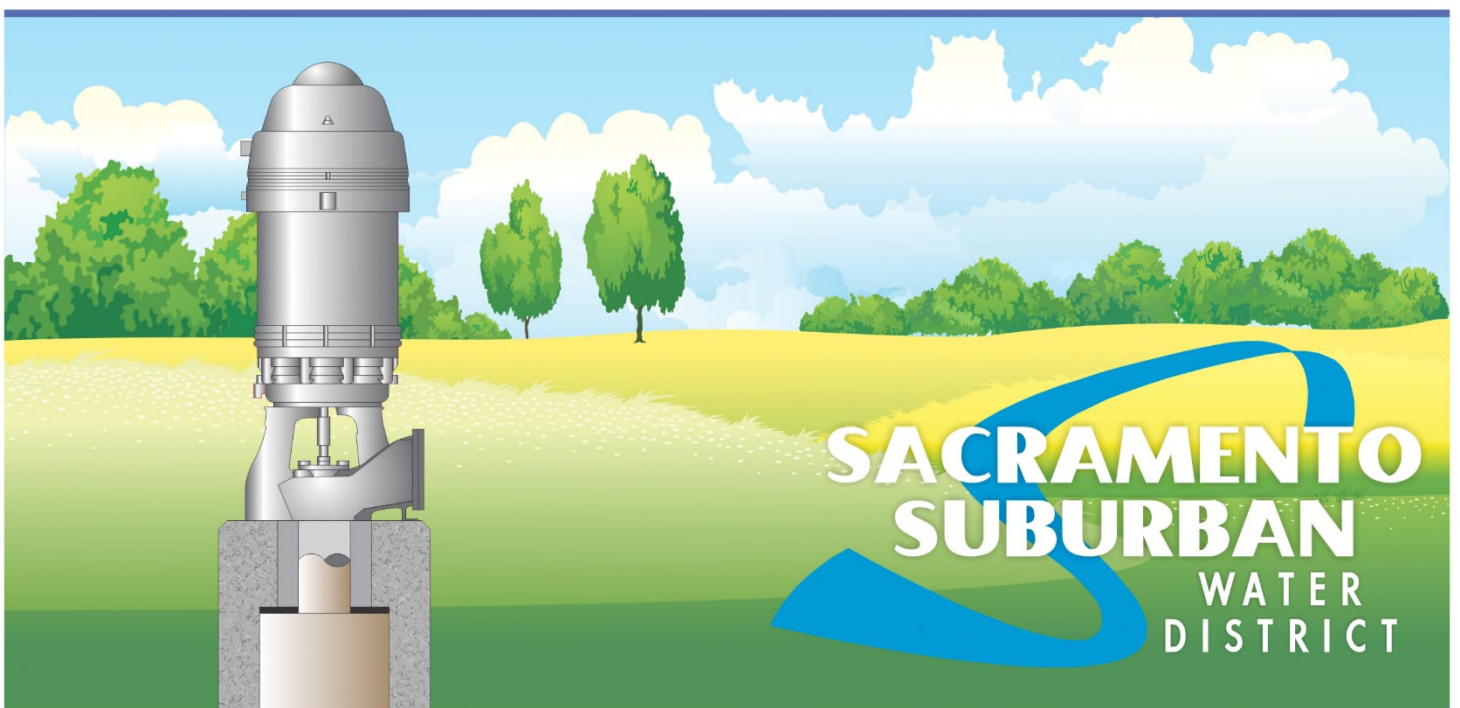


Sacramento Suburban Water District

Sacramento, CA

Comprehensive Annual Financial Report

For the Fiscal Years Ended December 31, 2019 and 2018



This page intentionally left blank

Comprehensive Annual Financial Report

For The Fiscal Years Ended December 31, 2019 and 2018



Sacramento Suburban Water District

Sacramento, California

Prepared by:

The Finance Department

This page intentionally left blank

TABLE OF CONTENTS

Page

Introductory Section (Unaudited)

Letter of Transmittal	I-VI
Certificate of Achievement in Financial Reporting	VII
Principal District Officials	VIII
Organization Chart	IX
District Service Area Map	X

Financial Section

Independent Auditor's Report	1-2
Management's Discussion and Analysis (MD&A) (Unaudited)	3-11
Basic Financial Statements:	
Statements of Net Position	12
Statements of Revenues, Expenses and Changes in Net Position	13
Statements of Cash Flows	14-15
Notes to the Basic Financial Statements	16-55
Required Supplementary Information Other than MD&A (Unaudited):	
Schedule of Proportionate Share of the Net Pension Liability	56
Schedule of Contributions to the Pension Plan	57
Schedule of Contributions to the OPEB Plan	58
Schedule of Changes in the Net OPEB Liability and Related Ratios	59

Statistical Section (Unaudited)

Contents	60
Statements of Net Position	61
Changes in Net Position	62
Operating Revenues by Source	63
Retail Water Rates	64
Facility Development Charges (Connection Fees)	65
Principal Retail Rate Payers	66
Outstanding Debt by Type and Number of Connections	67
Schedule of Net Revenues	68
Demographic and Economic Statistics – Sacramento County	69
Principal Employers – Sacramento County	70
Annual Water Production	71
Wheeling Water Deliveries	72
Operating Activity	73
Full-Time Equivalent Employees	74

Compliance Report

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	75-76
--	-------

This page intentionally left blank

Introductory Section

This page intentionally left blank



April 8, 2020

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, 2019 and 2018. 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, 2019 and 2018, 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, 2019 and 2018, are fairly presented in conformity with GAAP. The Independent Auditor's Report is presented as the first component in the Financial Section of this CAFR.

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



designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be 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 182,500 through 46,575 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 (23,032 acres of land). 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 688 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 6 storage tanks with a collective capacity to hold approximately 15.8 million gallons of water. There are a total of 7 booster pumping stations in the District, three of which are co-located with major storage tanks.

Water Supplies and Management

The water supply of the District is a combination of both 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 72 operational wells, which are capable of producing 100% of the annual District water demand. All of the wells pump directly into the distribution system and range between 270 and 1,036 feet deep. The wells of the District are located in the North American Sub-basin which is part of the Sacramento Valley Groundwater Basin. While groundwater levels fluctuate based on hydrological conditions, groundwater levels historically declined within the District over the 50 years prior to the millennium at an average rate of approximately 1.5 to 2.0 feet per year. Since 2000, however, groundwater levels in the portion of the North American Sub-basin from which the District pumps water have stabilized, in large part because of increasing surface water acquisitions by the District in addition to customer conservation practices. Peak season average daily demand from the District's wells is approximately 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, 2019, the District has banked 233,314 acre-feet of groundwater that it may use at its discretion subject to limitations placed on the District such as Gubernatorial Drought Emergency Executive Orders, and subject to future potential regulations imposed under the 2014 Sustainable Groundwater Management Act.

In addition to groundwater, the District currently imports surface water from two 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. During 2018, the District signed an agreement with USBR to convey PCWA water through the term of the District's contract with PCWA that expires in 2045. 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 facilities 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, 95 percent of the District is metered, with all connections expected to be fully metered before the year 2025. Current flat rate accounts include a "variable" charge based on parcel size, which is intended to reflect an estimate of water consumption for irrigation purposes. The fixed portion of the charge, based on connection size, reflects the estimated fixed costs of service and a charge to cover pay-as-you-go capital improvements and debt service charges. The District offers a water meter and metered billing to any flat-rate customer on request.

As of January 1, 2020, current residential metered rates include fixed charges (base service, capital facilities and debt service charges) based on connection size plus two-tier water consumption rates. The tier structure includes 15 cubic feet (CCF) per month at a lower initial rate with water consumption in excess of 15 CCF at a higher rate. Non-residential customers are subject to fixed charges based on connection size and a single variable rate based on consumption. 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 Economy¹

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the District operates. Sacramento County (County) is the eighth most populous county in California with a population of roughly 1.55 million and is home to the state's capital. The County sits in the middle of the agriculturally rich 400-mile long Central Valley of California. Sacramento's four-county metropolitan statistical area (metro-area) is the largest metro-area in the Central Valley and is the fifth largest metro-area in the state. From 2012-2018, the population of Sacramento County grew at an annual average rate of 1.0%. Employment in the County consists of a labor force of 717,100 with an unemployment rate of 3.2% in 2019 down from 3.8% in 2018. Employment and population are projected to grow by an average 0.6% and 0.9% per annum, respectively, over the next five years in the County.

The County's economy is broadly based. Government and health and education are the largest sectors of employment, while professional services, wholesale and retail trade, leisure and financial activities follow. Because it contains the state capital, the County's economy is highly influenced by the public sector. Government jobs account for roughly 14% 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 leisure and hospitality and education and healthcare.

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

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 Director of Finance and Administration in transfers between category levels within individual adopted budgets throughout the fiscal year with subsequent reporting to the Board of Directors.

Internal Controls

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

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 2020 budget calls for certain capital improvement projects totaling \$19.6 million. Major projects include: well replacements and rehabilitation of \$3.3 million, new meter installations of \$1.9 million and distribution main replacements and improvements of \$9.4 million; which includes additional water meter installations.

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, 2018. 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.

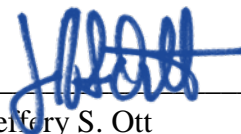
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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



Jeffery S. Ott
Director of Finance and Administration



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Sacramento Suburban Water District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2018

Christopher P. Morill

Executive Director/CEO

Principal District Officials

Board of Directors - Elected Officials

Title	Name	Division	Current Term
President	Kevin M. Thomas	Division 4	12/2018-12/2022
Vice President	Robert P. Wichert	Division 3	12/2018-12/2022
Director	David A. Jones	Division 1	12/2016-12/2020
Director	Craig M. Locke	Division 5	12/2018-12/2022
Director	Kathleen McPherson	Division 2	12/2018-12/2020

Staff - Appointed Officials

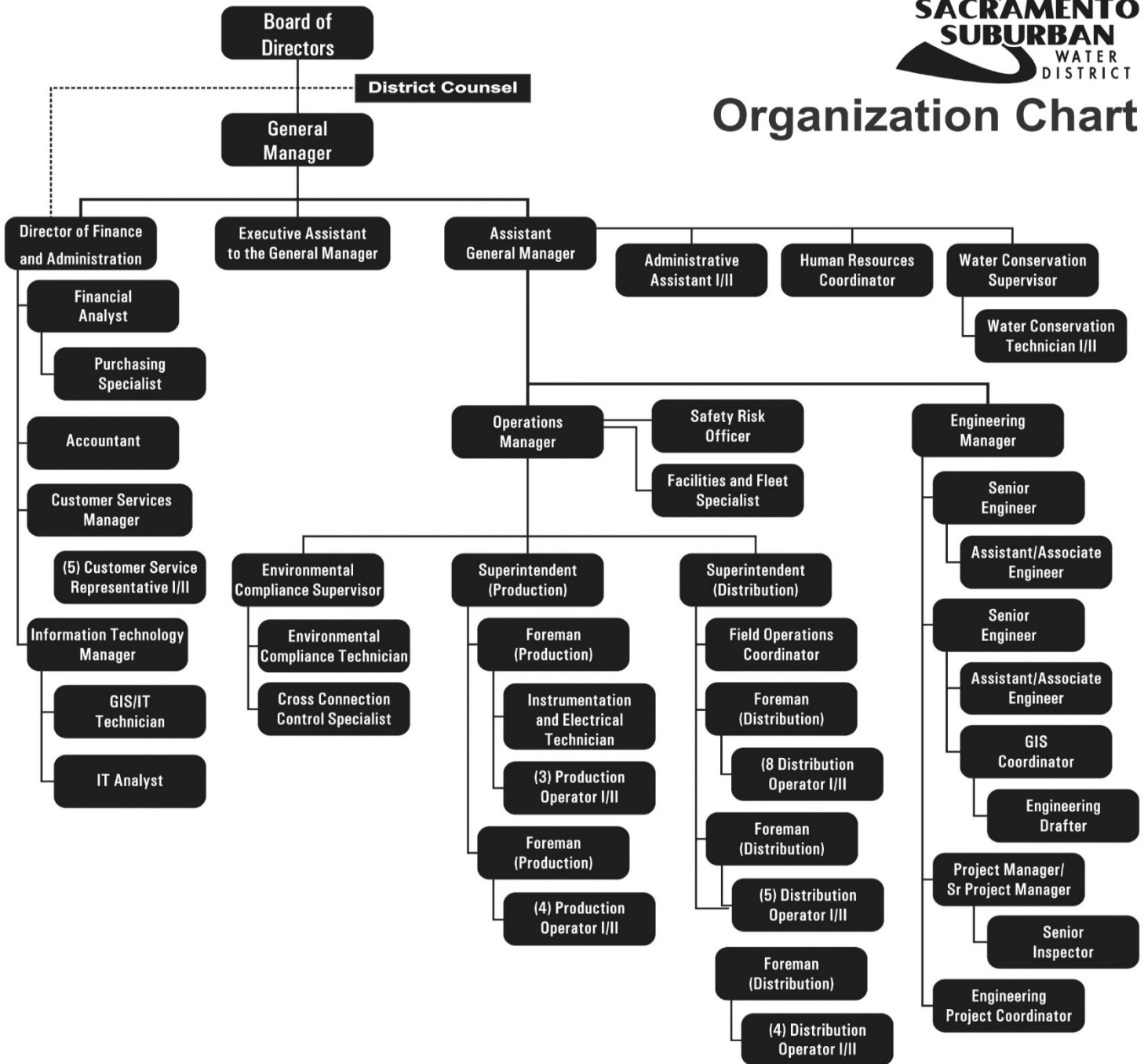
Title	Name
General Manager and Secretary	Daniel R. York
Director of Finance and Administration and Treasurer	Jeffery S. Ott
District Counsel	Bartkiewicz, Kronick & Shanahan, Joshua M. Horowitz

Additional Key Management Staff

Title	Name
Assistant General Manager	Michael J. Huot
Operations Manager	Matthew T. Underwood
Engineering Manager	Dana S. Dean
Customer Services Manager	Julie H. Nemitz



