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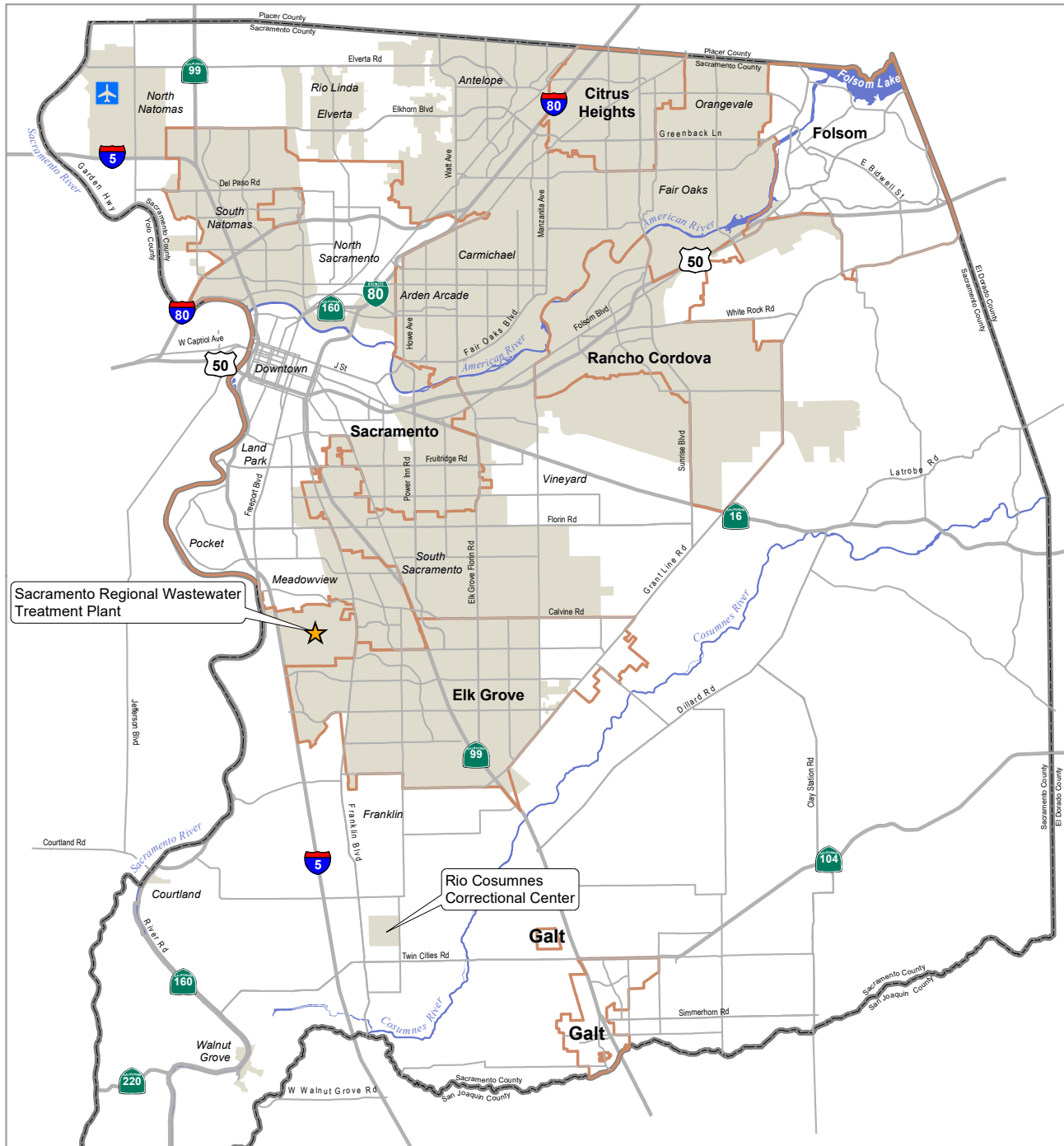
ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

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, 2022 and 2021

Prepared by:

*Christoph Dobson
District Engineer*

*M. Tepa Banda
Chief Financial Officer*

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Sacramento Area Sewer District

For the Fiscal Years Ended June 30, 2022 and 2021

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December 19, 2022

Honorable Board of Directors
Sacramento Area Sewer District

The Sacramento Area Sewer District (SacSewer) hereby submits the Annual Comprehensive Financial Report (ACFR) for the fiscal years ended on June 30, 2022 and 2021. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with SacSewer. 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 SacSewer. All disclosures necessary to enable the reader to gain an understanding of SacSewer'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 SacSewer'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 SacSewer's financial statements each year. The firm Macias Gini & O'Connell LLP (MGO) was selected to perform the independent audit for the fiscal years ended on June 30, 2022 and 2021. 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 SacSewer'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 SacSewer's basic financial statements for the fiscal years ended June 30, 2022 and 2021, are fairly presented, in all material respects, in conformity with generally accepted accounting principles 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. SacSewer's MD&A can be found immediately following the report of the independent auditors.

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www.sacsewer.com

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

Mike Huot
Director of Policy & Planning

Matthew Doyle
Director of Internal Services

Masiku Tapa Banda
Director of Finance

Nicole Coleman
Director of Communications

PROFILE OF SACSEWER

SacSewer is a county 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). SacSewer 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.

SacSewer 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.

SacSewer serves 1.2 million people in its 281 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; a small area in the City of Folsom, and the communities of Courtland and Walnut Grove. SacSewer serves approximately 305,543 sewer service connections and maintains/operates 3,212 miles of main line pipes, 1,566 miles of lower lateral pipes, 68,242 manholes, and 107 pump stations.

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

FACTORS AFFECTING FINANCIAL CONDITION

SacSewer is an integral part of the Sacramento regional economy, economic conditions and trends in the County have an impact on SacSewer's financial condition and outlook. The regional economy and population growth fuels SacSewer'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. SacSewer 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.

Despite the reduction of impact fees and lower interest earnings, SacSewer has maintained a strong financial position. SacSewer continues to meet its financial obligations and its capital and operating goals while maintaining healthy cash reserves.

BUDGETARY CONTROLS

SacSewer 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 May or June and becomes effective on July 1st of the corresponding fiscal year. The final budget for fiscal year 2022-23 was approved by SacSewer's Board of Directors on May 11, 2022.

CRITICAL ISSUES AFFECTING SACSEWER

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

- **Lawsuits and Settlements**-Legal challenges are an ever present hazard in the wastewater utility business. In October 2021, litigation was filed by a third party for violations against the Clean Water Act. Negotiations are currently ongoing. In December 2021, SacSewer entered into a settlement agreement and stipulation for entry of Administrative Civil Liability Order with the Central Valley Regional Water Quality Control Board for violations of the Statewide General Waste Discharge Requirements for sanitary sewer systems. 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 SacSewer operations could cause capital and/or operating costs to rise beyond the projected levels. The State Water Resources Control Board is expected to adopt new Sanitary Sewer State Wastewater Discharge Regulations in late 2022, with adoption likely in early 2023. SacSewer is actively participating in the review of the update.
- **Aging Infrastructure**-In order to adequately address emerging aging infrastructure issues, SacSewer 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 projections and budgets.
- **Natural Disasters, Climate Change, Pandemics or Other Emergencies**-The potential for natural disasters, such as earthquake or flood, are issues that SacSewer considers in its emergency planning. 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.
- **Water Fluctuations**-Reduced or increase wastewater could have an impact on utilities in the future. As wastewater flows decline in SacSewer's collection system due to mandated water conservation or drought, potential issues may arise that will increase the costs of maintenance in the system. Conversely, intense storm events can cause system surcharging and increased sanitary sewer overflows.
- **Economic Conditions**-Adverse changes in macroeconomic conditions, such as rising interest rates and inflation may negatively impact the financial performance of SacSewer.

INTERNAL CONTROLS

The SacSewer management is responsible for establishing and maintaining internal controls designed to ensure that SacSewer'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

SacSewer 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:

- **Long-Term Financial Plan (LTFP)**-The LTFP 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 SacSewer's funding needs. The LTFP is updated annually, and the last update was presented to the SacSewer Board of Directors in July 2022.
- **Five-Year Strategic Plan**-SacSewer's Strategic Plan outlines its vision, mission, values, and specific goals and objectives. The Plan provides clear direction for SacSewer to continue to build on its successes during the five-year period of 2022-2027.
- **2020 Sewer System Capacity Plan (SCP)**-Adopted by the Board of Directors in March 2021, the SCP ensures SacSewer'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 and other revenue sources.
- **2020 Asset Management Plan**-This Plan projects the lifecycle of SacSewer's assets and provides an overview of asset maintenance, operation and replacement costs, life expectancies, and long-range projections for sustainability.
- **2022 Capital Funding Ten-Year Projection**-This projects the capital projects that are anticipated over the next ten years. About \$220 million in project costs are anticipated over the next ten years. Based on the 10-year financial forecast in the LTFP, SacSewer anticipates to fully finance the capital program with ongoing monthly sewer rate revenues, grants, and available cash, and without the need for debt issuance. 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 - \$36 million
 - 2. Vehicles and Equipment - \$31 million
 - 3. Main Line Cured-In-Place Pipe - \$25 million

DEBT ADMINISTRATION

In August 2010, on behalf of SacSewer, 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). SacSewer 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 SacSewer, SCSDFA issued \$45.4 million in Revenue Bonds that were used to fully defease the outstanding Revenue Bonds, Series 2005 of approximately \$130 million.

