

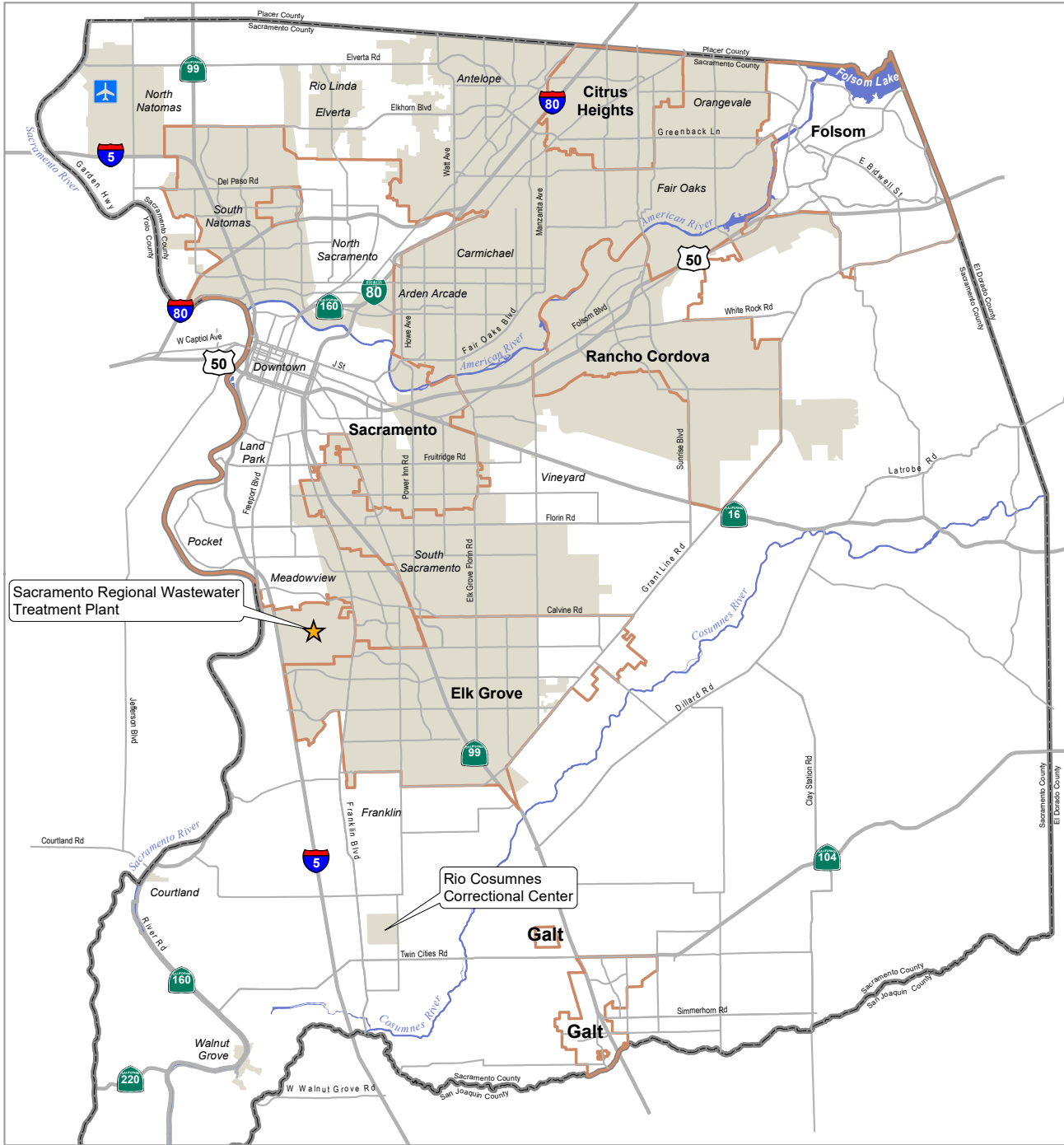
2021 ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

SACRAMENTO, CALIFORNIA



Sacramento Area Sewer District Service Area



LEGEND

- Main Road
- Highway
- River
- SASD Service Area
- City Boundary



This map is for informational purposes, and may not have been prepared for, or be suitable for legal, engineering, or surveying purposes. Review or consult the primary data and information sources for usability.

Not to Scale
February 08, 2021

SACRAMENTO AREA SEWER DISTRICT

Sacramento, California

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Years Ended June 30, 2021 and 2020

Prepared by:

*Christoph Dobson
District Engineer*

*Randy Wolff
Accounting Manager*

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Sacramento Area Sewer District

For the Fiscal Years Ended June 30, 2021 and 2020

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December 16, 2021

Honorable Board of Directors
Sacramento Area Sewer District

The Sacramento Area Sewer District (SASD) hereby submits the Annual Comprehensive Financial Report (ACFR) for the fiscal years ended on June 30, 2021 and 2020. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with SASD. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported to present fairly the financial position and changes in financial position for SASD. All disclosures necessary to enable the reader to gain an understanding of SASD's financial activities have been included.

The ACFR is divided into four sections: introductory, financial, statistical, and bond disclosure. The introductory section includes this transmittal letter, a listing of SASD's Board of Directors, a listing of officials, an organizational chart, and a Certificate of Achievement for Excellence in Financial Reporting. The financial section includes the independent auditor's report, Management's Discussion and Analysis (MD&A), audited financial statements, and notes to the basic financial statements. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The bond disclosure section includes disclosures required by Securities and Exchange Commission Rule 15c2-12(b) (5) for any municipal bond issue closing after July 1, 1995.

An independent auditor audits SASD's financial statements each year. The firm Macias Gini & O'Connell LLP was selected to perform the independent audit for the fiscal years ended on June 30, 2021 and 2020. The independent auditor's report is presented as the first component of the financial section of this report. The goal of the independent audit was to provide reasonable assurance that SASD's basic financial statements are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Based upon the audit, the independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that SASD's basic financial statements for the fiscal years ended June 30, 2021 and 2020, is fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). 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 letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. SASD's MD&A can be found immediately following the report of the independent auditors.

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Board of Directors

Representing:

County of Sacramento | City of Citrus Heights
City of Elk Grove | City of Folsom
City of Rancho Cordova | City of Sacramento

Christoph Dobson
District Engineer

Rosemary Clark
Director of Operations

Vacant
Director of Policy & Planning

Matthew Doyle
Director of Internal Services

Glen Iwamura
Interim Chief Financial Officer

Nicole Coleman
Public Affairs Manager

PROFILE OF SASD

SASD is a sanitation district organized under the laws of the State of California. It is also a contributing agency of the Sacramento Regional County Sanitation District (Regional San). SASD was formed in 1978 by consolidating ten smaller districts to provide a common service rate structure for the customers in the affected areas as well as savings gained through efficiencies and economy of scale due to operating one district instead of ten.

SASD is governed by a ten-member Board of Directors comprised of the Sacramento County Board of Supervisors plus a member of the city councils of the cities of Sacramento, Folsom, Citrus Heights, Elk Grove, and Rancho Cordova.

SASD serves approximately 1.2 million people in its 278 square mile service area made up of the urban, unincorporated areas of Sacramento County; the cities of Citrus Heights, Elk Grove, and Rancho Cordova; portions of the City of Sacramento; and a small area in the City of Folsom. SASD serves approximately 302,143 sewer service connections and maintains/operates approximately 3,184 miles of main line pipes, 1,541 miles of lower lateral pipes, 67,562 manholes, and 106 pump stations.

SASD is staffed by Sacramento County employees (per the existing Master Interagency Agreement) in the Sanitation Districts Agency (SDA). Oversight of personnel matters is provided through the Board of Supervisors and the County Executive's Office.

FACTORS AFFECTING FINANCIAL CONDITION

SASD is an integral part of the Sacramento regional economy, economic conditions and trends here have an impact on SASD's financial condition and outlook. The regional economy and population growth fuels SASD's customer growth (new connections), which fuels revenue growth by adding new permanent ratepayers. In addition, new customers pay impact fees to cover the cost of added infrastructure necessary to support growth. SASD does not rely on impact fees from growth in order to meet its debt service and capital needs. Although population growth in the Sacramento region has remained steady throughout the past decade, development growth has been volatile.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease and related adverse public health developments, has adversely affected economies, and financial markets globally. Due to the nature of SASD's operations, there was minimal impact of COVID-19 on the SASD financial statements for the fiscal years 2019-20 and 2020-21.

Despite the slow economic recovery, reduction of impact fees, slow growth, lower interest earnings and COVID-19, SASD has maintained a strong financial position. SASD continues to meet its financial obligations and its capital and operating goals while maintaining healthy reserves.

BUDGETARY CONTROLS

SASD prepares annual operational and capital budgets that are presented to the Board of Directors for its review and approval. The budget serves as an approved plan to facilitate financial control and operational evaluation. The final budget is prepared and presented to the Board of Directors for approval in late May or early June and becomes effective on July 1st of the corresponding fiscal year. The final budget for fiscal year 2021-22 was approved by SASD's Board of Directors on May 12, 2021.

CRITICAL ISSUES AFFECTING SASD

While SASD has maintained a financially stable position, there are critical issues that have occurred or could occur over the next several years that may impact SASD.

- **Lawsuits and Settlements**—Legal challenges are an ever present hazard in the wastewater utility business. In late 2020, litigation was filed regarding one of SASD's pump station sites. Defending the current litigation and any other potential legal issues could result in additional legal and settlement costs.
- **Regulatory Requirement Changes**—Significant changes in the regulatory requirements that govern SASD operations could cause capital and/or operating costs to rise beyond the projected levels.
- **Aging Infrastructure**—In order to adequately address emerging aging infrastructure issues, SASD has developed asset sustainability strategies for main lines, pump stations, force mains, lower laterals, and reinforced concrete pipe. Estimates of cost increases and appropriate reserve levels associated with the sustainability strategies are evaluated annually and included in financial projects and budgets.
- **Natural Disasters, Climate Change or Other Emergencies**-The potential for natural disasters, such as earthquake or flood, is always a concern in the SASD service area. An increase in extreme weather events may result in the need for additional capital spending to enhance system capacity or resiliency. A general reserve of 25% of projected operating costs is funded and will continue to be maintained to cover additional costs that could be incurred during times of emergency.
- **Drought and Water Conservation**-As wastewater flows decline in SASD's collection system, due to water conservation, increased maintenance may be necessary to keep the system flowing properly.

INTERNAL CONTROLS

The SASD management is responsible for establishing and maintaining internal controls designed to ensure that SASD's assets are protected from loss, theft, or misuse and to ensure that accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. The internal controls are designed to provide a reasonable, but not absolute, assurance that these objectives will be met with the following considerations: (1) the cost of controls should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgements by management.

LONG-TERM PLANNING

SASD prepares a number of long-term planning documents to assist in achieving its vision and goals while carrying out its mission. Some of these planning documents include the following:

- **Comprehensive Long-Term Financial Plan (CLTFP)**—The CLTFP is comprised of data regarding financial performance measures, critical issues, a 10-year financial forecast and forecast assumptions, a 10-year Capital Funding Projection that serves as the strategic document to estimate SASD’s funding needs. The CLTFP is updated annually, and the last update was presented to the SASD Board of Directors in May 2021.
- **Five-Year Strategic Plan**—SASD’s Strategic Plan outlines its vision, mission, values, and specific goals and objectives. The Plan provides clear direction for SASD to continue to build on its successes during the five-year period of 2017-2022.
- **2020 Sewer System Capacity Plan (SCP)**—Adopted by the Board of Directors in March 2021, the SCP ensures SASD’s sewer collection system continues to serve its customers now and into the future by identifying areas of possible capacity deficiencies. Focused on existing and build-out sewer capacity over the ten-year horizon, the plan identifies potential capacity deficiencies, develops possible solutions to reestablish system performance in relief areas, and updates trunk expansion alternatives from previous planning documents. Future customers will pay capital costs via sewer impact fees, and projects benefiting existing customers will be funded through monthly rates.
- **2019 Asset Management Plan**—This Plan projects the lifecycle of SASD’s assets and provides an overview of asset maintenance, operation and replacement costs, life expectancies, and long-range projections for sustainability.
- **2021 Capital Funding Ten-Year Projection**—This projects the capital projects that are anticipated over the next ten years. About \$232 million in project costs are anticipated over the next ten years. Other than the first two years of the program, less than \$26 million is needed in any year; therefore, the capital program can be financed with available cash, and debt financing can be avoided. The following are some of the programs that are currently being implemented or are in the planning phase, in order of ten-year projected costs:
 - 1. Lower Lateral Replacement Projects - \$49 million
 - 2. Vehicles and Equipment - \$25 million
 - 3. Don Julio/Watt Sewer Replacement - \$22 million

DEBT ADMINISTRATION

In August 2010, on behalf of SASD, the Sacramento County Sanitation Districts Financing Authority (SCSDFA) issued \$110.7 million in Federally Taxable Direct Subsidy Build America Bonds (BABs) (Series 2010A) and Tax-exempt Revenue Bonds for \$15.9 million (Series 2010B). SASD was to originally receive revenue from federal subsidies for the BABs of \$63.8 million over the life of the bonds. Due to the sequestration, the amount may be reduced to approximately \$60 million.

In May 2015, on behalf of SASD, SCSDFA issued \$45.4 million in Revenue Bonds and along with a cash contribution of \$70 million; these funds were used to fully defease the outstanding Revenue Bonds, Series 2005 of approximately \$130 million.

As of June 30, 2021, SASD has approximately \$163 million in outstanding long-term debt and has no plans to issue bonds in the near future.

Bond ratings are an underlying indicator of financial strength and performance. SASD's most recent uninsured bond ratings were Aa2, AA+, and AA+ by Moody's, Standard & Poor's, (S&P) and Fitch, respectively.

AWARDS AND ACKNOWLEDGEMENTS

SASD's Annual Comprehensive Financial Report for the fiscal year ended on June 30, 2020 was awarded the *Certificate of Achievement for Excellence in Financial Reporting* by the Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report, the contents of which conform to program standards. Such a report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year. SASD continues to conform to the Certificate of Achievement program requirements, and we will be submitting our current year ACFR to the GFOA for Certificate of Achievement.

I would like to thank Randy Wolff and Vladimir Grechko for their conscientious and timely work in preparing this ACFR. This internally generated ACFR represents an important accomplishment for SASD, and we expect to continue to improve upon the award-winning ACFRs that SASD has presented in past years.

SASD would also like to recognize the unwavering support of the Board of Directors. The tangible result of this support is inherent in the high standard of professionalism and fiscal management outlined in this document.

