

(3) Cash, Cash Equivalents and Investments, continued

for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost and current value basis. The District's investment in LAIF at December 31, 2017 and 2016 was $3,161,906 and $1,153,836, respectively. The total fair value of all public agencies invested in LAIF at December 31, 2017 and 2016 was $21,195,496,377 and $21,638,343,047, respectively.

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

Interest Rate Risk
Interest rate risk is the risk that changes in market interest rates on investments with or without embedded options will adversely affect the fair value of an investment. The District manages this risk by holding investments to maturity or by adjusting the effective duration (a measure of the responsiveness of a bond's price to interest rate changes) of the investment portfolio against a nationally recognized benchmark index that most closely relates to the District's investment objectives. The District selected the "Bank of America Merrill Lynch 0-5 Year U.S. Treasury Index" as its benchmark index. The District's duration targets are reviewed quarterly and, dependent on the evaluation of various markets and non-market factors (such as cash-flow needs of the District), a duration goal is set. As of December 31, 2017 and 2016, the effective duration of the "Bank of America Merrill Lynch 0-5 Year U.S. Treasury Index" was 2.12 and 2.16, respectively.

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

	December 31, 2017		December 31, 2016	
Cash Equivalent Type	**Fair Value**	**Duration**	**Fair Value**	**Duration**
LAIF	$ 3,161,906	0.51	$ 1,153,836	0.47
Money market mutual funds	221,456	-	130,376	-
Commercial paper	2,090,306	0.25	-	-
Weighted average duration	$ 5,473,668	0.39	$ 1,284,212	0.42

Weighted-average effective duration on investments were as follows:

	December 31, 2017		December 31, 2016	
Investment Type	**Fair Value**	**Duration**	**Fair Value**	**Duration**
Negotiable certificates of deposit	$ 7,552,951	1.34	$ 7,839,441	0.80
U.S. treasury notes/bonds	10,905,008	3.37	7,206,850	3.76
Federal agency securities	5,003,256	1.31	9,330,121	2.25
Municipal obligations	925,422	0.57	1,146,889	1.35
Corporate notes	8,781,001	2.16	8,401,104	2.20
Mortgage backed and asset backed securities	3,597,589	0.98	3,708,876	1.92
Supranationals	2,622,962	2.34	517,653	2.32
Weighted average duration	$ 39,388,189	2.09	$ 38,150,934	2.08

(3) 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, 2017, were as follows:

Cash Equivalent Type		Minimum Legal Rating	Ratings as of Year-End Not Rated	AAA/AA	AA-/A-1
LAIF	$ 3,161,906	-	$ 3,161,906	$ -	$ -
Money market mutual funds	221,456	-	-	221,456	-
Commercial paper	2,090,306	A-1	-	-	2,090,306
Total cash equivalents	$ 5,473,668	-	$ 3,161,906	$ 221,456	$ 2,090,306

Investment credit ratings as of December 31, 2017 were as follows:

Investment Type		Minimum Legal Rating	Not Rated	Ratings as of Year-End AAA	AA+/AA-	A+/A-1/A3	BBB+
Negotiable certificates of deposit	$ 7,552,951	-	-	-	$ 2,066,865	$ 5,486,086	-
U.S. treasury notes/bonds	10,905,008	-	-	-	10,905,008	-	-
Federal agency securities	5,003,256	-	-	-	5,003,256	-	-
Municipal obligations	925,422	-	-	-	696,084	229,338	-
Corporate notes	8,781,001	A	-	-	2,198,581	5,314,373	1,268,047
Mortgage backed and asset backed securities	3,597,589	AA	1,487,515	1,551,933	558,141	-	-
Supranationals	2,622,962	AA	-	2,622,962	-	-	-
Total investments	$39,388,189	-	$1,487,515	$4,174,895	$21,427,935	$11,029,797	$ 1,268,047

Cash equivalents credit ratings as of December 31, 2016, were as follows:

Cash Equivalent Type		Minimum Legal Rating	Ratings as of Year-End Not Rated	AAA/AA	AA-/A-1
LAIF	$ 1,153,836	-	$ 1,153,836	$ -	$ -
Money market mutual funds	130,376	-	-	130,376	-
Total cash equivalents	$ 1,284,212	-	$ 1,153,836	$ 130,376	$ -

(3) Cash, Cash Equivalents and Investments, continued

Investment credit ratings as of December 31, 2016, were as follows:

Investment Type		Minimum Legal Rating	Not Rated	Ratings as of Year-End AAA	AA+/AA-	A+/A-1/A3	BBB+
Negotiable certificates of deposit	$ 7,839,441	-	$ -	$ -	$ 2,307,071	$ 5,532,370	$ -
U.S. treasury notes/bonds	7,206,850	-	-	-	7,206,850	-	-
Federal agency securities	9,330,121	-	-	-	9,330,121	-	-
Municipal obligations	1,146,889	-	215,615	-	931,274	-	-
Corporate notes	8,401,104	A	-	-	3,981,465	3,901,676	517,963
Mortgage backed and asset backed securities	3,708,876	AA	936,098	1,507,822	1,264,956	-	-
Supranationals	517,653	AA	-	517,653	-	-	-
Total investments	$38,150,934	-	$ 1,151,713	$ 2,025,475	$25,021,737	$ 9,434,046	$517,963

Concentration of Credit Risk

At December 31, 2017 and 2016, 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	2017		2016	
Federal National Mortgage Association	Federal agency securities	$ -	- %	$ 4,520,597	11.85%
Federal Home Loan Mortgage	Federal agency securities	$ 2,348,943	5.67%	$ 2,350,150	6.16%
Federal Home Loan Bank	Federal agency securities	$ 2,121,349	5.12%	$3,724,331	9.76%

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, 2017 and 2016, $3,268,712 and $2,684,138, 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.

(4) 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:

	2017	2016
2009A Certificates of participation reserve fund	$ 1	$ 1
2009B Certificates of participation reserve fund	12,137	257
2012A Revenue bond interest payment fund	366	5
Total	$ 12,504	$ 263

Restricted investments as of December 31 were as follows:

	2017	2016
2009B Certificates of participation reserve fund	$ 3,527,684	$ 3,531,061

(5) Receivables, Net and Restricted Receivable

Receivables as of December 31 consist of the following:

	2017	2016
Water sales and services receivable	$ 3,391,853	$ 2,430,000
Allowance for doubtful accounts	(171,309)	(152,321)
Accrued interest receivable	175,719	134,041
Accrued interest receivable on restricted investments	7,982	8,714
Receivable from OPEB trust	139,520	130,550
Grant receivable	135,447	285,929
Total	$ 3,679,482	$ 2,836,913

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2017 and 2016

(6) Capital Assets

Changes in capital assets for the year ended December 31, 2017, were as follows:

	Balance 2016	Additions	Deletions	Transfers	Balance 2017
Non-depreciable assets:					
Land	$ 1,798,864	$ -	$ -	$ -	$ 1,798,864
Permanent easements	3,611,814	491,051	-	-	4,102,865
Construction-in-progress	4,349,964	12,991,701	-	(6,459,696)	10,881,969
Total non-depreciable assets	9,760,642	13,482,752	-	(6,459,696)	16,783,698
Depreciable and amortizable assets:					
Land improvements	1,036,009	23,485	(18,238)	-	1,041,256
Pumping and wells	76,893,953	20,000	-	1,683,337	78,597,290
Hydrants, PRV stations, valves	131,241,316	657,343	(50,342)	740,553	132,588,870
Purchased trans & dist pipelines	160,785,243	592,031	(36,903)	1,802,152	163,142,523
Capacity entitlement	5,282,728	-	-	-	5,282,728
Storage facilities – reservoirs	14,050,359	-	-	-	14,050,359
Water meters	33,703,293	10,025	(1,874,739)	2,162,145	34,000,724
Buildings	2,690,040	-	-	-	2,690,040
Buildings improvements	3,727,153	188,634	(471,493)	31,097	3,475,391
Machinery and equipment	772,650	123,109	(33,311)	-	862,448
Fleet equipment	1,728,724	272,800	(161,312)	-	1,840,212
Office equipment	274,300	-	-	-	274,300
Computer software	2,651,859	243,483	(84,193)	40,412	2,851,561
Computer hardware & equipment	1,068,444	151,879	(213,470)	-	1,006,853
Total depreciable & amort. Assets	435,906,071	2,282,789	(2,944,001)	6,459,696	441,704,555
Accumulated depreciation and amortization:					
Land improvements	(842,660)	(25,703)	18,238	-	(850,125)
Pumping and wells	(34,764,360)	(2,835,903)	-	-	(37,600,263)
Hydrants, PRV stations, valves	(66,628,956)	(3,659,832)	49,107	-	(70,239,681)
Purchased trans & dist pipelines	(20,827,870)	(2,009,625)	27,285	-	(22,810,210)
Capacity entitlement	(3,300,891)	(174,194)	-	-	(3,475,085)
Storage facilities – reservoirs	(3,941,534)	(349,415)	-	-	(4,290,949)
Water meters	(19,165,862)	(2,491,756)	1,874,740	-	(19,782,878)
Buildings	(1,377,525)	(66,697)	-	-	(1,444,222)
Buildings improvements	(2,834,767)	(145,115)	458,896	-	(2,520,986)
Machinery and equipment	(697,588)	(41,118)	33,311	-	(705,395)
Fleet equipment	(1,377,474)	(86,845)	161,312	-	(1,303,007)
Office equipment	(178,806)	(17,237)	-	-	(196,043)
Computer software	(2,281,830)	(157,386)	84,193	-	(2,355,023)
Computer hardware & equipment	(739,733)	(121,086)	212,666	-	(648,153)
Total accumulated depr. & amort.	(158,959,856)	(12,181,912)	2,919,748	-	(168,222,020)
Total depr. & amort. assets, net	276,946,215	(9,899,123)	(24,253)	6,459,696	273,482,535
Total capital assets, net	$286,706,857	$ 3,583,629	$ (24,253)	$ -	$290,266,233

(6) Capital Assets, continued

Changes in capital assets for the year ended December 31, 2016, were as follows:

	Balance 2015	Additions	Deletions	Transfers	Balance 2016
Non-depreciable assets:					
Land	$ 1,669,713	$ -	$ -	$ 129,151	$ 1,798,864
Permanent easements	3,168,985	442,829	-	-	3,611,814
Construction-in-progress	5,340,129	17,367,200	-	(18,357,365)	4,349,964
Total non-depreciable assets	10,178,827	17,810,029	-	(18,228,214)	9,760,642
Depreciable and amortizable assets:					
Land improvements	1,036,009	-	-	-	1,036,009
Pumping and wells	72,324,286	15,358	(244,759)	4,799,068	76,893,953
Hydrants, PRV stations, valves	128,481,782	223,543	-	2,535,991	131,241,316
Purchased trans & dist pipelines	153,187,239	549,997	-	7,048,007	160,785,243
Capacity entitlement	5,282,728	-	-	-	5,282,728
Storage facilities – reservoirs	13,673,880	-	-	376,479	14,050,359
Water meters	30,277,757	-	-	3,425,536	33,703,293
Buildings	2,690,040	-	-	-	2,690,040
Buildings improvements	3,574,373	109,647	-	43,133	3,727,153
Machinery and equipment	772,650	-	-	-	772,650
Fleet equipment	1,493,148	235,576	-	-	1,728,724
Office equipment	443,917	23,635	(193,252)	-	274,300
Computer software	2,573,135	78,724	-	-	2,651,859
Computer hardware & equipment	1,064,214	103,188	(98,958)	-	1,068,444
Total depreciable & amort. assets	416,875,158	1,339,668	(536,969)	18,228,214	435,906,071
Accumulated depreciation and amortization:					
Land improvements	(816,536)	(26,124)	-	-	(842,660)
Pumping and wells	(32,350,824)	(2,657,990)	244,472	-	(34,764,360)
Hydrants, PRV stations, valves	(62,882,707)	(3,746,249)	-	-	(66,628,956)
Purchased trans & dist pipelines	(18,906,590)	(1,921,280)	-	-	(20,827,870)
Capacity entitlement	(3,126,219)	(174,672)	-	-	(3,300,891)
Storage facilities – reservoirs	(3,600,592)	(340,942)	-	-	(3,941,534)
Water meters	(16,834,608)	(2,331,254)	-	-	(19,165,862)
Buildings	(1,310,580)	(66,945)	-	-	(1,377,525)
Buildings improvements	(2,704,141)	(130,626)	-	-	(2,834,767)
Machinery and equipment	(654,870)	(42,718)	-	-	(697,588)
Fleet equipment	(1,320,252)	(57,222)	-	-	(1,377,474)
Office equipment	(336,571)	(23,891)	181,656	-	(178,806)
Computer software	(2,122,257)	(159,573)	-	-	(2,281,830)
Computer hardware & equipment	(709,792)	(128,095)	98,154	-	(739,733)
Total accumulated depr. & amort.	(147,676,557)	(11,807,581)	524,282	-	(158,959,856)
Total depr. & amort. assets, net	269,198,601	(10,467,913)	(12,687)	18,228,214	276,946,215
Total capital assets, net	$ 279,377,428	$ 7,342,116	$ (12,687)	$ -	$286,706,857

(6) Capital Assets, continued

Major capital asset additions during 2017 and 2016 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:

	2017	2016
Butano/Cottage well construction	$ 161,852	$ -
Well rehabilitation/pump improvements	110,227	960,260
Meter retrofit project	442,903	-
SCADA RTU panels improvements	69,833	24,750
Palm Avenue Well	1,045,065	760,912
Parkland Estate main replacement	6,287,901	1,023,218
Edison Meadows main replacement	918,236	116,455
Water System Master Plan	-	268,723
Various other distribution main replacements	1,381,134	862,753
Various other minor projects	464,818	332,893
Construction-in-progress	$ 10,881,969	$ 4,349,964

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, 2017 and 2016.

(7) Compensated Absences

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

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

Balance 2016	Earned	Taken	Balance 2017	Due Within One Year
$ 1,087,883	$ 660,536	$ (728,639)	$ 1,019,780	$ 700,000

Balance 2015	Earned	Taken	Balance 2016	Due Within One Year
$ 1,003,878	$ 783,060	$ (699,055)	$ 1,087,883	$ 700,000

(8) Long-Term Debt

Description of the District's Long-Term Debt

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

Long-term debt activities for the year ended December 31, 2017, are as follows:

	Balance 2016	Additions	Retirements	Balance 2017	Current Portion
2009A Certificates of participation	$ 42,000,000	$ -	$ -	$ 42,000,000	$ -
2009B Certificates of participation	24,095,000	-	(2,030,000)	22,065,000	2,135,000
2012A Revenue bond	19,520,000	-	(2,030,000)	17,490,000	2,105,000
Total principal	85,615,000	-	(4,060,000)	81,555,000	$4,240,000
Unamortized bond premium	3,587,811	-	(323,450)	3,264,361	
Imputed borrowing - off-market swap	5,299,116	-	(330,093)	4,969,023	
Total long-term debt	$ 94,501,927	$ -	$ (4,713,543)	$ 89,788,384	

Long-term debt activities for the year ended December 31, 2016, are as follows:

	Balance 2015	Additions	Retirements	Balance 2016	Current Portion
2009A Certificates of participation	$ 42,000,000	$ -	$ -	$ 42,000,000	$ -
2009B Certificates of participation	26,045,000	-	(1,950,000)	24,095,000	2,030,000
2012A Revenue bond	21,515,000	-	(1,995,000)	19,520,000	2,030,000
Total principal	89,560,000	-	(3,945,000)	85,615,000	$4,060,000
Unamortized bond premium	3,911,260	-	(323,449)	3,587,811	
Imputed borrowing - off-market swap	5,622,452	-	(323,336)	5,299,116	
Total long-term debt	$99,093,712	$ -	$(4,591,785)	$ 94,501,927	

(8) Long-Term Debt, continued

The future debt service schedule of all long-term debt as of December 31, 2017, is as follows:

Year	Principal	Interest [(1)]	Total
2018	$ 4,240,000	$ 3,519,108	$ 7,759,108
2019	4,390,000	3,331,529	7,721,529
2020	4,595,000	3,153,760	7,748,760
2021	4,815,000	2,938,080	7,753,080
2022	5,015,000	2,705,245	7,720,245
2023-2027	19,580,000	10,535,379	30,115,379
2028-2032	27,725,000	5,122,137	32,847,137
2033-2034	11,195,000	589,810	11,784,810
Total	81,555,000	$ 31,895,048	$113,450,048
Less current portion	(4,240,000)		
Unamortized bond premium	3,264,361		
Imputed borrowing on off-market swap	4,969,023		
Total non-current long-term debt	$ 85,548,384		

(1) Includes – 1) fixed-rate interest at scheduled payments, 2) variable-rate interest at an estimated rate of 2.175 percent as of December 31, 2017 (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 1.078 percent as of December 31, 2017.

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, 2023[(2)]. 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.

(2) The credit rating of the District's LOC provider (Sumitomo Mitsui Banking Corporation) as of December 31, 2017 is A1/A/A by Moody's Investor Services, Standard and Poor's Ratings Services, and Fitch IBCA, Inc., respectively.

(8) Long-Term Debt, continued

As of December 31, 2017, 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**
2018	$ -	$ 913,500	$ 734,208	$ 1,647,708
2019	-	913,500	734,208	1,647,708
2020	-	913,500	734,208	1,647,708
2021	-	913,500	734,208	1,647,708
2022	-	913,500	734,208	1,647,708
2023-2027	6,430,000	4,277,754	3,438,230	14,145,984
2028-2032	24,375,000	2,762,087	2,220,466	29,357,553
2033-2034	11,195,000	326,884	262,926	11,784,810
Total	42,000,000	$ 11,934,225	$ 9,592,664	$ 63,526,889
Less current portion	-			
Imputed borrowing- off-market swap	4,969,023			
Total non-current COP obligation	$ 46,969,023			

(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 1.078 percent as of December 31, 2017.

(2) Estimated at an assumed rate of 2.175 percent as of December 31, 2017 (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, 2017 and 2016, the fair market value of permitted investments in the reserve fund, including accrued interest, was $3,539,403 and $3,540,032, respectively, while the amortized cost was $3,542,082 and $3,536,762, respectively.

(8) Long-Term Debt, continued

As of December 31, 2017, the future debt service schedule of the 2009 Series B COP obligation is as follows:

Year	Principal	Interest	Total
2018	$ 2,135,000	$ 1,123,208	$ 3,258,208
2019	2,230,000	1,016,596	3,246,596
2020	2,360,000	908,658	3,268,658
2021	2,495,000	789,533	3,284,533
2022	2,610,000	662,738	3,272,738
2023-2027	6,885,000	1,971,579	8,856,579
2028	3,350,000	139,584	3,489,584
Total	22,065,000	$ 6,611,896	$ 28,676,896
Less current portion	(2,135,000)		
Unamortized bond premium	907,590		
Total non-current COP obligation	$ 20,837,590		

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.

(8) Long-Term Debt, continued

As of December 31, 2017, the future debt service schedule of the 2012 Series A Revenue Bond is as follows:

Year	Principal	Interest	Total
2018	$ 2,105,000	$ 748,192	$ 2,853,192
2019	2,160,000	667,225	2,827,225
2020	2,235,000	597,394	2,832,394
2021	2,320,000	500,838	2,820,838
2022	2,405,000	394,798	2,799,798
2023-2027	6,265,000	847,816	7,112,816
Total	17,490,000	$ 3,756,263	$ 21,246,263
Less current portion	(2,105,000)		
Unamortized bond premium	2,356,771		
Total non-current bond obligation	$ 17,741,771		

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, 2017 and 2016, 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.

(8) Long-Term Debt, continued

Fair Value

Based on existing market conditions as of December 31, 2017 and 2016, the swap had a negative fair value of \$6,257,943 and \$6,730,734 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, 2017 and 2016, the "on-market" portion of the swap's negative fair value is reported as a component of non-current liabilities on the Statements of Net Position and the offsetting amount is recorded as a deferred outflow or inflow of resources. The "on-market" portion of the swap is considered an effective hedging instrument as of December 31, 2017 and 2016.

	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value	Swap Term Date	Counterparty Credit Rating (1)
Dec. 31, 2017	$33,300,000	April 11, 2012	3.283%	60% LIBOR +.18%	$ (6,257,943)	Nov. 1, 2034	Aa2/AA-/AA-
Dec. 31, 2016	$33,300,000	April 11, 2012	3.283%	60% LIBOR +.18%	$ (6,730,734)	Nov. 1, 2034	Aa2/AA-/AA
Dec. 31, 2015	$33,300,000	April 11, 2012	3.283%	60% LIBOR +.18%	$ (7,510,224)	Nov. 1, 2034	Aa2/AA-/AA

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

(8) Long-Term Debt, continued

Swap Payments and Notional Amortization for the Period Ended December 31, 2017:

Year		Notional Amortization	Swap Payments, Net (1)	Total
2018		$ -	$ 743,208	$ 743,208
2019		-	743,208	743,208
2020		-	743,208	743,208
2021		-	743,209	743,209
2022		-	743,209	743,209
2023-2027		5,095,000	3,438,230	8,533,230
2028-2032		19,325,000	2,220,466	21,545,466
2033-2034		8,880,000	262,926	9,142,926
	Total	$ 33,300,000	$ 9,592,664	$ 42,892,664

(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 1.078 percent as of December 31, 2017.

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.

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

(8) Long-Term Debt, continued

Termination Event Risk

A number of events are specified in the swap agreement that could result in the District immediately owing (or owed) the swap's fair 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.

Liquidity/Credit Enhancement on Certificates - Credit and Extension Risk

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

Collateral Posting Risk

Based on certain thresholds of the fair 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.

(9) Net Investment in Capital Assets

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

	2017	2016
Capital assets not being depreciated	$ 16,783,698	$ 9,760,642
Capital assets being depreciated and amortized, net	273,482,535	276,946,215
Deferred outflows on long-term debt refundings	6,678,090	7,321,214
Long term debt	(89,788,384)	(94,501,927)
Net investment in capital assets, considered non-expendable	$207,155,939	$199,526,144

(10) Restricted Net Position

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

	2017	2016
2009A Certificates of participation reserve fund	$ 1	$ 1
2009B Certificates of participation reserve fund (cash and interest receivable)	3,547,803	3,540,032
2012A Revenue bond interest payment fund	366	5
Total restricted net position	$ 3,548,170	$ 3,540,038

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

(11) Unrestricted Net Position

Designations of unrestricted net position may be imposed by the Board of Directors to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended or removed by Board action at any time. Currently, the District's Reserve Policy calls for three fund classifications that collectively comprise the District's unrestricted net position: Committed funds, Assigned funds and remaining funds not otherwise restricted, committed or assigned. Committed funds are those financial assets set aside by the Board for specific purposes as determined by Board resolution or ordinance. As of December 31, 2017 and 2016 the District has one committed fund with a zero balance for both years. The committed fund is for developers required to install extension facilities (up-sized line or the extension of facilities beyond the frontage of a parcel) as a requirement for obtaining water service. This fund is utilized to reimburse the developer, in whole or in part, for the extension facility based on the proportion of funds collected from all developers for that calendar year. Assigned funds are those financial assets determined necessary to be retained for specific risk-mitigation purposes as determined by the Board annually or as needs arise. The Board has several classes of such assigned funds but is not bound legally or contractually on the retention of such funds and, as such, amounts in assigned funds are available to meet the general obligations of the District.