As of June 30, 2022, SacSewer has approximately \$161 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. SacSewer'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

SacSewer's Annual Comprehensive Financial Report for the fiscal year ended on June 30, 2021 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. GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year. SacSewer 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, Vladimir Grechko, and Nou Her for their conscientious and timely work in preparing this ACFR. This internally generated ACFR represents an important accomplishment for SacSewer, and we expect to continue to improve upon the award-winning ACFRs that SacSewer has presented in past years.

SacSewer 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,

M. Tepa Banda

M. Tepa Banda, CFA, CMA
Sacramento Area Sewer District Chief Financial Officer

Sacramento Area Sewer District

Board of Directors

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

SacSewer Officials

Christoph Dobson
District Engineer

Rosemary Clark
Director of Operations

Mike Huot
Director of Policy and Planning

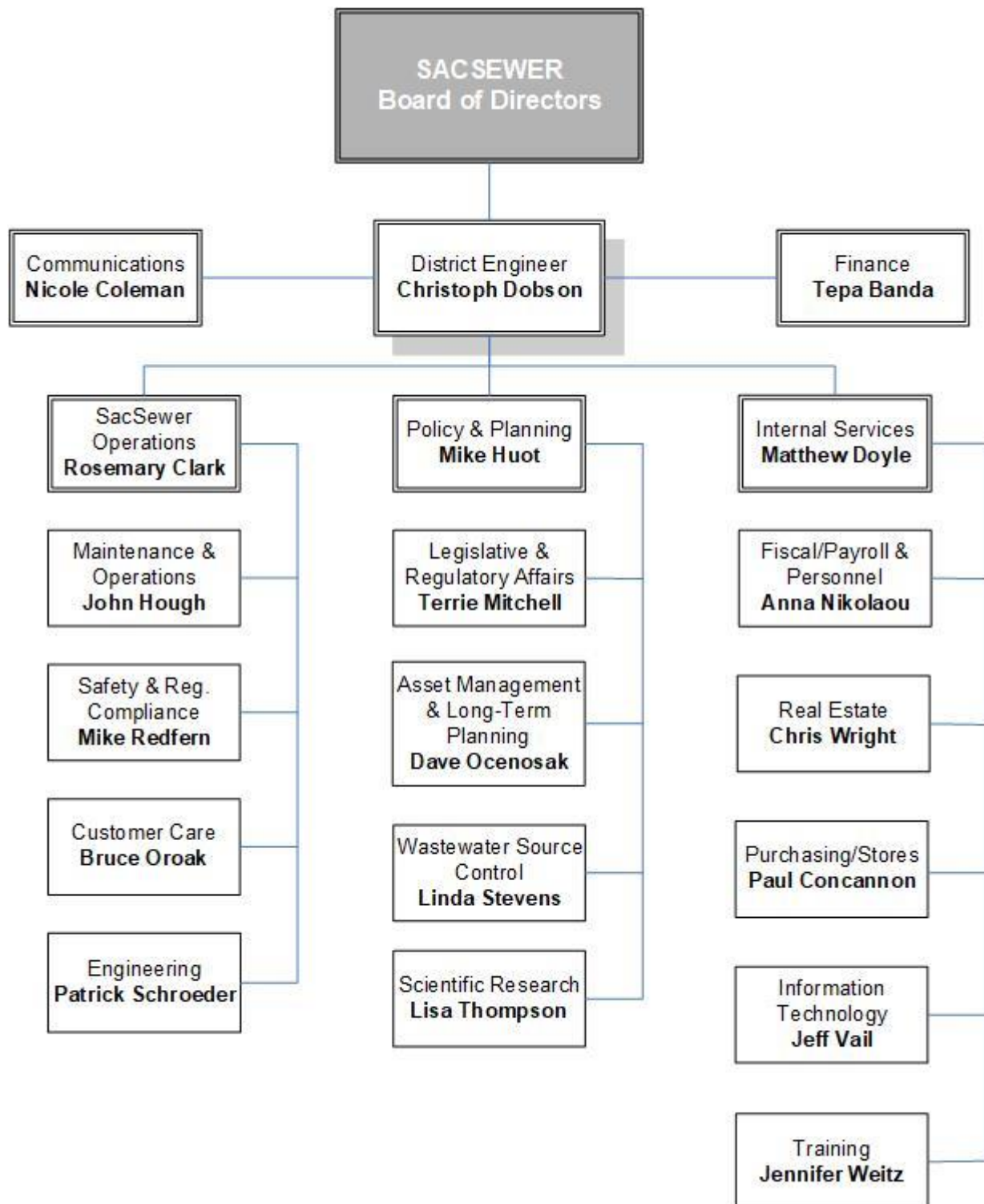
Tepa Banda
Director of Finance

Matthew Doyle
Director of Internal Services

Nicole Coleman
Director of Communications

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, 2021

Christopher P. Morill

Executive Director/CEO





Independent Auditor's Report

Board of Directors
Sacramento Area Sewer District
Sacramento, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Sacramento Area Sewer District (SacSewer), as of and for the fiscal years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise SacSewer's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of SacSewer, as of June 30, 2022 and 2021, and the changes in 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SacSewer and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Notes 1, 3, 4 and 8 to the basic financial statements, effective July 1, 2020, SacSewer adopted the provisions of Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

SacSewer's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SacSewer's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SacSewer's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SacSewer's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of SacSewer's proportionate share of the County's net pension liability, the schedule of SacSewer's pension contributions, and the schedule of SacSewer'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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing

the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory section, statistical section, and bond disclosure section, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2022 on our consideration of SacSewer'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 SacSewer'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 SacSewer's internal control over financial reporting and compliance.

A handwritten signature in dark ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

Sacramento, California
December 19, 2022

SACRAMENTO AREA SEWER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 and 2021

This section of SacSewer's Annual Comprehensive Financial Report (ACFR) presents a discussion and analysis of SacSewer's financial performance during the fiscal years ended June 30, 2022 and 2021. Please read it in conjunction with the transmittal letter at the front of this report and SacSewer's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2022, the assets and deferred outflows of SacSewer exceeded liabilities and deferred inflows by \$855.1 million (*net position*). Of this amount, \$69.9 million was unrestricted and \$785.2 million was the net investment in capital assets. At June 30, 2021, the assets and deferred outflows of SacSewer 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.
- SacSewer's total net position increased by \$33.8 million and by \$11.9 million during 2021-22 and 2020-21, respectively. In fiscal year 2021-22, there was \$162 thousand in operating income, \$10.9 million net nonoperating expenses, offset by contributed capital of \$44.5 million. The increase during fiscal year 2020-21 was attributable to \$13.9 million operating loss, \$8.8 million net nonoperating expenses, offset by contributed capital of \$34.6 million.
- The decrease of \$1.6 million in long-term obligations in 2021-22 was due to scheduled debt service payments. The decrease in long-term obligations of \$1.5 million in 2020-21 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 SacSewer's basic financial statements. SacSewer'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 SacSewer's finances.

The *Statements of Net Position* (page 12) presents information on all SacSewer's 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 SacSewer 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, 2022 and 2021

The *Statements of Cash Flows* (pages 14 and 15) presents information about the cash receipts and cash payments of SacSewer 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 SacSewer'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 SacSewer'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 SacSewer'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 SacSewer's financial position. As of June 30, 2022 and 2021, total net position was \$855.1 million and \$821.3 million, respectively. During the fiscal years ended June 30, 2022 and 2021, net position increased \$33.8 million and by \$11.9 million, respectively. The increase for the fiscal year ended June 30, 2022, is primarily based on net nonoperating expenses offset by capital contributions.

SACRAMENTO AREA SEWER DISTRICT

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

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 and 2021

The following table summarizes the changes between assets, deferred outflows, liabilities, deferred inflows, and net position as of June 30, 2022, 2021 and 2020:

Condensed Statements of Net Position (Amounts Expressed in Thousands)

	2022	% Change	2021 ⁽¹⁾ (as restated)	% Change	2020
Assets:					
Current assets	\$ 141,158	0.3%	\$ 140,752	-4.7%	\$ 147,699
Noncurrent assets	5,554	0.5%	5,526	-1.2%	5,591
Capital assets, net	946,940	3.0%	918,920	1.9%	901,601
Total Assets	<u>1,093,652</u>	2.7%	<u>1,065,198</u>	1.0%	<u>1,054,891</u>
Deferred Outflows of Resources	<u>13,888</u>	-8.9%	<u>15,246</u>	38.7%	<u>10,993</u>
Liabilities:					
Current and other liabilities	13,815	-5.4%	14,608	28.9%	11,335
Long-term obligations	164,788	-1.0%	166,409	-0.9%	167,881
Other noncurrent liabilities	37,177	-51.3%	76,381	8.8%	70,183
Total Liabilities	<u>215,780</u>	-16.2%	<u>257,398</u>	3.2%	<u>249,399</u>
Deferred Inflows of Resources	<u>36,681</u>	2027.7%	<u>1,724</u>	-75.5%	<u>7,044</u>
Net Position:					
Net investment in capital assets	785,166	3.8%	756,412	2.5%	737,806
Unrestricted	69,912	7.7%	64,910	-9.4%	71,635
Total Net Position	<u>\$ 855,078</u>	4.1%	<u>\$ 821,322</u>	1.5%	<u>\$ 809,441</u>

(1) Fiscal Year 2021 has been revised in accordance with the implementation of GASB Statement No. 87, *Leases*. Prior years have not been restated as permitted by the Standard.

As of June 30, 2022, the capital assets increased by approximately \$28 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 3,400 in 2022. Capital assets also increased by approximately \$17.3 million in the fiscal year ended June 30, 2021. The main reason for this increase is due to higher development in the Sacramento area, in which the number of service connections increased by 1,750 in 2021.