Respectfully submitted,

Glen Iwamura

Glen Iwamura
Sacramento Area Sewer District Senior Accounting Manager

Sacramento Area Sewer District

Board of Directors

Jeannie Bruins	City of Citrus Heights
Rich Desmond	County of Sacramento, Vice Chair
Sue Frost	County of Sacramento
Kerri Howell	City of Folsom, Chair
Patrick Hume	City of Elk Grove
Patrick Kennedy	County of Sacramento
Don Nottoli	County of Sacramento
David Sander	City of Rancho Cordova
Phil Serna	County of Sacramento
Mai Vang	City of Sacramento

SASD Officials

Christoph Dobson
District Engineer

Rosemary Clark
Director of Operations

Vacant
Director of Policy and Planning

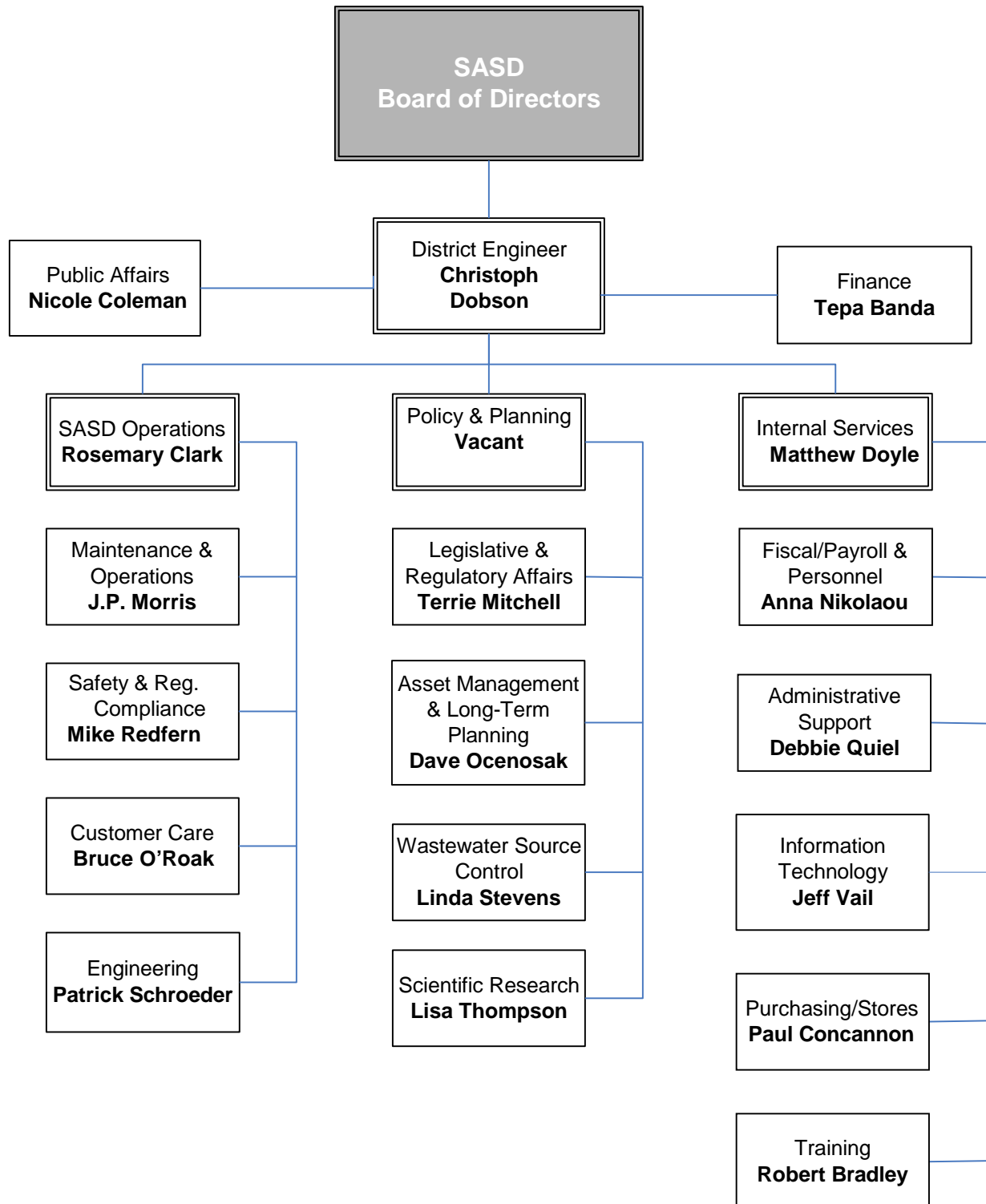
Tepa Banda
Director of Finance

Matthew Doyle
Director of Internal Services

Nicole Coleman
Public Affairs Manager

SACRAMENTO AREA SEWER DISTRICT

ORGANIZATIONAL CHART



SACRAMENTO AREA SEWER DISTRICT

**CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN
FINANCIAL REPORTING**



Government Finance Officers Association

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

Presented to

**Sacramento Area Sewer District
California**

For its Annual Comprehensive
Financial Report
for the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO





Independent Auditor's Report

Board of Directors
Sacramento Area Sewer District
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Sacramento Area Sewer District (SASD), as of and for the fiscal years ended June 30, 2021, and 2020, and the related notes to the financial statements, which collectively comprise SASD's basic financial statements as listed in the table of contents.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 SASD, as of June 30, 2021, and 2020, and the changes in its financial position and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of SASD's proportionate share of the County's net pension liability, the schedule of SASD's pension contributions, and the schedule of SASD's proportionate share of the County's OPEB liability, as listed in the table of contents, 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 an opinion on the financial statements that collectively comprise SASD's basic financial statements. The introductory section, statistical section, and bond disclosure section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2021, on our consideration of SASD's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SASD's 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 SASD's internal control over financial reporting and compliance.



Sacramento, California
December 16, 2021

SACRAMENTO AREA SEWER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 and 2020

This section of SASD's Annual Comprehensive Financial Report (ACFR) presents a discussion and analysis of SASD's financial performance during the fiscal year ended June 30, 2021 and 2020. Please read it in conjunction with the transmittal letter at the front of this report and SASD's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2021, the assets and deferred outflows of SASD exceeded liabilities and deferred inflows by \$821.3 million (*net position*). Of this amount, \$64.9 million was unrestricted and \$756.4 million was the net investment in capital assets. At June 30, 2020, the assets and deferred outflows of SASD exceeded liabilities and deferred inflows by \$809.4 million (*net position*). Of this amount, \$71.6 million was unrestricted and \$737.8 million was the net investment in capital assets.
- SASD's total net position increased by \$11.9 million and by \$23.6 million during 2020-21 and 2019-20, respectively. In addition, there was a \$13.9 million operating loss, \$8.8 million net nonoperating loss, offset by contributed capital of \$34.6 million. The decrease during fiscal year 2019-20 was attributable to \$4.1 million operating loss, \$6.6 million net nonoperating loss, offset by contributed capital of \$34.3 million.
- The decrease of \$1.5 million in long-term obligations in 2020-21 was due to scheduled debt service payments. The decrease in long-term obligations of \$1.2 million in 2019-20 was also due to scheduled debt service payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to SASD's basic financial statements. SASD's basic financial statements are comprised of two components: the basic financial statements and notes to the basic financial statements.

Basic Financial Statements are designed to provide readers with a broad overview of SASD's finances.

The *Statements of Net Position* (page 12) presents information on all SASD assets, deferred outflows of resources, liabilities and deferred inflow of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of SASD is improving or deteriorating.

The *Statements of Revenues, Expenses and Changes in Net Position* (page 13) presents information showing how net position changed during the most recent two fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected service charges).

SACRAMENTO AREA SEWER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 and 2020

The *Statements of Cash Flows* (pages 14 and 15) presents information about the cash receipts and cash payments of SASD during the two most recent fiscal years. When used with related disclosures and information in the other financial statements, the information provided in these statements should help financial report users assess SASD's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its need for external financing. It also provides insight into the reasons for differences between operating income and associated cash receipts and payments; and the effects on SASD's financial position of its cash and its noncash investing, capital, and related financing transactions during the year.

Notes to the Basic Financial Statements (starting on page 16) provide additional information that is essential to a full understanding of the data provided in SASD's basic financial statements. The notes are included immediately following the basic financial statements within this report.

FINANCIAL ANALYSIS

As previously noted, net position may serve over time as a useful indicator of SASD's financial position. As of June 30, 2021 and 2020, total net position was \$821.3 million and \$809.4 million, respectively. During the fiscal years ended June 30, 2021 and 2020, net position increased \$11.9 million and by \$23.6 million, respectively. The increase for the fiscal year ended June 30, 2021, net position is primarily based on operating and nonoperating losses offset by capital contributions.

SACRAMENTO AREA SEWER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 and 2020

The following table summarizes the changes between assets, deferred outflows, liabilities, deferred inflows, and net position as of June 30, 2021, 2020 and 2019:

Condensed Statements of Net Position (Amounts Expressed in Thousands)

	2021	% Change	2020	% Change	2019
Assets:					
Current assets	\$ 140,752	-4.7%	\$ 147,699	7.2%	\$ 137,796
Noncurrent assets	5,526	-1.2%	5,591	1.2%	5,523
Capital assets, net	918,823	1.9%	901,601	1.1%	891,628
Total Assets	<u>1,065,101</u>	1.0%	<u>1,054,891</u>	1.9%	<u>1,034,947</u>
Deferred Outflows of Resources	<u>15,246</u>	38.7%	<u>10,993</u>	-8.7%	<u>12,040</u>
Liabilities:					
Current and other liabilities	14,564	28.5%	11,335	-7.9%	12,312
Long-term obligations	166,355	-0.9%	167,881	-0.9%	169,356
Other noncurrent liabilities	76,382	8.8%	70,183	-7.5%	75,845
Total Liabilities	<u>257,301</u>	3.2%	<u>249,399</u>	-3.2%	<u>257,513</u>
Deferred Inflows of Resources	<u>1,724</u>	-75.5%	<u>7,044</u>	91.7%	<u>3,675</u>
Net Position:					
Net investment in capital assets	756,412	2.5%	737,806	1.6%	726,315
Unrestricted	64,910	-9.4%	71,635	20.4%	59,484
Total Net Position	<u>\$ 821,322</u>	1.5%	<u>\$ 809,441</u>	3.0%	<u>\$ 785,799</u>

As of June 30, 2021, the current assets decreased by approximately \$7 million. Of those current assets, receivables and due from local governments, decreased by \$5 million. Capital assets increased by approximately \$17 million. The main reason for this increase is due to higher development in the Sacramento area, in which the number of service connections increased by almost \$11 million. The decrease in unrestricted net position of \$6.7 million is mainly due to the decrease in cash and investments. In the fiscal year ended June 30, 2020, the increase in unrestricted net position of over \$12 million is mainly due to an increase in revenues including \$7.7 million that was received for a final litigation settlement for the sale of Bond/Waterman Road Property

The largest portion of SASD's net position (92% and 91% at June 30, 2021 and 2020, respectively) reflects its net investment in capital assets (e.g., land, structures and improvements, equipment, and construction in progress), less any related debt still outstanding used to acquire those assets. SASD uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Although SASD's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining amount (8% and 9% at June 30, 2021 and 2020, respectively) may be used to meet SASD's ongoing obligations to customers and creditors.

SACRAMENTO AREA SEWER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 and 2020

The following table summarizes the changes in net position for the fiscal years ended June 30, 2021, 2020, and 2019:

Changes in Net Position					
(Amounts Expressed in Thousands)					
	<u>2021</u>	<u>% Change</u>	<u>2020</u>	<u>% Change</u>	<u>2019</u>
Operating revenues:					
Sewer service fees	\$ 97,689	-2.1%	\$ 99,834	-1.4%	\$ 101,205
Other	7,388	-41.2%	12,563	40.5%	8,940
Nonoperating revenues:					
Interest revenue	826	-64.9%	2,351	-9.6%	2,600
Intergovernmental revenue	<u>2,119</u>	<u>-7.1%</u>	<u>2,281</u>	<u>2.2%</u>	<u>2,231</u>
Total revenues	<u>108,022</u>	<u>-7.7%</u>	<u>117,029</u>	<u>1.8%</u>	<u>114,976</u>
Operating expenses:					
County labor - water quality	52,740	8.4%	48,673	6.3%	45,789
Depreciation and amortization	37,955	-0.7%	38,229	4.2%	36,679
Billing	747	-0.9%	754	112.4%	355
Other operating expenses	27,552	-4.6%	28,889	4.8%	27,564
Nonoperating expenses:					
Interest expense	8,962	-0.6%	9,018	-0.5%	9,062
Other expense	<u>2,810</u>	<u>29.0%</u>	<u>2,179</u>	<u>-7.9%</u>	<u>2,367</u>
Total expenses	<u>130,766</u>	<u>2.4%</u>	<u>127,742</u>	<u>4.9%</u>	<u>121,816</u>
Loss before Capital Contributions	<u>(22,744)</u>	<u>-112.3%</u>	<u>(10,713)</u>	<u>-56.6%</u>	<u>(6,840)</u>
Capital Contributions:					
Pipe from developers	22,682	-18.1%	27,691	-3.8%	28,795
Sewer impact fees	<u>11,943</u>	<u>79.2%</u>	<u>6,664</u>	<u>34.4%</u>	<u>4,957</u>
Total Capital Contributions	<u>34,625</u>	<u>0.8%</u>	<u>34,355</u>	<u>1.8%</u>	<u>33,752</u>
Changes in net position	11,881	-49.7%	23,642	12.2%	26,912
Net position, beginning of year *	<u>809,441</u>		<u>785,799</u>		<u>758,887</u>
Net position, end of year	<u>\$ 821,322</u>		<u>\$ 809,441</u>		<u>\$ 785,799</u>

SACRAMENTO AREA SEWER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 and 2020

Total operating revenues, which consist of sewer service fees and other revenues decreased by \$7.3 million in 2020-21 and increased by \$2.3 million in 2019-20. In 2020-21, sewer service fees decreased by \$2.1 million due to the COVID-19 global pandemic. A portion of the decrease was from SASD allowing credits for certain businesses that were closed due to the lockdown caused by the COVID-19 global pandemic. In 2019-20, most of the increase in other revenues was due to a \$7.7 million final litigation settlement.

Interest income decreased by \$1.5 million in 2020-21 and decreased by \$249 thousand in 2019-20. The decrease in interest income was due to lower returns which resulted from the economic turmoil associated with the COVID-19 pandemic.

In 2020-21, total expenses increased by \$3 million. The primary reason for this increase was attributable to an increase in labor costs of \$4.1 million and a decrease in pipeline maintenance costs of \$1.9 million. In 2019-20, total expenses increased by \$5.9 million. The primary reason for this increase was attributable to an increase in labor costs of \$2.9 million and an increase in pipeline maintenance costs of \$3.2 million.

Total capital contributions increased by \$270 thousand during the 2020-21 year as compared to the prior year. Pipe from developers decreased by \$5 million and sewer impact fees increased by \$5.3 million. Total capital contributions increased by \$603 thousand during the 2019-20 year as compared to the prior year. Pipe from developers decreased by \$1.1 million and sewer impact fees increased by \$1.7 million.

Effective July 1, 2020 the amount charged for impact fees increased. Sewer impact fees for the "relief" area increased from \$719 per ESD to \$748 per ESD. Sewer impact fees for "expansion" areas increased from \$3,194 per ESD to \$3,301 per ESD. Sewer impact fees increased by 79% in 2020-21. Sewer impact fees increased by 34% in 2019-20. The increase in impact fees can be attributed to increased development in the Sacramento area.