Organization Chart



SSWD Administrative Office

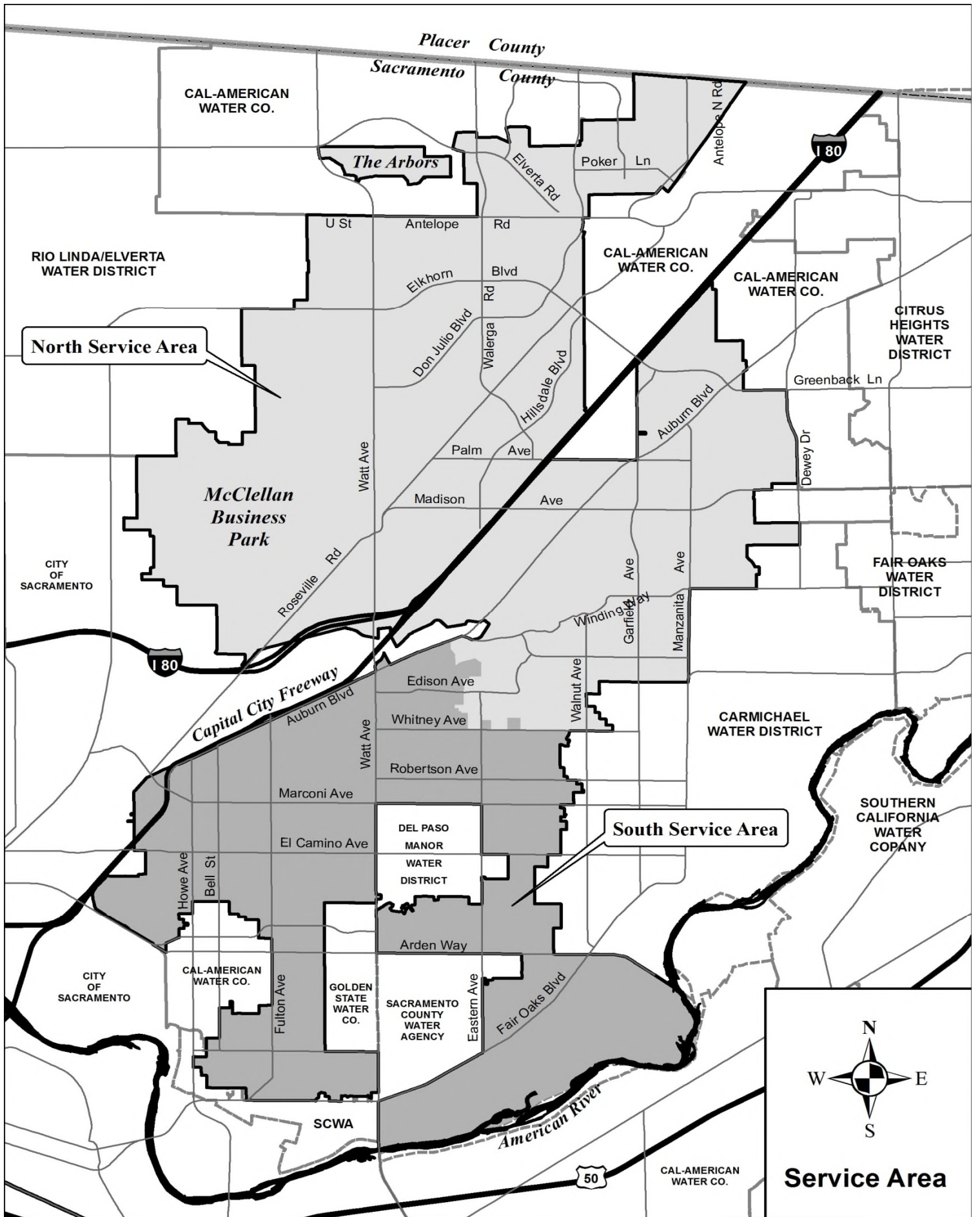
3701 Marconi Avenue, Suite 100 | Sacramento, CA 95821-5346

Phone: 916.972.7171 | Fax: 916.972.7639

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

Web site: sswd.org

01/24/2020



Financial Section



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, 2019 and 2018, 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.

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, 2019 and 2018 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 Contributions to the OPEB Plan, the Schedule of Changes in the Net OPEB Liability and Related Ratios, 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 8, 2020, 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 8, 2020

**Sacramento Suburban Water District
Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2019 and 2018**

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, 2019 and 2018. Readers are encouraged to consider the information presented here in conjunction with the Transmittal Letter and the Independent Auditor's Report which precedes this analysis, and the Basic Financial Statements and related Notes to the Basic Financial Statements (Notes), which follow.

Operational Activities and Financial Highlights

Operating activity of the District varies, 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 2019, 2018, and 2017, are highlighted below.

Water Activities and Highlights

- For the period ended December 31, 2019 the District supplied 30,610 acre-feet of water to 46,575 retail connections, compared to 30,874 acre-feet of water to 46,268 connections in 2018, and 31,254 acre-feet of water to 46,318 connections in 2017.
- In 2019, the District executed a Successor Agreement with McClellan Business Park that entailed, in part, the District paying \$2.6 million to McClellan Business Park (recorded as an operating expense) to settle a 1999 Agreement between the County of Sacramento and the former Northridge Water District for the Conveyance of the McClellan Water Distribution System.
- The District has sufficient capacity to meet customer demand now and for the foreseeable future. The water delivered to District customers meets the regulatory maximum contaminant level (MCL) requirements established by the USEPA and State Water Resources Control Board's Division of Drinking Water. The District also adheres to federal and state regulations that govern the operation of the water system. If the concentration of a constituent exceeds its regulatory MCL, that source is immediately removed from active service. The District regularly tests for over 120 different constituents in its raw and treated water. The results of any detected constituents are published in the "Consumer Confidence Report" or, "Annual Water Quality Report" that is distributed to customers each year in early summer.
- In 2018, the District joined with five other local water purveyors (2018 American River Regional Water Transfer) to transfer surface water to Dudley Ridge Water District and Kern County Water Agency. The District's portion of the transfer resulted in net proceeds of \$853,784 (gross proceeds of \$1,760,900 less costs of \$907,116). Costs comprise the purchase of 4,602 acre-feet of surface water and administrative expenses (legal and consulting).

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 2019, approximately 5.6 miles of pipeline and appurtenance replacements were installed at a cost of \$10.5

**Sacramento Suburban Water District
Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2019 and 2018**

million, compared to 5.0 miles in 2018 and 5.5 miles in 2017 at costs of \$11.8 million and \$9.1 million, respectively. Total expenditures for all capital projects in 2019, 2018, and 2017 were \$17.2 million, \$17.8 million and \$13.0 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 2019, 2,170 new meters were installed, compared to 2,232 in 2018 and 1,591 in 2017. As of December 31, 2019, approximately 95 percent of the District's connections are on water meters compared to 91 percent at the end of 2018 and 86 percent at the end of 2017. Accordingly, the District is on track to meet this mandate.

Description of the Basic Financial Statements

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

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

The Statements of Revenues, Expenses and Changes in Net Position present information showing how the District's net position changed during the years ended December 31, 2019 and 2018. All changes in net position are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of the related cash flows. In other words, the District reports expenses and revenues on an accrual basis rather than a cash basis.

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

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

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

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

**Sacramento Suburban Water District
Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2019 and 2018**

Condensed Statements of Net Position

(Dollars in Thousands)

Assets	2019	2018	Change	2017	Change
Current assets	\$ 13,382	\$ 13,017	\$ 365	\$ 11,061	\$ 1,956
Non-current assets	39,097	37,934	1,163	39,875	(1,941)
Capital assets, net	303,326	297,120	6,206	290,266	6,854
Total assets	355,805	348,071	7,734	341,202	6,869
Deferred outflows	7,761	8,272	(511)	9,485	(1,213)
Liabilities					
Current liabilities	15,719	11,212	4,507	9,256	1,956
Non-current liabilities	87,552	91,524	(3,972)	94,866	(3,342)
Total liabilities	103,271	102,736	535	104,122	(1,386)
Deferred inflows	839	2,333	(1,494)	1,134	1,199
Net position					
Net investment in capital assets	232,469	221,715	10,754	207,156	14,559
Restricted for debt service fund	2	10	(8)	3,548	(3,538)
Unrestricted	26,985	29,549	(2,564)	34,727	(5,178)
Total net position	\$ 259,456	\$ 251,274	\$ 8,182	\$ 245,431	\$ 5,843

Referring to the table above, total assets increased by \$7.7 million compared to December 31, 2018, to a total of \$355.8 million as of December 31, 2019. 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 a portion of customer fixed rate charges collected monthly, as well as state and federal grants when available.

Current assets increased by \$0.4 million in 2019 compared to a \$2.0 million increase in 2018. The 2019 increase was primarily attributable to increases in cash and cash equivalents and prepaid assets, net of a decrease in receivables that was attributable to the receipt of \$0.9 million from the City of Sacramento on the 2019 water transfer referred to above, while the 2018 increase was primarily the result of a \$1.5 million increase in cash and cash equivalents.

Non-current assets increased by \$1.2 million in 2019 after having decreased by \$1.9 million in 2018. In 2018, the Series 2009B COP Debt Service Reserve Fund of \$3.5 million was used to liquidate the Series 2009B COP along with proceeds from the issuance of the 2018A Revenue Bond. In 2017, non-current assets increased by \$1.7 million compared to 2016 primarily due to a \$1.2 million increase in investments as deferred cash expenditures on CIP projects were delayed until 2018. 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 gain of \$687,527 as of December 31, 2019 compared to an unrealized loss of \$290,095 as of December 31, 2018.

**Sacramento Suburban Water District
Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2019 and 2018**

Capital assets, net, increased \$6.2 million and \$6.9 million in 2019 and 2018, respectively, due primarily to the construction and replacement of a portion of the District's transmission and distribution system (5.6 and 5.0 miles, respectively), the addition and/or improvements to well facilities, and the installation of 2,170 and 2,232, respectively, of new water meters. Several other capital asset construction projects are in various stages of completion with costs incurred as of December 31, 2019 amounting to \$3.4 million (see Note 5).

As of December 31, 2019 and 2018, 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 GASB Statements No. 68 and 71.

Total liabilities increased by \$0.5 million and decreased by \$1.5 million as of December 31, 2019 and 2018, respectively. The 2019 increase was primarily due to a \$4.5 million increase in current liabilities, which resulted from an accounts payable increase of \$3.7 million, \$2.6 million arising from a settlement with McClellan Business Park, that was not paid until early 2020. Offsetting, in part, this increase was a \$4.0 million decrease in long-term liabilities due to the payment of scheduled principal payments. The decrease in 2018 reflects the reduction in outstanding debt due to the refinancing of the Series 2009B COP along with scheduled principal payments of \$4.4 million. Offsetting these decreases was the recognition of the District's net OPEB liability of \$5.6 million as discussed above.

Non-current liabilities - As part of its debt management strategy, the \$70.1 million debt principal outstanding as of December 31, 2019 includes both fixed-rate debt - \$28.1 million, and variable-rate debt - \$42.0 million (as of December 31, 2019 and 2018, the District had debt principal outstanding of \$76.2 million and \$81.4 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, 2019, 2018 and 2017. As of December 31, 2019, the negative fair market value of the swap increased from negative \$5.2 million as of December 31, 2018 to negative \$6.7 million (see Note 7) due to falling long-term interest rates.

The District realized an overall increase in net position of \$8.2 million for the year ended December 31, 2019, compared to \$5.8 million and \$11.6 million for the years ended December 31, 2018 and 2017, respectively. The components of net position as of December 31, 2019 are:

- The largest component of District net position is the District's net investment in capital assets which increased by \$10.8 million to \$232.5 million as of December 31, 2019, and is comprised of total capital assets (net of accumulated depreciation) plus deferred outflows on long-term debt refundings less related long-term debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending.
- Restricted net position consists solely of debt reserves held in escrow for the District's debt obligations. During 2018, substantially all of these reserves were used to payoff the Series 2009B COP as discussed above.
- At the end of 2019, 2018 and 2017, the District showed a positive balance in its unrestricted net position of \$27.0 million, \$29.5 million, and \$34.7 million, respectively. The decrease of \$2.6 million in the

**Sacramento Suburban Water District
Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2019 and 2018**

unrestricted net position for 2019 reflects the \$2.6 million settlement agreement with McClellan Business Park in 2019 as discussed above.

Condensed Statements of Revenues, Expenses and Changes in Net Position

(Dollars in Thousands)

	2019	2018	Change	2017	Change
Revenues					
Operating revenues	\$ 45,722	\$ 47,417	\$(1,695)	\$ 44,162	\$ 3,255
Rental revenue	379	244	135	258	(14)
Interest and investment revenue	1,763	746	1,017	495	251
Grant revenue pass-through to sub recipients	-	20	(20)	407	(387)
Other non-operating revenues	685	205	480	197	8
Total revenues	48,549	48,632	(83)	45,519	3,113
Expenses					
Operating expenses	26,365	22,460	3,905	20,870	1,590
Depreciation and amortization	12,993	12,460	533	12,182	278
Interest expense	2,632	3,112	(480)	3,450	(338)
Sub recipient grant expense	-	20	(20)	407	(387)
Other non-operating expenses	25	7	18	3	4
Total expenses	42,015	38,060	3,955	36,912	1,148
Net revenue before capital contributions	6,534	10,572	(4,038)	8,608	1,964
Capital contributions	1,648	894	753	2,963	(2,069)
Change in net position	8,182	11,466	(3,284)	11,571	(105)
Net position, beginning of year	251,274	239,808	11,466	233,860	11,571
Net position, end of year	\$ 259,456	\$ 251,274	\$ 8,182	\$ 245,431	\$ 5,843

From the table above it can be seen that the District's net position increased by \$8.2 million for the period ended December 31, 2019 compared to \$5.8 million for 2018. The increases result from a variety of factors as described more fully below.

The District's operating revenues come primarily from its customers. The District charges a metered rate to its commercial customers and a metered or flat rate to residential customers depending on whether the service connections of such customers have a water meter. All District customers, regardless of the type of service, are charged a basic service charge and a fixed charge (capital and debt service) based on the size of their respective service lines.

In addition, as shown in the table above, and as more fully illustrated in the table below, operating revenues decreased by \$1.7 million (3.6%) compared to the year ended December 31, 2018, primarily due to 2018 including a water transfer providing gross revenues of \$1.8 million with no such transfers and related revenue in 2019. In 2018, operating revenues increased by \$3.3 million (7.4%) compared to the year ended December 31, 2017, primarily due to a 2018 water transfer providing gross revenues of \$1.8 million and to a 4.0% general water rate increase effective for all of 2018, despite having reduced water deliveries of 380 acre-feet or 1.2%.