(12) Deferred Compensation Plan

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program (Program). The purpose of this Program is to provide employees, who elect to participate, the opportunity to defer receipt of a portion of their compensation until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred compensation for income tax purposes. Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants or their beneficiaries. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. The market value of all plan assets held in trust by the District for its deferred compensation program at December 31, 2017 and 2016, amounted to $4,549,756 and $3,830,600, respectively.

(13) Defined Benefit Pension Plan

A. General Information about the Pension Plan:

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

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

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

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

The Plans' provisions and benefits in effect at December 31, 2017 and 2016, are summarized as follows:

	Miscellaneous		
Hire date	Prior to 09/25/2006	After 9/25/2006 and Prior to 01/01/2013	On or after 01/01/2013
Benefit formula	3.0% at 60	2.0% at 55	2.0% at 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 60	50 – 63	52 - 67
Monthly benefits as a % of eligible compensation	2.0% to 3.0%	1.4% to 2.4%	1.0% to 2.5%
Required employee contribution rates	8.00%*	7.00%*	6.50%
Required employer contribution rates – 2017	13.55%	9.10%	6.91%
Required employer contribution rates – 2016	13.50%	9.06%	6.93%
Open or Closed to New Entrants	Closed	Closed to new members that are not already CalPERS eligible participants	Open

(* Paid by District on behalf of employees)

(13) Defined Benefit Pension Plan, continued

In addition to the contribution rates above, the District was also required to make a payment of $367,091 and $304,049 toward its unfunded actuarial liability of all Plans during the year ended December 31, 2017 and 2016, respectively.

Contributions:
CalPERS Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by an actuary and shall be effective on July 1 following notice of a change in the rate. Funding contributions for all Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The District's total employer contributions were $857,705 (2017 contribution was $879,305 less $21,600 for 2016 over-stated contribution) and $821,520 for the years ended December 31, 2017 and 2016, respectively. Dependent on the Rate Plan, the employee contribution rate was 8.0 percent or 7.0 percent of annual pay for Classic members and 6.50 percent for PEPRA members for the measurement periods ended June 30, 2017 and 2016. The District contributes the full 8.0 percent or 7.0 percent for Classic members while PEPRA members contribute the full 6.50 percent. At December 31, 2017 and 2016, District's pickup of the employee's 8.0 percent and 7.0 percent share was $283,907 and $316,898, respectively.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:
As of December 31, 2017 and 2016, the District reported a net pension liability for its proportionate share of the net pension liability of the Plans of $8,997,648 and $7,654,038, respectively.

The District's net pension liability is measured as the proportionate share of the Pool's net pension liability. The net pension liability is measured as of June 30, 2017 and 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 and 2015 rolled forward to June 30, 2017 and 2016 using standard update procedures. For June 30, 2017 and 2016, the District's proportion of the Net Pension Liability was based on its proportion of the Total Pension Liability less its proportion of the Fiduciary Net Position.

The District's proportionate share of the net pension liability for the Plan as of June 30, 2017 and 2016 was as follows:

Proportion - June 30, 2016	0.220331 %
Proportion - June 30, 2017	0.228248 %
Change - Increase (Decrease)	0.007917 %

(13) Defined Benefit Pension Plan, continued

For the year ended December 31, 2017 and 2016, the District recognized pension expense of $1,576,104 and $966,988, respectively. At December 31, 2017 and 2016, the District reported deferred outflows of resources and deferred inflows of resources related to all Plans combined from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	2017	**2016**	**2017**	**2016**
Pension contributions subsequent to measurement date	$ 620,794	$ 579,159	$ -	$ -
Changes in assumptions	1,578,075	-	120,330	252,098
Net differences between projected and actual earnings on plan investments	356,895	1,312,085	-	-
Differences between expected and actual experience	12,719	26,646	182,217	6,105
Differences between the employer's contribution and the employer's proportionate share of contributions	-	-	344,726	268,417
Change in employer's proportion	238,744	160,644	-	17,171
Total	$2,807,227	$2,078,534	$ 647,273	$ 543,791

The $620,794 and $579,159 reported as deferred outflows of resources as of December 31, 2017 and 2016 related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended December 31, 2017 and 2016, respectively. Other amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized as pension expense as follows:

Year Ended December 31	
2018	$ 319,946
2019	$ 896,254
2020	$ 534,855
2021	$ (211,895)

(13) Defined Benefit Pension Plan, continued

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

The total pension liabilities in the June 30, 2017 and 2016 actuarial valuation was determined using the following actuarial assumptions:

	2017 Miscellaneous	2016 Miscellaneous
Valuation Date	June 30, 2016	June 30, 2015
Measurement Date	June 30, 2017	June 30, 2016
Actuarial Cost Method	Entry-Age Normal	Entry-Age Normal
Actuarial Assumptions:		
Discount Rate	7.15%	7.65%
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Projected Salary Increase	3.20% - 12.20% (1)	3.30% - 14.20% (1)
Investment Rate of Return	7.00% (2)	7.50% (2)
Mortality	(4)	(3)

(1) Dependent on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

(3) Probabilities of retirement and mortality are based on CalPERS' 2010 Experience Study for the period from 1997 to 2007.

(4) Probabilities of retirement and mortality are based on CalPERS' 2014 Experience Study for the period from 1997 to 2011.

Discount Rate:

The discount rates used to measure the total pension liability were 7.15 percent and 7.65 percent as of June 30, 2017 and 2016 for each Plan. The deferred outflow of resources for changes in assumptions on the previous page represents the unamortized portion of this assumption change. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

(13) Defined Benefit Pension Plan, continued

For both 2017 and 2016, in determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The tables below reflect the long-term expected real rates of return by asset class for the Plan as of the measurement date of June 30, 2017 and 2016. The rates of return were calculated using the capital market assumptions applied to determine the discount rate. These rates of return are net of administrative expenses.

Asset Class	2017 Target Allocation	Real Return Years 1 – 10 (a)[1]	Real Return Years 11+ (b)[2]
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	(0.40%)	(0.90%)
Total	100.0%		

Asset Class	2016 Target Allocation	Real Return Years 1 – 10 (a)[1]	Real Return Years 11+ (b)[2]
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	(0.55)%	(1.05)%
Total	100.0%		

[1] An expected inflation rate of 2.50% used for this period.
[2] An expected inflation rate of 3.00% used for this period.

(13) Defined Benefit Pension Plan, continued

C. Changes in the Net Pension Liability:

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

	2017 Sensitivity to 1-Percent Change	2016 Sensitivity to 1-Percent Change
1% Decrease	6.15%	6.65%
Net Pension Liability	$ 14,199,433	$ 12,202,722
Current Discount Rate	7.15%	7.65%
Net Pension Liability	$ 8,997,648	$ 7,654,038
1% Increase	8.15%	8.65%
Net Pension Liability	$ 4,689,435	$ 3,894,776

Plan Fiduciary Net Position:
Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan:
At December 31, 2017 and 2016, the District had no outstanding payable to the pension plans.

(14) 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.

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 a defined benefit 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.