SACRAMENTO AREA SEWER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 and 2020

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

Capital Assets, net of accumulated depreciation, totaled \$919 million and \$902 million at June 30, 2021 and 2020, respectively. This corresponded to an increase of \$17 million for the fiscal year ended June 30, 2021 and an increase of \$10 million for the fiscal year ended June 30, 2020. The following table summarizes capital assets for the fiscal years ended 2021, 2020, and 2019:

Changes in Capital Assets

(Amounts Expressed in Thousands)

	<u>2021</u>	<u>% Change</u>	<u>2020</u>	<u>% Change</u>	<u>2019</u>
Land	\$ 9,301	0.1%	\$ 9,288	0.1%	\$ 9,277
Software, structures, improvements and equipment	1,412,357	1.6%	1,389,964	2.7%	1,353,916
Construction in progress	153,932	25.3%	122,893	10.2%	111,513
Less accumulated depreciation	<u>(656,767)</u>	5.8%	<u>(620,544)</u>	6.4%	<u>(583,078)</u>
	<u>\$ 918,823</u>	1.9%	<u>\$ 901,601</u>	1.1%	<u>\$ 891,628</u>

In 2020-21, construction in progress increased by \$31 million due to \$38 million in additions offset by \$7 million in completion of ongoing projects. This increase is mainly due to increases in Lower Lateral Replacement Projects, the Mission Trunk Rehabilitation Project, and the Capitola and Sailor Bar Pump Station Rehabilitation Projects. When completed projects are placed into service, they are transferred to structures, improvements, or equipment. Software, structures, improvements and equipment increased by \$25 million. The majority of the increase was from \$23 million of contributed capital during the year. This was offset by \$3 million in disposed capital assets.

In 2019-20, construction in progress increased by \$11 million due to \$22 million in additions offset by \$11 million in completion of ongoing projects. This increase is mainly due to increases in Lower Lateral Replacement Projects, the Mission Trunk Rehabilitation Project, and the Freeport Septic Conversion Project. When completed projects are placed into service, they are transferred to structures, improvements, or equipment. Software, structures, improvements and equipment increased by \$36 million. The majority of the increase was from \$34 million of contributed capital during the year. This was offset by \$1 million in disposed capital assets.

Additional information on capital assets can be found in the Note 3 to the basic financial statements included in this report.

SACRAMENTO AREA SEWER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 and 2020

Long-term obligations totaled \$171.8 million and \$172.3 million at June 30, 2021 and 2020, respectively. These amounts were comprised of loan payable to financing authority and compensated absences. The following table summarizes the amount of long-term obligations for the fiscal years ended June 30, 2021, 2020, and 2019.

Summary of Outstanding Long-term Obligations

(Amounts Expressed in Thousands)

	Fiscal Years Ended June 30,		
	2021	2020	2019
Loan payable to Financing Authority	\$ 167,880	\$ 169,355	\$ 170,786
Compensated absences	3,879	2,968	2,771
	<u>\$ 171,759</u>	<u>\$ 172,323</u>	<u>\$ 173,557</u>

The decrease in long-term obligations in 2020-21 was primarily due to \$1.13 million in scheduled debt service payments. The decrease in long-term obligations in 2019-20 was primarily due to \$1.09 million in scheduled debt service payments.

Additional information on long-term debt obligations can be found in the Note 4 to the basic financial statements included in this report.

ADDITIONAL INFORMATION

This financial report is designed to provide a general overview of SASD's finances for all those with an interest. Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to Glen Iwamura, Senior Accounting Manager, Sacramento Area Sewer District, 10060 Goethe Rd, Sacramento, CA 95827, or phone (916) 876-6552.

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SACRAMENTO AREA SEWER DISTRICT
Sacramento, California

Basic Financial Statements

For the Fiscal Years Ended June 30, 2021 and 2020

SACRAMENTO AREA SEWER DISTRICT

STATEMENTS OF NET POSITION JUNE 30, 2021 AND 2020

	2021	2020
ASSETS:		
CURRENT ASSETS:		
Cash and investments	\$ 126,267,328	\$ 128,245,532
Sewer services fees receivable	12,601,323	14,034,983
Interest receivable	328,530	1,058,917
Due from local governments		
State Water Resources Control Board	-	2,946,121
Inventories	1,554,812	1,412,978
TOTAL CURRENT ASSETS	140,751,993	147,698,531
NONCURRENT ASSETS:		
Restricted cash and investments	5,469,821	5,560,298
Deposits with others	36,167	-
Loans receivable	20,200	30,263
Capital assets:		
Land	9,300,687	9,287,987
Construction in progress	153,932,627	122,893,263
Software	2,814,071	2,814,071
Structures and improvements	1,381,662,066	1,358,263,640
Equipment	27,880,665	28,886,873
Total capital assets	1,575,590,116	1,522,145,834
Less accumulated depreciation	(656,767,234)	(620,544,315)
Total capital assets (net of accumulated depreciation)	918,822,882	901,601,519
TOTAL NONCURRENT ASSETS	924,349,070	907,192,080
TOTAL ASSETS	1,065,101,063	1,054,890,611
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows related to pension	14,837,158	10,876,477
Deferred outflows related to OPEB	409,401	116,743
TOTAL DEFERRED OUTFLOWS OF RESOURCES	15,246,559	10,993,220
LIABILITIES:		
CURRENT LIABILITIES:		
Warrants payable	4,101,365	1,348,986
Accounts and retentions payable	4,479,626	4,156,339
Interest payable	3,876,107	3,899,649
Compensated absences	581,913	445,188
Due to local governments	-	9,550
Current portion of loan payable	1,525,155	1,475,155
TOTAL CURRENT LIABILITIES	14,564,166	11,334,867
NONCURRENT LIABILITIES:		
Developer reimbursement payable	25,036,871	33,358,588
Compensated absences	3,297,506	2,522,734
Total OPEB liability	3,341,340	2,810,939
Net pension liability	44,705,718	31,490,903
Long-term obligations	166,355,214	167,880,369
TOTAL NONCURRENT LIABILITIES	242,736,649	238,063,533
TOTAL LIABILITIES	257,300,815	249,398,400
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows related to pension	482,730	5,584,462
Deferred amounts related to OPEB	1,241,533	1,459,694
TOTAL DEFERRED INFLOWS OF RESOURCES	1,724,264	7,044,156
NET POSITION:		
Net investment in capital assets	756,412,334	737,806,293
Unrestricted	64,910,209	71,634,982
TOTAL NET POSITION	\$ 821,322,543	\$ 809,441,275

See accompanying notes to the basic financial statements.

SACRAMENTO AREA SEWER DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
OPERATING REVENUES:		
Sewer service fees	\$ 97,688,774	\$ 99,833,976
Other revenue	7,387,864	12,563,189
Total operating revenues	<u>105,076,638</u>	<u>112,397,165</u>
OPERATING EXPENSES:		
County labor - SDA	52,739,680	48,672,570
Office equipment	701,706	556,890
Depreciation and amortization	37,954,796	38,229,282
Services and supplies	1,078,711	1,440,439
Consultants	4,682,821	5,069,967
County labor - other	1,920,907	1,395,710
Chemicals	649,026	331,810
Billing	746,863	754,118
Pipeline maintenance	12,956,050	14,897,558
Insurance	1,219,674	1,100,106
Utilities	598,427	611,520
Electricity	915,488	966,957
Data processing	2,828,849	2,518,388
Total operating expenses	<u>118,992,998</u>	<u>116,545,315</u>
Operating loss	<u>(13,916,360)</u>	<u>(4,148,150)</u>
NONOPERATING REVENUES (EXPENSES):		
Interest revenue	826,015	2,351,431
Interest expense	(8,962,212)	(9,017,621)
Sewer incentive program	(269,825)	(261,005)
Intergovernmental revenue	2,119,014	2,280,740
Other expense	(2,540,535)	(1,918,001)
Total nonoperating revenues (expenses)	<u>(8,827,543)</u>	<u>(6,564,456)</u>
Loss before capital contributions	<u>(22,743,903)</u>	<u>(10,712,606)</u>
CAPITAL CONTRIBUTIONS:		
Pipe from developers	22,681,925	27,690,489
Sewer impact fees	11,943,246	6,664,037
Total Capital Contributions	<u>34,625,171</u>	<u>34,354,526</u>
Changes in net position	11,881,268	23,641,920
Net position, beginning of year	<u>809,441,275</u>	<u>785,799,355</u>
Net position, end of year	<u>\$ 821,322,543</u>	<u>\$ 809,441,275</u>

See accompanying notes to the basic financial statements.

SACRAMENTO AREA SEWER DISTRICT

STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 99,122,434	\$ 99,658,992
Receipts from others	10,131,945	9,600,784
Payments to County for labor force	(49,586,656)	(46,153,964)
Payments to suppliers for goods and services	(23,767,070)	(30,137,637)
Payments to others	<u>(4,542,237)</u>	<u>(1,949,243)</u>
Net cash provided by operating activities	<u>31,358,416</u>	<u>31,018,932</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(38,786,891)	(25,254,915)
Principal payments on long-term loan	(1,130,000)	(1,085,000)
Interest payments on long-term loan	(9,330,909)	(9,380,860)
Build America Bond interest subsidy	2,321,054	2,297,024
Sewer impact fees collected	<u>11,943,246</u>	<u>6,664,037</u>
Net cash used in capital and related financing activities	<u>(34,983,500)</u>	<u>(26,759,714)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	<u>1,556,403</u>	<u>2,722,332</u>
Net cash provided by investing activities	<u>1,556,403</u>	<u>2,722,332</u>
Net increase (decrease) in cash and cash equivalents	(2,068,681)	6,981,550
Cash and cash equivalents, beginning of year	<u>133,805,830</u>	<u>126,824,280</u>
Cash and cash equivalents, end of year	<u><u>\$ 131,737,149</u></u>	<u><u>\$ 133,805,830</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION:		
Cash and investments	\$ 126,267,328	\$ 128,245,532
Restricted cash and investments	<u>5,469,821</u>	<u>5,560,298</u>
Total cash and cash equivalents	<u><u>\$ 131,737,149</u></u>	<u><u>\$ 133,805,830</u></u>

See accompanying notes to the basic financial statements.

SACRAMENTO AREA SEWER DISTRICT

STATEMENTS OF CASH FLOWS (Continued) FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	\$ (13,916,360)	\$ (4,148,150)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	37,954,796	38,229,282
Other expense	(4,272,412)	(1,688,238)
Payments for sewer incentive program	(269,825)	(261,005)
Intergovernmental expense	(202,040)	(16,284)
Net effect of change in:		
Sewer service fees receivable	1,433,660	(174,984)
Due from state governments - other	2,946,121	(2,946,121)
Inventories	(141,834)	(258,131)
Due from Financing Authority	-	20,049
Warrants payable	2,752,379	(1,651,802)
Compensated absences	911,497	196,619
Due to local governments	(9,550)	9,537
Net pension liability and related deferred outflows and inflows	4,152,402	3,608,644
Total OPEB liability and related deferred outflows and inflows	19,582	99,516
Net cash provided by operating activities	<u>\$ 31,358,416</u>	<u>\$ 31,018,932</u>
SCHEDULE OF NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Pipe contributed by developers	\$ 22,681,925	\$ 27,690,489
Acquisition of capital assets with accounts and retentions payable	4,479,626	4,156,339
Acquisition of capital assets with developer reimbursement payable	(8,321,717)	(5,122,248)

See accompanying notes to the basic financial statements.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 and 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Sacramento Area Sewer District (SASD) is a political subdivision of the State of California. SASD is governed by a Board of Directors comprised of the five members of the Sacramento County Board of Supervisors, plus one representative each from the Sacramento, Folsom, Citrus Heights, Elk Grove and Rancho Cordova City Councils. Each city representative is selected by their respective city council to serve on the SASD board. The length of appointment is subject to the discretion of each city council, but can be no longer than the individual's term of office.

In October 1993, SASD entered into a Joint Exercise of Powers Agreement organized under Section 6500 et seq. of the California Government Code with the Sacramento Regional County Sanitation District (Regional San) to form the Sacramento County Sanitation Districts Financing Authority (Financing Authority) for the purpose of facilitating the financing of acquisition and/or constructing of real and personal property in and for SASD and Regional San. The Board of Directors of Regional San serves as the Financing Authority's governing board. For financial reporting purposes, the Financing Authority and Regional San have a financial and operational relationship, which requires that the Financing Authority's financial statements be blended into Regional San's financial statements. This includes reporting SASD's portion of debt. SASD makes base payments to the Financing Authority that are at least equal to the required debt service. SASD recognizes its relationship with the Financing Authority as a related entity. Separate financial statements for the Financing Authority are available from SASD at 10060 Goethe Road, Sacramento CA, 95827, upon request.

The accompanying basic financial statements, with comparative information, of SASD have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of SASD's accounting policies are described below.

Cash Equivalents and Investments

For purposes of the Statement of Cash Flows, SASD considers all short-term highly liquid investments with an original maturity of three months or less, including restricted cash and investments, to be cash equivalents. Amounts held in the County Treasurer's investment pool are available on demand to individual entities; thus, they are considered highly liquid and cash equivalents for purposes of the statement of cash flows.

Investments are presented at fair value based on quoted market information obtained from fiscal agents or other sources, except for the money market mutual funds, which are presented at amortized cost.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 and 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

SASD uses the accounting principles applicable to enterprise funds. SASD uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows.

SASD distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with SASD's operations. The principal operating revenues of SASD are customer service charges for sewer services. The principal operating expenses of SASD are related to its labor force, maintenance, services and supplies, and depreciation. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing activities and result from non-exchange transactions or ancillary activities. Nonoperating revenues include interest revenue and intergovernmental revenue, which relates to transactions between the County of Sacramento (the County), the Sacramento County Regional Sanitation District and the federal government for the Build America Bond subsidy. Significant nonoperating expenses include interest expense paid on SASD's outstanding loans with the Financing Authority. When both restricted and unrestricted resources are available for use, it is SASD's policy to use restricted resources first.

Receivables

SASD does not accrue an allowance for doubtful accounts on the sewer service fees as SASD writes off uncollectible accounts and transfers past due amounts to the County to be placed on the property tax roll for collection. In addition, SASD participates in the County's Teeter tax buyout plan whereby the County remits 100% of any delinquent amounts to SASD.

Inventories

Inventories are maintained to meet the operating and maintenance requirements of SASD and are valued at cost, which approximates fair value, using the weighted average method.

Developer Reimbursement Payable

Under SASD's Trunk Reimbursement Program, developers may elect to enter into a developer reimbursement agreement. Under the agreement, the developer agrees to install trunks and other facilities on behalf of SASD and SASD agrees to reimburse the developer for the agreed upon cost of such facilities; provided that the total reimbursement by SASD to all developers under this program in any year may not exceed funds available for payment of such reimbursements. In lieu of receiving such reimbursement in the form of a payment from SASD, developers may elect to use the reimbursable amount as a credit against sewer impact fees that they would otherwise owe to SASD. Obligations to developers who have elected to apply their reimbursement to future sewer impact fees are reported as developer reimbursement payable on SASD's Statement of Net Position.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 and 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are stated at historical cost. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from the basic financial statements. Any resulting gain or loss from the retirement or disposal of an asset is reflected in the statements of revenues, expenses, and changes in net position for the period. Depreciation and amortization are provided on each asset using the straight-line method over the following estimated useful lives:

Software	5 years
Equipment	5 to 40 years
Structures and improvements	15 to 100 years

SASD's policy is to capitalize all land and permanent easements; computer hardware and light vehicles with a value equal to or greater than \$20,000; other equipment with a value equal to or greater than \$35,000; and computer software, structures and improvements with a value equal to or greater than \$100,000, and a useful life of more than one year.

Maintenance and repairs are charged to expense as incurred. Significant additions or improvements are capitalized and depreciated or amortized over their estimated useful lives. Costs incurred for major improvements or construction of assets is carried in construction in progress until the project is completed, at which time costs related to the project are capitalized in the appropriate asset account. Contributed capital that are received from developers are recorded at acquisition value.