**Sacramento Suburban Water District
Management’s Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2019 and 2018**

Operating Revenues

(Dollars in Thousands)

	2019	2018	Change	2017	Change
Operating Revenues					
Water consumption sales	\$ 13,251	\$ 13,272	\$ (21)	\$ 12,544	\$ 728
Water consumption sales – transfers	43	1,761	(1,718)	-	1,761
Water service charge	6,197	6,371	(174)	6,366	5
Capital facilities charge	24,454	24,449	5	23,499	950
Wheeling water charge	644	510	134	676	(166)
Other charges for services	1,133	1,054	79	1,077	(23)
Total operating revenues	\$ 45,722	\$ 47,417	\$ (1,695)	\$ 44,162	\$ 3,255

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

Interest and Investment Income – Most of the District’s cash is invested in fixed-income marketable securities. The yield to maturity on the market portfolio as of December 31, 2019, 2018, and 2017 was 2.26%, 2.28%, and 1.81%, 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, 2019, 2018 and 2017, the District received \$352 thousand, \$25 thousand and \$1.1 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 recorded at estimated acquisition value on the date received. In 2019, the value of such donated assets was \$1.0 million, compared to \$0.7 million in 2018 and \$1.7 million in 2017.

Operating Expenses

(Dollars in Thousands)

	2019	2018	Change	2017	Change
Operating Expenses					
Source of supply	\$ 3,525	\$ 3,789	\$ (264)	\$ 2,980	\$ 809
Pumping	5,331	4,946	385	4,516	430
Transmission and distribution	7,034	4,193	2,841	4,016	175
Water conservation	490	441	49	452	(11)
Customer accounts	1,373	1,301	72	1,305	(4)
Administrative and general	8,612	7,791	821	7,600	191
Total operating expenses	\$ 26,365	\$ 22,461	\$ 3,904	\$ 20,870	\$ 1,590

**Sacramento Suburban Water District
Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2019 and 2018**

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 2019 by \$3.9 million (17.4%) relative to 2018, primarily due to the \$2.6 million settlement with McClellan Business Park as discussed above. In 2018 operating expenses increased by \$1.6 million (7.6%) relative to 2017, primarily due to costs associated with the 2018 American River Regional Water Transfer of \$0.9 million as discussed above.

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 \$0.5 million in 2019 primarily the result of refunding the Series 2009B COP with a lower cost revenue bond in 2018 as discussed above. Likewise, in 2018, interest expense decreased by \$0.3 million also primarily due to refunding the Series 2009B COP with a lower cost revenue bond.

Capital Asset Administration

(Dollars in Thousands)

Changes in capital asset amounts for 2019 were as follows:

	Balance 2018	Additions/ Transfers	Deletions/ Transfers	Balance 2019
Capital assets:				
Non-depreciable assets	\$ 10,941	\$ 17,502	\$ (18,664)	\$ 9,779
Depreciable & amortizable assets	466,401	1,754	15,719	483,874
Accumulated depreciation & amortization	(180,222)	(12,993)	2,888	(190,637)
Total capital assets, net	\$ 297,120	\$ 6,263	\$ (57)	\$ 303,326

Changes in capital asset amounts for 2018 were as follows:

	Balance 2017	Additions/ Transfers	Deletions/ Transfers	Balance 2018
Capital assets:				
Non-depreciable assets	\$ 16,784	\$ 17,995	\$ (23,838)	\$ 10,941
Depreciable & amortizable assets	441,704	1,342	23,355	466,401
Accumulated depreciation & amortization	(168,222)	(12,460)	460	(180,222)
Total capital assets, net	\$ 290,266	\$ 6,877	\$ (23)	\$ 297,120

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

**Sacramento Suburban Water District
Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2019 and 2018**

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 5 for more detailed information on capital asset activity.

Funding for capital projects comes primarily from District customers via a monthly fixed charge levied by the District for the payment of basic service, capital projects and debt service costs. In addition to customer charges, the District also utilizes state and federal grant funds when available for funding capital projects. In 2019, the District received \$1.0 million in grant funds, compared to \$25 thousand in 2018. As of December 31, 2019, the District has \$3.8 million in financial obligations to contractors on its open construction contracts. See Note 15 for more information.

Long-Term Debt Administration

(Dollars in Thousands)

Changes in long-term debt amounts for 2019 were as follows:

	Balance				Balance
	2018	Additions	Retirements		2019
Long-term debt:					
2009A Certificates of participation	\$ 42,000	\$ -	\$ -		\$ 42,000
2012A Revenue bond	15,385	-	(2,160)		13,225
2018A Revenue bond	17,295	-	(2,465)		14,830
Other (1)	6,749	-	(584)		6,165
Total long-term debt	\$ 81,429	\$ -	\$ (5,209)		\$ 76,220

Changes in long-term debt amounts for 2018 were as follows:

	Balance				Balance
	2017	Additions	Retirements		2018
Long-term debt:					
2009A Certificates of participation	\$ 42,000	\$ -	\$ -		\$ 42,000
2009B Certificates of participation	22,065	-	(22,065)		-
2012A Revenue bond	17,490	-	(2,105)		15,385
2018A Revenue bond	-	19,615	(2,320)		17,295
Other ⁽¹⁾	8,233	-	(1,484)		6,749
Total long-term debt	\$ 89,788	\$ 19,615	\$ (27,974)		\$ 81,429

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

The issuance of long-term debt is a valuable funding resource for the District. Used appropriately and prudently, long-term debt can minimize the District's water system charges and rates over time. The District manages its debt portfolio so as to mitigate risks inherent in debt issuances within an acceptable tolerance level. By managing debt and its repayment, the District is able to reduce various debt-related risk exposures such as market risk, credit risk, renewal risk, basis risk and tax risk, yet still provide the District with financing options to be utilized in future

**Sacramento Suburban Water District
Management’s Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2019 and 2018**

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 2019, there were no debt issuances or refundings. During 2018, the District refunded the Series 2009B COP with the Issuance of the 2018A Revenue Bond.

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 2019 and 2018, 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 7 for more information.

2020 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 18, 2019, the Board approved a \$19.6 million Long-Term Capital budget, a \$1.2 million Intermediate-Term Capital budget and a \$23.0 million Operations and Maintenance budget for calendar year 2020. 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 2020 and beyond.

Requests for Information

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

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

Basic Financial Statements

Sacramento Suburban Water District
Statements of Net Position
December 31, 2019 and 2018

Assets	2019	2018
Current assets:		
Cash and cash equivalents (note 2)	\$ 8,011,079	\$ 7,585,118
Restricted cash and cash equivalents (notes 2 and 3)	1,688	9,768
Receivables, net (note 4)	3,566,015	4,002,891
Inventory	553,990	495,142
Prepays and other current assets	1,249,070	924,084
Total current assets	<u>13,381,842</u>	<u>13,017,003</u>
Noncurrent assets:		
Investments (note 2)	39,040,578	36,369,025
Fair value of interest rate swap (notes 1 and 7)	56,545	1,564,723
Capital assets not being depreciated (note 5)	9,779,255	10,941,353
Capital assets being depreciated and amortized, net (note 5)	293,546,751	286,178,911
Total noncurrent assets	<u>342,423,129</u>	<u>335,054,012</u>
Total assets	<u>355,804,971</u>	<u>348,071,015</u>
Deferred outflows of resources		
Deferred amount on long-term debt refundings (note 1)	5,363,480	6,024,224
Pensions (note 12)	2,054,016	2,223,442
Other post-employment benefits (OPEB) (note 13)	343,227	24,450
Total deferred outflows of resources	<u>7,760,723</u>	<u>8,272,116</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	7,964,283	4,252,016
Accrued interest payable	297,075	269,684
Unearned revenue and customer deposits	1,867,587	1,165,830
Compensated absences, current portion (note 6)	800,000	900,000
Current portion of long-term debt (note 7)	4,790,000	4,625,000
Total current liabilities	<u>15,718,945</u>	<u>11,212,530</u>
Noncurrent liabilities:		
Compensated absences (note 6)	321,671	50,951
Net pension liability (note 12)	9,698,403	8,812,373
Net OPEB obligation (note 13)	6,101,412	5,856,340
Long-term debt, net of current portion (note 7)	71,430,427	76,804,132
Total noncurrent liabilities	<u>87,551,913</u>	<u>91,523,796</u>
Total liabilities	<u>103,270,858</u>	<u>102,736,326</u>
Deferred inflows of resources		
Deferred inflow of effective swap (notes 1 and 7)	56,545	1,564,723
Pensions (note 12)	769,919	741,595
OPEB (note 13)	12,390	26,476
Total deferred inflows of resources	<u>838,854</u>	<u>2,332,794</u>
Net position		
Net investment in capital assets (note 8)	232,469,058	221,715,356
Restricted for debt service reserve fund (note 9)	1,688	9,768
Unrestricted (note 10)	26,985,236	29,548,887
Total net position	<u>\$ 259,455,982</u>	<u>\$ 251,274,011</u>

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, 2019 and 2018

	2019	2018
Operating Revenues:		
Water consumption sales	\$ 13,250,822	\$ 13,272,095
Water consumption sales – transfers	42,578	1,760,900
Water service charge	6,197,481	6,370,582
Capital facilities charge	24,453,627	24,448,810
Wheeling water charge	643,670	510,168
Other charges for services	1,133,375	1,054,182
Total operating revenues	45,721,553	47,416,737
Operating Expenses:		
Source of supply	3,525,538	2,882,315
Source of supply – transfers	-	907,116
Pumping	5,330,573	4,946,462
Transmission and distribution	7,034,411	4,192,517
Water conservation	489,585	440,674
Customer accounts	1,372,995	1,301,011
Administrative and general	8,611,630	7,790,742
Total operating expenses	26,364,732	22,460,837
Operating income before depreciation and amortization	19,356,821	24,955,900
Depreciation and amortization (note 5)	(12,993,403)	(12,460,118)
Operating income	6,363,418	12,495,782
Nonoperating revenues (expenses):		
Rental revenue	378,707	244,205
Interest and investment revenue	1,763,651	746,341
Interest expense	(2,632,398)	(3,112,262)
Other non-operating revenues	685,049	204,479
Grant revenue pass-through to subrecipients	-	20,249
Other non-operating expenses	(245)	-
Subrecipient grant expenses	-	(20,249)
Gain (loss) on disposal of capital assets, net	(24,076)	(6,755)
Total nonoperating revenues (expenses), net	170,688	(1,923,992)
Income before capital contributions	6,534,106	10,571,790
Capital contributions:		
Facility development charges	287,209	158,001
Developer capital contributions	1,008,687	711,019
Federal, state and local capital grants	351,969	24,899
Total capital contributions	1,647,865	893,919
Increase in net position	8,181,971	11,465,709
Net position, beginning of year	251,274,011	239,808,302
Net position, end of year	\$ 259,455,982	\$ 251,274,011

See accompanying notes to the basic financial statements

Sacramento Suburban Water District
Statements of Cash Flows
For The Years End December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Cash receipts from customers	\$ 47,076,706	\$ 47,125,694
Cash paid to suppliers for goods and services	(16,914,468)	(15,808,303)
Cash paid to employees for services	(4,955,124)	(4,870,433)
Other nonoperating receipts	1,063,512	448,683
Net cash provided by operating activities	<u>26,270,626</u>	<u>26,895,641</u>
Cash flows from non-capital financing activities:		
Grant receipts	-	20,249
Pass-through to sub-recipients	-	(20,249)
Net cash provided by nonoperating financing activities	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(18,247,284)	(18,626,106)
Proceeds from disposal of capital assets	32,750	16,220
Principal payments on long-term debt	(4,625,000)	(26,490,000)
Interest payments on long-term debt	(2,183,934)	(3,559,244)
Proceeds from issuing new long-term debt	-	19,615,000
Issuance costs incurred on long-term debt	-	(203,169)
Principal payments on interest rate swap borrowing payable	(344,033)	(336,991)
Facility development charges received	421,794	292,585
Capital grants received	-	160,346
Net cash used by capital and related financing activities	<u>(24,945,707)</u>	<u>(29,131,359)</u>
Cash flows from investing activities:		
Purchase of investment securities	(17,462,058)	(13,728,603)
Proceeds from sales and maturities of investment securities	15,580,714	16,608,858
Interest received on investment securities	974,306	853,034
Net cash (used) provided by investing activities	<u>(907,038)</u>	<u>3,733,289</u>
Net increase in cash and cash equivalents	417,880	1,497,571
Cash and cash equivalents at beginning of year	7,594,886	6,097,315
Cash and cash equivalents at end of year	<u><u>\$ 8,012,767</u></u>	<u><u>\$ 7,594,886</u></u>
Reconciliation of cash and cash equivalents to the statements of net position:		
Cash and cash equivalents	\$ 8,011,079	\$ 7,585,118
Restricted cash and cash equivalents	1,688	9,768
Total cash and cash equivalents	<u><u>\$ 8,012,767</u></u>	<u><u>\$ 7,594,886</u></u>

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, 2019 and 2018

	2019	2018
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 6,363,418	\$ 12,495,782
Adjustments to reconcile operating revenue to net cash provided by operating activities:		
Depreciation and amortization	12,993,403	12,460,118
Bad debt expense	30,645	(17,545)
Other nonoperating receipts	1,063,511	448,683
Change in pension deferred (outflows)	169,426	583,785
Change in pension inflows	28,324	94,322
Change in OPEB deferred (outflows)	(318,777)	(2,678)
Change in OPEB inflows	(14,086)	26,476
Changes in operating assets and liabilities		
(Increase) decrease in operating assets:		
Accounts receivable	(90,915)	396,957
Other receivables	848,252	(806,052)
Inventory	(58,849)	192,219
Prepays and other current assets	(324,986)	(327,204)
Increase (decrease) in operating liabilities:		
Accounts payable	357,923	1,612,180
Unearned revenue	567,172	135,596
Accrued compensated absences	170,720	(68,829)
Net pension liability	886,030	(185,275)
Net OPEB liability	245,072	211,418
Accrued expenses	3,354,343	(354,312)
Total adjustments	19,907,208	14,399,859
Net cash provided by operating activities	\$ 26,270,626	\$ 26,895,641
Noncash investing, capital and financing transactions:		
Receipt of donated capital assets	\$ 1,008,687	\$ 711,019
Change in fair value of investments	674,854	(33,613)
Amortization of premium on long-term debt	(239,672)	(1,147,261)
Amortization of defeasance costs on long-term debt	660,744	653,403
Change in fair value of interest rate swap	(1,508,178)	1,077,666

See accompanying notes to the basic financial statements

**Sacramento Suburban Water District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2019 and 2018**

(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 180,000 through 46,268 connections within its boundaries. The water supply of the District is a combination of both surface water and groundwater. The District was formed on February 1, 2002 under the County Water District Law (California Water Code Sections 30000-33901) by the consolidation of the Northridge Water District and the Arcade Water District. The consolidation was approved and ordered by the Sacramento County Local District Formation Commission under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (California Government Code Sections 56000-57550). The District is located in Sacramento County, north of the American River and serves a large suburban area including portions of Citrus Heights, Carmichael, North Highlands, City of Sacramento, and Antelope, as well as McClellan Business Park (formerly McClellan Air Force Base). The District is currently governed by a five-member Board of Directors elected by the voters within the District for staggered four year terms, every two years.