(14) Postemployment Benefits, continued

Eligibility

Substantially all of the District's full-time employees may become eligible for postemployment health benefits after age fifty and after working for the District for five years if hired before January 1, 2003. If hired after January 1, 2003, eligibility for such benefits is based on a minimum of ten years of qualifying service working with an employer that is a CalPERS healthcare provider. Retirement from the District is also a condition of eligibility for postemployment health benefits (the District must be the last employer prior to retirement). In addition, eligible retirees are required to pay a portion of the cost of certain medical insurance plans offered by CalPERS above a minimum amount established annually by the District. Eligible retirees hired after January 1, 2003, not fully-vested in postemployment health benefits, are required to pay a portion of health insurance costs up to the extent they are not fully vested. Certain former Northridge Water District directors with twelve years of service are also eligible for postemployment benefits. At December 31, 2017 and 2016, 37 and 32 retired employees, directors, and their survivor dependents met those eligibility requirements, respectively.

Funding Policy

Participants 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 2017 and 2016 are 10.67 percent and 10.67 percent of annual covered payroll, respectively.

In accordance with the provisions of GASB 45, as the District is fully funding its ARC no liability is shown on the Statements of Net Position. The ARC was fully funded in both 2017 and 2016 in the amount of $472,200 and $470,000, respectively. The ARC amounts funded include the normal cost of $165,300 in 2017 and $161,000 in 2016, and $306,900 and $309,000 to amortize the Unfunded Actuarial Accrued Liability (UAAL) in 2017 and 2016, 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)
7/1/2017	$ 4,726,714	$ 7,295,798	$ 2,569,084	64.8%	$4,331,683	59.3%

The District's annual other postemployment benefit costs (OPEB) for the years ended December 31, 2017, 2016, and 2015, were equal to its ARC amounts for each year of $472,200, $470,000 and $591,000, respectively. As the District fully funds its ARC, there is no reportable net OPEB obligation for each of the years so referenced.

(14) Postemployment Benefits, continued

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, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll method
Remaining amortization period – closed	8 years as of the valuation date
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return (discount rate)	6.50%
Projected salary increase	2.75%
Long-term inflation rate	2.75%
Projected medical increase	4.00%
Projected dental increase	4.00%
Projected vision increase	3.00%

(15) 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 376 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, 2017 and 2016 were regularly scheduled premium payments which were not material to the District's financial statements. At December 31, 2017, 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 $5 million, per occurrence. ACWA/JPIA purchased additional excess coverage layers to a total of $60 million for general, auto and public officials' liability.

(15) Risk Management, continued

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 $150 million per loss.

- Boiler and machinery coverage for the replacement cost up to $150 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 million 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.

- ACWA/JPIA also insures for employee benefits, namely medical, dental, vision, life and employee assistance programs (EAP). The District participates only in the EAP program within this pool.

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, 2017 and 2016. 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, 2017 and 2016.

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.

(16) Commitments and Contingencies

Sacramento Regional County Sanitation District – Riverwalk Well Field Lease

The District is leasing a 5.5 acre parcel from the Sacramento Regional County Sanitation District for its Riverwalk Well Field. The effective date of the lease was from June 1, 1987 to May 31, 2012. In 2012, the District exercised its option upon expiration of the initial term of the lease and extended the lease term to May 31, 2037. The original lease amount of $12,750, paid in advance each year, is adjusted annually on the anniversary date of the lease to reflect any increase or decrease of the National Consumer Price Index of the preceding year. The annual lease costs for calendar years 2017 and 2016 were $27,608 and $27,502, respectively. Future estimated lease commitment costs for the period January 1, 2018, to May 31, 2037, are estimated to be $536,049, as of December 31, 2017.

(16) Commitments and Contingencies, continued

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

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

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

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

Each year the District is required to pay for its annual entitlement or surrender a portion of its rights so that the Agency will be free to put the water to use elsewhere. In order to do this, if the District does not take-or-pay for its annual entitlement for any year, the District's annual entitlement for each year thereafter is reduced by 50% of the amount which the District did not take-or-pay for during the year. The District's annual entitlement is subject to certain temporary or permanent reduction or elimination whenever the Agency notifies the District that the Agency has determined that it will not have sufficient water under certain provisions of the contract. In this situation, the District is relieved of its take-or-pay obligation. The most common event that would trigger the Agency providing notification to the District would be a projection of unimpaired inflow to Folsom Lake reservoir dropping below 1.6 million acre feet.

Each year the District is to pay the Agency for each acre-foot of the District's annual entitlement made available for use in the District's service area in order of the highest of the following three rates: (1) Thirty-five dollars ($35); (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.

(16) Commitments and Contingencies, continued

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition as of December 31, 2017.

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, 2017, the District's commitment on open construction contracts is $9.6 million:

Project Name	Approved Contract	Payments To Date	Remaining Commitment
Palm Avenue well construction	$ 558,537	$ (149,008)	$ 409,529
Butano/Cottage well construction	163,693	(78,316)	85,377
Edison Meadow main replacement	5,854,951	(676,644)	5,178,307
Parkland Estate main replacement – Phase 2	8,225,112	(4,903,677)	3,321,435
Jonas main replacement	207,002	(181,753)	25,249
Lower and raise water facilities	209,345	(27,631)	181,714
Meter retrofit	44,543	-	44,543
Marconi Generator	341,114	(55,600)	285,514
Enterprise reservoir valve replacement	32,685	-	32,685
Well rehabilitation	31,705	-	31,705
Total	$ 15,668,687	$ (6,072,629)	$ 9,596,058

(17) Subsequent Event

Refunding Revenue Bond

The District is in the process of refunding its Series 2009B Certificates of Participations (Series 2009B). The advanced refunding is expected to total $19.7 million and to be issued in May 2018 with a maturity of November 1, 2027. The purpose of the refunding is to lower debt service costs.

Required Supplementary Information

Sacramento Suburban Water District
Required Supplementary Information (Unaudited)
For The Years Ended December 31, 2017 and 2016

Schedule of Funding Progress
Other Post Employment Benefits

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)
7/1/2017	$ 4,726,714	$ 7,295,798	$ 2,569,084	64.8%	$4,331,683	59.3%
7/1/2015	3,746,037	6,239,224	2,493,187	60.0%	4,305,000	58.0%
7/1/2013	2,579,100	6,348,900	3,769,800	40.6%	4,200,000	89.8%

Sacramento Suburban Water District
Required Supplementary Information (Unaudited)
For The Years Ended December 31, 2017 and 2016

Schedule of the Proportionate Share of the Net Pension Liability
Last 10 Years [1]

	June 30			
	2017	2016	2015	2014
Proportion of the net pension liability	0.228248%	0.220331%	0.208569%	0.204804%
Proportionate share of the net pension liability	$8,997,648	$7,654,038	$5,722,018	$5,061,703
Covered payroll – measurement period	$4,197,900	$4,272,005	$4,212,170	$4,020,086
Proportionate share of net pension liability as a % of covered payroll	214.34%	179.17%	135.84%	125.91%
Plan fiduciary net position as a percentage of the total pension liability	73.31%	74.06%	78.40%	83.03%

Notes to Schedule:

(1) Omitted Years: GASB 68 was implemented during 2014. No information was available prior to this date.

(2) Change in Benefit Terms: The figures above do not include any liability that may have resulted from plan changes which occurred after the June 30, 2016 valuation date. No plan changes have occurred.

(3) Changes in Assumptions: In 2017, the accounting discount rate reduced from 7.65% to 7.15%.