Pensions

SASD participates in the County of Sacramento's Cost-Sharing Defined Benefit Pension Plan. For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Sacramento County Employees' Retirement System (SCERS) and additions to/deductions from the SCERS's fiduciary net position have been determined on the same basis as they are reported by SCERS. 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.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 and 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Inflows and Outflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Compensated Absences

SASD's labor force are employees of the County. Employees accrue vacation in varying amounts based on classification and length of service. Additionally, certain employees are allowed compensated time off in lieu of overtime compensation and/or working on holidays. Sick leave is earned by regular, full-time employees. Any sick leave hours not used during the period are carried forward to following years, with no limit to the number of hours that can be accumulated. Any sick leave hours unused at the time of an employee's retirement are added to the actual period of service when computing retirement benefits. Upon retirement, management employees have the option of receiving payment for one-half of accrued sick leave with the balance included in the calculation of retirement benefits. It is the policy of the County not to pay accumulated sick leave to employees who terminate prior to retirement. The liability for compensated absences earned through year-end, but not yet taken, is accrued in the accompanying financial statements. Compensated absences for the fiscal years ended June 30, 2021 and June 30, 2020 was \$3,879,419 and \$2,967,922, respectively (see Note 4 on long-term obligations).

Risk Management

SASD participates in the County of Sacramento's self-insurance program. Annual premiums are based primarily on claims experience and are charged to expense when paid. During the past three fiscal years, there were no instances of settlements which exceeded insurance coverage and no significant reductions in insurance coverage. The following is a summary of the SASD's coverage:

- General and automobile liability - \$25 million limit - per occurrence
- Workers' Compensation and Employer's Liability – \$5 million
- Pollution Liability - \$10 million limit - per occurrence
- Property (All Risk) - \$1.5 billion limit - per occurrence
- Property (Flood) - \$900 million limit - per occurrence
- Earthquake - \$25 million limit - per occurrence
- Boiler and machinery - \$100 million limit - per occurrence
- Crime/Dishonesty/Forgery - \$15 million limit - per occurrence
- Cyber Liability - \$12 million limit - per occurrence

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 and 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. 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. The effective date of this Statement was postponed to fiscal years beginning after December 15, 2019, with the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Authoritative Guidance*. This statement did not have a material effect on the financial statements.

GASB Statement No. 90 – In August 2018, GASB issued Statement No. 90, *Majority Equity Interest – An Amendment of GASB Statement No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The effective date of this Statement was postponed to fiscal years beginning after December 15, 2019, with the issuance of GASB Statement No. 95. This statement did not have a material effect on the financial statements.

GASB Statement No. 98 – In October 2021, GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. SASD has implemented GASB Statement No. 98 for fiscal year ending June 30, 2021.

2. CASH EQUIVALENTS AND INVESTMENTS

SASD maintains specific cash deposits and investments with the County and participates in the Sacramento County Pooled Investment Fund, which is not rated by credit rating agencies. At June 30, 2021 and 2020, the carrying amount of SASD's cash and investments held in the fund was \$126,267,328 and \$128,245,532, respectively. The weighted average maturity of the Treasurer's cash and investment pool was 301 and 282 days at June 30, 2021 and 2020 respectively.

The County Treasurer's investment pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by Section 27134 of the California Government Code. The pool is not registered with the SEC as an investment company.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 and 2020

2. CASH EQUIVALENTS AND INVESTMENTS (Continued)

Government Code Section 53601 and the County Investment Policy lists the investments in which the Treasurer may purchase. These include bonds issued by the County; United States Treasury notes, bonds, bills or certificates of indebtedness; registered state warrants, supranational notes, treasury notes, or bonds of the State of California; registered treasury notes or bonds of any of the other 49 states in addition to California; bonds, notes, warrants or other forms of indebtedness of any local agency (Teeter Notes and Local Agency Investment Fund-LAIF) within California; obligations issued by banks for cooperatives, federal land banks, federal home loan banks, the Federal Home Loan Bank Board or other instruments of, or issued by, a federal agency or United States, government sponsored enterprise; money market mutual funds (not to exceed 20 percent of the total portfolio); bankers acceptances (not over 180 days maturity, not to exceed 40 percent of the total portfolio); commercial paper (not to exceed 40 percent of total portfolio) of "prime quality" (the highest ranking provided by either Moody's investor services or Standard and Poor's Corporation) and these investments are further restricted as to capacity and credit rating of the company and are restricted as to a percentage of the whole portfolio and the dollar-weighted average maturity is also restricted; negotiable certificates of deposit issued by approved banks, not to exceed 30 percent of the total portfolio; repurchase and reverse repurchase agreements are permitted investments but are subject to stringent rules regarding term, value and timing, all put in place to minimize risk of loss; medium term notes, carry a maturity of no more than five years and rated "A" or better by a nationally recognized rating service, not to exceed 30 percent of the portfolio; shares of beneficial interest issued by a diversified management company subject certain limitations; notes, bonds and other obligations that are at all times secured by a valid first priority security interest in securities of the types listed in Government Code Section 53651; mortgage pass-through securities and other mortgage and consumer receivable backed bonds, not to exceed maturity of five years, subject to the credit rating of the issuer and not to exceed 20 percent of the portfolio; shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized previously.

In addition to the restrictions and guidelines cited in the Government Code, the County Board of Supervisors annually adopts an "Annual Investment Policy for the Pooled Investment Fund" (Investment Policy). The Investment Policy is prepared by the Department of Finance and is based on criteria cited in the Government Code. The Investment Policy adds further specificity to investments permitted, reducing concentration within most permitted investment types and reducing concentration of investments with any broker, dealer or issuer.

The County was in full compliance with its own more restrictive Investment Policy, and therefore was also in compliance with the above cited Government Code sections. Investments held in the County's investment pool are available on demand and are reported at amortized cost, which approximates fair value.

The County of Sacramento, acting in a fiduciary capacity, segregates and invests the Financing Authority's bond proceeds in accordance with long-term obligation covenants.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 and 2020

2. CASH EQUIVALENTS AND INVESTMENTS (Continued)

At June 30, 2021 and 2020, all cash held by fiscal agents was covered by federal depository insurance or by collateral held by the County Treasurer's financial institutions in the County's name.

Restricted cash and investments consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Restricted proceeds from debt issues held by:		
County Treasurer's cash and investment pool	\$ 5,469,802	\$ 5,559,453
Investments held by County Fiscal Agent	19	845
Total Restricted Cash and Investments	<u>\$ 5,469,821</u>	<u>\$ 5,560,298</u>

Investments Authorized by Debt Agreements

Investment of debt proceeds held by the bond trustee is governed by provisions of the debt agreements rather than the general provisions of the California Government Code or SASD's investment policy. The following tables identify the investment types that are authorized for investments held by bond trustee, identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment In One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
U.S. Dollar denominated deposit accounts, federal funds and bankers' acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	None	None	None
Municipal Obligations	None	None	None
County of Sacramento Pooled Investment Fund	None	None	None
Investment Agreements	None	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value is to changes in market interest rates. SASD's investments held by bond trustees are monitored for interest rate risk by measuring the weighted average maturity.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 and 2020

2. CASH EQUIVALENTS AND INVESTMENTS (Continued)

Investment Type	Amount at June 30, 2021	Weighted Average Maturity (in years)	Amount at June 30, 2020	Weighted Average Maturity (in years)
County Treasurer's cash and investment pool	\$5,469,802	0.82	\$5,559,453	0.77
Held by Bond Trustee:				
Money Market Mutual Funds	<u>19</u>	0.08	<u>845</u>	0.08
Total	<u>\$5,469,821</u>		<u>\$5,560,298</u>	

Credit Risk

This is the risk than an issuer or other counterparty to a debt instrument will not fulfill its obligations. SASD is permitted to hold investments of issuers with a short-term rating of superior capacity and a minimum long-term rating of upper medium grade by the top two nationally recognized statistical rating organizations (rating agencies). For short-term rating, the issuers' rating must be A-1 and P-1 and the long-term rating must be A and A2, respectively, by Standard & Poor's and Moody's rating agencies. In addition, SASD is permitted to invest in the State's Local Agency Investment Fund, collateralized certificate of deposits and notes issued by the County that are not rated.

Investment Type	Amount at June 30, 2021	Ratings as of June 30, 2021	Amount at June 30, 2020	Ratings as of June 30, 2020
Held by Bond Trustee:				
Money Market Mutual Funds	<u>\$ 19</u>	Aaa/AAA	<u>\$ 845</u>	Aaa/AAA

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 and 2020

2. CASH EQUIVALENTS AND INVESTMENTS (Continued)

Custodial Credit Risk

This is the risk that in the event a financial institution or counterparty fails, SASD would not be able to recover the value of its deposits and investments. As of June 30, 2021 and 2020, one hundred percent of SASD's investments are held in the County's name. SASD does not have a policy for custodial credit risk.

Fair Value Measurements

SASD categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the SASD has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect SASDs' own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the SASDs' own data.

The asset's level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Deposits and withdrawals in governmental investment pools, such as the County's Investment Pool are made on the basis of \$1 and not fair value. Accordingly, SASD's proportionate share in this type of investment is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

SASD's investments in money market mutual funds are carried at amortized costs.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 and 2020

3. CAPITAL ASSETS

Capital assets activity for the fiscal years ended June 30, 2021 and 2020 were as follows:

	<u>July 1, 2020</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2021</u>
Capital assets not being depreciated:				
Land	\$ 9,287,987	\$ 12,700	\$ -	\$ 9,300,687
Construction in progress	122,893,263	38,024,445	(6,985,081)	153,932,627
Total capital assets not being depreciated	<u>132,181,250</u>	<u>38,037,145</u>	<u>(6,985,081)</u>	<u>163,233,314</u>
Capital assets being depreciated:				
Structures and improvements	1,358,263,640	23,726,299	(327,873)	1,381,662,066
Equipment	28,886,873	1,575,627	(2,581,835)	27,880,665
Software	2,814,071	-	-	2,814,071
Total capital assets being depreciated	<u>1,389,964,584</u>	<u>25,301,926</u>	<u>(2,909,708)</u>	<u>1,412,356,802</u>
Less accumulated depreciation:				
Structures and improvements	(602,914,259)	(37,385,797)	327,873	(639,972,183)
Equipment	(14,815,987)	(568,997)	1,404,004	(13,980,980)
Software	(2,814,069)	(2)	-	(2,814,071)
Total accumulated depreciation	<u>(620,544,315)</u>	<u>(37,954,796)</u>	<u>1,731,877</u>	<u>(656,767,234)</u>
Total capital assets being depreciated, net	<u>769,420,269</u>	<u>(12,652,870)</u>	<u>(1,177,831)</u>	<u>755,589,568</u>
Net capital assets	<u>\$ 901,601,519</u>	<u>\$ 25,384,275</u>	<u>\$ (8,162,912)</u>	<u>\$ 918,822,882</u>
	<u>July 1, 2019</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2020</u>
Capital assets not being depreciated:				
Land	\$ 9,276,987	\$ 11,000	\$ -	\$ 9,287,987
Construction in progress	111,513,057	22,539,902	(11,159,696)	122,893,263
Total capital assets not being depreciated	<u>120,790,044</u>	<u>22,550,902</u>	<u>(11,159,696)</u>	<u>132,181,250</u>
Capital assets being depreciated:				
Structures and improvements	1,324,809,601	34,186,326	(732,287)	1,358,263,640
Equipment	26,292,198	2,854,710	(260,035)	28,886,873
Software	2,814,071	-	-	2,814,071
Total capital assets being depreciated	<u>1,353,915,870</u>	<u>37,041,036</u>	<u>(992,322)</u>	<u>1,389,964,584</u>
Less accumulated depreciation:				
Structures and improvements	(567,171,451)	(36,475,095)	732,287	(602,914,259)
Equipment	(13,285,041)	(1,561,218)	30,272	(14,815,987)
Software	(2,621,100)	(192,969)	-	(2,814,069)
Total accumulated depreciation	<u>(583,077,592)</u>	<u>(38,229,282)</u>	<u>762,559</u>	<u>(620,544,315)</u>
Total capital assets being depreciated, net	<u>770,838,278</u>	<u>(1,188,246)</u>	<u>(229,763)</u>	<u>769,420,269</u>
Net capital assets	<u>\$ 891,628,322</u>	<u>\$ 21,362,656</u>	<u>\$ (11,389,459)</u>	<u>\$ 901,601,519</u>

Depreciation and amortization expense is included in the Statements of Revenues, Expenses, and Changes in Net Position for fiscal years ended June 30, 2021, and 2020 totaled \$37,954,796 and \$38,229,282, respectively.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 and 2020

4. LONG-TERM OBLIGATIONS

The Financing Authority issued the 2015 Series Revenue Bonds and 2010 Series Revenue Bonds which are reported in the Financing Authority's financial statements. SASD and the Financing Authority entered into a master installment agreement. SASD makes loan payments to the Financing Authority on the 2015 Series Refunding Bonds and 2010 Series Revenue Bonds.

2015 Series Revenue Bonds

In May 2015, the Financing Authority issued \$45,435,000 Revenue Bonds, Refunding Series 2015 Bonds. The bonds mature serially from August 2025 through August 2035. Interest rates for the bonds range from 3.125% to 5.000%, principal payments ranging from \$3,260,000 to \$5,115,000 with the first payment starting in 2025 and ending in 2035. Proceeds from this debt issuance along with \$70.3 million paid with cash on hand were used to refund the Financing Authority's outstanding Revenue Bonds Series 2005, and prepay SASD's loan payable due to the Financing Authority totaling \$130,555,000.

2010 Series Revenue Bonds

In August 2010, the Financing Authority issued \$110,690,000 Revenue Bonds, Series 2010A Federally Taxable Direct Subsidy Build America Bonds and \$15,930,000 Revenue Bonds, Series 2010B. The bonds mature serially from August 2011 through August 2040. Interest rates for the Series A Bonds range from 6.125% to 6.325%, principal payments ranging from \$1,440,000 to \$16,175,000 with the first payment starting in 2026 and ending in 2040. Interest rates for the Series B Bonds range from 2.5% to 5.0%, principal payments ranging from \$820,000 to \$1,385,000 with the first payment starting in 2011 and ending in 2025. The proceeds were used to finance improvements to the collection system to reduce or eliminate potential sewer overflows, serve new growth, and to purchase capital improvements completed by Regional San.

The Series 2010 and Series 2015 Bonds are special, limited obligations of the Financing Authority and are not secured by a legal or equitable pledge, or charge or lien upon, any property of the Financing Authority or any of its income or receipts except the Financing Authority revenues. Neither the payment of the interest on or principal of or redemption premiums, if any, on the Series 2010 and 2015 Bonds constitutes a debt, liability or obligation of the Financing Authority or any member of the Financing Authority (including SASD) for which any such entity is obligated to levy or pledge any form of taxation or for which any such entity has levied or pledged any form of taxation.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 and 2020

4. LONG-TERM OBLIGATIONS (Continued)

Maturity Schedule

Future debt service requirements on SASD's revenue bonds as of June 30, 2021 are as follows:

<u>Fiscal years ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$1,180,000	\$9,279,059	\$10,459,059
2023	1,230,000	9,230,859	10,460,859
2024	1,275,000	9,180,759	10,455,759
2025	1,335,000	9,128,559	10,463,559
2026	4,645,000	8,996,122	13,641,122
2027-2031	26,610,000	41,181,108	67,791,108
2032-2036	51,650,000	31,073,278	82,723,278
2037-2041	74,605,000	12,184,954	86,789,954
	<u>\$162,530,000</u>	<u>\$130,254,698</u>	<u>\$292,784,698</u>

Bond Covenants

Pursuant to the Indenture with the County and Union Bank of California, N.A., as trustee, and the Master Installment Purchase Contract between the Financing Authority and SASD, SASD is required to faithfully perform and abide by all of the covenants, undertakings, and provisions of the above agreement so long as any of the bonds are outstanding. Specific covenants include the following:

- Punctual payment of interest and principal will be made when due.
- Proceeds of the bonds will be used by SASD, as agent for the Financing Authority, to pay the costs of financing the acquisition and construction (together with the incidental costs and expenses related thereto) of the Projects approved by the Board of Directors.
- Rates, fees, and charges will be fixed and collected at least sufficient to yield adjusted annual net revenues, as defined, equal to at least the amount required by the coverage requirement for the fiscal year.