The largest portion of SacSewer's net position (92% and 92% at June 30, 2022 and 2021, 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. SacSewer uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Although SacSewer'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 8% at June 30, 2022 and 2021, respectively) may be used to meet SacSewer'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, 2022 and 2021

The following table summarizes the changes in net position for the fiscal years ended June 30, 2022, 2021, and 2020:

Changes in Net Position					
(Amounts Expressed in Thousands)					
	2022	% Change	2021 ⁽¹⁾ (as restated)	% Change	2020
Operating revenues:					
Sewer service fees	\$ 102,104	4.5%	\$ 97,689	-2.1%	\$ 99,834
Other	9,093	23.1%	7,388	-41.2%	12,563
Nonoperating revenues:					
Interest revenue	768	-7.0%	826	-64.9%	2,351
Intergovernmental revenue	2,229	5.2%	2,119	-7.1%	2,281
Total revenues	<u>114,194</u>	5.7%	<u>108,022</u>	-7.7%	<u>117,029</u>
Operating expenses:					
County labor - water quality	42,851	-18.8%	52,740	8.4%	48,673
Depreciation and amortization	39,274	3.4%	37,997	-0.6%	38,229
Billing	492	-34.1%	747	-0.9%	754
Other operating expenses	28,418	3.3%	27,505	-4.8%	28,889
Nonoperating expenses:					
Interest expense	8,918	-0.5%	8,967	-0.6%	9,018
Other expense	4,959	76.5%	2,810	29.0%	2,179
Total expenses	<u>124,912</u>	-4.5%	<u>130,766</u>	2.4%	<u>127,742</u>
Loss before Capital Contributions					
Contributions	<u>(10,718)</u>	52.9%	<u>(22,744)</u>	-112.3%	<u>(10,713)</u>
Capital Contributions:					
Pipe from developers	36,927	62.8%	22,682	-18.1%	27,691
Sewer impact fees	7,548	-36.8%	11,943	79.2%	6,664
Total Capital Contributions	<u>44,475</u>	28.4%	<u>34,625</u>	0.8%	<u>34,355</u>
Changes in net position	33,757	184.1%	11,881	49.7%	23,642
Net position, beginning of year	<u>821,322</u>		<u>809,441</u>		<u>785,799</u>
Net position, end of year	<u>\$ 855,079</u>		<u>\$ 821,322</u>		<u>\$ 809,441</u>

(1) Fiscal Year 2021 has been revised in accordance with the implementation of GASB Statement No. 87, *Leases*. Prior years have not been restated as permitted by the Standard.

SACRAMENTO AREA SEWER DISTRICT

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

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 and 2021

Total operating revenues, which consist of sewer service fees and other revenues increased by \$6.1 million in 2021-22 and decreased by \$7.3 million in 2020-21. In 2021-22 sewer service fees increased by \$4.4 million due to the return to normalcy after the COVID-19 global pandemic. 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 SacSewer allowing credits for certain businesses that were closed due to the lockdown caused by the COVID-19 global pandemic.

Interest revenue decreased by \$58 thousand in 2021-22 and \$1.5 million in 2020-21. The slight decrease in 2021-22 was attributable to the low interest rates in place for most of the year. The decrease in 2020-21 interest revenue was due to lower returns which resulted from the economic turmoil associated with the COVID-19 pandemic.

In 2021-22, total expenses decreased by \$5.9 million. The primary reason for this decrease was due to lower recognized labor costs attributable to the amortization of deferred amounts related to pensions. 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.

Total capital contributions increased by \$9.8 million during the 2021-22 year as compared to the prior year. This was result of increased contributed pipe from developers by \$14.2 million offset by a decrease of sewer impact fees by \$4.4 million from the prior year. 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.

Effective July 1, 2021 the amount charged for impact fees increased. Sewer impact fees for the "relief" area increased from \$748 per ESD to \$777 per ESD. Sewer impact fees for "expansion" areas increased from \$3,301 per ESD to \$3,414 per ESD. Sewer impact fees decreased by 37% in 2021-22. Sewer impact fees increased by 79% in 2020-21. The decrease in impact fees can be attributed to one-time connections associated with various large business developments in 2020-21.

SACRAMENTO AREA SEWER DISTRICT

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

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 and 2021

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

Capital Assets, net of accumulated depreciation, totaled \$947 million and \$919 million at June 30, 2022 and 2021, respectively. This corresponded to an increase of \$28 million for the fiscal year ended June 30, 2022 and an increase of \$17.3 million for the fiscal year ended June 30, 2021. The following table summarizes capital assets for the fiscal years ended 2022, 2021, and 2020:

Changes in Capital Assets

(Amounts Expressed in Thousands)

	2022	% Change	2021 ⁽¹⁾ (as restated)	% Change	2020
Right-to-use assets	\$ 139		\$ 139		\$ -
Land	9,290	-0.1%	9,301	0.1%	9,288
Software, structures, improvements and equipment	1,450,991	2.7%	1,412,357	1.6%	1,389,964
Construction in progress	180,796	17.5%	153,932	25.3%	122,893
Less accumulated depreciation	(694,276)	5.7%	(656,809)	5.8%	(620,544)
	<u>\$ 946,940</u>	<u>3.0%</u>	<u>\$ 918,920</u>	<u>1.9%</u>	<u>\$ 901,601</u>

(1) Fiscal Year 2021 right-to-use assets has been revised in accordance with the implementation of GASB Statement No. 87, *Leases*. Prior years have not been restated as permitted by the Standard.

In 2021-22, construction in progress increased by \$27 million due to \$29 million in additions offset by \$2 million in completion of ongoing projects. This increase is mainly due to increases in Lower Lateral Replacement Projects, the Sailor Bar Pump Station Rehabilitation Project, and the Highlands Sewer Relief Project. When completed projects are placed into service, they are transferred to structures, improvements, or equipment. Software, structures, improvements and equipment increased by \$39 million. The majority of the increase was from \$41 million of contributed capital during the year. This was offset by \$2 million in disposed capital assets.

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 \$22 million. The majority of the increase was from \$25 million of contributed capital during the year. This was offset by \$3 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, 2022 and 2021

Long-term obligations totaled \$170.2 million and \$171.8 million at June 30, 2022 and 2021, 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, 2022, 2021, and 2020.

Summary of Outstanding Long-term Obligations (Amounts Expressed in Thousands)

	2022	2021 ⁽¹⁾ (as restated)	2020
Loan payable to Financing Authority	\$ 166,356	\$ 167,881	\$ 169,355
Lease liability	53	97	-
Compensated absences	3,779	3,879	2,968
	<u>\$ 170,188</u>	<u>\$ 171,857</u>	<u>\$ 172,323</u>

(1) Fiscal Year 2021 right-to-use assets have been revised in accordance with the implementation of GASB Statement No. 87, Leases. Prior years have not been restated as permitted by the Standard.

The decrease in long-term obligations in 2021-22 was primarily due to \$1.18 million in scheduled debt service payments. The decrease in long-term obligations in 2020-21 was primarily due to \$1.13 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 Sac Sewer'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 M. Tepa Banda, Chief Financial Officer, Sacramento Area Sewer District, 10060 Goethe Rd, Sacramento, CA 95827, or phone (916) 876-6116.

SACRAMENTO AREA SEWER DISTRICT
Sacramento, California

Basic Financial Statements

For the Fiscal Years Ended June 30, 2022 and 2021

SACRAMENTO AREA SEWER DISTRICT

STATEMENTS OF NET POSITION JUNE 30, 2022 AND 2021

	2022	2021 (as restated)
ASSETS:		
CURRENT ASSETS:		
Cash and investments	\$ 125,526,881	\$ 126,267,328
Sewer services fees receivable	13,594,143	12,601,323
Interest receivable	414,984	328,530
Inventories	1,621,671	1,554,812
TOTAL CURRENT ASSETS	141,157,679	140,751,993
NONCURRENT ASSETS:		
Restricted cash and investments	5,451,571	5,469,821
Deposits with others	102,933	36,167
Loans receivable	-	20,200
Capital assets:		
Right-to-use assets	138,899	138,899
Land	9,289,687	9,300,687
Construction in progress	180,796,050	153,932,627
Software	2,814,071	2,814,071
Structures and improvements	1,417,891,991	1,381,662,066
Equipment	30,284,511	27,880,665
Total capital assets	1,641,215,209	1,575,729,015
Less accumulated depreciation/amortization	(694,275,568)	(656,809,211)
Total capital assets (net)	946,939,641	918,919,804
TOTAL NONCURRENT ASSETS	952,494,145	924,445,992
TOTAL ASSETS	1,093,651,824	1,065,197,985
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows related to pension	13,401,201	14,837,158
Deferred outflows related to OPEB	486,715	409,401
TOTAL DEFERRED OUTFLOWS OF RESOURCES	13,887,916	15,246,559
LIABILITIES:		
CURRENT LIABILITIES:		
Warrants payable	2,089,374	4,101,365
Accounts and retentions payable	5,681,741	4,479,626
Interest payable	3,856,441	3,876,107
Compensated absences	566,910	581,913
Current portion of long-term obligations	1,620,783	1,568,627
TOTAL CURRENT LIABILITIES	13,815,249	14,607,638
NONCURRENT LIABILITIES:		
Developer reimbursement payable	28,243,540	25,036,871
Compensated absences	3,212,493	3,297,506
Total OPEB liability	3,037,280	3,341,340
Net pension liability	2,683,812	44,705,718
Long-term obligations	164,787,881	166,408,664
TOTAL NONCURRENT LIABILITIES	201,965,006	242,790,099
TOTAL LIABILITIES	215,780,255	257,397,737
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows related to pension	34,987,505	482,730
Deferred amounts related to OPEB	1,693,184	1,241,533
TOTAL DEFERRED INFLOWS OF RESOURCES	36,680,690	1,724,263
NET POSITION:		
Net investment in capital assets	785,166,420	756,412,334
Unrestricted	69,912,375	64,910,209
TOTAL NET POSITION	\$ 855,078,795	\$ 821,322,543