Sacramento Suburban Water District
Required Supplementary Information (Unaudited)
For The Years Ended December 31, 2017 and 2016

Schedule of Contributions to the Pension Plan
Last 10 Years [1]

	December 31			
	2017	2016	2015	2014
Contractually required contribution (actuarially determined)	$879,305	$ 799,920	$ 834,729	$ 620,038
Contributions in relation to the actuarially determined contributions	(879,305)	(799,920)	(834,729)	(620,038)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered employee payroll – calendar year	$4,494,291	$4,292,474	$ 4,275,516	$ 4,063,473
Contributions as a percentage of covered employee payroll	19.56%	18.64%	19.52 %	15.26 %
Valuation Date	6/30/2016	06/30/2015	06/30/2013	06/30/2012

	December 31			
Methods and assumptions used to determine contribution rates:	2017	2016	2015	2014
Actuarial cost method	Entry-Age Normal			
Amortization method	Level percentage of payroll, closed			
Remaining amortization period	13 years	14 years	15 years	15 years
Asset valuation method	5-year smoothed market			
Inflation	2.75%	2.75%	2.75%	2.75%
Salary increases	Varies by Entry Age and Service			
Payroll growth	3.00%	3.00%	3.00%	3.00%
Investment rate of return	7.00% (2)	7.50% (2)	7.50% (2)	7.50% (2)
Retirement age and mortality	(4)	(3)	(3)	(3)

Notes to Schedule:

(1) Omitted Years: GASB 68 was implemented during 2014. No information was available prior to this date.
(2) Net of pension plan investment expenses, includes inflation.
(3) Probabilities of retirement and mortality are based on CalPERS' 2010 Experience Study for the period from 1997 to 2007.
(4) Probabilities of retirement and mortality are based on CalPERS' 2014 Experience Study for the period from 1997 to 2011.

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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Assets										
Current assets	$ 29,194	$ 18,554	$ 17,056	$ 12,711	$ 9,045	$ 9,632	$ 4,611	$ 7,258	$ 7,944	$11,061
Noncurrent assets	32,509	43,421	40,180	42,714	43,299	44,416	43,456	40,702	38,165	39,875
Capital assets:										
Nondepreciable assets	4,925	14,755	12,483	23,829	10,426	6,022	9,754	10,179	9,761	16,784
Depreciable assets	285,410	295,392	320,928	327,124	358,258	380,164	396,906	416,875	435,906	441,705
Accumulated depreciation	(83,006)	(91,246)	(100,380)	(110,084)	(119,900)	(127,125)	(136,477)	(147,676)	(158,960)	(168,222)
Capital assets, net	207,329	218,901	233,031	240,869	248,784	259,061	270,183	279,378	286,707	290,267
Total assets	269,032	280,876	290,267	296,294	301,128	313,109	318,250	327,338	332,816	341,203
Deferred outflows of resources	-	4,544	12,656	16,254	11,556	9,715	9,743	9,276	9,400	9,485
Liabilities										
Current liabilities	7,297	7,242	9,387	8,287	7,844	7,840	7,935	8,583	9,314	9,256
Noncurrent liabilities	109,622	111,368	116,508	116,889	110,403	111,250	105,793	101,940	98,484	94,866
Total liabilities	116,919	118,610	125,895	125,176	118,247	119,090	113,728	110,523	107,798	104,122
Deferred inflows of resources	-	-	-	-	-	2,565	1,819	799	558	1,134
Net position										
Net investment in capital assets	99,014	110,210	126,110	137,004	146,682	160,474	175,262	188,248	199,526	207,156
Restricted	6,310	6,762	6,642	6,643	3,532	3,520	3,540	3,523	3,540	3,548
Unrestricted	46,789	49,838	44,277	43,725	44,223	37,175	33,644	33,521	30,794	34,727
Total net position	$ 152,113	$ 166,810	$ 177,029	$187,372	$ 194,437	$ 201,169	$ 212,446	$ 225,292	$ 233,860	$245,431

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Operating Revenues										
Water sales	$10,897	$11,031	$10,967	$10,151	$11,656	$12,451	$10,827	$9,644	$11,053	$12,544
Water transfers	-	2,347	637	-	-	536	-	-	-	-
Water service charge	8,050	7,415	7,174	7,095	6,820	6,608	6,306	6,402	6,349	6,366
Capital facilities charge	16,436	19,977	20,493	20,448	20,619	20,650	20,678	21,646	22,575	23,499
Wheeling water charge	295	148	273	303	170	6	6	6	167	676
Other charges	1,129	971	991	960	946	1,068	1,113	992	939	1,077
Total operating revenues	36,807	41,889	40,535	38,957	40,211	41,319	38,930	38,690	41,083	44,162
Operating Expenses										
Source of supply	1,843	2,334	2,290	2,663	2,039	406	67	57	2,471	2,980
Pumping	3,253	3,461	3,265	3,341	4,238	4,706	4,631	5,124	4,852	4,516
Transmission and distribution	3,544	3,838	3,583	3,997	3,596	3,886	3,643	3,621	3,973	4,016
Water conservation	483	490	415	202	295	321	399	773	587	452
Customer accounts	918	960	968	1,003	976	1,086	1,122	1,159	1,145	1,305
Administrative and general	5,950	5,709	10,176	6,135	5,738	5,919	6,100	6,120	6,818	7,600
Total operating expenses	15,991	16,792	20,697	17,341	16,882	16,324	15,962	16,854	19,846	20,870
Operating income before depreciation	20,816	25,097	19,838	21,616	23,329	24,995	22,968	21,836	21,237	23,292
Depreciation	(8,295)	(8,792)	(9,171)	(9,705)	(9,890)	(10,424)	(10,812)	(11,229)	(11,808)	(12,182)
Operating income	**12,521**	**16,305**	**10,667**	**11,911**	**13,439**	**14,571**	**12,156**	**10,607**	**9,429**	**11,110**
Non-operating revenues	10,545	1,504	1,693	1,520	(3,540)	488	920	816	834	935
Interest expense	(6,266)	(5,183)	(5,133)	(4,773)	(4,157)	(3,914)	(3,802)	(3,633)	(3,561)	(3,450)
Other non-operating expenses	(132)	(103)	(117)	(7)	(418)	-	-	-	-	-
Gain (loss) on disposal of capital assets, net	-	(1)	243	-	12	-	21	6	(13)	12
Income before capital contributions	**16,668**	**12,522**	**7,353**	**8,651**	**5,336**	**11,145**	**9,295**	**7,796**	**6,689**	**8,608**
Capital contributions	3,450	2,175	2,405	1,692	1,729	3,096	2,455	5,049	1,879	2,963
Increase in net position	**20,118**	**14,697**	**9,758**	**10,343**	**7,065**	**14,241**	**11,750**	**12,845**	**8,568**	**11,571**
Net position, beginning of year	131,995	152,113	166,810	177,029	187,372	194,437	201,169	212,447	225,292	233,860
Adjustment	-	-	461	-	-	(7,509)	(472)	-	-	-
Net position, end of year	152,113	166,810	177,029	187,372	194,437	201,169	212,447	225,929	233,860	245,431

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Water Sales (Dollars in Thousands):										
Retail	$35,383	$38,423	$38,634	$37,694	$39,095	$39,709	$37,811	$37,692	$39,977	$42,409
Wheeling	295	149	273	303	170	6	6	6	167	676
Water Transfers	-	2,347	637	-	-	536	-	-	-	-
Total Water Sales	$35,678	$40,919	$39,544	$37,997	$39,265	$40,251	$37,817	$37,698	$40,144	$43,085
Water Production (Acre Feet):										
Retail	38,495	35,103	37,983	35,829	38,089	38,554	32,561	27,502	29,312	31,254
Wheeling	1,458	588	1,632	2,106	647	348	115	51	264	1,984
Water Transfers	-	8,462	2,712	-	-	2,822	-	-	-	-
Total Water Production	39,953	44,153	42,327	37,935	38,736	41,724	32,676	27,553	29,576	33,238
Water Sales/Acre Foot (Whole Dollars):										
Retail	$919	$1,095	$1,017	$1,052	$1,026	$1,030	$1,161	$1,371	$1,364	$1,357
Wheeling	$202	$253	$167	$144	$263	$17	$52	$118	$633	$341
Water Transfers	-	$277	$235	-	-	$190	-	-	-	-

Source: District.