For the fiscal years ended 2021 and 2020, SASD was in compliance with the preceding covenants.

The debt issued by the Financing Authority are not secured by a legal or equitable pledge, or charge or lien upon, any property of the Financing Authority or any of its income or receipts except the Financing Authority's revenues. Neither the payment of the interest on or principal of or redemption premiums, if any constitutes a debt, liability or obligation of the Financing Authority or any member of the Financing Authority (including SASD) for which any such entity is obligated to levy or pledge any form of taxation or for which any such entity has levied or pledged any form of taxation.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 and 2020

4. LONG-TERM OBLIGATIONS (Continued)

Changes in long-term obligations for the fiscal years ended June 30, 2021 and 2020 were as follows:

	Balance July 1, 2020	Increase	Decrease	Balance June 30, 2021	Due Within One Year
Loan Payable to Financing Authority					
Revenue Bonds	\$ 163,660,000	\$ -	\$ (1,130,000)	\$ 162,530,000	\$ 1,180,000
Plus premium	5,695,524	-	(345,155)	5,350,369	345,155
Compensated absences	2,967,922	1,356,685	(445,188)	3,879,419	581,913
	<u>\$ 172,323,446</u>	<u>\$ 1,356,685</u>	<u>\$ (1,920,343)</u>	<u>\$ 171,759,788</u>	<u>\$ 2,107,068</u>
	Balance July 1, 2019	Increase	Decrease	Balance June 30, 2020	Due Within One Year
Loan Payable to Financing Authority					
Revenue Bonds	\$ 164,745,000	\$ -	\$ (1,085,000)	\$ 163,660,000	\$ 1,130,000
Plus premium	6,040,680	-	(345,156)	5,695,524	345,155
Compensated absences	2,771,303	612,314	(415,695)	2,967,922	445,188
	<u>\$ 173,556,983</u>	<u>\$ 612,314</u>	<u>\$ (1,845,851)</u>	<u>\$ 172,323,446</u>	<u>\$ 1,920,343</u>

5. RELATED PARTY TRANSACTIONS

For fiscal years 2020-21 and 2019-20, the County paid SASD \$800,721 and \$2,280,423, respectively, for interest earned on Treasury deposits. SASD's labor force are employees of the County and is contractually obligated to reimburse to the County for all employee costs. SASD also uses other County departments for services, such as risk management, engineering, accounting, utility billing, etc. Expenses paid to the County during fiscal years 2020-21 and 2019-20 were \$60,726,252 and \$57,642,736 respectively.

In addition, for fiscal years 2020-21 and 2019-20, SASD paid the Financing Authority \$10,460,909 and \$10,465,859, respectively, for debt service.

6. COMMITMENTS AND CONTINGENCIES

SASD has entered into contracts for the construction of certain projects. At June 30, 2021 and 2020, the unexpended balance of the contract commitments was \$8,208,440 and \$5,889,769 respectively.

SASD is a defendant in various matters of litigation. Of these matters, management and the SASD's legal counsel do not anticipate any material effect on the June 30, 2021 and 2020 basic financial statements.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 and 2020

7. OTHER POST-EMPLOYMENT HEALTH CARE BENEFITS (OPEB)

Plan Description

SASD's labor force are employees of the County, which provides medical and dental insurance, and subsidy/offset payments as authorized by the Board of Supervisors on an annual basis. The County has established a Retiree Healthcare Plan (HC Plan) and participates in a single-employer plan and it does not issue a publicly available report. In September 2020 and September 2019, the Board of Supervisors approved the Retiree Medical and Dental Insurance Program Administrative Policy for calendar years 2021 and 2020, respectively.

The County provides access to group medical insurance and dental insurance, medical and dental offset payments to a specific group of eligible retirees as a result of a settlement. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. For financial reporting purposes, SASD reports a proportionate share of the County's collective total Other Post-Employment Benefits (OPEB) liability, OPEB expense, and deferred inflows and outflows. Accordingly, the disclosures and required supplementary information have been reported for SASD as a cost sharing participant.

Benefits Provided

All annuitants are eligible to enroll in a retiree medical and/or dental insurance plan in a given calendar year if (1) they began receiving a continuing retirement allowance from SCERS during that calendar year, or (2) they were enrolled in the annual plan previously approved by the County (continuous coverage), or (3) they previously waived coverage but elected to enroll during the County authorized enrollment period with a coverage date effective January of the given calendar year. Total benefits paid by SASD during the year ended June 30, 2021 and 2020 is \$134,978 and \$116,743, respectively.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

SASD reported a liability of \$3,341,340 and \$2,810,939 for its proportionate share of the total OPEB liability as of June 30, 2021 and 2020, respectively. At June 30, 2021 and 2020, the total OPEB liability was measured as of June 30, 2020 and June 30, 2019, respectively, and the total OPEB liability used to calculate the OPEB liability was determined by actuarial valuations as of the same dates. SASD's proportion of the total OPEB liability was based on the total full-time equivalents (FTE) of SASD relative to the total FTEs of the County. At June 30, 2021 and 2020, SASD's proportion was 2.45 and 2.43 percent, respectively.

For the year ended June 30, 2021 and 2020, SASD recognized OPEB expense of \$19,582 and \$99,516, respectively.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 and 2020

7. OTHER POST-EMPLOYMENT HEALTH CARE BENEFITS (OPEB) (Continued)

At June 30, 2021, SASD 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
Changes in assumptions	\$ 265,185	\$ (1,071,675)
Differences between projected and actual earnings	-	(122,182)
Changes in proportion	9,238	(47,676)
Contributions subsequent to the measurement date	134,978	-
Total	<u>\$ 409,401</u>	<u>\$ (1,241,533)</u>

At June 30, 2020, SASD 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
Changes in assumptions	\$ -	\$ (1,260,442)
Differences between projected and actual earnings	-	(56,910)
Changes in proportion	-	(142,342)
Contributions subsequent to the measurement date	116,743	-
Total	<u>\$ 116,743</u>	<u>\$ (1,459,694)</u>

For the year ended June 30, 2021, \$134,978 was reported as deferred outflows of resources related to OPEB resulting from amounts paid by SASD subsequent to the measurement date and will be recognized as a reduction of the total OPEB liability during the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Years ending June 30</u>	
2022	\$ (183,756)
2023	(183,756)
2024	(183,756)
2025	(183,756)
2026	(183,756)
2027-2028	(48,330)
Total	<u>\$ (967,110)</u>

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 and 2020

7. OTHER POST-EMPLOYMENT HEALTH CARE BENEFITS (OPEB) (Continued)

Actuarial Assumptions

The total OPEB liability in the June 30, 2021 and 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry-Age Normal Cost
Actuarial Assumptions:	
Valuation Date	June 30, 2020 and 2019
Discount Rate	2.21% at June 30, 2020 (Bond Buyer 20-Bond GO Index) 3.50% at June 30, 2019 (Bond Buyer 20-Bond GO Index)
Inflation	2.75% annually
Medical Trend	7.25%, decreasing to an ultimate rate of 4.00% (June 30, 2020) 7.25%, decreasing to an ultimate rate of 4.00% (June 30, 2019)
Mortality Improvement	Post-retirement mortality projected fully generational with Scale MP-2019 for June 30, 2020 and 2019 valuation
Salary Increase	3%
Healthcare Participation	45%

Discount Rate

The discount rate used to measure the total OPEB liability was 2.21 and 3.50 percent for the June 30, 2020 and 2019 valuation dates, respectively, and was based on the Bond Buyer 20-Bond GO Index.

Sensitivity of SASD's Proportionate Share of the County's Net OPEB Liability to Changes in the Discount Rate

The following presents SASD's proportionate share of the total OPEB liability as of June 30, 2021, as well as what SASD's proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB Liability	\$ 3,593,068	\$ 3,341,340	\$3,103,386

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 and 2020

7. OTHER POST-EMPLOYMENT HEALTH CARE BENEFITS (OPEB) (Continued)

The following presents SASD's proportionate share of the total OPEB liability as of June 30, 2020, as well as what SASD's proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the discount rate at June 30, 2020:

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB Liability	\$ 3,029,011	\$ 2,810,939	\$ 2,606,628

Sensitivity of SASD's Proportionate Share of the Total OPEB liability to Changes in the Healthcare Cost Trend Rates

The following presents SASD's proportionate share of the total OPEB liability as of June 30, 2021, as well as what SASD's proportionate share of the total 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:

	1% Decrease (6.25% decreasing to 3.0% in 2076)	Current Rate (7.25% decreasing to 4.0% in 2076)	1% Increase (8.25% decreasing to 5.0% in 2076)
Total OPEB Liability	\$ 2,950,132	\$ 3,341,340	\$ 3,802,495

The following presents SASD's proportionate share of the total OPEB liability as of June 30, 2020, as well as what SASD's proportionate share of the total 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 healthcare cost trend rates at June 30, 2020:

	1% Decrease (6.25% decreasing to 3.0% in 2076)	Current Rate (7.25% decreasing to 4.0% in 2076)	1% Increase (8.25% decreasing to 5.0% in 2076)
Total OPEB Liability	\$ 2,513,467	\$ 2,810,939	\$ 3,158,347

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 and 2020

8. NET PENSION LIABILITY

Plan Description

Employees of SASD participate in the County of Sacramento's (County) cost-sharing multiple-employer defined benefit retirement plan (the Plan) administered by the Sacramento County Employees Retirement System (SCERS). The Plan is governed by the Sacramento Board of Retirement (Board) under the California County Employees' Retirement Law of 1937 (CERL) and the California Public Employees' Pension Reform Act of 2013 (PEPRA). The Plan's authority to establish and amend the benefit terms are set by the CERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the County of Sacramento Board of Supervisors and/or the SCERS Board. SCERS issues a stand-alone financial report, which may be obtained by contacting Sacramento County Employees' Retirement System, 980 9th Street, Suite 1900 Sacramento, CA 95814.

Benefits Provided

SCERS provides service retirement, disability, death and survivor benefits to eligible employees. All permanent full-time or part-time employees of the County of Sacramento or contracting districts become members of SCERS upon employment. There are separate retirement cost pools for Safety and Miscellaneous member employees. Safety membership is extended to those involved in active law enforcement, fire suppression, and certain other classifications. All other employees, including SASD's employees, are classified as Miscellaneous members. There are five tiers applicable to Miscellaneous members. Those hired prior to September 27, 1981 are included in Tier 1. Those hired after September 27, 1981 but prior to January 1, 2012 are included in Tier 2 or Tier 3 depending on date of hire and bargaining unit. County members hired after January 1, 2012 but prior to January 1, 2013 are included in Tier 4. New members hired on or after January 1, 2013 are designated as PEPRA Miscellaneous (Tier 5) and are subject to the provisions of California Government Code 7522 et seq. and AB 197.

Miscellaneous members hired prior to January 1, 2013, are eligible to retire once they attain the age of 50 and have acquired 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. Miscellaneous members who are first hired on or after January 1, 2013, are eligible to retire once they have attained the age of 52, and have acquired five years of retirement service credit. The retirement benefit the member will receive is based upon age at retirement, final average compensation, years of retirement service credit and retirement plan and tier.

Miscellaneous member benefits for Tier 1, Tier 2 and Tier 3 are calculated pursuant to the provisions of California Government Code Section 31676.14. Miscellaneous member benefits for Tier 4 are calculated pursuant to the provisions of California Government Code Section 31676.1. The monthly allowance is equal to 1/90th of the first \$350 of final compensation, plus 1/60th of the excess final compensation times years of accrued retirement service credit times age factor from either Section 31676.14 (Tier 1, Tier 2 and Tier 3) or Section 31676.1 (Tier 4). Miscellaneous member benefits for those who are first hired on or after January 1, 2013, are calculated pursuant to the provision of California Government Code Section 7522.25(d). The monthly allowance is equal to the final compensation multiplied by years of accrued retirement credit multiplied by the age factor from Section 7522.20(a).

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 and 2020

8. NET PENSION LIABILITY (Continued)

For members with membership dates before January 1, 2013, the maximum monthly retirement allowance is 100% of final compensation. There is no maximum for members with membership dates on or after January 1, 2013. Final average compensation consists of the highest 12 consecutive months for a Tier 1 Safety or Tier 1 Miscellaneous member and the highest 36 consecutive months for a Tier 2, Tier 3, Tier 4 or Tier 5 member. The member may elect an unmodified retirement allowance, or choose an optional retirement allowance. The unmodified retirement allowance provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse. An eligible surviving spouse is one married to the member one year prior to the effective retirement date. There are four optional retirement allowances the member may choose. Each of the optional retirement allowances requires a reduction in the unmodified retirement allowance in order to allow the member the ability to provide certain benefits to a surviving spouse or named beneficiary having an insurable interest in the life of the member.

SCERS provides an annual cost-of-living benefit to Safety Tier 1, Tier 2, Tier 3 and Tier 4 member retirees and Miscellaneous Tier 1, Tier 3, Tier 4 and Tier 5 member retirees. The cost-of-living adjustment, based upon the Consumer Price Index for the San Francisco-Oakland-San Jose area, is capped at 4% for Tier 1 members and 2% for all other members eligible for a cost-of-living adjustment.

Contributions

Participating employers and active members (i.e. County), including SASD, are required by statute to contribute a percentage of covered salary to the Plan. Contributions to the Plan are made pursuant to Section 31584 of the County Employees Retirement Law of 1937. The Plan's funding policy provides for periodic contributions at actuarially-determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate adequate assets to pay benefits when legally due. Each employer of the Plan is obligated by state law to make all required contributions to the plan and depending on the participating employer and their employees' tiers. The average contribution rate was 21.05% of covered payroll for the year ended June 30, 2021 and 19.26% of covered payroll for the year ended June 30, 2020. SASD's proportionate share of the County's contribution to the Plan was \$5,437,490 and \$4,671,098 for the years ended June 30, 2021 and June 30, 2020, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

SASD reported a liability of \$44,705,718 and \$31,490,903 for its proportionate share of the County's net pension liability at June 30, 2021 and June 30, 2020, respectively. The net pension liability was measured as of June 30, 2020 and June 30, 2019, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. SASD's proportion of the County's net pension liability was based on SASD's fiscal year 2020 and 2019 actual contributions to the County's pension plan relative to the total contributions of the County as a whole. At June 30, 2020, SASD's proportion was 1.65 percent, which was an increase of 0.13 percent from its proportionate share measured as of June 30, 2019. At June 30, 2019, SASD's proportion was 1.52 percent which was a decrease of 0.07 percent from its proportionate share of 1.59 percent measured as of June 30, 2018.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 and 2020

8. NET PENSION LIABILITY (Continued)

SASD recognized pension expense of \$4,152,402 and \$3,608,644 for the years ended June 30, 2021 and June 30, 2020, respectively.