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, 2022 AND 2021

	2022	2021 (as restated)
OPERATING REVENUES:		
Sewer service fees	\$ 102,104,363	\$ 97,688,774
Other revenue	9,093,359	7,387,864
Total operating revenues	<u>111,197,722</u>	<u>105,076,638</u>
OPERATING EXPENSES:		
County labor - SDA	42,851,540	52,739,680
Office equipment	528,931	654,490
Depreciation and amortization	39,274,284	37,996,773
Services and supplies	1,594,996	1,078,711
Consultants	5,099,883	4,682,821
County labor - other	1,640,715	1,920,907
Chemicals	565,431	649,026
Billing	492,134	746,863
Pipeline maintenance	12,595,885	12,956,050
Insurance	1,302,186	1,219,674
Utilities	605,129	598,427
Electricity	972,697	915,488
Data processing	3,512,335	2,828,849
Total operating expenses	<u>111,036,146</u>	<u>118,987,759</u>
Operating income (loss)	<u>161,576</u>	<u>(13,911,121)</u>
NONOPERATING REVENUES (EXPENSES):		
Interest revenue	767,805	826,015
Interest expense	(8,917,982)	(8,967,451)
Sewer incentive program	(254,756)	(269,825)
Intergovernmental revenue	2,228,956	2,119,014
Other expense	(4,704,454)	(2,540,535)
Total nonoperating revenues (expenses)	<u>(10,880,432)</u>	<u>(8,832,782)</u>
Loss before capital contributions	<u>(10,718,856)</u>	<u>(22,743,903)</u>
CAPITAL CONTRIBUTIONS:		
Pipe from developers	36,926,887	22,681,925
Sewer impact fees	7,548,221	11,943,246
Total capital contributions	<u>44,475,108</u>	<u>34,625,171</u>
Changes in net position	33,756,252	11,881,268
Net position, beginning of year	<u>821,322,543</u>	<u>809,441,275</u>
Net position, end of year	<u>\$ 855,078,795</u>	<u>\$ 821,322,543</u>

See accompanying notes to the basic financial statements.

SACRAMENTO AREA SEWER DISTRICT

STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021 (as restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 101,111,543	\$ 99,122,434
Receipts from others	8,971,261	10,131,945
Payments to County for labor force	(50,603,168)	(49,586,656)
Payments to suppliers for goods and services	(29,348,457)	(23,719,854)
Payments to others	(6,767,138)	(4,542,237)
Net cash provided by operating activities	<u>23,364,041</u>	<u>31,405,632</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(24,197,089)	(38,786,891)
Lease payments	(43,472)	(41,977)
Principal payments on long-term loan	(1,180,000)	(1,130,000)
Interest payments on long-term loan	(9,282,803)	(9,336,148)
Build America Bonds interest subsidy	2,351,054	2,321,054
Sewer impact fees collected	7,548,221	11,943,246
Net cash used in capital and related financing activities	<u>(24,804,089)</u>	<u>(35,030,716)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	681,351	1,556,403
Net decrease in cash and cash equivalents	(758,697)	(2,068,681)
Cash and cash equivalents, beginning of year	<u>131,737,149</u>	<u>133,805,830</u>
Cash and cash equivalents, end of year	<u><u>\$ 130,978,452</u></u>	<u><u>\$ 131,737,149</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION:		
Cash and investments	\$ 125,526,881	\$ 126,267,328
Restricted cash and investments	5,451,571	5,469,821
Total cash and cash equivalents	<u><u>\$ 130,978,452</u></u>	<u><u>\$ 131,737,149</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, 2022 AND 2021

	2022	2021 (as restated)
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 161,576	\$ (13,911,121)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	39,274,284	37,996,773
Other expense	(6,512,382)	(4,272,412)
Payments for sewer incentive program	(254,756)	(269,825)
Intergovernmental expense	(122,098)	(202,040)
Net effect of change in:		
Sewer service fees receivable	(992,820)	1,433,660
Due from state governments - other	-	2,946,121
Inventories	(66,859)	(141,834)
Warrants payable	(2,011,991)	2,752,379
Compensated absences	(100,016)	911,497
Due to local governments	-	(9,550)
Net pension liability and related deferred outflows and inflows	(6,081,174)	4,152,402
Total OPEB liability and related deferred outflows and inflows	70,277	19,582
Net cash provided by operating activities	<u>\$ 23,364,041</u>	<u>\$ 31,405,632</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Pipe contributed by developers	\$ 36,926,887	\$ 22,681,925
Acquisition of capital assets with accounts and retentions payable	816,128	4,479,626
Acquisition of capital assets with developer reimbursement payable	3,206,669	(8,321,717)
Amortization of bond premium	(345,155)	(345,155)

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, 2022 and 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Sacramento Area Sewer District (SacSewer) is a political subdivision of the State of California. SacSewer 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 SacSewer 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, SacSewer 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 SacSewer 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 SacSewer's portion of debt. SacSewer makes base payments to the Financing Authority that are at least equal to the required debt service. SacSewer recognizes its relationship with the Financing Authority as a related entity. Separate financial statements for the Financing Authority are available from SacSewer at 10060 Goethe Road, Sacramento CA, 95827, upon request.

The accompanying basic financial statements, with comparative information, of SacSewer 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 SacSewer accounting policies are described below.

Cash Equivalents and Investments

For purposes of the Statements of Cash Flows, SacSewer 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 statements 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 amounts 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, 2022 and 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

SacSewer uses the accounting principles applicable to enterprise funds. SacSewer 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.

SacSewer 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 SacSewer's operations. The principal operating revenues of SacSewer are customer service charges for sewer services. The principal operating expenses of SacSewer 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 Sacramento County Regional Sanitation District and the federal government for the Build America Bonds subsidy. Significant nonoperating expenses include interest expense paid on SacSewer's outstanding loans with the Financing Authority. When both restricted and unrestricted resources are available for use, it is SacSewer's policy to use restricted resources first.

Receivables

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

Inventories

Inventories are maintained to meet the operating and maintenance requirements of SacSewer and are valued at cost.

Developer Reimbursement Payable

Under SacSewer's Trunk Reimbursement Program, developers may elect to enter into a developer reimbursement agreement. Under the agreements, the developer agrees to install trunks and other facilities on behalf of SacSewer and SacSewer agrees to reimburse the developer for the agreed upon cost of such facilities; provided that the total reimbursement by SacSewer 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 SacSewer, developers may elect to use the reimbursable amount as a credit against sewer impact fees that they would otherwise owe to SacSewer. Obligations to developers who have elected to apply their reimbursement to future sewer impact fees are reported as developer reimbursement payable on SacSewer's Statements of Net Position.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 and 2021

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
Right-to-use	5 to 10 years

SacSewer'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, including leased 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 depreciable asset account. Capital assets contributed that are received from developers are recorded at acquisition value.

Pensions

SacSewer 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, 2022 and 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Inflows and Outflows of Resources

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

Compensated Absences

SacSewer'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 future years, with no limit on 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, 2022 and June 30, 2021 was \$3,779,403 and \$3,879,419 respectively (see Note 4 on long-term obligations).

Risk Management

SacSewer participates in the County'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 SacSewer'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, 2022 and 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting 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. As a result of the implementation of this Statement, SacSewer restated its beginning right-to-use assets and lease liability balances as of July 1, 2020. The effect of the implementation of this Statement is disclosed in Note 3, Note 4 and Note 8.

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. SacSewer has implemented this Statement for the fiscal year ending June 30, 2022. This Statement did not have a material effect on the financial statements.

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 was 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. SacSewer has implemented this Statement for fiscal year ending June 30, 2022. However, with LIBOR still being classified as an acceptable reporting rate, this Statement did not have a material effect on the financial statements.

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. SacSewer has implemented this Statement for fiscal year ending June 30, 2022. This Statement did not have a material effect on the financial statements.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 and 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 99 – In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. This statement did not have a material effect on the financial statements.

2. CASH EQUIVALENTS AND INVESTMENTS

SacSewer 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, 2022 and 2021, the carrying amount of SacSewer's cash and investments held in the fund was \$125,526,881 and \$126,267,328, respectively. The weighted average maturity of the Treasurer's cash and investment pool was 278 and 300 days at June 30, 2022 and 2021 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.

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 or total portfolio) of "prime quality" (the highest ranking provided by either Moody's Investor Services (Moody's) or S&P Global Ratings) 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;

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 and 2021

2. CASH EQUIVALENTS AND INVESTMENTS (Continued)

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

At June 30, 2022 and 2021, 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Restricted proceeds from debt issues held by:		
County Treasurer's cash and investment pool	\$ 5,451,570	\$ 5,469,802
Investments held by County Fiscal Agent	1	19
Total Restricted Cash and Investments	<u>\$ 5,451,571</u>	<u>\$ 5,469,821</u>

Custodial Credit Risk

This is the risk that in the event a financial institution or counterparty fails, SacSewer would not be able to recover the value of its deposits and investments. As of June 30, 2022 and 2021, one hundred percent of SacSewer's investments are held in the County's name. SacSewer does not have a policy for custodial credit risk. The California Government Code has provisions for financial institutions that limit custodial credit risk for deposits. Financial institutions are required to secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 and 2021

2. CASH EQUIVALENTS AND INVESTMENTS (Continued)

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 SacSewer'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. SacSewer's investments held by bond trustee are monitored for interest rate risk by measuring the weighted average maturity.