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

	2008	2009 To 2014	2015	2016	2017
Flat Accounts					
Usage Charge ($/1,000 per sq. foot)	$ 0.80	$ 0.91	$ 0.95	$ 0.98	$ 1.02
Flat Service Charge (single unit)					
¾" connection	15.12	14.89	15.49	16.11	16.75
1" connection	22.23	21.55	22.41	23.31	24.24
1 ½" connection	42.24	40.69	42.32	44.01	45.77
2" connection	45.04	40.19	41.80	43.47	45.21
Metered Accounts					
Usage Charge ($/100 cubic feet (CCF))					
Residential – 1st Tier (0-10 CCF)	0.73	0.80	0.83	0.87	0.90
Residential – 2nd Tier (11+ CCF)	0.91	1.00	1.04	1.08	1.12
Non-Resid–Off-Peak Rate (Nov-Apr)	0.75	0.81	0.84	0.88	0.91
Non-Resid.–Peak Rate (May-Oct)	0.94	1.01	1.05	1.09	1.14
Meter Service Charge (by Meter Size)					
5/8" meter	4.35	3.60	3.74	3.89	4.05
¾" meter	6.35	5.25	5.46	5.68	5.91
1" meter	10.35	8.50	8.84	9.19	9.56
1 ½" meter	20.30	16.60	17.26	17.95	18.67
2" meter	32.30	24.60	27.46	28.55	29.70
3" meter	60.25	49.20	51.17	53.21	55.34
4" meter	100.20	81.75	85.02	88.42	91.96
6" meter	200.05	163.15	169.68	176.46	183.52
8" meter	359.85	293.40	305.14	317.34	330.04
10" meter	579.55	472.50	491.40	511.06	531.50
12" meter	859.10	700.40	728.42	757.55	787.85
Flat and Metered Accounts					
Capital Facilities Charge					
5/8" meter	15.55	19.25	20.02	20.82	21.65
¾" meter or connection	23.20	28.70	29.85	31.04	32.28
1" meter or connection	38.75	48.00	49.92	51.92	53.99
1 ½" meter or connection	77.25	95.65	99.48	103.46	107.59
2" meter or connection	123.65	153.10	159.22	165.59	172.22
3" meter	232.05	287.30	298.79	310.74	323.17
4" meter	386.85	478.95	498.11	518.03	538.75
6" meter	773.40	957.60	995.90	1,035.74	1,077.17
8" meter	1,392.20	1,723.80	1,792.75	1,864.46	1,939.04
10" meter	2,243.25	2,777.45	2,888.55	3,004.09	3,124.25
12" meter	3,325.55	4,117.65	4,282.36	4,453.65	4,631.80

Source: District

Sacramento Suburban Water District
Statistical Information (Unaudited)
Facility Development Charges (Connection Fees)
Last Ten Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
5/8" service	$ 2,773	$ 2,874	$ 2,996	$ 3,338	$ 3,544	$ 3,826	$ 2,762	$ 3,130	$ 3,168	$3,228
¾" service	4,157	4,309	4,472	4,982	5,290	5,711	4,122	4,672	4,728	4,817
1" service	6,942	7,196	7,468	8,319	8,834	9,537	6,884	7,802	7,896	8,045
1 ½" service	13,843	14,350	14,891	16,589	17,616	19,017	13,726	15,558	15,745	16,041
2" service	22,157	22,968	23,835	26,552	28,196	30,439	21,970	24,902	25,202	25,676
3" service	41,570	43,092	44,718	49,817	52,901	57,108	41,220	46,720	47,282	48,172
4" service	69,297	71,834	74,545	83,045	88,185	95,199	68,714	77,882	78,820	80,304
6" service	138,553	143,625	149,046	166,040	176,318	190,341	137,386	155,718	157,952	160,559
8" service	249,420	258,551	268,309	298,902	317,403	342,648	219,826	249,158	252,157	256,904
10" service	401,857	416,569	432,291	481,581	511,390	552,063	316,034	358,202	362,514	369,339
12" service	595,835	617,648	640,946	714,028	758,225	818,592	463,725	525,600	531,927	541,941

Source: District.

Sacramento Suburban Water District
Statistical Information (Unaudited)

Principal Retail Rate Payers

Current Year and Ten Years Prior

	December 31, 2017			December 31, 2007		
Principal Retail Rate Payers	**Revenues Collected**	**Rank**	**Percent of Retail Sales Revenue**	**Revenues Collected**	**Rank**	**Percent of Retail Sales Revenue**
McClellan Business Park	$ 531,457	1	1.25%	$ 346,732	1	1.13%
San Juan Unified School District	354,776	2	0.84%	202,039	3	0.66%
Carmel Partners, MS#3, The Arbors	211,528	3	0.50%	210,051	2	0.68%
Woodside Association, Inc.	177,605	4	0.42%	119,874	4	0.39%
Autumn Ridge Apartments	160,844	5	0.38%	-	-	-
Twin Rivers Union School District	148,925	6	0.35%	-	-	-
Eskaton Village	132,784	7	0.31%	-	-	-
Fulton-El Camino Rec/Park District	128,235	8	0.30%	111,515	5	0.36%
The Homes at McClellan Park	113,009	9	0.27%			
Logan Park Apartments	111,568	10	0.26%	-	-	-
Valley Green Apartments				99,040	6	0.32%
BRE Properties				97,350	7	0.32%
Timberlake Association				91,517	8	0.30%
Sacramento County (AFS/SCRSD)				91,078	9	0.30%
Eskaton Village				90,452	10	0.29%
Total Principal Retail Rate Payers	$ 2,070,731	-	4.88%	$ 1,459,648	-	4.75%
Total Annual Retail Water Sales Revenue	$42,408,559	-	-	$30,729,421	-	-

Source: District.

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Long-Term Debt:										
(Dollars in Thousands)										
Series 2004	$41,706									
Series 2005A										
Series 2005B	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	$48,553	$48,249	$47,939	$47,623	$47,299	$46,969
Series 2009B		36,873	36,109	34,495	32,732	30,943	29,074	27,120	25,086	22,973
Series 2012A					30,760	28,646	26,516	24,351	22,117	19,847
Total Debt	118,266	116,378	113,194	109,795	112,045	107,838	103,529	99,094	94,502	89,789
No. of Connections	44,091	44,147	44,185	44,655	44,776	45,391	46,112	46,414	46,650	46,318
Debt Per Connection (Whole Dollars)	$ 2,682	$ 2,636	$ 2,562	$ 2,459	$ 2,502	$ 2,376	$ 2,245	$ 2,135	$ 2,026	$ 1,939

Source: District

Sacramento Suburban Water District
Statistical Information (Unaudited)

Schedule of Net Revenues

Last Ten Years

(Dollars in Thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Water sales	$ 35,383	$ 38,423	$ 38,634	$ 37,694	$ 39,095	$ 39,709	$37,811	$37,692	$39,977	$42,408
Water transfers	-	2,347	637	-	-	536	-	-	-	-
Wheeling charge	295	149	273	303	170	6	6	6	167	676
Water services	1,129	970	991	960	946	1,068	1,113	992	939	1,077
Facility development charges	1,660	424	121	161	380	187	561	543	264	135
Investment income	2,738	1,112	1,267	1,052	(3,888)	633	547	271	613	572
Other	557	392	669	468	360	399	373	358	279	456
Total revenues	41,762	43,817	42,592	40,638	37,063	42,538	40,410	39,863	42,239	45,324
Operating Expenses										
Transmission and distribution	3,544	3,838	3,583	3,997	3,596	3,886	3,642	3,621	3,973	4,016
Administrative and general*	6,082	5,813	10,293	6,142	6,156	5,919	6,100	6,120	6,822	7,646
Pumping	3,253	3,461	3,265	3,341	4,238	4,706	4,632	5,124	4,852	4,516
Water purchases	1,843	2,334	2,290	2,663	2,039	406	67	57	2,471	2,980
Customer accounts	919	959	968	1,003	976	1,086	1,122	1,159	1,145	1,305
Water conservation	483	490	415	202	295	322	400	773	587	452
Total expenses	16,124	16,895	20,814	17,348	17,300	16,325	15,963	16,854	19,850	20,914
Net revenue	25,638	26,922	21,778	23,290	19,763	26,214	24,447	23,008	22,389	24,410
Debt service	9,034	8,095	7,974	7,829	7,576	7,462	7,484	7,443	7,471	7,559
Coverage ratio	**2.84**	**3.33**	**2.73**	**2.97**	**2.61**	**3.51**	**3.27**	**3.09**	**3.00**	**3.23**
Revenues available for capital projects and other purposes	$16,604	$ 18,827	$ 13,804	$ 15,460	$ 12,187	$ 18,751	$ 16,963	$ 15,565	$ 14,918	$16,851