At June 30, 2021, SASD reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 1,281,589	\$ (91,178)
Changes in assumptions	6,293,060	-
Net differences between projected and actual earnings on plan investments	1,394,412	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	430,607	(391,552)
Employer contributions paid by the District to County subsequent to the measurement date	5,437,490	-
Total	<u>\$ 14,837,158</u>	<u>\$ (482,730)</u>

The \$5,437,490 reported as deferred outflows of resources related to pension, resulting from SASD's contributions to the County's plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Years ending June 30</u>	
2022	\$ 2,327,551
2023	2,327,551
2024	2,327,551
2025	<u>1,934,285</u>
Total	<u>\$ 8,916,938</u>

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 and 2020

8. NET PENSION LIABILITY (Continued)

At June 30, 2020, SASD reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 1,309,008	\$ (317,947)
Changes in assumptions	4,793,485	-
Net differences between projected and actual earnings on plan investments	-	(4,633,078)
Changes in proportion and differences between employer contributions and proportionate share of contributions	102,886	(633,437)
Employer contributions paid by the District to County subsequent to the measurement date	4,671,098	-
Total	<u>\$ 10,876,477</u>	<u>\$ (5,584,462)</u>

Actuarial Assumptions – SASD's proportion of the County's total pension liability in the June 30, 2020 and 2019 actuarial valuations were determined using the following actuarial assumptions applied to all periods included in the measurement:

June 30, 2021

Actuarial valuation date	June 30, 2020
Actuarial cost method	Entry-Age actuarial cost method
Actuarial Assumptions:	
Investment Rate of Return	6.75%
Inflation	2.75%
Projected Salary increases	Miscellaneous: 4.25% to 10.50%
Cost of Living Adjustments	See below

June 30, 2020

Actuarial valuation date	June 30, 2019
Actuarial cost method	Entry-Age actuarial cost method
Actuarial Assumptions:	
Investment Rate of Return	7.00%
Inflation	3.00%
Projected Salary increases	Miscellaneous: 4.50% to 10.75%.
Cost of Living Adjustments	See below

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 and 2020

8. NET PENSION LIABILITY (Continued)

Cost of living adjustments for Miscellaneous Tier 1 benefits are assumed to increase at 3.00% per year, Miscellaneous Tier 3, Tier 4, and Tier 5 benefits are assumed to increase at 2.00% per year and Miscellaneous Tier 2 receives no COLA increase for the June 30, 2021 and June 30, 2020 actuarial valuations.

Mortality rates used in the actuarial valuation dated June 30, 2020 are based on Headcount-Weighted RP-2014 with the two-dimensional scale MP-2016. For healthy Miscellaneous members, the ages are set forward one year for males and no age adjustment for females. For Miscellaneous members that are disabled, the ages are set forward seven years for males and set forward eight years for females. Mortality rates used in the actuarial valuation dated June 30, 2018 are based on the Headcount-Weighted RP-2014 with the two-dimensional scale MP-2016. For healthy Miscellaneous members, the ages are set forward one year for males and no age adjustment for females. For Miscellaneous members that are disabled, the ages are set forward seven years for males and set forward eight years for female.

The actuarial assumptions used in the June 30, 2020 valuations were based on the results of an actuarial experience study for the three-year period of July 1, 2016 through June 30, 2019. The actuarial assumptions used in the June 30, 2019 valuations were based on the results of an actuarial experience study for the three year period of July 1, 2013 through June 30, 2016.

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. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 and 2020

8. NET PENSION LIABILITY (Continued)

The target allocation and projected arithmetic real rates of return for each major asset class used in the derivation of the long-term expected investment rate of return assumption, measured as of June 30, 2020, are summarized in the table below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
U.S. Large Cap Equity	18.0%	5.4%
U.S. Small Cap Equity	2.0%	6.2%
International Developed Equity	16.0%	6.5%
Emerging Markets Equity	4.0%	8.8%
Core Plus Bonds	10.0%	1.1%
High Yield Bonds	1.0%	3.4%
Global Bonds	3.0%	-0.4%
Bank Loans	1.0%	3.9%
U.S. Treasury	5.0%	0.3%
Real Estate	5.0%	4.6%
Cash	1.0%	-0.3%
Liquid Real Return	2.0%	4.5%
Hedge Fund Growth	3.0%	2.4%
Hedge Fund Diversifying	7.0%	2.4%
Value Added Real Estate	2.0%	8.1%
Private Equity	9.0%	9.4%
Private Real Assets	7.0%	8.1%
Private Credit	4.0%	5.6%
Total	<u>100.00%</u>	

Change of Assumptions – In 2020, the discount rate was reduced from 7.0% to 6.75%.

Discount Rate – The discount rates used to measure the total pension liability (TPL) was 6.75% and 7.00%, for the measurement periods ended June 30, 2020 and 2019, respectively. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL as of June 30, 2020 and 2019.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 and 2020

8. NET PENSION LIABILITY (Continued)

Sensitivity of SASD's Proportionate Share of the County's Net Pension Liability to Changes in the Discount Rate

The following table presents SASD's proportionate share of the County's net pension liability calculated using the discount rate of 6.75% and 7.00% for the years ended June 30, 2021 and 2020, respectively, as well as what SASD's proportionate share of the County's 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 at June 30, 2021 and 2020.

SASD's proportionate share of the County's net pension liability

Year Ending June 30	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
2021	\$73,268,228	\$44,705,718	\$ 21,321,934

Year Ending June 30	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
2020	\$56,387,193	\$31,409,903	\$ 11,148,781

Pension Plan Fiduciary Net Position

Detailed information about the County's collective net pension liability is available in the County's separately issued Annual Comprehensive Financial Report (ACFR). The County of Sacramento's financial statements may be obtained on the internet at <http://www.finance.saccounty.net/AuditorController/Pages/AcctGeneral.aspx>.

Detailed information about the SCERS's fiduciary net position is available in a separately issued SCERS annual comprehensive financial report. That report may be obtained on the Internet at www.retirement.saccounty.net/Pages/FinancialInformation.aspx.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 and 2020

9. FUTURE GASB PRONOUNCEMENTS

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' 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. The effective date of this Statement was postponed to fiscal years beginning after June 15, 2021 with the issuance of GASB Statement No. 95. SASD is currently evaluating the effect of this standard on the financial statements.

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The effective date of this Statement was postponed to fiscal years beginning after December 15, 2021 with the issuance of GASB Statement No. 95. SASD is currently evaluating the effect of this standard on the financial statements.

GASB Statement No. 92 – In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements. The effective date of this Statement was postponed to fiscal years beginning after June 15, 2021 with the issuance of GASB Statement No. 95. SASD is currently evaluating the effect of this standard on the financial statements.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 and 2020

9. FUTURE GASB PRONOUNCEMENTS (Continued)

GASB Statement No. 93 – In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Some governments 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 requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements (except paragraphs 13 and 14) of this Statement are effective for reporting periods beginning after June 15, 2020. Paragraphs 13 and 14 have been postponed to reporting periods beginning after June 15, 2021 with the issuance of GASB Statement No. 95. SASD is currently evaluating the effect of this standard on the financial statements.

GASB Statement No. 94 – In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. SASD is currently evaluating the effect of this standard on the financial statements.

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. SASD is currently evaluating the effect of this standard on the financial statements.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 and 2020

9. FUTURE GASB PRONOUNCEMENTS (Continued)

GASB Statement No. 97 – In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statement No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. SASD is currently evaluating the effect of this standard on the financial statements.

10. CORONAVIRUS (COVID-19) PANDEMIC

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, customers, economies, and financial markets globally. Due to the nature of SASD's operations, there was minimal impact of COVID-19 on the SASD financial statements. At this time, SASD cannot estimate the impact of COVID-19 on future year's financial statements.

11. SUBSEQUENT EVENTS

In July 2021, SASD established an Investment Policy for the cash reserves of SASD. This policy will delegate the responsibility for the cash management of cash reserves to the Chief Financial Officer. This will allow SASD to invest the reserves outside of the Sacramento County Pooled Investment Fund to better align the investment objectives and liquidity needs of SASD.

SACRAMENTO AREA SEWER DISTRICT
Sacramento, California

Required Supplementary Information

For the Fiscal Years Ended June 30, 2021 and 2020

SACRAMENTO AREA SEWER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

Schedule of SASD's Proportionate Share of the County's Net Pension Liability							
Last Ten Years ^(1,2)							
	Fiscal Year						
	2021	2020	2019	2018	2017	2016	2015
SASD's proportion of the County's net pension liability	1.65%	1.52%	1.59%	1.65%	1.82%	1.68%	1.52%
SASD's proportionate share of the County's net pension liability	\$ 44,705,718	\$ 31,490,903	\$ 31,100,165	\$ 34,519,914	\$ 29,458,678	\$ 18,033,285	\$ 10,967,925
SASD's covered payroll	\$ 24,258,051	\$ 23,225,878	\$ 22,658,201	\$ 22,094,720	\$ 21,248,598	\$ 20,449,918	\$ 19,736,202
SASD's proportionate share of the net pension liability as a percentage of its covered employee payroll	184.29%	135.59%	137.26%	156.24%	138.71%	88.18%	55.57%
Plan's fiduciary net position as a percentage of the total pension liability	78.62%	82.57%	82.51%	80.37%	81.40%	87.26%	91.02%
Measurement date	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014

Notes to Schedule:

(1) Fiscal year 2015 was the first year of implementation; therefore, only seven years are shown.

(2) Changes in assumptions: In the measurement period ended June 30, 2017, the discount rate changed from 7.5% to 7.0%. In the measurement period ended June 30, 2020, the discount rate changed from 7.0% to 6.75%.

SACRAMENTO AREA SEWER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

Schedule of SASD's Pension Contributions							
Last Ten Years ⁽¹⁾							
	Fiscal Year						
	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contributions	\$ 5,437,490	\$ 4,671,098	\$ 4,045,247	\$ 3,386,565	\$ 3,533,121	\$ 3,721,700	\$ 4,266,231
Contributions in relation to the actuarially determined contribution	(5,437,490)	(4,671,098)	(4,045,247)	(3,386,565)	(3,533,121)	(3,721,700)	(4,266,231)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
SASD's covered payroll	\$ 25,831,972	\$ 24,258,051	\$ 23,225,878	\$ 22,658,201	\$ 22,094,720	\$ 21,248,598	\$ 20,449,918
Contributions as a percentage of covered payroll	21.05%	19.26%	17.42%	14.95%	15.99%	17.52%	20.86%

Notes to Schedule:

(1) Fiscal year 2015 was the first year of implementation; therefore, only seven years are shown.

SACRAMENTO AREA SEWER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

Schedule of the SASD's Proportionate Share of the County's Net OPEB Liability

	Last Ten Years ⁽¹⁾			
	Fiscal Year			
	2021	2020	2019	2018
SASD's proportion of the County's OPEB liability	2.45%	2.43%	2.44%	2.48%
SASD's proportionate share of the County's OPEB liability	\$ 3,341,340	\$ 2,810,939	\$ 3,908,774	\$ 3,753,160
SASD's covered employee payroll	\$ 28,317,444	\$ 26,841,532	\$ 26,271,593	\$ 25,904,577
SASD's proportionate share of the OPEB liability as a percentage of its covered employee payroll	11.80%	10.47%	14.88%	14.49%
Measurement date	6/30/2020	6/30/2019	6/30/2018	6/30/2017

Notes to Schedule:

(1) Fiscal year 2018 was the first year of implementation; therefore, only four years are shown.



SACRAMENTO AREA SEWER DISTRICT

Sacramento, California

Statistical Section

For the Fiscal Years Ended June 30, 2021 and 2020

SACRAMENTO AREA SEWER DISTRICT

Index to Statistical Section

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

Contents

Financial Trends

These schedules contain trend information to help the reader understand how SASD's financial performance has changed over time:

- Net Position by Component – Fiscal Years 2011-2012 through 2020-2021
- Changes in Net Position - Fiscal Years 2011-2012 through 2020-2021
- Operating Revenues by Source - Fiscal Years 2011-2012 through 2020-2021
- Operating Expenses - Fiscal Years 2011-2012 through 2020-2021
- Nonoperating Revenues and Expenses - Fiscal Years 2011-2012 through 2020-2021
- Capital Contributions - Fiscal Years 2011-2012 through 2020-2021

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting SASD's ability to generate its sewer service fees:

- Wastewater Collected and Conveyed - Fiscal Years 2011-2012 through 2020-2021
- Number of Customers by Type - Fiscal Years 2011-2012 through 2020-2021
- Sewer Rates - Fiscal Years 2011-2012 through 2020-2021
- Ten Largest Customers – Fiscal Years 2021 and 2012

Debt Capacity

These schedules present information to help the reader assess the affordability of the SASD's current level of outstanding debt and its ability to issue additional debt in the future:

- Pledged Revenue Coverage - Fiscal Years 2011-2012 through 2020-2021
- Net Ratios of Outstanding Debt by Type - Fiscal Years 2011-2012 through 2020-2021

Demographic and Economic Information

These schedules present demographic and economic indicators to help the reader understand the environment within which SASD's financial activities take place:

- Demographic and Economic Statistics - Fiscal Years 2011-2012 through 2020-2021
- Private Sector Principal Employers – Fiscal Years 2021 and 2012

Operating Information

These schedules contain service and infrastructure information to help the reader understand how the information in SASD's financial report relates to the services that SASD provides and the activities it performs:

- Number of Employees by Identifiable Activity - Fiscal Years 2011-2012 through 2020-2021
- Operating and Capital Indicators - Fiscal Years 2011-2012 through 2020-2021

SACRAMENTO AREA SEWER DISTRICT

Net Position by Component

Fiscal Years 2011-2012 through 2020-2021
Schedule 1

Fiscal Year	Net Investment in Capital Assets	Restricted		Unrestricted	Total Net Position
		Capital Construction	Debt Service		
2021	\$ 756,412,334	\$ -	\$ -	\$ 64,910,209	\$ 821,322,543
2020	737,806,293	-	-	71,634,982	809,441,275
2019	726,315,483	-	-	59,483,872	785,799,355
2018 ²	705,750,015	-	5,514,083	47,622,759	758,886,857
2017	705,507,970	-	5,464,307	61,958,162	772,930,439
2016	709,835,026	-	4,859,404	58,326,786	773,021,216
2015 ¹	703,208,279	-	4,616,224	46,534,443	754,358,946
2014	635,140,183	-	10,531,501	123,749,911	769,421,595
2013	624,118,669	999,589	10,917,186	115,392,862	751,428,306
2012	632,622,714	1,100,748	10,661,071	98,326,197	742,710,730

Note ¹: Fiscal year 2015 beginning net position has been revised in accordance with the implementation guidance in GASB Statement No. 68, *Financial Reporting for Pensions*. Prior years have not been restated as permitted by the standard.

Note ²: Fiscal year 2018 beginning net position has been revised in accordance with the implementation guidance in GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Prior years have not been restated as permitted by the standard.