Investment Type	Amount at June 30, 2022	Weighted Average Maturity (in years)	Amount at June 30, 2021	Weighted Average Maturity (in years)
County Treasurer's cash and investment pool	\$5,451,570	0.76	\$5,469,802	0.82
Held by Bond Trustee:				
Money Market Mutual Funds	1	0.00	19	0.08
Total	<u>\$5,451,571</u>		<u>\$5,469,821</u>	

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2022 and 2021, SacSewer does not have investments in any one issuer that represents at least five percent of total investments. Mutual funds and investments in external investment pools are excluded from this disclosure.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 and 2021

2. CASH EQUIVALENTS AND INVESTMENTS (Continued)

Credit Risk

This is the risk than an issuer or other counterparty to a debt instrument will not fulfill its obligations. SacSewer 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 S & P and Moody's rating agencies. In addition, SacSewer 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, 2022	Ratings as of June 30, 2022	Amount at June 30, 2021	Ratings as of June 30, 2021
Held by Bond Trustee:				
Money Market Mutual Funds	\$ 1	Aaa/AAA	\$ 19	Aaa/AAA

Fair Value Measurements

SacSewer 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 SacSewer 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 SacSewer's 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 SacSewer's own data.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 and 2021

2. CASH EQUIVALENTS AND INVESTMENTS (Continued)

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, Sac Sewer's proportionate share in this type of investment is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

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

3. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2022 were as follows:

	<u>July 1, 2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2022</u>
Capital assets not being depreciated:				
Land	\$ 9,300,687	\$ -	\$ (11,000)	\$ 9,289,687
Construction in progress	153,932,627	28,913,295	(2,049,872)	180,796,050
Total capital assets not being depreciated	<u>163,233,314</u>	<u>28,913,295</u>	<u>(2,060,872)</u>	<u>190,085,737</u>
Capital assets being depreciated:				
Structures and improvements	1,381,662,066	37,035,288	(805,363)	1,417,891,991
Equipment	27,880,665	3,552,293	(1,148,447)	30,284,511
Software	2,814,071	-	-	2,814,071
Total capital assets being depreciated	<u>1,412,356,802</u>	<u>40,587,581</u>	<u>(1,953,810)</u>	<u>1,450,990,573</u>
Right-to-use assets, being amortized:				
Equipment ⁽¹⁾	<u>138,899</u>	<u>-</u>	<u>-</u>	<u>138,899</u>
Less accumulated depreciation:				
Structures and improvements	(639,972,183)	(37,537,034)	743,006	(676,766,211)
Equipment	(13,980,980)	(1,691,501)	1,064,921	(14,607,560)
Software	(2,814,071)	-	-	(2,814,071)
Total accumulated depreciation	<u>(656,767,234)</u>	<u>(39,228,535)</u>	<u>1,807,927</u>	<u>(694,187,842)</u>
Less: accumulated amortization:				
Equipment	<u>(41,977)</u>	<u>(45,749)</u>	<u>-</u>	<u>(87,726)</u>
Total capital assets being depreciated/amortized, net	<u>755,686,490</u>	<u>1,313,297</u>	<u>(145,883)</u>	<u>756,853,904</u>
Net capital assets	<u>\$ 918,919,804</u>	<u>\$ 30,226,592</u>	<u>\$ (2,206,755)</u>	<u>\$ 946,939,641</u>

(1) Right-to-use equipment has been revised in accordance with the implementation of GASB Statement No. 87, *Leases*. Refer to Note 1 for accounting standard and Note 8 for effect of the implementation.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 and 2021

3. CAPITAL ASSETS (Continued)

Capital assets activity for the fiscal year ended June 30, 2021 were as follows:

	July 1, 2020 (as restated)	Increase	Decrease	June 30, 2021
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	132,181,250	38,037,145	(6,985,081)	163,233,314
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	1,389,964,584	25,301,926	(2,909,708)	1,412,356,802
Right-to-use assets, being amortized:				
Equipment ⁽¹⁾	138,899	-	-	138,899
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	(620,544,315)	(37,954,796)	1,731,877	(656,767,234)
Less: accumulated amortization:				
Equipment	-	(41,977)	-	(41,977)
Total capital assets being depreciated/amortized, net	769,559,168	(12,694,847)	(1,177,831)	755,686,490
Net capital assets	\$ 901,740,418	\$ 25,342,298	\$ (8,162,912)	\$ 918,919,804

(1) Right-to-use equipment has been revised in accordance with the implementation of GASB Statement No. 87, *Leases*. Refer to Note 1 for accounting standard and Note 8 for effect of the implementation.

Depreciation and amortization expense is included in the Statements of Revenues, Expenses and Changes in Net Position for fiscal years ended June 30, 2022, and 2021 totaled \$39,274,284 and \$37,996,773, respectively.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 and 2021

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. SacSewer and the Financing Authority entered into a master installment agreement. SacSewer 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 SacSewer'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 SacSewer) 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, 2022 and 2021

4. LONG-TERM OBLIGATIONS (Continued)

Maturity Schedule

Future debt service requirements on SacSewer's revenue bonds as of June 30, 2022 are as follows:

<u>Fiscal years ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	4,865,000	8,760,659	13,625,659
2028-2032	31,180,000	39,777,299	70,957,299
2033-2037	55,935,000	28,001,298	83,936,298
2038-2041	60,885,000	7,900,083	68,785,083
	<u>\$161,350,000</u>	<u>\$120,975,638</u>	<u>\$282,325,638</u>

Refer to Note 9 for the repayment schedule of SacSewer's lease liability.

Bond Covenants

Pursuant to the Indenture with the County and U.S. Bank as trustee, and the Master Installment Purchase Contract between the Financing Authority and SacSewer, SacSewer 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 SacSewer, 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 2022 and 2021, SacSewer 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 SacSewer) 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

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 and 2021

4. LONG-TERM OBLIGATIONS (Continued)

of taxation. SacSewer's outstanding bonds contain a provision that in an event of default, outstanding amounts become immediately due if SacSewer is unable to make payment. The outstanding bonds are secured by a pledge of and charge and lien of SacSewer's revenues.

Changes in long-term obligations for the fiscal years ended June 30, 2022 and 2021 were as follows:

	July 1, 2021	Increase	Decrease	June 30, 2022	One Year
Loan Payable to Financing Authority					
Revenue Bonds	\$ 162,530,000	\$ -	\$ (1,180,000)	\$ 161,350,000	\$ 1,230,000
Plus premium	5,350,369	-	(345,155)	5,005,214	345,155
Lease Liability	96,922	-	(43,472)	53,450	45,628
Compensated absences	3,879,419	481,898	(581,914)	3,779,403	566,910
	<u>\$ 171,856,710</u>	<u>\$ 481,898</u>	<u>\$ (2,150,541)</u>	<u>\$ 170,188,067</u>	<u>\$ 2,187,693</u>
	Balance July 1, 2020 (as restated)	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
Lease Liability	138,899	-	(41,977)	96,922	43,472
Compensated absences	2,967,922	1,356,685	(445,188)	3,879,419	581,913
	<u>\$ 172,462,345</u>	<u>\$ 1,356,685</u>	<u>\$ (1,962,320)</u>	<u>\$ 171,856,710</u>	<u>\$ 2,150,540</u>

5. RELATED PARTY TRANSACTIONS

For fiscal years 2021-22 and 2020-21, the County paid SacSewer \$743,355 and \$800,721, respectively, for interest earned on Treasury deposits. SacSewer's labor force are employees of the County and is contractually obligated to reimburse the County for all employee costs. SacSewer also uses other County departments for services, such as risk management, engineering, accounting, utility billing, etc. Expenses paid to the County during fiscal years 2021-22 and 2020-21 were \$59,801,678 and \$60,726,252 respectively.

In addition, for fiscal years 2021-22 and 2020-21, SacSewer paid the Financing Authority \$10,462,803 and \$10,466,148, respectively, for debt service.

6. COMMITMENTS AND CONTINGENCIES

SacSewer has entered into contracts for the construction of certain projects. At June 30, 2022 and 2021, the unexpended balance of the contract commitments was \$9,359,675 and \$8,208,440 respectively.

SacSewer is a defendant in various matters of litigation. Of these matters, management and the SacSewer's legal counsel do not anticipate any material effect on the June 30, 2022 and 2021 basic financial statements.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 and 2021

7. NET POSITION

Net Position is the excess of all SacSewer's assets and deferred outflows of resources over all its liabilities and deferred inflows of resources. Net Position is divided into three categories as described below:

Net Investment in Capital Assets, describes the portion of Net Position which is represented by the current net book value of SacSewer's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which SacSewer cannot unilaterally alter.

Unrestricted describes the portion of Net Position which is not restricted to use and includes designations which are described below.

Designations of unrestricted net position are imposed by the Board of Directors (Board) to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended or removed by Board action.