* 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
2017	Information Not Currently Available			699,400	666,500	32,900	4.70%
2016	1,514,460	$72,878,458	$48,122	697,400	660,100	37,300	5.40%
2015	1,501,335	$ 69,870,482	$ 46,845	685,900	644,900	41,000	6.00%
2014	1,481,474	$ 65,391,250	$ 44,303	683,000	633,300	49,800	7.30%
2013	1,463,149	$ 62,440,643	$ 42,162	681,900	621,400	60,500	8.90%
2012	1,448,771	$ 60,721,694	$ 41,913	682,300	610,600	71,700	10.50%
2011	1,435,601	$ 57,564,251	$ 40,098	680,000	597,700	82,300	12.10%
2010	1,421,838	$ 54,673,384	$ 38,453	683,100	597,000	86,100	12.60%
2009	1,408,601	$ 53,647,258	$ 38,085	681,100	606,100	75,000	11.00%
2008	1,394,438	$ 54,201,689	$ 38,870	679,400	630,300	49,100	7.20%

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

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

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

Principal Employers	December 31, 2017 Employees	Rank	Percentage of Total Labor Force	December 31, 2007 Employees	Rank	Percentage of Total Labor Force
State of California	74,462	1	10.65%	67,467	1	10.09%
Sacramento County	12,514	2	1.79%	14,408	2	2.15%
Kaiser Permanente	10,517	3	1.50%	6,656	6	1.00%
UC Davis Health System	10,467	4	1.50%	7,901	3	1.18%
U.S. Government	10,322	5	1.48%	-	-	-
Sutter Health Sacramento Sierra Region	9,911	6	1.42%	-	-	-
Dignity Health	8,039	7	1.15%	4,897	10	0.73%
Intel Corp.	6,000	8	0.86%	7,000	4	1.05%
Apple, Inc.	5,000	9	0.71%			
Elk Grove Unified School District	4,620	10	0.66%	-	-	-
City of Sacramento				5,105	9	0.76%
Sacramento City Unified School District				7,000	4	1.05%
Los Rios Community College				6,000	7	0.90%
San Juan Unified School District				5,775	8	0.86%
Total	151,852		21.71%	132,209		19.77%
Total Labor Force	699,400			675,800		

* 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.

Source:
Principal Employers: Sacramento Business Journal, Book of Lists 2017, Vol. 34, No. 44, p.70.
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
2017	10,162	7,364	17,526	1,301	12,427	13,728	31,254
2016	11,025	5,679	16,704	423	12,185	12,608	29,312
2015	80	15,702	15,782	-	11,720	11,720	27,502
2014	-	18,790	18,790	-	13,771	13,771	32,561
2013	409	21,869	22,278	-	16,276	16,276	38,554
2012	4,096	17,697	21,793	6,463	9,833	16,296	38,089
2011	12,626	7,738	20,364	4,084	11,381	15,465	35,829
2010	15,518	6,522	22,040	2,289	13,654	15,943	37,983
2009	8,211	10,203	18,414	3,872	12,817	16,689	35,103
2008	12,238	6,984	19,222	2,743	16,530	19,273	38,495

Source: District.

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

Year	California American Water Company	Citrus Heights Water District	Rio Linda / Elverta Water District	City of Sacramento	County of Sacramento	San Juan Water District	Total Deliveries
2017	1,983		1				1,984
2016	251	-	-	-	-	13	264
2015	-	-	-	-	-	51	51
2014	-	-	11	104	-	-	115
2013	-	17	-	331	-	-	348
2012	584	-	25	28	5	-	647
2011	2,103	1	2	-	-	-	2,106
2010	1,628	1	3	-	-	-	1,632
2009	567	10	11	-	-	-	588
2008	1,407	49	2	-	-	-	1,458

Source: District.

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Production Department										
Service Orders										
Preventive Maintenance:										
-- Work Orders Completed	16,338	15,012	15,130	16,580	15,364	15,427	11,988	11,194	8,266	9,286
Corrective Maintenance:										
-- Work Orders Completed	433	251	237	175	281	210	242	161	142	120
Water Quality										
Complaints	287	179	214	131	137	174	30	1	13	51
Inquiries	28	88	90	114	159	171	110	159	197	119
Distribution Department										
Service Orders										
Main Leaks	92	87	76	82	64	77	61	70	66	52
Service Line Leaks	171	147	199	232	268	242	125	101	75	105
Locate & Expose	311	375	507	320	332	253	353	253	208	172
Determine Responsibility	1,512	1,785	1,346	1,557	1,770	1,891	839	630	654	621
Water Main Shutdown:										
-- Emergency	69	99	85	83	99	110	86	27	29	29
-- Scheduled	90	84	76	125	160	170	100	32	13	6
Preventive Maintenance Program										
Fire Hydrants Inspected	45	-	-	437	1,248	1,237	1,255	1,597	251	28
Fire Hydrant Valves Inspected	-	-	-	-	-	-	1,202	1,508	247	51
Fire Hydrants Valves Exercised	-	-	-	-	-	-	975	1,385	225	49
Valves Inspected	5,287	2,602	1,235	442	1,406	923	898	434	880	708
Valves Exercised										641
Underground Service Alert										
Reviewed	15,624	13,184	13,513	14,114	15,100	16,058	14,614	18,529	20,811	23,311
Marked	6,232	5,034	4,267	5,344	4,848	5,233	4,369	5,074	4,444	5,944
After Hours Activity										
Calls Received	966	857	810	925	1,012	1,012	1,024	1,145	741	553
Calls Responded	358	318	322	437	433	367	338	605	442	342
Average Call Time Hours	-	-	-	-	-	-	2	2	2	2
Overtime Hours	-	-	-	-	-	-	880	1,034	748	692

Source: District.

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Field Services Department										
Meters										
Preventive Maintenance – Meters Tested	190	197	142	53	150	135	57	32	128	135
Preventive Maintenance – Meters Replaced	166	258	804	268	189	644	143	117	1,159	279
Preventive Maintenance – Meter Re-Builds	-	-	-	-	-	-	67	43	240	232
Customer Service										
Shut Off (non-payment)	4,115	3,221	2,940	3,127	2,158	2,066	2,561	2,051	1,804	1,772
Restore Service	2,552	2,272	2,004	1,799	1,976	1,451	2,100	1,801	1,742	1,772
Customer Pressure Inquiries	-	-	-	-	-	-	121	113	143	118
Field Operations Department										
Service Requests Generated	17,804	17,963	15,761	21,221	23,026	18,641	22,736	24,204	16,092	17,858
Work Orders Generated	5,338	9,972	12,187	15,625	12,382	14,460	11,939	10,898	12,417	14,257

Source: District.

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Administration	8	8	8	8	8	8	10	10	10	10
Customer Service	6	6	6	6	6	6	5	5	5	6
Engineering	9	9	9	9	9	10	10	10	10	10
Production and Water Treatment	14	14	14	15	15	13	15	15	14	18
Distribution	23	23	23	23	23	22	22	22	23	24
Total	60	60	60	61	61	59	62	62	62	68

Source: District.

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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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 2, 2018.

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.

Richardson & Company, LLP

April 2, 2018