SACRAMENTO AREA SEWER DISTRICT

Changes in Net Position

Fiscal Years 2011-2012 through 2020-2021 Schedule 2

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income (Loss)	Nonoperating Revenues (Expenses)	Capital Contributions	Change in Net Position	Beginning Net Position	Ending Net Position
2021	\$ 105,076,638	\$ 118,992,998	\$(13,916,360)	\$ (8,827,543)	\$ 34,625,171	\$ 11,881,268	\$809,441,275	\$ 821,322,543
2020	112,397,165	116,545,315	(4,148,150)	(6,564,456)	34,354,526	23,641,920	785,799,355	809,441,275
2019	110,144,594	110,386,844	(242,250)	(6,598,022)	33,752,770	26,912,498	758,886,857	785,799,355
2018 ²	100,259,354	113,339,809	(13,080,455)	(6,227,165)	7,378,175	(11,929,445)	770,816,302	758,886,857
2017	99,776,680	110,104,391	(10,327,711)	(7,503,056)	17,739,990	(90,777)	773,021,216	772,930,439
2016	99,161,661	101,857,897	(2,696,236)	(6,711,407)	28,069,913	18,662,270	754,358,946	773,021,216
2015 ¹	98,855,635	100,686,145	(1,830,510)	(1,980,159)	9,771,212	5,960,543	748,398,403	754,358,946
2014	99,970,054	103,860,654	(3,890,600)	(12,044,643)	33,928,532	17,993,289	751,428,306	769,421,595
2013	99,826,864	92,275,929	7,550,935	(13,455,675)	14,622,316	8,717,576	742,710,730	751,428,306
2012	99,801,183	85,491,988	14,309,195	(13,262,552)	14,618,477	15,665,120	727,045,610	742,710,730

Note ¹: Fiscal year 2015 Beginning Net Position have been revised in accordance with the implementation guidance in GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Prior years have not been restated as permitted by the standard.

Note ²: Fiscal year 2018 beginning net position has been revised in accordance with the implementation guidance in GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Prior years have not been restated as permitted by the standard.

SACRAMENTO AREA SEWER DISTRICT

Operating Revenues by Source

**Fiscal Years 2011-2012 through 2020-2021
Schedule 3**

Fiscal Year	Sewer Service Fees	Other Revenue	Total Operating Revenues
2021	\$ 97,688,774	\$ 7,387,864	\$ 105,076,638
2020	99,833,976	12,563,189	112,397,165
2019	101,204,376	8,940,218	110,144,594
2018	98,854,822	1,404,532	100,259,354
2017	98,245,042	1,531,638	99,776,680
2016	97,120,333	2,041,328	99,161,661
2015	97,082,529	1,773,106	98,855,635
2014	96,565,734	3,404,320	99,970,054
2013	95,825,402	4,001,462	99,826,864
2012	95,988,816	3,812,367	99,801,183

SACRAMENTO AREA SEWER DISTRICT

Operating Expenses

Fiscal Years 2011-2012 through 2020-2021
Schedule 4

Fiscal Year	Labor Force			Depreciation and Amortization	Utilities			Services and Supplies
	Water Quality	Other	Total		Electricity	Other	Total	
2021	52,739,680	1,920,907	54,660,587	37,954,796	915,488	598,427	1,513,915	1,078,711
2020	48,672,570	1,395,710	50,068,280	38,229,282	966,957	611,520	1,578,477	1,440,439
2019	45,789,126	1,567,727	47,356,853	36,679,040	920,511	623,484	1,543,995	2,328,492
2018	45,936,396	1,633,725	47,570,121	36,633,007	940,143	548,567	1,488,710	1,266,732
2017	43,213,984	1,549,492	44,763,476	36,108,426	951,368	501,264	1,452,632	998,892
2016	39,447,381	1,686,268	41,133,649	35,405,208	882,059	507,438	1,389,497	770,597
2015	37,063,712	1,473,783	38,537,495	35,315,196	800,282	520,533	1,320,815	1,258,653
2014	36,834,704	2,271,463	39,106,167	34,180,869	869,707	481,150	1,350,857	1,491,555
2013	35,215,521	1,793,871	37,009,392	33,481,261	855,075	416,589	1,271,664	1,246,479
2012	33,203,007	1,760,272	34,963,279	30,797,283	799,864	450,815	1,250,679	1,476,071

SACRAMENTO AREA SEWER DISTRICT

Operating Expenses (Continued)

Fiscal Years 2011-2012 through 2020-2021

Schedule 4

Billing	Pipeline Maintenance	Data Processing	Office Equipment	Consultants	Chemicals	Insurance	Total Operating Expenses
746,863	12,956,050	2,828,849	701,706	4,682,821	649,026	1,219,674	118,992,998
754,118	14,897,558	2,518,388	556,890	5,069,967	331,810	1,100,106	116,545,315
355,471	11,655,609	3,530,300	708,470	4,834,241	264,693	1,129,680	110,386,844
17,453	16,335,769	2,790,046	571,353	5,106,006	394,341	1,166,271	113,339,809
137,713	16,574,669	2,721,382	517,905	5,157,029	364,662	1,307,605	110,104,391
251,038	13,758,609	2,279,231	620,170	4,508,899	339,322	1,401,677	101,857,897
395,428	13,235,161	2,531,191	725,602	5,401,703	431,658	1,533,243	100,686,145
1,146,188	15,564,139	3,308,135	660,261	5,399,106	426,672	1,226,705	103,860,654
-	12,075,207	1,963,129	503,494	2,834,498	256,370	1,634,435	92,275,929
429,177	9,979,224	1,587,138	482,019	2,837,442	167,501	1,522,175	85,491,988

SACRAMENTO AREA SEWER DISTRICT

Nonoperating Revenues and Expenses

Fiscal Years 2011-2012 through 2020-2021

Schedule 5

Fiscal Year	Interest Expense	Interest Revenue	Inter-governmental Revenue (Expense)	Other Expenses	Gain on extinguishment of debt	Gain on disposal of assets	Total Nonoperating Revenues (Expenses)
2021	\$ (8,962,212)	\$ 826,015	\$ 2,119,014	\$ (2,810,360)	\$ -	\$ -	\$ (8,827,543)
2020	(9,017,621)	2,351,431	2,280,740	(2,179,006)	-	-	(6,564,456)
2019	(9,061,695)	2,600,248	2,230,984	(2,367,559)	-	-	(6,598,022)
2018	(9,112,204)	1,555,076	2,261,492	(931,529)	-	-	(6,227,165)
2017	(9,151,671)	979,343	2,258,911	(1,589,639)	-	-	(7,503,056)
2016	(7,471,784)	133,184	2,220,225	(1,589,532)	-	(3,500)	(6,711,407)
2015	(14,951,737)	291,833	2,251,022	(234,799)	6,256,021	4,407,501	(1,980,159)
2014	(13,840,761)	510,982	2,208,248	(923,112)	-	-	(12,044,643)
2013	(16,011,407)	789,443	2,411,714	(645,425)	-	-	(13,455,675)
2012	(16,010,762)	1,743,221	2,402,439	(1,397,450)	-	-	(13,262,552)

SACRAMENTO AREA SEWER DISTRICT

Capital Contributions

**Fiscal Years 2011-2012 through 2020-2021
Schedule 6**

Fiscal Year	Pipe From Developers	Sewer Impact Fees	Other Capital Contributions	Total Capital Contributions
2021	\$ 22,681,925	\$ 11,943,246	\$ -	\$ 34,625,171
2020	27,690,489	6,664,037	-	34,354,526
2019	28,795,058	4,957,712	-	33,752,770
2018	4,048,277	3,329,898	-	7,378,175
2017	13,145,126	4,594,864	-	17,739,990
2016	26,184,807	1,885,106	-	28,069,913
2015	8,726,704	1,044,508	-	9,771,212
2014	31,632,360	2,296,172	-	33,928,532
2013	14,369,952	252,364	-	14,622,316
2012	10,494,903	4,123,574	-	14,618,477

SACRAMENTO AREA SEWER DISTRICT

Wastewater Collected and Conveyed

**Fiscal Years 2011-2012 through 2020-2021
Schedule 7**

Fiscal Year	Connected Equivalent Single-Family Dwelling Units (ESD)	Monthly Sewer Rate per ESD
2021	423,244	\$ 19.85
2020	420,297	\$ 19.85
2019	417,027	\$ 19.85
2018	413,809	\$ 19.85
2017	410,689	\$ 19.85
2016	407,502	\$ 19.85
2015	405,597	\$ 19.85
2014	404,647	\$ 19.85
2013	402,705	\$ 19.85
2012	401,405	\$ 19.85

Source: ESD - Chief Financial Officer's Billing Report
District Sewer Rate Ordinances

SACRAMENTO AREA SEWER DISTRICT

Number of Customers by Type

Fiscal Years 2011-2012 through 2020-2021

Schedule 8

Fiscal Year	Residential ESD's	Commercial ESD's	Total ESD's ¹	Industrial Flow Customers	Total
2021	366,823	56,421	423,244	62	423,306
2020	364,208	56,089	420,297	60	420,357
2019	361,384	55,644	417,027	64	417,091
2018	358,730	55,079	413,809	68	413,877
2017	356,191	54,498	410,689	67	410,756
2016	363,125	44,376	407,502	66	407,568
2015	361,004	44,593	405,597	68	405,665
2014	360,111	44,536	404,647	64	404,711
2013	358,650	44,055	402,705	62	402,767
2012	357,721	43,584	401,305	66	401,371

Source: Customer billing records

Note ¹: Total ESD's for Residential and Commercial is not the total number of customers by type since many Commercial customers have multiple ESD's, and there are three different classes of Residential customers

SACRAMENTO AREA SEWER DISTRICT

Sewer Rates

Fiscal Years 2011-2012 through 2020-2021

Schedule 9

	Fiscal Year									
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Residential Rates ¹ :										
Operations and										
Maintenance	\$14.85	\$14.85	\$16.00	\$16.00	\$16.00	\$16.00	\$14.65	\$15.56	\$13.46	\$13.15
Rehabilitation	5.00	5.00	3.85	3.85	3.85	3.85	5.20	4.29	6.39	6.70
Total	<u>\$19.85</u>	<u>\$19.85</u>	<u>\$19.85</u>	<u>\$19.85</u>	<u>\$19.85</u>	<u>\$19.85</u>	<u>\$19.85</u>	<u>\$19.85</u>	<u>\$19.85</u>	<u>\$19.85</u>
Industrial Rates ³ :										
Fixed Amount ⁴	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$7.16	\$7.16	\$7.16	\$7.16	\$7.16
Per Million Gallons	72.73	72.73	72.73	72.73	72.73	72.73	72.73	72.73	72.73	72.73
Per Thousand Lbs SS ²	5.10	5.10	5.10	5.10	5.10	5.10	5.10	5.10	5.10	5.10

Source: District ordinances

Notes ¹: Monthly rate at June 30 per equivalent single-family dwelling (ESD).

Notes ²: SS=Suspended Solids.

Notes ³: Industrial rates are based on flow (millions of gallons) per thousands of pounds of BOD (Biochemical Oxygen Demand) and SS.

Notes ⁴: The \$7.16 admin cost for industrial users was removed from the SASD Sewer Ordinance adopted on 1/13/2016.

SACRAMENTO AREA SEWER DISTRICT

Ten Largest Customers

Current Year and Nine Years Ago Schedule 10

Fiscal Year 2021

Customer	Service Fees ¹	%
Sacramento County Airport System - SIA	\$ 91,515	0.09%
Procter and Gamble Manufacturing	34,418	0.04%
H.P. Hood, LLC	23,233	0.02%
Aerojet Commercial	12,805	0.01%
Huhtamaki, Inc.	10,747	0.01%
Air Products Manufacturing Co	6,876	0.01%
Rio Cosumnes Correctional Center	6,125	0.01%
Cintas Corporation	4,860	0.00%
Sacramento Cogeneration Authority	3,666	0.00%
Mission Linen Supply	3,658	0.00%
Subtotal (10 largest)	197,903	0.20%
Balance from other customers	97,490,871	99.80%
Grand totals	\$ 97,688,774	100.00%

Fiscal Year 2012

Customer	Service Fees ¹	%
Sacramento International Airport	\$ 114,142	0.12%
Campbell Soup Company	42,919	0.04%
Proctor-Gamble Manufacturing	30,888	0.03%
Aerojet Commercial	14,377	0.01%
Ameripride Uniform Services	9,493	0.01%
Rio Cosumnes Correction Center	8,956	0.01%
Crystal Cream and Butter Co.	7,988	0.01%
Huhmataka Food Services, Inc.	7,709	0.01%
Mission Linen Supply	6,871	0.01%
Raging Water, Sacramento	6,797	0.01%
Subtotal (10 largest)	250,140	0.26%
Balance from other customers	95,738,676	99.74%
Grand totals	\$ 95,988,816	100.00%

Source : Annual customer billing records, from Wastewater Control Section.

Note ¹: Amount includes base rate charges, as well as multiple meters on various accounts.

SACRAMENTO AREA SEWER DISTRICT

Pledged Revenue Coverage

**Fiscal Years 2011-2012 through 2020-2021
Schedule 11**

Fiscal Year	Operating Revenues	Sewer Impact Fees	Interest Revenue	Other Revenue ¹	Gross Revenues
2021	\$ 105,076,638	\$ 11,943,246	\$ 826,015	\$ 2,119,014	\$ 119,964,913
2020	112,397,165	6,664,037	2,351,431	2,280,740	123,693,373
2019	110,144,594	4,957,712	2,600,248	2,230,984	119,933,538
2018	100,259,354	3,329,898	1,555,076	2,261,492	107,405,820
2017	99,776,680	4,594,864	979,343	2,258,911	107,609,798
2016	99,161,661	1,885,106	133,184	2,220,225	103,400,176
2015	98,855,635	1,044,508	291,833	2,267,685	102,459,661
2014	99,970,054	2,296,172	510,982	2,250,570	105,027,778
2013	99,826,864	252,364	789,443	2,444,943	103,313,614
2012	99,801,182	4,123,574	1,743,221	2,444,943	108,112,920

Note ¹: Other Revenue mainly consists of the Build America Bond subsidy.

Note ²: During the fiscal year 2015, the 2005 Revenue Bonds were refunded. The principal and interest payment of the schedule reflect the original amount that was paid before the refunding. See Note 4 in the Notes to the Basic Financial Statements for more detail.

Note ³: Principal and Interest amounts taken from debt service schedule.

SACRAMENTO AREA SEWER DISTRICT

Pledged Revenue Coverage (Continued)

Fiscal Years 2011-2012 through 2020-2021
Schedule 11

Less Operating Expenses (excluding depreciation and amortization)	Net Available Revenues	Revenue Bonds Debt Service			Coverage Ratio
		Principal ^{2,3}	Interest ^{2,3}	Total	
\$ 81,038,202	\$ 38,926,711	\$ 1,130,000	\$ 9,330,909	\$ 10,460,909	3.72
78,316,033	45,377,340	1,085,000	9,380,860	10,465,860	4.34
73,707,804	46,225,734	1,030,000	9,428,309	10,458,309	4.42
76,706,802	30,699,018	990,000	9,473,859	10,463,859	2.93
73,995,965	33,613,833	950,000	9,512,660	10,462,660	3.21
66,452,689	36,947,487	920,000	9,005,526	9,925,526	3.72
65,370,949	37,088,712	4,820,000	14,130,778	18,950,778	1.96
69,679,785	35,347,993	4,635,000	14,316,609	18,951,609	1.87
58,794,668	44,518,946	4,460,000	14,491,841	18,951,841	2.35
54,694,704	53,418,216	4,285,000	14,663,728	18,948,728	2.82

SACRAMENTO AREA SEWER DISTRICT

Net Ratios of Outstanding Debt by Type

Fiscal Years 2011-2012 through 2020-2021
Schedule 12

Fiscal Year	Outstanding Debt ¹		Total Debt Outstanding	Debt Per Equivalent Single-Family Dwelling ²	Percentage of Personal Income ³
	Net Revenue Bonds	Capital Lease			
2021	\$ 167,880,369	\$ -	\$ 167,880,369	\$ 396.65	N/A
2020	169,355,524	-	169,355,524	402.94	0.20%
2019	170,785,680	-	170,785,680	409.53	0.21%
2018	172,160,835	-	172,160,835	416.04	0.22%
2017	173,495,990	-	173,495,990	422.25	0.23%
2016	174,791,145	-	174,791,145	428.93	0.25%
2015	176,056,300	-	176,056,300	434.07	0.27%
2014	267,480,273	-	267,480,273	661.02	0.42%
2013	272,529,262	-	272,529,262	676.75	0.45%
2012	273,659,030	59,239,521	332,898,551	829.33	0.61%

Note ¹: Details regarding the District's outstanding debt can be found in the notes to the financial statements.