At June 30, 2022 and 2021, the details of designations of unrestricted net position are for the following:

	2022	2021
General Reserve	\$ 20,092,270	\$ 19,188,037
Metro Airpark	2,743,641	2,689,844
Confluence Program	3,000,000	3,000,000
Upper-Lateral Revolving Loan Fund	500,000	500,000
McClellan Business Park	1,689,344	1,656,121
Relief Projects	-	2,609,000
Asset Replacement	9,580,632	9,580,632
Rate Stabilization	4,000,000	4,000,000
Undesignated	28,306,488	21,686,575
Total Unrestricted Net Position	<u>\$ 69,912,375</u>	<u>\$ 64,910,209</u>

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 and 2021

7. NET POSITION (Continued)

(a) General Reserve

Designated for general reserve and is established to provide for emergency costs and other unexpected expenditures, or to offset temporary fluctuations in revenues. This reserve is targeted at a level equal to 25 percent of operating expenses, and provides protection from rate increases that might result from short-term cost spikes from emergencies, regulatory changes, or legal (lawsuit) settlements.

(b) Metro Airpark Reserve

Designated to provide for additional future maintenance and repair expenses expected in the area. Increases annually by a 2 percent general inflation factor to cover cost increases resulting from inflation.

(c) Confluence Program Reserve

Designated to manage the programs funding annually through non-rate/fee revenues and provides a buffer to ensure long-term programs can continue during years of low non-rate/fee revenues.

(d) Upper-Lateral Revolving Loan Fund Reserve

Designated to provide a base revolving loan fund for low interest loans for customers that need to replace failing upper lateral sewer pipes on their property.

(e) McClellan Business Park Reserve

Designated to finance a future construction project to increase capacity when expected growth occurs. Increases annually by a 2 percent general inflation factor to cover cost increases resulting from inflation.

(f) Relief Projects Reserve

Designated to finance projects that provide relief or improve capacity in areas that already have sewer infrastructure. This reserve was consumed by the Mission Trunk Rehabilitation and the Don Julio/Watt Avenue Sewer Relief Projects in FY 20-21.

(g) Asset Replacement Reserve

Designated to finance replacements of pipelines, buildings, and equipment assets as they reach the end of their useful lives. The changes in this reserve are based on asset replacement needs identified annually in the SacSewer Asset Management Plan.

(h) Rate Stabilization Reserve

Designated to ensure debt coverage ratios of at least 1.20x, as required by bond agreements, and is available if revenues decline without requiring an immediate increase in rates.

(i) Undesignated

The remaining balance in the unrestricted net position is undesignated by the Board of Directors.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 and 2021

8. CHANGE IN ACCOUNTING PRINCIPLES

Effective July 1, 2020, SacSewer adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right-to-use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to Note 9 below.

	June 30, 2020 as Previously Reported	Restatement	July 1, 2020 as Restated
Right-to-use asset	\$ -	\$ 138,899	\$ 138,899
Lease liability	-	(138,899)	(138,899)
Net Position - Beginning of year	\$ 809,441,275	\$ -	\$ 809,441,275

9. LEASES

As of June 30, 2022, the value of the leased assets and outstanding lease liability is \$51,173 and \$53,450 respectively. SacSewer is required to make monthly fixed payments of \$3,935. The lease has an interest rate of 4.8509%. As of June 30, 2022, the recorded amount for right-to-use assets was \$138,899 with accumulated amortization of \$87,726 and is included with Equipment on the Lease class activities table found below.

The amount of lease assets by major classes of underlying assets at June 30, 2022:

Asset Class	Lease Asset	Accumulated Amortization
Equipment	\$ 138,899	\$ 87,726

The amount of lease assets by major classes of underlying assets at June 30, 2021:

Asset Class	Lease Asset	Accumulated Amortization
Equipment	\$ 138,899	\$ 41,977

The future principal and interest lease payments for the fiscal year ended June 30, 2022, were as follows:

Years Ending June 30	Principal	Interest	Total Payments
2023	\$ 45,628	\$ 1,587	\$ 47,215
2024	7,822	47	7,869

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 and 2021

10. OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS (OPEB)

Plan Description

SacSewer'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 2021 and September 2020, the Board of Supervisors approved the Retiree Medical and Dental Insurance Program Administrative Policy for calendar years 2022 and 2021, 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 GASB Statement No. 75. For financial reporting purposes, SacSewer reports a proportionate share of the County's collective total other postemployment benefits (OPEB) liability, OPEB expense, and deferred inflows and outflows of resources. Accordingly, the disclosures and required supplementary information have been reported for SacSewer 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 SacSewer during the fiscal years ended June 30, 2022 and 2021 is \$131,793 and \$134,978, respectively.

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

SacSewer reported a liability of \$3,037,280 and \$3,341,340 for its proportionate share of the total OPEB liability as of June 30, 2022 and 2021, respectively. At June 30, 2022 and 2021, the total OPEB liability was measured as of June 30, 2021 and June 30, 2020, respectively, and the total OPEB liability was determined by actuarial valuations as of the same dates. SacSewer's proportion of the total OPEB liability was based on the total full-time equivalents (FTE) of SacSewer's relative to the total FTEs of the County. At June 30, 2022 and 2021, SacSewer's proportion was 2.58 and 2.45 percent, respectively.

For the fiscal years ended June 30, 2022 and 2021, SacSewer recognized OPEB expense of \$70,277 and \$19,582, respectively.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 and 2021

10. OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS (OPEB) (Continued)

At June 30, 2022, SacSewer 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	\$ 239,240	\$ (922,296)
Differences between projected and actual earnings	-	(732,446)
Changes in proportion	115,682	(38,442)
Contributions subsequent to the measurement date	131,793	-
Total	<u>\$ 486,715</u>	<u>\$ (1,693,184)</u>

At June 30, 2021, SacSewer 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>

For the fiscal year ended June 30, 2022, \$131,793 was reported as deferred outflows of resources related to OPEB resulting from amounts paid by SacSewer subsequent to the measurement date and will be recognized as a reduction of the total OPEB liability during the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal years ending June 30	
2023	\$ (273,054)
2024	(273,054)
2025	(273,054)
2026	(273,054)
2027	(273,054)
2028	27,008
Total	<u>\$ (1,338,262)</u>

Discount Rate

The discount rate used to measure the total OPEB liability was 2.16 and 2.21 percent for the June 30, 2021 and 2020 valuation dates, respectively, and was based on the Bond Buyer 20-Bond GO Index.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 and 2021

10. OTHER POSTEMPLOYMENT 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, 2021 and 2020
Discount Rate	2.16% at June 30, 2021 (Bond Buyer 20-Bond GO Index) 2.21% at June 30, 2020 (Bond Buyer 20-Bond GO Index)
Inflation	2.50% annually
Medical Trend	6.50%, decreasing to an ultimate rate of 4.00% (June 30, 2021) 7.25%, decreasing to an ultimate rate of 4.00% (June 30, 2020)
Mortality Improvement	Post-retirement mortality projected fully generational with Scale MP-2019 for June 30, 2020 and 2019 valuation
Salary Increase	2.75%
Healthcare Participation	45%

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

The following presents SacSewer's proportionate share of the total OPEB liability as of June 30, 2022, as well as what SacSewer's proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate:

	1% Decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB Liability	\$ 3,269,402	\$ 3,037,280	\$2,819,654

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

	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, 2022 and 2021

10. OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS (OPEB) (Continued)

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

The following presents SacSewer's proportionate share of the total OPEB liability as of June 30, 2022, as well as what SacSewer'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 at June 30, 2022:

	1% Decrease (5.50% decreasing to 2.75% in 2076)	Current Rate (6.50% decreasing to 3.75% in 2076)	1% Increase (7.50% decreasing to 4.75% in 2076)
Total OPEB Liability	\$ 2,712,311	\$ 3,037,280	\$ 3,417,005

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

	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

11. NET PENSION LIABILITY

Plan Description

Employees of SacSewer participate in the County's 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 (SCERS 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.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 and 2021

11. NET PENSION LIABILITY (Continued)

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 SacSewer'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).

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.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 and 2021

11. NET PENSION LIABILITY (Continued)

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 SacSewer, 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 22.77% of covered payroll for the fiscal year ended June 30, 2022 and 21.05% of covered payroll for the fiscal year ended June 30, 2021. SacSewer's proportionate share of the County's contribution to the Plan was \$5,842,182 and \$5,437,490 for the fiscal years ended June 30, 2022 and June 30, 2021, respectively.

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

SacSewer reported a liability of \$2,683,812 and \$44,705,718 for its proportionate share of the County's net pension liability at June 30, 2022 and June 30, 2021, respectively. The net pension liability was measured as of June 30, 2021 and June 30, 2020, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. SacSewer's proportion of the County's net pension liability was based on Sac Sewer's fiscal year 2021 and 2020 actual contributions to the County's pension plan relative to the total contributions of the County as a whole. At June 30, 2022, SacSewer's proportion was 0.64 percent, which was a decrease of 1.01 percent from its proportionate share measured as of June 30, 2021. At June 30, 2021, SacSewer's proportion was 1.65 percent which was an increase of 0.13 percent from its proportionate share of 1.52 percent measured as of June 30, 2020.

SacSewer recognized pension expense (income) of (\$6,081,174) and \$4,152,402 for the fiscal years ended June 30, 2022 and June 30, 2021, respectively.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 and 2021

11. NET PENSION LIABILITY (Continued)

At June 30, 2022, SacSewer 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	\$ 2,254,288	\$ -
Changes in assumptions	3,324,332	(5,048,200)
Net differences between projected and actual earnings on plan investments	-	(29,727,046)
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,980,399	(212,259)
Employer contributions paid by SacSewer to the County subsequent to the measurement date	5,842,182	-
Total	<u>\$ 13,401,201</u>	<u>\$ (34,987,505)</u>

The \$5,842,182 reported as deferred outflows of resources related to pension, resulting from SacSewer's contributions to the County's plan subsequent to the measurement date and before the end of the fiscal year, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2023.