B. Component Unit

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

C. Jointly Governed Organization

The District is a signatory to the Regional Water Authority's (RWA) Joint Powers Agreement. The RWA was formed to address regional water issues with a mission to serve and represent the regional water supply interests of its 21 members in protecting and enhancing the reliability, availability, affordability and quality of water resources. RWA does not possess nor exercise governing or regulatory authority over its members. The District does not have an ongoing financial responsibility to RWA. The financial transactions between the District and RWA during the years ending December 31, 2019 and 2018, primarily involved the payment of annual membership dues and grant administration expenses, which were not material to the District's financial statements. Copies of RWA's annual financial reports and other pertinent information may be obtained from their office at 5620 Birdcage Street, Suite 180, Citrus Heights, CA 95610, from their website at www.rwah2o.org, or by calling (916) 967-7692.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

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

D. Basis of Accounting and Principles of Presentation

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

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

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

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

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

1. Unrestricted and Restricted Cash and Cash Equivalents

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

2. Receivables and Allowance for Uncollectible Accounts

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

3. Inventory

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

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

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

4. Prepaid Expenses

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

5. Investments and Investment Policy

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

6. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. Donated capital assets and easements are valued at estimated acquisition value on the date received. Maintenance and repairs are charged to operations when incurred. It is the District's policy to capitalize all capital assets with a cost of more than \$5,000. 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, 2019 or 2018.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

(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 11) or the California Public Employee Retirement System (CalPERS) defined benefit pension plan provided by the District for additional service credit (See Note 12). Employees under age 55 are paid once a year for all earned sick leave exceeding 240 hours at one-half of their current hourly rate of pay (See Note 6).

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. Postemployment Benefits Other Than Pensions (OPEB)

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

13. 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, 2019 and 2018, determined using the zero-coupon measurement method, which calculates the future net settlement payments based on current

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

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

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.

14. Net Position

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

- **Net Investment in Capital Assets** – This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of long-term debt and deferred amounts related to debt refunding used to acquire such assets and the effect of deferring the recognition of losses from long-term debt refundings. The deferred outflows from losses on long-term debt refundings at December 31, 2019 and 2018, were \$5,363,480 and \$6,024,224, respectively, and are amortized and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. These investments are considered non-expendable.
- **Restricted for Debt Service Reserve Fund** – This component consists of external legal constraints placed on District assets by long-term debt holders.
- **Unrestricted** – This component of net position consists of the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that do not meet the definition of “net investment in capital assets” or “restricted for debt service reserve fund.” Amounts included as unrestricted are available for designation for specific purposes as established by the District's Board of Directors. When an expense is incurred for which both restricted and unrestricted net position are available for use, it is the District's policy to use restricted resources first then unrestricted resources as they are needed.
- **Effect on Unrestricted Net Position from Deferred Inflow and Outflow of Resources** – The unrestricted net position amount of \$26,985,236 and \$29,548,887 at December 31, 2019 and 2018, respectively, includes the increase in market value of the District's swap and the net pension liability.

The deferred inflows of resources related to the fair market value of the swap of \$56,545 and \$1,564,723 at December 31, 2019 and 2018, 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.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

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

The deferred outflows of resources related to net pension liabilities of \$2,054,016 and \$2,223,442 at December 31, 2019 and 2018, will be amortized and recognized as pension expense over periods of five years or less. The deferred outflows of resources related to net OPEB liabilities of \$343,227 and \$24,450 at December 31, 2019 and 2018, will be amortized and recognized as OPEB expense over periods of five years or less.

The deferred inflows of resources related to pensions of \$769,919 and \$741,595 at December 31, 2019 and 2018 will be amortized and recognized as pension expense over periods of five years or less. The deferred inflows of resources related to OPEB of \$12,390 and \$26,476 at December 31, 2019 and 2018 will be amortized and recognized as OPEB expense over periods of five years or less.

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% of the anticipated debt service for the budget year.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

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

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 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 were effective for the year ended December 31, 2019 and the District determined its pension and OPEB trust funds do not meet the criteria of reporting as a fiduciary fund.

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

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures related to Debt, including Direct Borrowings and Direct Placements*. This Statement improves the information that is disclosed in the notes to government financial statements and clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to the financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences and significant subjective acceleration clauses. For notes to the financial statement there is a requirement that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement were implemented for the year ended December 31, 2019.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

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

H. Future Accounting Pronouncements, continued

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

(2) Cash, Cash Equivalents and Investments

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

Cash and investments as of December 31, 2019 and 2018 are classified in the Statements of Net Position as follows:

	2019	2018
Cash and cash equivalents	\$ 8,011,079	\$ 7,585,118
Restricted cash and cash equivalents	1,688	9,768
Investments	39,040,578	36,369,025
Total	<u>\$ 47,053,345</u>	<u>\$ 43,963,911</u>

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

Cash, cash equivalents and investments as of December 31, 2019 and 2018 by investment type are as follows:

	2019	2018
Cash on hand	\$ 3,750	\$ 3,750
Deposits with financial institutions	2,787,834	3,949,222
Total cash	<u>2,791,584</u>	<u>3,952,972</u>
California Local Agency Investment Fund (LAIF)	3,818,496	1,232,252
Money market mutual funds	227,098	416,638
Commercial paper	1,173,901	1,983,256
Held by bond trustee:		
Restricted money market mutual funds	1,688	9,768
Total cash equivalents	<u>5,221,183</u>	<u>3,641,914</u>
Negotiable certificates of deposit	5,791,916	6,323,427
U.S. treasury notes/bonds	15,965,840	12,554,748
Federal agency securities	1,514,810	1,474,227
Municipal obligations	99,828	229,632
Corporate notes	9,193,263	8,568,148
Mortgage backed and asset backed securities	3,882,214	4,663,595
Supranationals	2,592,707	2,555,248
Total investments	<u>39,040,578</u>	<u>36,369,025</u>
Total	<u>\$ 47,053,345</u>	<u>\$ 43,963,911</u>

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

(2) Cash, Cash Equivalents and Investments, continued

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.

The District has the following recurring fair value measurements as of December 31, 2019:

Investments by fair value level	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Negotiable certificates of deposit	\$ 5,791,916	\$ -	\$ 5,791,916	\$ -
U.S. treasury notes/bonds	15,965,840	15,965,840	-	-
Federal agency securities	1,514,810	-	1,514,810	-
Municipal obligations	99,828	-	99,828	-
Corporate notes	9,193,263	-	9,193,263	-
Mortgage backed and asset backed securities	3,882,214	-	3,882,214	-
Supranationals	2,592,707	-	2,592,707	-
Total investments by fair value level	39,040,578	15,965,840	23,074,738	-
Commercial paper	1,173,901	-	1,173,901	-
Total	\$ 40,214,479	\$ 15,965,840	\$ 24,248,639	\$ -

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.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

(2) 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.

Investment in LAIF

The District is a voluntary participant in LAIF that is regulated by the California Government Code under oversight by the Local Investment Advisory Board, which consists of five members, with the Treasurer of the State of California serving as chairman. The fair value of the District's investment in this pool is reported in the Statements of Net Position as a cash equivalent based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost and current value basis. The District's investment in LAIF at December 31, 2019 and 2018 was \$3,818,496 and \$1,232,252, respectively. The total fair value of all public agencies invested in LAIF at December 31, 2019 and 2018 was \$26,711,885,343 and \$21,266,289,939, respectively.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

(2) Cash, Cash Equivalents and Investments, continued

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates on investments with or without embedded options will adversely affect the fair value of an investment. The District 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, 2019 and 2018, the effective duration of the "Bank of America Merrill Lynch 0-5 Year U.S. Treasury Index" was 2.09 and 2.32, respectively.

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

Cash Equivalent Type	December 31, 2019		December 31, 2018	
	Fair Value	Duration	Fair Value	Duration
LAIF	\$ 3,818,496	0.62	\$ 1,232,252	0.53
Money market mutual funds	228,786	-	426,406	-
Commercial paper	1,173,901	0.05	1,983,256	0.30
Weighted average duration	\$ 5,221,183	0.46	\$ 3,641,914	0.42

Weighted-average effective duration on investments were as follows:

Investment Type	December 31, 2019		December 31, 2018	
	Fair Value	Duration	Fair Value	Duration
Negotiable certificates of deposit	\$ 5,791,916	1.18	\$ 6,323,427	1.19
U.S. treasury notes/bonds	15,965,840	3.05	12,554,748	2.96
Federal agency securities	1,514,810	1.54	1,474,227	2.49
Municipal obligations	99,828	4.34	229,632	0.21
Corporate notes	9,193,263	1.89	8,568,148	1.70
Mortgage backed and asset backed securities	3,882,214	1.49	4,663,595	1.51
Supranationals	2,592,707	1.02	2,555,248	1.97
Weighted average duration	\$ 39,040,578	2.16	\$ 36,369,025	2.06

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

(2) Cash, Cash Equivalents and Investments, continued

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The District manages such risk by purchasing investments with nationally recognized credit ratings that meet or exceed District credit rating requirements at the time of purchase. Credit ratings utilized are those provided by Standard and Poor's 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, 2019, were as follows:

Cash Equivalent Type		Minimum Legal Rating	Ratings as of Year-End		
			Not Rated	AAA/AA	A-1+/A-1
LAIF	\$ 3,818,496	-	\$ 3,818,496	\$ -	\$ -
Money market mutual funds	228,786	-	-	228,786	-
Commercial paper	1,173,901	A-1	-	-	1,173,901
Total cash equivalents	\$ 5,221,183	-	\$ 3,818,496	\$ 228,786	\$ 1,173,901

Investment credit ratings as of December 31, 2019 were as follows:

Investment Type		Minimum Legal Rating	Not Rated	Ratings as of Year-End			
				AAA	AA+/AA-	A+/A/A-/ A-1/A-1+	BBB+
Negotiable certificates of deposit	\$ 5,791,916	A	\$ -	\$ -	\$ 1,464,630	\$ 4,327,286	\$ -
U.S. treasury notes/bonds	15,965,840	-	-	-	15,965,840	-	-
Federal agency securities	1,514,810	-	-	-	1,514,810	-	-
Municipal obligations	99,828	-	-	-	99,828	-	-
Corporate notes	9,193,263	A	-	-	1,301,593	7,096,380	795,290
Mortgage backed and asset backed securities	3,882,214	AA	1,005,440	2,236,782	639,992	-	-
Supranationals	2,592,707	AA	-	2,592,707	-	-	-
Total investments	\$39,040,578	-	\$1,005,440	\$ 4,829,489	\$20,986,693	\$11,423,666	\$ 795,290

Cash equivalents credit ratings as of December 31, 2018, were as follows:

Cash Equivalent Type		Minimum Legal Rating	Ratings as of Year-End		
			Not Rated	AAA/AA	A-1+/A-1
LAIF	\$ 1,232,252	-	\$ 1,232,252	\$ -	\$ -
Money market mutual funds	426,406	-	-	426,406	-
Commercial paper	1,983,256	A-1	-	-	1,983,256
Total cash equivalents	\$ 3,641,914	-	\$ 1,232,252	\$ 426,406	\$ 1,983,256

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

(2) Cash, Cash Equivalents and Investments, continued

Investment credit ratings as of December 31, 2018, were as follows:

Investment Type		Minimum Legal Rating	Not Rated	Ratings as of Year-End			
				AAA	AA+/AA-	A+/A/A-/ A-1/A-1+	BBB+
Negotiable certificates of deposit	\$ 6,323,427	A	\$ -	\$ -	\$ 1,953,315	\$ 4,370,112	\$ -
U.S. treasury notes/bonds	12,554,748	-	-	-	12,554,748	-	-
Federal agency securities	1,474,227	-	-	-	1,474,227	-	-
Municipal obligations	229,632	-	-	-	-	229,632	-
Corporate notes	8,568,148	A	-	-	1,282,537	6,028,164	1,257,447
Mortgage backed and asset backed securities	4,663,595	AA	1,787,688	2,192,396	683,511	-	-
Supranationals	2,555,248	AA	-	2,555,248	-	-	-
Total investments	\$36,369,025	-	\$1,787,688	\$ 4,747,644	\$17,948,338	\$10,627,908	\$ 1,257,447

Concentration of Credit Risk

At December 31, 2019 and 2018 the District had no 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

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, 2019 and 2018, \$3,357,112 and \$5,241,643 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.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

(3) Restricted Cash, Cash Equivalents and Investments

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

	<u>2019</u>	<u>2018</u>
2009A Certificates of participation reserve fund	\$ 1	\$ 1
2012A Revenue bond interest payment fund	798	991
2018A Revenue bond interest payment fund	889	8,776
Total	<u>\$ 1,688</u>	<u>\$ 9,768</u>

(4) Receivables, Net and Restricted Receivable

Receivables as of December 31 consist of the following:

	<u>2019</u>	<u>2018</u>
Water sales and services receivable	\$ 3,085,812	\$ 2,994,896
Allowance for doubtful accounts	(184,140)	(153,494)
Accrued interest receivable	215,053	215,917
Receivable from OPEB trust	91,467	73,372
Receivable from City of Sacramento	-	872,200
Receivable, other	5,854	-
Grant receivable	351,969	-
Total	<u>\$ 3,566,015</u>	<u>\$ 4,002,891</u>

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

(5) Capital Assets

Changes in capital assets for the year ended December 31, 2019, were as follows:

	Balance 2018	Additions	Deletions	Transfers	Balance 2019
Non-depreciable assets:					
Land	\$ 1,798,864	\$ -	\$ -	\$ -	\$ 1,798,864
Permanent easements	4,262,786	270,670	-	-	4,533,456
Construction-in-progress	4,879,703	17,231,161	-	(18,663,929)	3,446,935
Total non-depreciable assets	10,941,353	17,501,831	-	(18,663,929)	9,779,255
Depreciable and amortizable assets:					
Land improvements	1,100,698	15,565	-	43,409	1,159,672
Pumping and wells	79,739,331	-	(18,082)	4,208,942	83,930,191
Hydrants, PRV stations, valves	138,743,553	632,714	(67,553)	2,752,767	142,061,481
Purchased trans & dist pipelines	176,225,535	105,303	-	6,437,934	182,768,772
Capacity entitlement	5,282,728	-	-	-	5,282,728
Storage facilities – reservoirs	14,235,352	-	-	127,781	14,363,133
Water meters	37,062,970	418,264	(2,395,274)	4,935,638	40,021,598
Buildings	2,690,040	-	-	-	2,690,040
Buildings improvements	3,663,913	160,733	(219,582)	-	3,605,064
Machinery and equipment	1,329,706	17,900	(38,968)	157,458	1,466,096
Fleet equipment	1,973,176	293,790	(122,654)	-	2,144,312
Office equipment	274,300	-	(80,616)	-	193,684
Computer software	2,891,570	-	(2,550)	-	2,889,020
Computer hardware & equipment	1,188,476	109,871	-	-	1,298,347
Total depreciable & amort. Assets	466,401,348	1,754,140	(2,945,279)	18,663,929	483,874,138
Accumulated depreciation and amortization:					
Land improvements	(876,118)	(25,818)	-	-	(901,936)
Pumping and wells	(40,462,395)	(2,926,703)	18,082	-	(43,371,016)
Hydrants, PRV stations, valves	(73,739,862)	(3,798,646)	67,006	-	(77,471,502)
Purchased trans & dist pipelines	(24,848,534)	(2,201,659)	-	-	(27,050,193)
Capacity entitlement	(3,649,279)	(174,194)	-	-	(3,823,473)
Storage facilities – reservoirs	(4,640,365)	(354,037)	-	-	(4,994,402)
Water meters	(22,115,444)	(2,682,536)	2,341,268	-	(22,456,712)
Buildings	(1,510,723)	(66,348)	-	-	(1,577,071)
Buildings improvements	(2,683,047)	(180,898)	217,309	-	(2,646,636)
Machinery and equipment	(750,035)	(129,453)	38,968	-	(840,520)
Fleet equipment	(1,357,205)	(164,800)	122,654	-	(1,399,351)
Office equipment	(212,520)	(15,043)	80,616	-	(146,947)
Computer software	(2,583,335)	(116,455)	2,550	-	(2,697,240)
Computer hardware & equipment	(793,575)	(156,813)	-	-	(950,388)
Total accumulated depr. & amort.	(180,222,437)	(12,993,403)	2,888,453	-	(190,327,387)
Total depr. & amort. assets, net	286,178,911	(11,239,263)	(56,826)	18,663,929	293,546,751
Total capital assets, net	\$297,120,264	\$ 6,262,568	\$ (56,826)	\$ -	\$ 303,326,006

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

(5) Capital Assets, continued

Changes in capital assets for the year ended December 31, 2018, were as follows:

	Balance 2017	Additions	Deletions	Transfers	Balance 2018
Non-depreciable assets:					
Land	\$ 1,798,864	\$ -	\$ -	\$ -	\$ 1,798,864
Permanent easements	4,102,865	159,921	-	-	4,262,786
Construction-in-progress	10,881,969	17,835,319	-	(23,837,585)	4,879,703
Total non-depreciable assets	16,783,698	17,995,240	-	(23,837,585)	10,941,353
Depreciable and amortizable assets:					
Land improvements	1,041,256	59,442	-	-	1,100,698
Pumping and wells	78,597,290	-	(24,610)	1,166,651	79,739,331
Hydrants, PRV stations, valves	132,588,870	288,589	(163,412)	6,029,506	138,743,553
Purchased trans & dist pipelines	163,142,523	262,508	(298)	12,820,802	176,225,535
Capacity entitlement	5,282,728	-	-	-	5,282,728
Storage facilities – reservoirs	14,050,359	-	-	184,993	14,235,352
Water meters	34,000,724	33,135	(210,918)	3,240,029	37,062,970
Buildings	2,690,040	-	-	-	2,690,040
Buildings improvements	3,475,391	188,522	-	-	3,663,913
Machinery and equipment	862,448	71,654	-	395,604	1,329,706
Fleet equipment	1,840,212	216,402	(83,438)	-	1,973,176
Office equipment	274,300	-	-	-	274,300
Computer software	2,851,561	40,009	-	-	2,891,570
Computer hardware & equipment	1,006,853	181,623	-	-	1,188,476
Total depreciable & amort. assets	441,704,555	1,341,884	(482,676)	23,837,585	466,401,348
Accumulated depreciation and amortization:					
Land improvements	(850,125)	(25,993)	-	-	(876,118)
Pumping and wells	(37,600,263)	(2,886,742)	24,610	-	(40,462,395)
Hydrants, PRV stations, valves	(70,239,681)	(3,640,641)	140,460	-	(73,739,862)
Purchased trans & dist pipelines	(22,810,210)	(2,038,600)	276	-	(24,848,534)
Capacity entitlement	(3,475,085)	(174,194)	-	-	(3,649,279)
Storage facilities – reservoirs	(4,290,949)	(349,416)	-	-	(4,640,365)
Water meters	(19,782,878)	(2,543,484)	210,918	-	(22,115,444)
Buildings	(1,444,222)	(66,501)	-	-	(1,510,723)
Buildings improvements	(2,520,986)	(162,061)	-	-	(2,683,047)
Machinery and equipment	(705,395)	(44,640)	-	-	(750,035)
Fleet equipment	(1,303,007)	(137,635)	83,437	-	(1,357,205)
Office equipment	(196,043)	(16,477)	-	-	(212,520)
Computer software	(2,355,023)	(228,312)	-	-	(2,583,335)
Computer hardware & equipment	(648,153)	(145,422)	-	-	(793,575)
Total accumulated depr. & amort.	(168,222,020)	(12,460,118)	459,701	-	(180,222,437)
Total depr. & amort. assets, net	273,482,535	(11,118,235)	(22,975)	23,837,585	286,178,911
Total capital assets, net	\$ 290,266,233	\$ 6,877,005	\$ (22,975)	\$ -	\$297,120,264

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

(5) Capital Assets, continued

Major capital asset additions during 2019 and 2018 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:

	2019	2018
Butano/Cottage well construction	\$ 189,079	\$ -
Jonas main replacement	-	1,043,767
Verner/Panorama well construction	531,626	363,930
Palm Avenue well construction	-	2,875,463
Edison Meadows main replacement	281,033	-
Albatross main replacement	761,406	-
Thor main replacement	490,790	-
Naomi main replacement	494,229	-
SCADA RTU panels improvements	-	69,833
Various other distribution main replacements	231,071	86,210
Various other minor projects	245,875	413,002
Well rehabilitation/pump improvements	221,826	27,498
Construction-in-progress	<u>\$ 3,446,935</u>	<u>\$ 4,879,703</u>

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, 2019 and 2018.

(6) Compensated Absences

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

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

Balance 2018	Earned	Taken	Balance 2019	Due Within One Year
\$ 950,951	\$ 971,729	\$ (801,009)	\$ 1,121,671	\$ 800,000

Balance 2017	Earned	Taken	Balance 2018	Due Within One Year
\$ 1,019,780	\$ 825,523	\$ (894,352)	\$ 950,951	\$ 900,000

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

(7) Long-Term Debt

Description of the District's Long-Term Debt

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

Long-term debt activities for the year ended December 31, 2019, are as follows:

	Balance 2018	Additions	Retirements	Balance 2019	Current Portion
2009A Certificates of participation	\$ 42,000,000	\$ -	\$ -	\$ 42,000,000	\$ -
2012A Revenue bond	15,385,000	-	(2,160,000)	13,225,000	2,235,000
2018A Revenue bond	17,295,000	-	(2,465,000)	14,830,000	2,555,000
Total principal	74,680,000	-	(4,625,000)	70,055,000	4,790,000
Unamortized bond premium	2,117,100	-	(239,672)	1,877,428	
Imputed borrowing - off-market swap	4,632,032	-	(344,033)	4,287,999	
Total long-term debt	\$ 81,429,132	\$ -	\$ (5,208,705)	\$ 76,220,427	

Long-term debt activities for the year ended December 31, 2018, are as follows:

	Balance 2017	Additions	Retirements	Balance 2018	Current Portion
2009A Certificates of participation	\$ 42,000,000	\$ -	\$ -	\$ 42,000,000	\$ -
2009B Certificates of participation	22,065,000	-	(22,065,000)	-	-
2012A Revenue bond	17,490,000	-	(2,105,000)	15,385,000	2,160,000
2018A Revenue bond	-	19,615,000	(2,320,000)	17,295,000	2,465,000
Total principal	81,555,000	19,615,000	(26,490,000)	74,680,000	\$ 4,625,000
Unamortized bond premium	3,264,361	-	(1,147,261)	2,117,100	
Imputed borrowing - off-market swap	4,969,023	-	(336,991)	4,632,032	
Total long-term debt	\$ 89,788,384	\$ 19,615,000	\$ (27,974,252)	\$ 81,429,132	

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

(7) Long-Term Debt, continued

The future debt service schedule of all long-term debt as of December 31, 2019, is as follows:

Year	Principal	Interest ⁽¹⁾	Total
2020	\$ 4,790,000	\$ 2,535,666	\$ 7,325,666
2021	4,965,000	2,364,926	7,329,926
2022	5,120,000	2,178,316	7,298,316
2023	3,585,000	1,988,169	5,573,169
2024	3,770,000	1,846,913	5,616,913
2025-2029	21,415,000	6,873,376	28,288,376
2030-2034	26,410,000	2,676,704	29,086,704
Total	70,055,000	\$ 20,464,070	\$ 90,519,070
Less current portion	(4,790,000)		
Unamortized bond premium	1,877,428		
Imputed borrowing on off-market swap	4,287,999		
Total non-current long-term debt	\$ 71,430,427		

(1) Includes – 1) fixed-rate interest at scheduled payments, 2) variable-rate interest at an estimated rate of 1.855% as of December 31, 2019 (includes market rate plus facility and remarketing fees), and 3) swap payments based on a 3.283% fixed-rate per the amended and restated Swap Confirmation dated April 11, 2012, less the variable receive rate of 1.233% as of December 31, 2019.

2009 Series A COP

In June 2009, the District issued a \$42,000,000 COP obligation, Series 2009A at a variable interest rate, to current refund the \$41,275,000 COP obligation, Series 2004. The variable interest rate resets weekly. This COP obligation was issued with an irrevocable direct-pay letter-of-credit (LOC) which expires on June 30, 2023⁽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. The installment purchase agreement defines events of default as 1) default in principal payments; 2) default in interest payments; 3) default by the District of any of the covenants, agreements, or conditions; 4) the filing by the District of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein; 5) an event of default has occurred with the LOC provider under the terms of the LOC reimbursement agreement. Upon the occurrence of an event of default, the principal of the COP obligation could be declared immediately due and payable.

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

(1) The credit rating of the District's LOC provider (Sumitomo Mitsui Banking Corporation) as of December 31, 2019 is A1/A/A by Moody's Investor Services, Standard and Poor's Ratings Services, and Fitch IBCA, Inc., respectively.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

(7) Long-Term Debt, continued

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.

As of December 31, 2019, the future debt service schedule of the 2009 Series A COP obligation and associated swap payments are as follows:

Year	2009 Series A COP		Interest Rate ⁽¹⁾		Total
	Principal	Interest ⁽²⁾	Swap, Net		
2020	\$ -	\$ 779,100	\$ 682,787	\$ 1,461,887	
2021	-	779,100	682,787	1,461,887	
2022	-	779,100	682,787	1,461,887	
2023	1,145,000	775,560	679,677	2,600,237	
2024	1,245,000	754,011	660,762	2,659,773	
2025-2029	13,200,000	3,327,035	2,916,025	19,443,060	
2030-2034	26,410,000	1,426,279	1,250,425	29,086,704	
Total	42,000,000	\$ 8,620,185	\$ 7,555,250	\$ 58,175,435	
Less current portion	-				
Imputed borrowing- off-market swap	4,287,999				
Total non-current COP obligation	\$ 46,287,999				

(1) Based on a 3.283% fixed-rate per the amended and restated Swap Confirmation dated April 11, 2012, less the variable receive rate of 1.233% as of December 31, 2019.

(2) Estimated at an assumed rate of 1.855% as of December 31, 2019 (includes market rate plus facility and remarketing fees).

2012 Series A Bond

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

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

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

(7) Long-Term Debt, continued

As of December 31, 2019, the future debt service schedule of the 2012 Series A Revenue Bond is as follows:

Year	Principal	Interest	Total
2020	\$ 2,235,000	\$ 597,394	\$ 2,832,394
2021	2,320,000	500,837	2,820,837
2022	2,405,000	394,798	2,799,798
2023	1,155,000	289,975	1,444,975
2024	1,195,000	231,892	1,426,892
2025-2027	3,915,000	325,950	4,240,950
Total	13,225,000	\$ 2,340,846	\$ 15,565,846
Less current portion	(2,235,000)		
Unamortized bond premium	1,877,428		
Total non-current bond obligation	\$ 12,867,428		

2018 Series A Revenue Refunding Bond (Taxable)

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

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

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

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

(7) Long-Term Debt, continued

As of December 31, 2019, the future debt service schedule of the 2018 Series A Bond is as follows:

Year	Principal	Interest	Total
2020	\$ 2,555,000	\$ 476,386	\$ 3,031,386
2021	2,645,000	402,202	3,047,202
2022	2,715,000	321,632	3,036,632
2023	1,285,000	242,957	1,527,957
2024	1,330,000	200,248	1,530,248
2025-2027	4,300,000	304,366	4,604,366
Total	14,830,000	\$ 1,947,791	\$ 16,777,791
	Less current portion	(2,555,000)	
	Total non-current COP obligation	\$ 12,275,000	

Arbitrage Rebate Requirement

The federal Tax Reform Act of 1986 imposes an arbitrage rebate requirement that affects all tax-exempt debt issued by the District. The term arbitrage refers to the required payment to the U.S. Treasury of excess interest earnings received on applicable tax-exempt debt obligation proceeds which, for the District, is solely made up of debt service reserve funds (restricted cash, cash equivalents, and investments) that are invested in a higher yield than the yield of the tax-exempt debt obligation issue. The District's ultimate rebate of arbitrage earnings on these issues is contingent on various factors, including future yields on invested proceeds. As of December 31, 2019 and 2018, 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.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

(7) Long-Term Debt, continued

Fair Value

Based on existing market conditions as of December 31, 2019 and 2018, the swap had a negative fair value of \$6,688,455 and \$5,180,277 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, 2019 and 2018, 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, 2019 and 2018.

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

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

Swap Payments and Notional Amortization for the Period Ended December 31, 2019:

Year	Notional Amortization	Swap Payments, Net ⁽¹⁾	Total
2020	\$ -	\$ 682,787	\$ 682,787
2021	-	682,787	682,787
2022	-	682,787	682,787
2023	910,000	679,677	1,589,677
2024	985,000	660,762	1,645,762
2025-2029	10,460,000	2,916,025	13,376,025
2030-2034	20,945,000	1,250,425	22,195,425
Total	\$ 33,300,000	\$ 7,555,250	\$ 40,855,250

(1) Based on a 3.283% fixed-rate per the amended and restated Swap Confirmation dated April 11, 2012, less the variable receive rate of 1.233% as of December 31, 2019.

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

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

(7) Long-Term Debt, continued

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.