Note ²: Equivalent single-family dwelling data is shown at schedule 7.

Note ³: Per capita personal income data is shown at Schedule 13.

SACRAMENTO AREA SEWER DISTRICT

Demographic and Economic Statistics

Fiscal Years 2011-2012 through 2020-2021 Schedule 13

Fiscal Year	County Population	Personal Income <i>(in thousands)</i>	Per Capita Personal Income	County Unemployment Rate	School Enrollment	County Labor Force
2021	1,578,680	NA	NA	7.2%	249,000	713,000
2020	1,552,058	\$ 85,776,037	\$ 55,266	3.7%	250,000	709,000
2019	1,540,975	80,969,087	52,544	3.8%	247,000	706,900
2018	1,530,615	76,832,420	50,197	4.6%	246,000	703,500
2017	1,514,460	72,878,458	48,122	5.4%	244,000	697,600
2016	1,501,335	69,870,482	46,539	6.0%	243,000	693,000
2015	1,482,000	65,126,187	43,944	7.3%	241,000	689,800
2014	1,462,000	63,512,541	43,438	8.8%	240,000	679,300
2013	1,450,000	60,668,975	41,837	10.5%	238,000	684,000
2012	1,436,000	54,861,602	38,202	12.1%	237,000	685,400

Source: Sacramento County Annual Comprehensive Financial Report
County Labor Force from California Employment Department

Note: NA = Not available until April 2022. Information will be updated next fiscal year.

SACRAMENTO AREA SEWER DISTRICT

Private Sector Principal Employers

Current Year and Nine Years Ago Schedule 14

<u>Employer</u>	<u>Number of Employees</u>	<u>Percent of County Labor Force¹</u>
	<u>2021^a</u>	<u>2021^c</u>
UC Davis Health System	14,618	2.05%
Kaiser Permanente	12,585	1.78%
Dignity /Mercy Healthcare	10,888	1.54%
Sutter / California Health Services	10,764	1.53%
Intel Corporation	5,992	0.86%
Raley's Inc. / Bel Air	3,394	0.49%
VSP Global	2,834	0.41%
Seimens Mobility Inc.	2,000	0.29%
Safeway	1,823	0.27%
Golden 1 Credit Union	1,558	0.23%
	<u>2012^b</u>	<u>2012^c</u>
Kaiser Permanente	9,932	1.67%
Sutter/California Health Services	9,609	1.62%
Mercy/Catholic Healthcare West	7,107	1.20%
Intel Corporation	6,147	1.03%
Hewlett-Packard Co.	3,500	0.59%
Wells Fargo & Co.	2,986	0.50%
HealthNet of CA	2,440	0.41%
Cache Creak Casino Resort	2,376	0.40%
Pacific Gas and Electric Co.	2,060	0.35%
Thujnder Valley Casino Report	2,025	0.34%

Source^a: Sacramento Business Journal Annual Book of Lists

Source^b: Sacramento Area Commerce and Trade Organization

Source^c: California Employment Development Department, Labor Market Information

Note¹: County labor force is shown in schedule 13.

SACRAMENTO AREA SEWER DISTRICT

Number of Employees by Identifiable Activity

Fiscal Years 2011-2012 through 2020-2021
Schedule 15

	Full-time-Equivalent Employees as of June 30									
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015⁽¹⁾</u>	<u>2014</u>	<u>2013</u>	<u>2012⁽²⁾</u>
Maintenance and Operations	213	190	190	189	186	184	185	181	187	178
Engineering	66	75	76	76	74	86	85	66	46	48
Administration	29	35	35	35	37	26	26	44	43	47
Total Employees	308	300	301	300	297	296	296	291	276	273

Note: The District's labor force are employees of the County

(1) In 2015, 19 FTE positions were moved from the Data Management Section (classified as Administration in the schedule) to the Engineering Section.

(2) In 2012, 33 FTE positions were moved from Sacramento Area Sewer District to Sacramento Regional County Sanitation District, due to a Sanitation District Agency re-organization.

Source: SASD Operations budget documents

SACRAMENTO AREA SEWER DISTRICT

Operating and Capital Indicators

Fiscal Years 2011-2012 through 2020-2021
Schedule 16

	Fiscal Year					
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Pump Stations	105	106	106	106	105	106
Service Connections	301,000	300,393	297,555	294,311	293,655	296,400
Miles of Service line	1,500	1,533	1,521	1,491	1,446	1,408
Miles of Pipe	3,100	3,162	3,143	3,034	3,027	3,022
Manholes	67,000	67,122	66,458	65,846	65,636	65,461
Area of SASD (square miles)	278	278	278	278	278	277

Source: SASD Geographic Information System report

SACRAMENTO AREA SEWER DISTRICT

Operating and Capital Indicators (Continued)

**Fiscal Years 2011-2012 through 2020-2021
Schedule 16**

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
106	108	107	106
291,150	290,446	286,259	284,241
1,390	1,384	1,358	1,348
3,005	2,995	2,991	2,984
65,001	64,816	65,093	64,998
273	273	270	270

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SACRAMENTO AREA SEWER DISTRICT
Sacramento, California

Bond Disclosure Section

For the Fiscal Years Ended June 30, 2021 and 2020

**ANNUAL CONTINUING DISCLOSURES FOR THE SACRAMENTO COUNTY
SANITATION DISTRICT FINANCING AUTHORITY AND
SACRAMENTO AREA SEWER DISTRICT**

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 and 2020

On October 1, 1993, SASD entered into a Joint Exercise of Powers Agreement with the Sacramento Regional County Sanitation District (Regional San) to form the Sacramento County Sanitation Districts Financing Authority (the Authority) for the purpose of facilitating the financing of acquisition and/or construction of real and personal property in and for SASD and Regional San. The Board of Directors of the Regional San serves as the Authority's governing board.

This section is provided in accordance with the requirements of the:

"Continuing Disclosure Certificate for the Sacramento County Sanitation Districts Financing Authority of its Revenue Bonds, Series 2010A Federally Taxable Direct Subsidy Build America Bonds and Series 2010B (2010 Bonds)"

"Continuing Disclosure Certificate for the Sacramento County Sanitation Districts Financing Authority of its Revenue Bonds, Refunding Series 2015)"

The material provided under the Certificates is intended to meet or exceed the requirements of Securities and Exchange Commission Rule 15c2-12(b) (5) (the Rule). The data tables provided herein apply to the Series 2010 Revenue Bonds and the Series 2015 Refunding Bond issues.

This Bond Disclosure Section included within SASD's Annual Comprehensive Financial Report (ACFR) provides the information required by the Continuing Disclosure Certificate. The ACFR, in turn, will be filed with the MSRB's Electronic Municipal Market Access (EMMA) which transmits it to the National Repositories. The ACFR may also be found at www.sacsewer.com.

ANNUAL REPORT

As required by the Certificates, this annual report is incorporated into the ACFR and includes by reference, the audited financial statements of the SASD for the prior fiscal year.

The annual report also contains the following six (6) sections as required in the Certificate:

- (1) A table indicating the number of residential and commercial customer accounts (by equivalent single family dwellings or other appropriate measure) and the percentage of service charge revenues for the immediately preceding five (5) fiscal years.
- (2) A table listing the ten (10) largest industrial customers and the total service charge revenues received from each of such customers for the immediately preceding fiscal year.
- (3) A table providing a comparison of sewer service rates and impact fees for single-family residences for SASD.
- (4) A table providing the amount of delinquent service charges which were added to the tax rolls for the immediately preceding five (5) fiscal years.
- (5) A table setting forth the collection rates for charges imposed by SASD on its customers for the immediately preceding five (5) fiscal years.
- (6) A table showing the Revenues, Maintenance and Operation Costs, and Net Revenues (as these three terms are defined in the Installment Purchase Contract), debt service coverage, and certain fund balances of SASD for the immediately preceding five (5) fiscal years.

**ANNUAL CONTINUING DISCLOSURES FOR THE SACRAMENTO COUNTY
SANITATION DISTRICT FINANCING AUTHORITY AND
SACRAMENTO AREA SEWER DISTRICT**

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 and 2020

REPORTING OF SIGNIFICANT EVENTS

As of June 30, 2021, none of the events listed in Section 5 of the Certificates have occurred for the Series 2010 and Series 2015 Bonds issued by the Financing Authority. As of June 30, 2021, there is no knowledge on the part of the Board of Directors, officers, or employees of Sacramento Area Sewer District of any impending significant event that would require disclosure under the provisions of the Certificate.

ADDITIONAL INFORMATION

The District collects service charges for SASD and Regional San per the Master Interagency Agreement. The bimonthly invoices sent to customers list an amount for "Local Sewer" (to recover charges for the wastewater collection systems operated by the District), and a separate amount for "Regional Sewer" (to recover the charges imposed by Regional San for treatment services).

Section (1) A table indicating the number of residential and commercial customer accounts (by equivalent single-family dwelling) and the percentage of service charge revenues for the immediately preceding five (5) fiscal years.

Residential/Commercial		
Fiscal Year Ended June 30,	Number of Equivalent Single-Family Dwelling Units (ESD)	Percentage of Service Charge Revenues
2017	410,689	99.0%
2018	413,809	99.0%
2019	417,027	99.0%
2020	420,297	99.0%
2021	423,244	99.0%

**ANNUAL CONTINUING DISCLOSURES FOR THE SACRAMENTO COUNTY
SANITATION DISTRICT FINANCING AUTHORITY AND
SACRAMENTO AREA SEWER DISTRICT**

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 and 2020

Section (2) A table listing the ten (10) largest industrial customers and the total service charge revenues received from each of such customers for the immediately preceding fiscal year.

<u>Largest Industrial Customers</u>	<u>Revenues Received</u>
Sacramento County Airport System	\$ 91,515
Procter and Gamble Manufacturing	34,418
H.P. Hood, LLC	23,233
Aerojet Commercial	12,805
Huhtamaki, Inc.	10,747
Air Products Manufacturing Company	6,876
Rio Consumnes Correctional Center	6,125
Cintas Corporation	4,860
Sacramento Cogeneration Authority	3,666
Mission Linen Supply	3,658
TOTAL	<u>\$ 197,903</u>

Section (3) A table providing a comparison of sewer service rates and impact fees for single-family residences for SASD.

	<u>SRCS</u>	<u>SASD</u>	<u>TOTAL</u>
Monthly Services Charges	\$ 37.00	\$ 19.85	\$ 56.85
Sewer Impact Fees (a)	\$ 6,479	\$ 3,301	\$ 9,780

(a) Regional San impact fee is based on new area fee. Infill area impact fee is \$3,602. SASD fee is based on expansion area. SASD relief area impact fee is \$748.

**ANNUAL CONTINUING DISCLOSURES FOR THE SACRAMENTO COUNTY
SANITATION DISTRICT FINANCING AUTHORITY AND
SACRAMENTO AREA SEWER DISTRICT**

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 and 2020

Section (4) A table providing the amount of delinquent service charges which were added to the tax rolls for the immediately preceding five (5) fiscal years.

<u>Fiscal Year Ended June 30</u>	<u>Number of Delinquent Accounts</u>	<u>Percent of Accounts Delinquent</u>	<u>Delinquent Amounts Placed on Tax Rolls</u>
2017	13,679	4.46%	11,271,701
2018	13,636	4.41%	11,225,397
2019	13,788	4.42%	11,759,117
2020	12,851	4.10%	10,640,019
2021	10,698	3.38%	8,917,117

Section (5) A table setting forth the collection rates for charges imposed by SASD on its customers for the immediately preceding five (5) fiscal years.

<u>Fiscal Year Ended June 30</u>	<u>Total Amount of Service Charges</u>	<u>Total Amount Collected</u>	<u>Amount Assigned from County under Teeter Plan</u>
2017	98,245,042	97,426,992	818,050
2018	98,854,822	98,039,744	815,078
2019	101,204,376	100,368,698	835,678
2020	99,833,876	98,729,498	1,104,378
2021	97,688,774	96,964,586	724,188

**ANNUAL CONTINUING DISCLOSURES FOR THE SACRAMENTO COUNTY
SANITATION DISTRICT FINANCING AUTHORITY AND
SACRAMENTO AREA SEWER DISTRICT**

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 and 2020

Section (6) A table showing the Revenues, maintenance and Operation Costs, Net Revenues, debt service coverage (as these three terms are defined in the Installment Purchase Contract), and certain fund balances of SASD for the immediately preceding five (5) fiscal years.

**Net Revenues, Debt Service Coverage and Certain Fund Balances of the
District for the Fiscal Years Ended June 30
(amounts expressed in thousands)**

Revenues:	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Operating revenues:					
Sewer service fees	\$ 98,245	\$ 98,855	\$ 101,205	\$ 99,834	\$ 97,689
Sewer Impact fees	4,595	3,330	4,957	6,664	11,943
Other	<u>1,532</u>	<u>1,405</u>	<u>8,940</u>	<u>12,563</u>	<u>7,388</u>
	<u>\$ 104,372</u>	<u>\$ 103,590</u>	<u>\$ 115,102</u>	<u>\$ 119,061</u>	<u>\$ 117,020</u>
Nonoperating revenues:					
Interest income	979	1,555	2,600	2,351	826
Build America Bond subsidy	<u>2,259</u>	<u>2,261</u>	<u>2,231</u>	<u>2,281</u>	<u>2,119</u>
	<u>3,238</u>	<u>3,816</u>	<u>4,831</u>	<u>4,632</u>	<u>2,945</u>
Total revenue	<u>\$ 107,610</u>	<u>\$ 107,406</u>	<u>\$ 119,933</u>	<u>\$ 123,693</u>	<u>\$ 119,965</u>
M&O Expenses:					
Total operating expense	\$ 110,104	\$ 113,340	\$ 110,387	\$ 116,545	\$ 118,993
Less depreciation and amortization	<u>(36,108)</u>	<u>(36,633)</u>	<u>(36,679)</u>	<u>(38,229)</u>	<u>(37,955)</u>
	<u>\$ 73,996</u>	<u>\$ 76,707</u>	<u>\$ 73,708</u>	<u>\$ 78,316</u>	<u>\$ 81,038</u>
Net revenue, including impact fees	<u><u>\$ 33,614</u></u>	<u><u>\$ 30,699</u></u>	<u><u>\$ 46,225</u></u>	<u><u>\$ 45,377</u></u>	<u><u>\$ 38,927</u></u>
Senior lien debt service	\$ 10,463	\$ 10,464	\$ 10,458	\$ 10,466	\$ 10,461
Net revenue coverage	3.21	2.93	4.42	4.34	3.72
Undesignated Reserves	\$ 52,001	\$ 52,543	\$ 49,771	\$ 45,740	\$ 43,224



ACKNOWLEDGEMENTS

This Annual Comprehensive Financial Report
was prepared by the Sacramento Area Sewer
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