At June 30, 2021, SacSewer 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 SacSewer to the County subsequent to the measurement date	5,437,490	-
Total	<u>\$ 14,837,158</u>	<u>\$ (482,730)</u>

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 and 2021

11. NET PENSION LIABILITY (Continued)

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>Fiscal years ending June 30</u>	
2023	\$ (7,131,406)
2024	(7,131,406)
2025	(7,131,406)
2026	<u>(6,034,268)</u>
Total	<u>\$ (27,428,486)</u>

Actuarial Assumptions

SacSewer's proportion of the County's total pension liability in the June 30, 2021 and June 30, 2020 actuarial valuations were determined using the following actuarial assumptions applied in the measurement:

<u>June 30, 2022</u>	
Actuarial valuation date	June 30, 2021
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
<u>June 30, 2021</u>	
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

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 and 2021

11. 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.

In the actuarial valuations dated June 30, 2021 and 2020, the post-retirement mortality rates for the healthy Miscellaneous members were based on Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates increased by 10%, projected generationally with the two-dimensional mortality improvement scale MP-2019 and the post-retirement mortality rates for the disabled Miscellaneous members were based on Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2019. In the actuarial valuation dated June 30, 2021, the pre-retirement mortality rate was based on the June 30, 2021 Actuarial Experience Study. In the actuarial valuation dated June 30, 2020, the pre-retirement mortality rate was based on the June 30, 2019 Actuarial Experience Study.

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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin.

Discount Rate

The discount rates used to measure the total pension liability (TPL) was 6.75% for the measurement periods ended June 30, 2021 and 2020. 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 SCERS' 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, 2021 and 2020.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 and 2021

11. 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, 2021, 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%
Liquid Real Return	2.0%	4.5%
Private Real Estate	5.0%	4.6%
Value Added Real Estate	2.0%	8.1%
Hedge Fund Diversifying	7.0%	2.4%
Private Credit	4.0%	5.6%
Real Assets	7.0%	8.1%
Hedge Fund Growth	3.0%	2.4%
Private Equity	9.0%	9.4%
Cash	1.0%	-0.3%
Total	100.00%	

Change of Assumptions

In 2021, the discount rate remained at 6.75%. In 2020, the discount rate was reduced from 7.0% to 6.75%.

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

The following table presents SacSewer's proportionate share of the County's net pension liability calculated using the discount rate of 6.75% for both fiscal years ended June 30, 2022 and 2021, respectively, as well as what SacSewer'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, 2022 and 2021.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 and 2021

11. NET PENSION LIABILITY (Continued)

SacSewer'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%)
2022	\$14,020,777	\$2,683,812	\$ (6,601,873)

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

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.

12. FUTURE GASB PRONOUNCEMENTS

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. SacSewer 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, 2022 and 2021

12. FUTURE GASB PRONOUNCEMENTS (Continued)

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. SacSewer 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. SacSewer is currently evaluating the effect of this standard on the financial statements.

GASB Statement No. 99 – In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to GASB Statement No. 53 and GASB Statement No. 63 are effective upon issuance. The impact of these requirements for SacSewer are discussed in Note 1. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of GASB Statement No. 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. SacSewer has not determined the effect, if any, on the financial statements.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 and 2021

12. FUTURE GASB PRONOUNCEMENTS (Continued)

GASB Statement No. 100 – In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. SacSewer has not determined the effect, if any, on the financial statements.

GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. SacSewer has not determined the effect, if any, on the financial statements.

13. SUBSEQUENT EVENTS

A Memorandum of Understanding between the County of Sacramento, Regional San, and SacSewer relating to the investment of certain reserve funds outside of the County's Investment Pool was entered in September 2022. SacSewer and Regional San contracted with an asset management firm to provide investment advisory services, and retained an independent custodial bank for safekeeping of the investments. Investing the reserve funds outside of the County Pool will better align the long-term investment objectives and liquidity needs of SacSewer. SacSewer will continue to deposit all revenue remittances needed for immediate operating, capital, and debt service expenditures into the County Treasury.

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SACRAMENTO AREA SEWER DISTRICT
Sacramento, California

Required Supplementary Information

For the Fiscal Years Ended June 30, 2022 and 2021

SACRAMENTO AREA SEWER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

Schedule of the SacSewer's Proportionate Share of the County's Net Pension Liability								
Last Ten Years ^(1,2)								
	Fiscal Year							
	2022	2021	2020	2019	2018	2017	2016	2015
SacSewer's proportion of the County's net pension liability	0.64%	1.65%	1.52%	1.59%	1.65%	1.82%	1.68%	1.52%
SacSewer's proportionate share of the County's net pension liability	\$ 2,683,812	\$ 44,705,718	\$ 31,490,903	\$ 31,100,165	\$ 34,519,914	\$ 29,458,678	\$ 18,033,285	\$ 10,967,925
SacSewer's covered payroll	\$ 25,831,972	\$ 24,258,051	\$ 23,225,878	\$ 22,658,201	\$ 22,094,720	\$ 21,248,598	\$ 20,449,918	\$ 19,736,202
SacSewer's proportionate share of the net pension liability as a percentage of its covered employee payroll	10.39%	184.29%	135.59%	137.26%	156.24%	138.64%	88.18%	55.57%
Plan's fiduciary net position as a percentage of the total pension liability	96.76%	78.62%	82.57%	82.51%	80.37%	81.40%	87.26%	91.02%
Measurement date	6/30/2021	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 eight 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, 2022 AND 2021

Schedule of SacSewer's Pension Contributions
Last Ten Years ⁽¹⁾

	Fiscal Year							
	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contributions	\$ 5,842,182	\$ 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	(5,842,182)	(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>	<u>\$ -</u>
SacSewer's covered payroll	\$ 25,652,372	\$ 25,831,972	\$ 24,258,051	\$ 23,225,878	\$ 22,658,201	\$ 22,094,720	\$ 22,094,720	\$ 20,449,918
Contributions as a percentage of covered payroll	22.77%	21.05%	19.26%	17.42%	14.95%	15.99%	16.84%	20.86%

Notes to Schedule:

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

SACRAMENTO AREA SEWER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

Schedule of the SacSewer's Proportionate Share of the County's Total OPEB Liability					
	Last Ten Years ^(1,2)				
	Fiscal Year				
	2022	2021	2020	2019	2018
SacSewer's proportion of the County's total OPEB liability	2.58%	2.45%	2.43%	2.44%	2.48%
SacSewer's proportionate share of the County's total OPEB liability	\$ 3,037,280	\$ 3,341,340	\$ 2,810,939	\$ 3,908,774	\$ 3,753,160
SacSewer's covered employee payroll	\$ 24,592,875	\$ 28,317,444	\$ 26,841,532	\$ 26,271,593	\$ 25,904,577
SacSewer's proportionate share of the total OPEB liability as a percentage of its covered employee payroll	12.35%	11.80%	10.47%	14.88%	14.49%
Measurement date	6/30/2021	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 five years are shown.

(2) SacSewer has no assets accumulated in a trust that meets the criteria of GASB codification P52.101 to pay related benefits for the OPEB plan.



SACRAMENTO AREA SEWER DISTRICT
Sacramento, California

Statistical Section

For the Fiscal Years Ended June 30, 2022 and 2021

SACRAMENTO AREA SEWER DISTRICT

Index to Statistical Section

This part of the Sacramento Area Sewer District's (SacSewer's) 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 SacSewer's overall financial health.

Contents

Financial Trends

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

- Net Position by Component – Fiscal Years 2012-2013 through 2021-2022
- Changes in Net Position - Fiscal Years 2012-2013 through 2021-2022
- Operating Revenues by Source - Fiscal Years 2012-2013 through 2021-2022
- Operating Expenses - Fiscal Years 2012-2013 through 2021-2022
- Nonoperating Revenues and Expenses - Fiscal Years 2012-2013 through 2021-2022
- Capital Contributions - Fiscal Years 2012-2013 through 2021-2022

Revenue Capacity

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

- Wastewater Collected and Conveyed - Fiscal Years 2012-2013 through 2021-2022
- Number of Customers by Type - Fiscal Years 2012-2013 through 2021-2022
- Sewer Rates - Fiscal Years 2012-2013 through 2021-2022
- Ten Largest Customers – Fiscal Years 2022 and 2013

Debt Capacity

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

- Pledged Revenue Coverage - Fiscal Years 2012-2013 through 2021-2022
- Net Ratios of Outstanding Debt by Type - Fiscal Years 2012-2013 through 2021-2022

Demographic and Economic Information

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

- Demographic and Economic Statistics - Fiscal Years 2012-2013 through 2021-2022
- Private Sector Principal Employers – Fiscal Years 2022 and 2013

Operating Information

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

- Number of Employees by Identifiable Activity - Fiscal Years 2012-2013 through 2021-2022
- Operating and Capital Indicators - Fiscal Years 2012-2013 through 2021-2022

SACRAMENTO AREA SEWER DISTRICT

Net Position by Component

Fiscal Years 2012-2013 through 2021-2022 Schedule 1

Fiscal Year	Net Investment in Capital Assets	Restricted		Unrestricted	Total Net Position
		Capital Construction	Debt Service		
2022	\$ 785,166,420	\$ -	\$ -	\$ 69,912,375	\$ 855,078,795
2021 ³	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

Note ¹: Fiscal year 2015 beginning net position has 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.