Events of Default and Termination Event Risk

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

Liquidity/Credit Enhancement on Certificates - Credit and Extension Risk

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

Collateral Posting Risk

Based on certain thresholds of the fair 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.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

(7) Long-Term Debt, continued

Tax Risk

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

(8) Net Investment in Capital Assets

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

	2019	2018
Capital assets not being depreciated	\$ 9,779,255	\$ 10,941,353
Capital assets being depreciated and amortized, net	293,546,751	286,178,911
Deferred outflows on long-term debt refundings	5,363,480	6,024,224
Long term debt	(76,220,427)	(81,429,132)
Net investment in capital assets, considered non-expendable	\$232,469,058	\$221,715,356

(9) Restricted Net Position

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

	2019	2018
2009A Certificates of participation reserve fund	\$ 1	\$ 1
2012A Revenue bond interest payment fund	798	991
2018A Revenue bond interest payment fund	889	8,776
Total restricted net position	\$ 1,688	\$ 9,768

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

(10) Unrestricted Net Position

Designations of unrestricted net position may be imposed by the Board of Directors to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended or removed by Board action at any time. Currently, the District's Reserve Policy calls for three fund classifications that collectively comprise the District's unrestricted net position: Committed funds, Assigned funds and remaining funds not otherwise restricted, committed or assigned. Committed funds are those financial assets set aside by the Board for specific purposes as determined by Board resolution or ordinance. As of December 31, 2019 and 2018 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

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

(10) Unrestricted Net Position, continued

facility based on the proportion of funds collected from all developers for that calendar year. Assigned funds are those financial assets determined necessary to be retained for specific risk-mitigation purposes as determined by the Board annually or as needs arise. The Board has several classes of such assigned funds but is not bound legally or contractually on the retention of such funds and, as such, amounts in assigned funds are available to meet the general obligations of the District.

(11) Deferred Compensation Plan

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program (Program). The purpose of this Program is to provide employees, who elect to participate, the opportunity to defer receipt of a portion of their compensation until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred compensation for income tax purposes. Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants or their beneficiaries. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. The market value of all plan assets held in trust by the District for its deferred compensation program at December 31, 2019 and 2018, amounted to \$4,946,408 and \$4,122,547, respectively.

(12) Defined Benefit Pension Plan

A. General Information about the Pension Plan:

Plan Descriptions:

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

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

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

Benefits Provided:

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

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

(12) Defined Benefit Pension Plan, continued

The Plans' provisions and benefits in effect at December 31, 2019 and 2018, are summarized as follows:

	Miscellaneous		
	Prior to 09/25/2006	After 9/25/2006 and Prior to 01/01/2013	On or after 01/01/2013
Hire date			
Benefit formula	3.0% at 60	2.0% at 55	2.0% at 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 60	50 - 63	52 - 67
Monthly benefits as a % of eligible compensation	2.0% to 3.0%	1.4% to 2.4%	1.0% to 2.5%
Required employee contribution rates	8.00%*	7.00%*	7.25%
Required employer contribution rates – 2019	15.21%	10.33%	7.07%
Required employer contribution rates – 2018	14.37%	9.64%	7.27%
		Closed to new members that are not already CalPERS eligible participants	
Open or Closed to New Entrants	Closed		Open

(* Paid by District on behalf of employees)

In addition to the contribution rates above, the District was also required to make a payment of \$571,291 and \$465,090 toward its unfunded actuarial liability of all Plans during the year ended December 31, 2019 and 2018, respectively.

Contributions:

CalPERS Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by an actuary and shall be effective on July 1 following notice of a change in the rate. Funding contributions for all Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The District's total employer contributions were \$1,088,919 and \$797,025 for the years ended December 31, 2019 and 2018, respectively. Dependent on the Rate Plan, for the measurement periods ended June 30, 2019 and 2018, the employee contribution rate was 8.0% or 7.0% of annual pay for Classic members. For PEPRA members, the employee contribution rate was 7.25% in 2019 and 6.50% in 2018. The District contributes the full 8.0% or 7.0% for Classic members while PEPRA members contribute the full 7.25 or 6.50%. At December 31, 2019 and 2018, the District's pickup of the employee's 8.0% and 7.0% share was \$260,166 and \$289,189, respectively.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

(12) Defined Benefit Pension Plan, continued

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

As of December 31, 2019 and 2018, the District reported a net pension liability for its proportionate share of the net pension liability of the Plans of \$9,698,403 and \$8,812,373, 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, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 and 2017 rolled forward to June 30, 2019 and 2018 using standard update procedures. For June 30, 2019 and 2018, 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, 2019 and 2018 was as follows:

Proportion - June 30, 2018	0.23383 %
Proportion - June 30, 2019	0.24219 %
Change - Increase (Decrease)	0.00836 %

For the year ended December 31, 2019 and 2018, the District recognized pension expense of \$2,172,699 and \$1,289,857, respectively. At December 31, 2019 and 2018, 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	
	2019	2018	2019	2018
Pension contributions subsequent to measurement date	\$ 564,567	\$ 537,273	\$ -	\$ -
Changes in assumptions	462,465	1,004,638	163,940	246,217
Net differences between projected and actual earnings on plan investments	-	43,566	169,558	-
Differences between expected and actual experience	673,595	338,116	52,190	115,058
Differences between the employer's contribution and the employer's proportionate share of contributions	-	-	384,231	380,320
Change in employer's proportion	353,389	299,849	-	-
Total	\$2,054,016	\$2,223,442	\$ 769,919	\$ 741,595

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

(12) Defined Benefit Pension Plan, continued

The \$564,567 and \$537,273 reported as deferred outflows of resources as of December 31, 2019 and 2018 related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the following year, December 31, 2020 and 2019, respectively. Other amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended December 31</u>			
2019	\$	686,138	
2020	\$	(84,406)	
2021	\$	83,536	
2022	\$	34,262	

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

The total pension liabilities in the June 30, 2019 and 2018 actuarial valuation was determined using the following actuarial assumptions:

	2019	2018
	Miscellaneous	Miscellaneous
Valuation Date	June 30, 2018	June 30, 2017
Measurement Date	June 30, 2019	June 30, 2018
Actuarial Cost Method	Entry-Age Normal	Entry-Age Normal
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.50%
Projected Salary Increase	Varies by Entry Age and Service	Varies by Entry Age and Service
Long-Term Rate of Return	(2)	(2)

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

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

The underlying mortality assumptions and all other actuarial assumptions used for December 31, 2019 were derived using CalPERS' Membership Data for all Funds. The mortality rates include 15 years of projected on-going mortality improvement using 90% of Scale MP 2016 published by the Society of Actuaries. The underlying mortality assumptions and all other actuarial assumptions used for December 31, 2018 were based on the 2017 CalPERS' experience study for the period 1997 to 2015. Further details on the Experience Studies can be found at the CalPERS website at www.calpers.ca.gov.

Long-Term Expected Rate of Return:

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

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

(12) Defined Benefit Pension Plan, continued

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

The expected real rates of return by asset class are for December 31, 2019 and 2018 are as follows:

<u>Asset Class</u>	<u>2019 Target Allocation</u>	<u>Real Return Years 1 – 10 (a)¹</u>	<u>Real Return Years 11+ (b)²</u>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	-%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	-%	(0.92)%
Total	<u>100.0%</u>		

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

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

Discount Rate:

The discount rate used to measure the total pension liability was 7.15% as of December 31, 2019 and 2018. The projection of cash flows used to determine the discount rate assume that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the 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 appropriate 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.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

(12) 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:

	2019	2018
	Sensitivity to 1- Percent Change	Sensitivity to 1- Percent Change
1% Decrease	6.15%	6.15%
Net Pension Liability	\$ 15,299,189	\$ 14,132,045
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$ 9,698,403	\$ 8,812,373
1% Increase	8.15%	8.15%
Net Pension Liability	\$ 5,075,349	\$ 4,421,071

Plan Fiduciary Net Position:

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

Payable to the Pension Plan:

At December 31, 2019 and 2018, the District had no outstanding payable to the pension plans.

(13) Postemployment Benefits Other Than Pensions (OPEB)

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

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

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

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

Employees Covered by Benefit Terms: At December 31, 2019 and 2018, the following current and former employees were covered by the benefit terms:

	<u>2019</u>	<u>2018</u>
Inactive employees or beneficiaries currently receiving benefit payments	43	37
Active employees	<u>65</u>	<u>67</u>
Total number of participants	<u>108</u>	<u>104</u>

Contributions: The contribution requirements of plan members and the District are established and may be amended by the District. The District prefunds the plan by contributing at least 100% of actuarially determined contributions to the CERBT. The Trust is administered by CalPERS as an agent multiple-employer plan. During the year ended December 31, 2019, the District's cash contributions to the trust were \$947,699, comprised of benefit payments of \$892,480, an estimated implicit subsidy of \$54,475 and administrative expenses of \$744. During the year ended December 31, 2018, the District's cash contributions to the trust were \$600,779, comprised of benefit payments of \$557,202, an estimated implicit subsidy of \$42,763 and administrative expenses of \$814.

Net OPEB Liability: The District's net OPEB liability was measured as of June 30, 2018 and 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018.

Actuarial Assumptions: The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2018
Measurement date	June 30, 2019 and 2018
Actuarial cost method	Entry-age normal cost method
Actuarial assumptions:	
Investment rate of return	6.75%
Discount rate	6.75%
Inflation	2.75%
Salary increases	3.00% per year
Assumed wage inflation	3.00% per year
Mortality rate	Derived using CalPERS membership data
Mortality improvement	Bickmore Scale MP-17 applied generationally
Healthcare trend rate	Start at 7.5%. Grade down to 4.0% for years after 2076.
Dental/Vision trend rate	3.75% per year

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

(13) Postemployment Benefits Other Than Pensions, continued

Demographic actuarial assumptions used in this valuation are based on the 2014 experience study of the California Public Employees Retirement System using data from 1997 to 2011, except for a different basis used to project future mortality improvements. Mortality rates used were those published by CalPERS, adjusted to back out 20 years of Scale Bb to central year 2008.

The assumed gross return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

The expected real rates of return by asset class are for December 31, 2019 and 2018 are as follows:

Asset Class	Percentage of Portfolio	Assumed Gross Return
Global Equity	59.0%	4.82%
Fixed Income	25.0%	1.47%
Treasury Inflation Protected Securities	5.0%	1.29%
Real Estate Investment Trusts	8.0%	3.76%
Commodities	<u>3.0%</u>	0.84%
	<u>100.0%</u>	

Discount Rate: The discount rate used to measure the total OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

(13) Postemployment Benefits Other Than Pensions, continued

Change in Net OPEB Liability:

The change in the net OPEB liability for the plan as of December 31, 2018, is as follows:

	Increase (Decrease)		
	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance at December 31, 2017	\$ 10,375,304	\$ 4,730,382	\$ 5,644,922
Changes for the Year:			
Service Cost	446,983	-	446,983
Interest	719,279	-	719,279
Contributions – employer	-	600,779	(600,779)
Net investment income	-	363,740	(363,740)
Benefit payments	(332,597)	(332,597)	-
Administrative expenses	-	(9,675)	9,675
Net Changes	<u>833,665</u>	<u>622,247</u>	<u>211,418</u>
Balance at December 31, 2018 (measurement date June 30, 2018)	<u>\$ 11,208,969</u>	<u>\$ 5,352,629</u>	<u>\$ 5,856,340</u>

The change in the net OPEB liability for the plan as of December 31, 2019, is as follows:

	Increase (Decrease)		
	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance at December 31, 2018	\$ 11,208,969	\$ 5,352,629	\$ 5,856,340
Changes for the Year:			
Service Cost	460,392	-	460,392
Interest	775,457	-	775,457
Contributions – employer	-	628,922	(628,922)
Net investment income	-	363,678	(363,678)
Benefit payments	(362,199)	(362,199)	-
Administrative expenses	-	(1,823)	1,823
Net Changes	<u>873,650</u>	<u>628,578</u>	<u>245,072</u>
Balance at December 31, 2019 (measurement date June 30, 2019)	<u>\$ 12,082,619</u>	<u>\$ 5,981,207</u>	<u>\$ 6,101,412</u>

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

(13) Postemployment Benefits Other Than Pensions, continued

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

	2019	2018
	Sensitivity to 1- Percent Change	Sensitivity to 1- Percent Change
1% Decrease	5.75%	5.75%
Net OPEB Liability	\$ 7,859,885	\$ 7,505,272
Current Discount Rate	6.75%	6.75%
Net OPEB Liability	\$ 6,101,412	\$ 5,856,340
1% Increase	7.75%	7.75%
Net OPEB Liability	\$ 4,666,757	\$ 4,511,335

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

	2019	2018
	Sensitivity to 1- Percent Change	Sensitivity to 1- Percent Change
1% Decrease		
Net OPEB Liability	\$ 4,384,230	\$ 4,333,626
Current Healthcare Trend		
Net OPEB Liability	\$ 6,101,412	\$ 5,856,340
1% Increase		
Net OPEB Liability	\$ 8,264,068	\$ 7,766,774

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

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

(13) Postemployment Benefits Other Than Pensions, continued

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended December 31, 2019 and 2018, the District recognized OPEB expense of \$859,908 and \$838,673, respectively. At December 31, 2019 and 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	2019	2018	2019	2018
Net difference between projected and actual earnings on plan investments	\$ -	\$ -	\$ 12,390	\$ 26,476
Employer contributions made subsequent to the measurement date	343,227	24,450	-	-
Total	\$ 343,227	\$ 24,450	\$ 12,390	\$ 26,476

The \$343,227 and \$24,450 reported as deferred outflows of resources as of December 31, 2019 and 2018 related to contributions after the measurement date, consisted of the following:

	2019	2018
Trust contributions	\$ 312,480	\$ -
Implied subsidy benefits	30,335	24,141
Administrative expenses	412	309
Total	\$ 343,227	\$ 24,450

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

Year Ended December 31	Deferred Outflows/(Inflows) of Resources
2020	\$ (4,752)
2021	(4,752)
2022	(4,752)
2023	1,866

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

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

(13) Postemployment Benefits Other Than Pensions, continued

The recognition period differs depending on the source of the gain or loss. The net difference between projected and actual earnings on OPEB plan investments is recognized over 5 years. All other amounts are recognized over the expected average remaining service lifetime (EARSL), which was 7.1 and 6.0 years at December 31, 2019 and 2018, respectively.

Payable to the OPEB Plan: At December 31, 2019 and 2018, the District had no outstanding payable to the OPEB plan.

(14) Risk Management

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

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

Self-Insurance Programs of JPIA: At December 31, 2019, the District's participation in the self-insurance programs of JPIA is as follows:

General, Automobile, Employment Practices & Public Officials' Liability. Broad coverage against third-party claims for the District, its directors, employees and volunteers. Covered up to the following limits: the JPIA pools for first \$5 million and purchases excess coverage with limit up to \$55 million with aggregated policy limits.

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

Workers' Compensation: Insured for statutory limits, and Employer's Liability is insured up to \$2,000,000 per accident and \$2,000,000 per disease. JPIA is self-insured up to \$2,000,000 and excess insurance coverage has been purchased.

Cyber Liability: Including Cyber Security up to \$3,000,000 per occurrence and \$5,000,000 Aggregate Limit. Cyber Liability Deductible varies from \$10,000 to \$50,000 depending on District Revenue.

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

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

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

(15) Commitments and Contingencies

Sacramento Regional County Sanitation District – Riverwalk Well Field Lease

The District is leasing a 5.5 acre parcel from the Sacramento Regional County Sanitation District for its Riverwalk Well Field. The effective date of the lease 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 2019 and 2018 were \$27,831 and \$27,545, respectively. Future estimated lease commitment costs for the period January 1, 2020, to May 31, 2037, are estimated to be \$484,723 as of December 31, 2019.

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

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

Year	Contract Requirement	Option to Buy Up to	
2000 to 2007	7,000 to 22,000	-	acre feet
2008	16,000	29,000	acre feet
2009	12,000	24,000	acre feet
2010	12,000	25,000	acre feet
2011	12,000	26,000	acre feet
2012	12,000	27,000	acre feet
2013	12,000	28,000	acre feet
2014 to 2019	12,000	29,000	acre feet
2020 **	8,000	29,000	acre feet
2021 to 2045	12,000	29,000	acre feet

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

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

Each year the District is required to pay for its annual entitlement or surrender a portion of its rights so that the Agency will be free to put the water to use elsewhere. In order to do this, if the District does not take-or-pay for its annual entitlement for any year, the District's annual entitlement for each year thereafter is reduced by 50% of the amount which the District did not take-or-pay for during the year. The District's annual entitlement is subject to certain temporary or permanent reduction or elimination whenever the Agency notifies the District that the Agency has determined that it will not have sufficient water under certain provisions of the contract. In this situation, the District is relieved of its take-or-pay obligation. The most common event that would trigger the Agency providing notification to the District would be a projection of unimpaired inflow to Folsom Lake reservoir dropping below 1.6 million acre-feet. Each year the District is to pay the Agency for each acre-foot of the District's annual entitlement made available for use in the District's service area in order of the highest of the following three rates: (1) Thirty-five dollars (\$35); (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

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

(15) Commitments and Contingencies, continued

and other fees and charges, which the Agency is required to pay that year to the U.S. Bureau of Reclamation (Reclamation) for water to be used within the Agency pursuant to the Agency's September 18, 1970 contract with Reclamation as amended, supplemented or renewed.

Grant Awards

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

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition as of December 31, 2019.

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water facilities and distribution systems within its service area. The financing of such construction contracts is provided primarily by District's customers via a fixed charge based on connection size included in their monthly invoice. As of December 31, 2019, the District's commitment on open construction contracts is \$3.8 million:

Project Name	Approved Contract	Payments To Date	Remaining Commitment
Albatross main replacement	\$ 1,558,456	\$ (733,484)	\$ 824,972
Butano well – pump station construction	539,660	(128,865)	410,795
Thor main replacement	911,219	(614,267)	296,952
Naomi main replacement	1,162,797	(453,912)	708,885
Arcade creek crossing	213,160	(54,886)	158,274
Ulysses/Mercury tank rehabilitation	32,804	(265)	32,539
Well rehabilitation	279,886	(91,564)	188,322
Verner/Panorama well construction	646,584	(15,690)	630,894
Updating asset management plans	776,188	(238,266)	537,922
Total	\$ 6,120,754	\$ (2,331,198)	\$ 3,789,556

(16) Subsequent Event

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the District's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on customers, employees and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition or results of operations is uncertain.

This page intentionally left blank

Required Supplementary Information

**Sacramento Suburban Water District
Required Supplementary Information (Unaudited)
For The Years Ended December 31, 2019 and 2018**

**Schedule of the Proportionate Share of the Net Pension Liability
Last 10 Years ⁽¹⁾**

	2019	2018	June 30 2017	2016	2015	2014
Proportion of the net pension liability	0.242190%	0.233830%	0.228248%	0.220331%	0.208569%	0.204804%
Proportionate share of the net pension liability	\$9,698,403	\$8,812,373	\$8,997,648	\$7,654,038	\$5,722,018	\$5,061,703
Covered payroll – measurement period	\$5,088,815	\$4,491,178	\$4,197,900	\$4,272,005	\$4,212,170	\$4,020,086
Proportionate share of net pension liability as a % of covered payroll	190.58%	196.22%	214.34%	179.17%	135.84%	125.91%
Plan fiduciary net position as a percentage of the total pension liability	75.26%	75.26%	73.31%	74.06%	78.40%	83.03%

Notes to Schedule:

- (1) Omitted Years: GASB 68 was implemented during 2014. No information was available prior to this date.
- (2) Change in Benefit Terms: The figures above do not include any liability that may have resulted from plan changes which occurred after the June 30, 2016 valuation date. No plan changes have occurred.
- (3) Changes in Assumptions: In 2017, the accounting discount rate reduced from 7.65% to 7.15%.

**Sacramento Suburban Water District
Required Supplementary Information (Unaudited)
For The Years Ended December 31, 2019 and 2018**

**Schedule of Contributions to the Pension Plan
Last 10 Years ⁽¹⁾**

	December 31					
	2019	2018	2017	2016	2015	2014
Contractually required contribution (actuarially determined)	\$1,088,919	\$ 797,025	\$ 879,305	\$ 799,920	\$ 834,729	\$ 620,038
Contributions in relation to the actuarially determined contributions	(1,088,919)	(797,025)	(879,305)	(799,920)	(834,729)	(620,038)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll – calendar year	\$4,928,971	\$4,878,541	\$4,494,291	\$4,292,474	\$4,275,516	\$4,063,473
Contributions as a percentage of covered payroll	22.09%	16.35%	19.56 %	18.64 %	19.52 %	15.26 %
Valuation Date	6/30/2017	06/30/2016	06/30/2015	06/30/2014	06/30/2013	06/30/2012

	December 31					
	2019	2018	2017	2016	2015	2014
Methods and assumptions used to determine contribution rates:						
Actuarial cost method						
Amortization method						
Remaining amortization period						
Asset valuation method						
Inflation	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases						
Payroll growth	2.875%	3.00%	3.00%	3.00%	3.00%	3.00%
Investment rate of return	7.25% (2)	7.50% (2)	7.50% (2)	7.50% (2)	7.50% (2)	7.50% (2)
Retirement age and mortality	(6)	(5)	(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.
- (5) Probabilities of retirement and mortality are based on CalPERS' 2017 Experience Study for the period from 1997 to 2015.
- (6) Derived using CalPERS' Membership Data for all Funds. The post-retirement mortality rates include 15 years of projected on-going mortality improvement using 90% of the Scale MP 2016 published by the Society of Actuaries.

**Sacramento Suburban Water District
Required Supplementary Information (Unaudited)
For The Years Ended December 31, 2019 and 2018**

**Schedule of Contributions to the OPEB Plan
For the Year Ended December 31 ⁽⁴⁾**

	2019	2018
Actuarially determined contribution - employer fiscal year ⁽³⁾	\$ 946,596	\$ 603,457
Contributions in relation to the actuarially determined contributions	(947,699)	(603,457)
Contribution deficiency (excess)	\$ (1,103)	\$ -
Covered-employee payroll - employer fiscal year	\$ 5,738,672	\$ 5,286,650
Contributions as a percentage of covered-employee payroll	16.5%	11.4%

Notes to Schedule:

- (1) Valuation Date: June 30, 2018
- (2) Measurement Dates: June 30, 2019 and 2018
- (3) 2019 Contributions to trust of \$892,480 plus \$0 cash benefits plus \$54,475 implied subsidy benefits plus \$744 administrative expenses. 2018 Contributions to trust of \$557,202 plus \$0 cash benefits plus \$45,522 implied subsidy benefits plus \$733 administrative expenses.
- (4) Omitted Years: GASB Statement No. 75 was implemented during the year ended December 31, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until ten years are reported.

Sacramento Suburban Water District
Required Supplementary Information (Unaudited)
For The Years Ended December 31, 2019 and 2018
Schedule of Changes in the Net OPEB Liability and Related Ratios
For the Year Ended December 31 ⁽⁴⁾

	2019	2018
	Measurement Period 2018/19	Measurement Period 2017/18
Changes in Total OPEB Liability:		
Service cost	\$ 460,392	\$ 446,983
Interest	775,457	719,279
Benefit payments	(362,199)	(332,597)
Net change in total OPEB liability	873,650	833,665
Total OPEB liability – beginning of year	11,208,969	10,375,304
Total OPEB liability – end of year (a)	<u>\$ 12,082,619</u>	<u>\$ 11,208,969</u>
Changes in Plan Fiduciary Net Position:		
Contributions – employer	\$ 628,922	\$ 600,779
Net investment income	363,678	363,740
Benefit payments	(362,199)	(332,597)
Administrative expenses	(1,823)	(9,675)
Net change in plan fiduciary net position	628,578	622,247
Plan fiduciary net position – beginning of year	5,352,629	4,730,382
Plan Fiduciary Net position – end of year (b)	<u>\$ 5,981,207</u>	<u>\$ 5,352,629</u>
Net OPEB Liability – end of year (a)-(b)	<u>\$ 6,101,412</u>	<u>\$ 5,856,340</u>
Fiduciary Net Position as a percentage of the Total OPEB Liability	49.5%	47.8%
Covered-employee payroll	\$ 5,608,583	\$ 5,032,984
Net OPEB Liability as a percentage of covered-employee payroll	<u>108.8%</u>	<u>116.4%</u>

Notes to Schedule:

- (1) Valuation Date: June 30, 2018
- (2) Measurement Dates: June 30, 2019 and 2018
- (3) Benefit changes: None.
- (4) Omitted Years: GASB Statement No. 75 was implemented during the year ended December 31, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until ten years are reported.

This page intentionally left blank

Statistical Section (Unaudited)

This page intentionally left blank

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.

	<u>Page Number</u>
<u>Financial Trends</u>	61 - 62
These schedules contain information to help the reader understand how the District's financial performance and well-being have changed over time.	
<u>Revenue Capacity</u>	63 - 66
These schedules contain information to help the reader assess the District's most significant local revenue-sources: retail water sales.	
<u>Debt Capacity</u>	67 - 68
These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	
<u>Demographic and Economic Information</u>	69 - 70
This schedule offers demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	
<u>Operating Information</u>	71 - 74
This schedule contains service and infrastructure data to help the reader understand how the information in the District's financial report relates to the service the District provides and activities it performs.	

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Assets										
Current assets	\$17,056	\$ 12,711	\$ 9,045	\$ 9,632	\$ 4,611	\$ 7,258	\$ 7,944	\$11,061	\$ 13,017	\$ 13,382
Noncurrent assets	40,180	42,714	43,299	44,416	43,456	40,702	38,165	39,875	37,934	39,097
Capital assets:										
Nondepreciable assets	12,483	23,829	10,426	6,022	9,754	10,179	9,761	16,784	10,941	9,779
Depreciable assets	320,928	327,124	358,258	380,164	396,906	416,875	435,906	441,705	466,401	483,875
Accumulated depreciation	(100,380)	(100,084)	(119,900)	(127,125)	(136,477)	(147,676)	(158,960)	(168,222)	(180,222)	(190,327)
Capital assets, net	233,031	240,869	248,784	259,061	270,183	279,378	286,7007	286,7007	286,179	293,547
Total assets	290,267	296,294	301,128	313,109	318,250	327,338	332,816	341,203	348,071	355,805
Deferred outflows of resources	12,656	16,254	11,556	9,175	9,743	9,276	9,400	9,485	8,272	7,761
Liabilities										
Current liabilities	9,387	8,287	7,844	7,840	7,935	8,583	9,314	9,256	11,212	15,719
Noncurrent liabilities	116,508	116,889	110,403	111,250	105,793	101,940	98,484	94,866	91,524	87,552
Total liabilities	125,895	125,176	118,247	119,090	113,728	110,523	107,798	104,122	102,736	103,271
Deferred inflows of resources	-	-	-	2,565	1,819	799	558	1,134	2,333	839
Net position										
Net investment in capital assets	126,110	137,004	146,682	160,474	175,262	188,248	199,526	207,156	221,715	232,469
Restricted	6,642	6,643	3,532	3,520	3,540	3,523	3,540	3,548	10	2
Unrestricted	44,277	43,725	44,223	37,175	33,644	33,521	30,794	34,727	29,549	26,985
Total net position	\$ 177,029	\$ 187,372	\$ 194,437	\$ 201,169	\$ 212,446	\$ 225,292	\$ 233,860	\$ 245,431	\$ 251,274	\$ 259,456

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Operating Revenues										
Water sales	\$10,967	\$10,151	\$11,656	\$12,451	\$10,827	\$9,644	\$11,053	\$12,544	\$13,272	\$13,251
Water transfers	637	-	-	536	-	-	-	-	1,761	43
Water service charge	7,174	7,095	6,820	6,608	6,306	6,402	6,349	6,366	6,371	6,197
Capital facilities charge	20,493	20,448	20,619	20,650	20,678	21,646	22,575	23,499	24,449	24,454
Wheeling water charge	273	303	170	6	6	6	167	676	510	644
Other charges	991	960	946	1,068	1,113	992	939	1,077	1,054	1,133
Total operating revenues	40,535	38,957	40,211	41,319	38,930	38,690	41,083	44,162	47,417	45,722
Operating Expenses										
Source of supply	2,290	2,663	2,039	406	67	57	2,471	2,980	3,789	3,525
Pumping	3,265	3,341	4,238	4,706	4,631	5,124	4,852	4,516	4,946	5,331
Transmission and distribution	3,583	3,997	3,596	3,886	3,643	3,621	3,973	4,016	4,193	7,034
Water conservation	415	202	295	321	399	773	587	452	441	490
Customer accounts	968	1,003	976	1,086	1,122	1,159	1,145	1,305	1,301	1,373
Administrative and general	10,176	6,135	5,738	5,919	6,100	6,120	6,818	7,600	7,791	8,612
Total operating expenses	20,697	17,341	16,882	16,324	15,962	16,854	19,846	20,870	22,461	26,365
Operating income before depreciation	19,838	21,616	23,329	24,995	22,968	21,836	21,237	23,292	24,956	19,357
Depreciation	(9,171)	(9,705)	(9,890)	(10,424)	(10,812)	(11,229)	(11,808)	(12,182)	(12,460)	(12,993)
Operating income	10,667	11,911	13,439	14,571	12,156	10,607	9,429	11,110	12,496	6,364
Non-operating revenues	1,693	1,520	(3,540)	488	920	816	834	938	1,195	2,826
Interest expense	(5,133)	(4,773)	(4,157)	(3,914)	(3,802)	(3,633)	(3,561)	(3,450)	(3,112)	(2,632)
Other non-operating expenses	(117)	(7)	(418)	-	-	-	-	(3)	-	-
Gain (loss) on disposal of capital assets, net	243	-	12	-	21	6	(13)	12	(7)	(24)
Income before capital contributions	7,353	8,651	5,336	11,145	9,295	7,796	6,689	8,608	10,572	6,534
Capital contributions	2,405	1,692	1,729	3,096	2,455	5,049	1,879	2,963	894	1,648
Increase in net position	9,758	10,343	7,065	14,241	11,750	12,845	8,568	11,571	11,466	8,182
Net position, beginning of year	166,810	177,029	187,372	194,437	201,169	212,447	225,292	233,860	245,431	251,274
Adjustment	461	-	-	(7,509)	(472)	-	-	-	(5,623)	-
Net position, end of year	177,029	187,372	194,437	201,169	212,447	225,929	233,860	245,431	251,274	259,456

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Water Sales (Dollars in Thousands):										
Retail	\$38,634	\$37,694	\$39,095	\$39,709	\$37,811	\$37,692	\$39,977	\$42,409	\$44,092	\$43,902
Wheeling	273	303	170	6	6	6	167	676	510	644
Water Transfers	637	-	-	536	-	-	-	-	1,761	43
Total Water Sales	\$39,544	\$37,997	\$39,265	\$40,251	\$37,817	\$37,698	\$40,144	\$43,085	\$46,363	\$44,589

Water Production (Acre Feet):										
Retail	37,983	35,829	38,089	38,554	32,561	27,502	29,312	31,254	30,874	30,610
Wheeling	1,632	2,106	647	348	115	51	264	1,984	1,704	1,539
Water Transfers	2,712	-	-	2,822	-	-	-	-	3,875	-
Total Water Production	42,327	37,935	38,736	41,724	32,676	27,553	29,576	33,238	36,453	32,149

Water Sales/Acre Foot (Whole Dollars):										
Retail	\$ 1,017	\$ 1,052	\$ 1,026	\$ 1,030	\$ 1,161	\$ 1,371	\$ 1,364	\$ 1,357	\$ 1,428	\$ 1,434
Wheeling	\$ 167	\$ 144	\$ 263	\$ 17	\$ 52	\$ 118	\$ 633	\$ 341	\$ 299	\$ 418
Water Transfers	\$ 235	\$ -	-	\$ 190	\$ -	-	-	-	\$ 454	\$ -

Source: District.

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

Retail Water Rates

Last Ten Years

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

Source: District

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
5/8" service	\$ 2,996	\$ 3,338	\$ 3,544	\$ 3,826	\$ 2,762	\$ 3,130	\$ 3,168	\$ 3,228	\$3,418	\$3,524
¾" service	4,472	4,982	5,290	5,711	4,122	4,672	4,728	4,817	5,102	5,260
" service	7,468	8,319	8,834	9,537	6,884	7,802	7,896	8,045	8,519	8,785
1 ½" service	14,891	16,589	17,616	19,017	13,726	15,558	15,745	16,041	16,989	17,518
2" service	23,835	26,552	28,196	30,439	21,970	24,902	25,202	25,676	27,192	28,039
3" service	44,718	49,817	52,901	57,108	41,220	46,720	47,282	48,172	51,016	52,605
4" service	74,545	83,045	88,185	95,199	68,714	77,882	78,820	80,304	85,044	87,692
6" service	149,046	166,040	176,318	190,341	137,386	155,718	157,952	160,559	170,038	175,332
8" service	268,309	298,902	317,403	342,648	219,826	249,158	252,157	256,904	272,071	280,541
10" service	432,291	481,581	511,390	552,063	316,034	358,202	362,514	369,339	391,143	403,320
12" service	640,946	714,028	758,225	818,592	463,725	525,600	531,927	541,941	573,935	591,803

Source: District.

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

Principal Retail Rate Payers	<u>December 31, 2019</u>			<u>December 31, 2009</u>		
	Revenues Collected	Rank	Percent of Retail Sales Revenue	Revenues Collected	Rank	Percent of Retail Sales Revenue
McClellan Business Park	\$ 536,169	1	1.22%	\$ 461,930	1	1.20%
San Juan Unified School District	360,926	2	0.82%	223,825	3	0.58%
Carmel Partners, MS#3, The Arbors	216,877	3	0.49%	273,729	2	0.71%
Woodside Association, Inc.	169,987	4	0.39%	152,472	4	0.40%
Autumn Ridge Apartments	168,493	5	0.38%	-	-	-
Twin Rivers Union School District	145,833	6	0.33%	-	-	-
Eskaton Village	145,377	7	0.33%	126,271	5	0.33%
Sacramento County (AFS/SCRSD)	126,240	8	0.29%	106,684	9	0.28%
Fulton-El Camino Rec/Park District	122,825	9	0.28%	-	-	-
Logan Park Apartments	122,653	10	0.28%	114,870	8	0.30%
Timberlake Association	-	-	-	118,204	6	0.31%
BRE Properties	-	-	-	116,321	7	0.30%
Kaiser Permanente	-	-	-	101,610	10	0.26%
Total Principal Retail Rate Payers	\$ 2,115,380	-	4.82%	\$ 1,795,916	-	4.67%
Total Annual Retail Water Sales Revenue	\$43,901,930	-	-	\$38,422,567	-	-

Source: District.

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Long-Term Debt:										
(Dollars in Thousands)										
Series 2005B	\$ 125									
Series 2008A-2	34,960	\$33,300								
Series 2009A	42,00	42,000	\$48,553	\$48,249	\$47,939	\$47,623	\$47,299	\$46,969	\$46,632	\$46,288
Series 2009B	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	17,502	15,102
Series 2018A									17,295	14,830
Total Debt	113,194	109,795	112,045	107,838	103,529	99,094	94,502	89,789	81,429	76,220
No. of Connections	44,185	44,655	44,776	45,391	46,112	46,414	46,650	46,318	46,268	46,575
Debt Per Connection										
(Whole Dollars)	\$ 2,562	\$ 2,459	\$ 2,502	\$ 2,376	\$ 2,245	\$ 2,135	\$ 2,026	\$ 1,939	\$ 1,760	\$ 1,637

Source: District

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

Schedule of Net Revenues

Last Ten Years

(Dollars in Thousands)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Water sales	\$ 38,634	\$ 37,694	\$ 39,095	\$ 39,709	\$ 37,811	\$ 37,692	\$ 39,977	\$ 42,408	\$ 44,092	\$ 43,902
Water transfers	637	-	-	536	-	-	-	-	1,761	43
Wheeling charge	273	303	170	6	6	6	167	676	510	644
Water services	991	960	946	1,068	1,113	992	939	1,077	1,054	1,133
Facility development charges	121	161	380	187	561	543	264	135	158	287
Investment income	1,267	1,052	(3,888)	633	547	271	613	572	767	1,076
Other	669	468	360	399	373	358	279	444	449	1,064
Total revenues	42,592	40,638	37,063	42,538	40,410	39,863	42,239	45,312	48,791	48,149
Operating Expenses										
Transmission and distribution	3,583	3,997	3,596	3,886	3,642	3,621	3,973	4,016	4,193	7,034
Administrative and general*	10,293	6,142	6,156	5,919	6,100	6,120	6,822	7,603	7,791	8,612
Pumping	3,265	3,341	4,238	4,706	4,632	5,124	4,852	4,516	4,946	5,331
Water purchases	2,290	2,663	2,039	406	67	57	2,471	2,980	3,789	3,525
Customer accounts	968	1,003	976	1,086	1,122	1,159	1,145	1,305	1,301	1,373
Water conservation	415	202	295	322	400	773	587	452	441	490
Total expenses	20,814	17,348	17,300	16,325	15,963	16,854	19,850	20,873	22,461	26,365
Net revenue	21,778	23,290	19,763	26,214	24,447	23,008	22,389	24,439	26,330	21,784
Debt service	7,974	7,829	7,576	7,462	7,484	7,443	7,471	7,559	7,462	7,205
Coverage ratio	2.73	2.97	2.61	3.51	3.26	3.09	2.99	3.23	3.53	3.02
Revenues available for capital projects and other purposes	<u>\$ 13,804</u>	<u>\$ 15,460</u>	<u>\$ 12,187</u>	<u>\$ 18,751</u>	<u>\$ 16,963</u>	<u>\$ 15,565</u>	<u>\$ 14,918</u>	<u>\$ 16,880</u>	<u>\$ 18,868</u>	<u>\$ 14,579</u>

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

Source: District

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

Year	Population	Personal Income (\$ in 000s)	Per Capita Income	Labor Force	Number Employed	Number Unemployed	Unemployment Rate
2019	Information Not Currently Available			717,100	694,000	23,100	3.20%
2018	1,540,975	\$ 80,969,087	\$52,544	705,700	678,800	26,900	3.80%
2017	1,530,615	\$ 76,832,120	\$ 50,197	702,000	669,500	32,600	4.60%
2016	1,513,260	\$ 73,922,295	\$ 48,850	695,200	657,600	37,700	5.40%
2015	1,496,130	\$ 71,532,171	\$ 47,811	686,000	644,900	41,000	6.00%
2014	1,477,522	\$ 66,707,690	\$ 45,148	680,700	631,000	49,700	7.30%
2013	1,459,474	\$ 62,592,345	\$ 42,887	680,200	619,800	60,400	8.90%
2012	1,446,585	\$ 60,264,004	\$ 41,659	681,300	609,700	71,600	10.50%
2011	1,434,506	\$ 57,945,529	\$ 40,394	680,000	597,700	82,300	12.10%
2010	1,421,651	\$ 55,125,588	\$ 38,776	683,100	597,000	86,100	12.60%

* 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)
Employers
Sacramento County***

Principal Employers	<u>December 31, 2019</u>			<u>December 31, 2011</u> **		
	Employees	Rank	Percentage of Total Labor Force	Employees	Rank	Percentage of Total Labor Force
State of California	76,131	1	10.62%	70,937	1	10.43%
UC Davis Health System	12,674	2	1.77%	8,580	3	1.26%
Kaiser Permanente	11,404	3	1.59%	6,367	7	0.94%
Sacramento County	11,130	4	1.55%	11,300	2	1.66%
U.S. Government	10,227	5	1.43%	-	-	-
Sutter Health Sacramento Sierra Region	8,809	6	1.23%	6,958	4	1.02%
Dignity Health	7,000	7	0.98%	6,942	5	1.02%
Elk Grove Unified School District	6,381	8	0.89%	5,619	8	0.83%
Intel Corp.	6,200	9	0.86%	6,515	6	0.96%
San Juan Unified School District	5,289	10	0.74%	4,600	9	0.68%
Sacramento City Unified School District	-	-	-	4,500	10	0.66%
Total	155,245		21.65%	132,218		19.44%
Total Labor Force	717,100			680,000		

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

** Data for period ended December 31, 2009 not available.

Source:

Employers – Sacramento County: Sacramento Business Journal, Book of Lists 2019, Vol. 36, No. 45, p.74.

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)

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

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
2019	1,539	-	-	-	-	-	1,539
2018	1,551	-	-	153	-	-	1,704
2017	1,983	-	1	-	-	-	1,984
2016	251	-	-	-	-	13	264
2015	-	-	-	-	-	51	51
2014	-	-	11	104	-	-	115
2013	-	17	-	331	-	-	348
2012	584	-	25	28	5	-	647
2011	2,103	1	2	-	-	-	2,106
2010	1,628	1	3	-	-	-	1,632

Source: District.

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<u>Production Department</u>										
<i>Water Quality</i>										
Complaints	214	131	137	174	30	1	13	51	14	16
Inquiries	90	114	159	171	110	159	197	119	159	129
<u>Distribution Department</u>										
<i>Service Orders</i>										
Main Leaks	76	82	64	77	61	70	66	52	40	53
Service Line Leaks	199	232	268	242	125	101	75	105	72	65
Locate & Expose	507	320	332	253	353	253	208	172	165	97
Determine Responsibility	1,346	1,557	1,770	1,891	839	630	654	621	681	621
<i>Water Main Shutdown:</i>										
-- Emergency	85	83	99	110	86	27	29	29	16	34
-- Scheduled	76	125	160	170	100	32	13	6	9	13
<i>Preventive Maintenance Program</i>										
Fire Hydrants Inspected	-	437	1,248	1,237	1,255	1,597	251	28	200	873
Fire Hydrant Valves Inspected	-	-	-	-	1,202	1,508	247	51	235	845
Fire Hydrants Valves Exercised	-	-	-	-	975	1,385	225	49	234	768
Valves Inspected	1,235	442	1,406	923	898	434	880	708	1,758	1,900
Valves Exercised								641	1,536	1,414
<i>After Hours Activity</i>										
Calls Received	810	925	1,012	1,012	1,024	1,145	741	553	496	704
Calls Responded	322	437	433	367	338	605	442	342	332	417
<u>Field Services Department</u>										
<i>Meters</i>										
Preventive Maintenance – Meters Tested	142	53	150	135	57	32	128	135	114	125
Preventive Maintenance – Meters Replaced	804	268	189	644	143	117	1,159	279	941	929
Preventive Maintenance – Meter Re-Builds	-	-	-	-	67	43	240	232	245	245
<i>Customer Service</i>										
Shut Off (non-payment)	2,940	3,127	2,158	2,066	2,561	2,051	1,804	1,772	1,861	1,949
Restore Service	2,004	1,799	1,976	1,451	2,100	1,801	1,742	1,772	1,723	1,795
Customer Pressure Inquiries	-	-	-	-	121	113	143	118	125	132
<i>Service Requests/Work Orders</i>										
Service Requests Generated	15,761	21,221	23,026	18,641	22,736	24,204	16,092	17,858	18,957	24,483
Work Orders Generated	12,187	15,625	12,382	14,460	11,939	10,898	12,417	14,257	14,722	15,870

Source: District.

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Administration	8	8	8	8	10	10	10	10	11	14
Customer Service	6	6	6	6	5	5	5	6	6	5
Engineering	9	9	9	10	10	10	10	10	9	10
Production and Water Treatment	14	15	15	13	15	15	14	18	14	14
Distribution	23	23	23	22	22	22	23	24	24	22
Total	60	61	61	59	62	62	62	68	64	65

Source: District.

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

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, 2019, 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 8, 2020.

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 8, 2020