Note ³: Fiscal year 2021 have been revised in accordance with the implementation GASB Statement No. 87, *Leases*. Prior years have not been restated as permitted by the standard.

SACRAMENTO AREA SEWER DISTRICT

Changes in Net Position

Fiscal Years 2012-2013 through 2021-2022 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
2022	\$ 111,197,722	\$ 111,036,146	\$ 161,576	\$ (10,880,432)	\$ 44,475,108	\$ 33,756,252	\$ 821,322,543	\$ 855,078,795
2021 ³	105,076,638	118,987,759	(13,911,121)	(8,832,782)	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

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.

Note ³: Fiscal year 2021 have been revised in accordance with the implementation GASB Statement No. 87, *Leases*. Prior years have not been restated as permitted by the standard.

SACRAMENTO AREA SEWER DISTRICT

Operating Revenues by Source

Fiscal Years 2012-2013 through 2021-2022 Schedule 3

Fiscal Year	Sewer Service Fees	Other Revenue	Total Operating Revenues
2022	\$ 102,104,363	\$ 9,093,359	\$ 111,197,722
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

SACRAMENTO AREA SEWER DISTRICT

Operating Expenses

Fiscal Years 2012-2013 through 2021-2022 Schedule 4

Fiscal Year	Labor Force			Depreciation and Amortization	Utilities			Services and Supplies
	Water Quality	Other	Total		Electricity	Other	Total	
2022	\$ 42,851,540	\$ 1,640,715	\$ 44,492,255	\$ 39,274,284	\$ 972,697	\$ 605,129	\$ 1,577,826	\$ 1,594,996
2021 ¹	52,739,680	1,920,907	54,660,587	37,996,773	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

Note ¹: Fiscal year 2021 have been revised in accordance with the implementation GASB Statement No. 87, *Leases*. Prior years have not been restated as permitted by the standard.

SACRAMENTO AREA SEWER DISTRICT

Operating Expenses (Continued)

Fiscal Years 2012-2013 through 2021-2022 Schedule 4

<u>Billing</u>	<u>Pipeline Maintenance</u>	<u>Data Processing</u>	<u>Office Equipment</u>	<u>Consultants</u>	<u>Chemicals</u>	<u>Insurance</u>	<u>Total Operating Expenses</u>
\$ 492,134	\$ 12,595,885	\$ 3,512,335	\$ 528,931	\$ 5,099,883	\$ 565,431	\$ 1,302,186	\$ 111,036,146
746,863	12,956,050	2,828,849	654,490	4,682,821	649,026	1,219,674	118,987,759
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

SACRAMENTO AREA SEWER DISTRICT

Nonoperating Revenues and Expenses

Fiscal Years 2012-2013 through 2021-2022 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)
2022	\$ (8,917,982)	\$ 767,805	\$ 2,228,956	\$ (4,959,210)	\$ -	\$ -	\$ (10,880,432)
2021 ¹	(8,967,451)	826,015	2,119,014	(2,810,360)	-	-	(8,832,782)
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)

Note ¹: Fiscal year 2021 have been revised in accordance with the implementation GASB Statement No. 87, *Leases*. Prior years have not been restated as permitted by the standard.

SACRAMENTO AREA SEWER DISTRICT

Capital Contributions

Fiscal Years 2012-2013 through 2021-2022 Schedule 6

Fiscal Year	Pipe From Developers	Sewer Impact Fees	Other Capital Contributions	Total Capital Contributions
2022	\$ 36,926,887	\$ 7,548,221	\$ -	\$ 44,475,108
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

SACRAMENTO AREA SEWER DISTRICT

Waste Collected and Conveyed

**Fiscal Years 2012-2013 through 2021-2022
Schedule 7**

Fiscal Year	Connected Equivalent Single-Family Dwelling Units (ESD)	Monthly Sewer Rate per ESD
2022	427,549	\$ 19.85
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

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

SACRAMENTO AREA SEWER DISTRICT

Number of Customers by Type

Fiscal Years 2012-2013 through 2021-2022
Schedule 8

Fiscal Year	Residential ESD's	Commercial ESD's	Total ESD's ¹	Industrial Flow Customers	Total
2022	369,979	57,570	427,549	67	427,616
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

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 2012-2013 through 2021-2022 Schedule 9

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Residential Rates ¹ :										
Operations and										
Maintenance	\$16.28	\$14.85	\$14.85	\$16.00	\$16.00	\$16.00	\$16.00	\$14.65	\$15.56	\$13.46
Rehabilitation	3.57	5.00	5.00	3.85	3.85	3.85	3.85	5.20	4.29	6.39
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	\$0.00	\$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 SacSewer Sewer Ordinance adopted on 1/13/2016.

SACRAMENTO AREA SEWER DISTRICT

Ten Largest Customers

Current Year and Nine Years Ago Schedule 10

Fiscal Year 2022		
Customer	Service Fees ¹	%
Sacramento County Airport System - SIA	\$ 129,770	0.13%
Procter and Gamble Manufacturing	35,758	0.04%
H.P. Hood, LLC	29,791	0.03%
Huhtamaki, Inc.	28,860	0.03%
Air Products Manufacturing Co	9,040	0.01%
Raging Waters, Sacramento	7,509	0.01%
Rio Cosumnes Correctional Center	5,643	0.01%
Cintas Corporation	5,201	0.01%
Mission Linen Supply	4,530	0.00%
Aerojet Commercial	3,803	0.00%
Subtotal (10 largest)	259,905	0.25%
Balance from other customers	101,844,458	99.75%
Grand totals	\$ 102,104,363	100.00%

Fiscal Year 2013		
Customer	Service Fees ¹	%
Sacramento County Airport System	\$ 135,713	0.14%
Campbell Soup Supply Company	38,197	0.04%
Procter and Gamble Manufacturing	33,758	0.04%
Aerojet Commercial	14,377	0.02%
Crystal Cream and Butter Co.	11,072	0.01%
Rio Cosumnes Correctional Center	9,965	0.01%
Huhtamaki Food Services, Inc.	8,883	0.01%
Mission Linen Supply	7,750	0.01%
Ameripride Uniform Services	7,154	0.01%
Raging Waters, Sacramento	6,419	0.01%
Subtotal (10 largest)	273,288	0.29%
Balance from other customers	95,552,114	99.71%
Grand totals	\$ 95,825,402	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

Pledge Revenue Coverage

Fiscal Years 2012-2013 through 2021-2022 Schedule 11

Fiscal Year	Operating Revenues	Sewer Impact Fees	Interest Revenue	Other Revenue ¹	Gross Revenues
2022	\$ 111,197,722	\$ 7,548,221	\$ 767,805	\$ 2,228,956	\$ 121,742,704
2021 ⁴	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

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.

Note ⁴: Fiscal year 2021 have been revised in accordance with the implementation GASB Statement No. 87, *Leases*. Prior years have not been restated as permitted by the standard.

SACRAMENTO AREA SEWER DISTRICT

Pledge Revenue Coverage (Continued)

**Fiscal Years 2012-2013 through 2021-2022
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	
\$	71,761,862	\$ 49,980,842	\$ 1,180,000	\$ 9,279,059	\$ 10,459,059	4.78
	80,990,986	38,973,927	1,130,000	9,330,909	10,460,909	3.73
	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

SACRAMENTO AREA SEWER DISTRICT

Net Ratios of Outstanding Debt byType

Fiscal Years 2012-2013 through 2021-2022 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			
2022	\$ 166,355,214	\$ -	\$ 166,355,214	\$ 389.09	N/A
2021 ⁴	167,880,369	-	167,880,369	396.65	0.18%
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%

Note ¹: Details regarding SacSewer'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.

Note ⁴: Fiscal year 2021 have been revised in accordance with the implementation GASB Statement No. 87, *Leases*. Prior years have not been restated as permitted by the standard.

SACRAMENTO AREA SEWER DISTRICT

Demographic and Economic Statistics

Fiscal Years 2012-2013 through 2021-2022 Schedule 13

Fiscal Year	County Population	Personal Income <i>(in thousands)</i>	Per Capita Personal Income	County Unemployment Rate	School Enrollment	County Labor Force
2022	1,588,921	NA	NA	7.0%	243,000	727,000
2021	1,578,680	\$ 90,908,707	\$ 58,307	7.2%	246,000	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

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

Note: NA = Not available until April 2023. 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 Force ¹</u>
	<u>2022 ^a</u>	<u>2022 ^c</u>
UC Davis Health System	16,075	2.30%
Kaiser Permanente	12,301	1.76%
Sutter / California Health Services	9,595	1.37%
Dignity/Mercy Healthcare	7,488	1.07%
Intel Corporation	6,013	0.86%
Seimens Mobility Inc.	2,500	0.36%
Safeway	1,938	0.28%
Pacific Gas and Electric Co.	1,447	0.21%
Blue Diamond Growers	968	0.14%
WellSpace Health	926	0.13%
	<u>2013 ^b</u>	<u>2013 ^c</u>
Kaiser Permanente	10,140	1.67%
Sutter/California Health Services	9,112	1.50%
Raley's Inc. / Bel Air	7,283	1.20%
Dignity/Mercy Healthcare	7,054	1.16%
Intel Corporation	6,500	1.07%
Hewlett-Packard Co.	3,200	0.53%
Wells Fargo & Co.	3,188	0.52%
HealthNet of CA	2,552	0.42%
Cache Creak Casino Resort	2,400	0.39%
Pacific Gas and Electric Co.	2,247	0.37%

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 Informa

Note ¹: County labor force is shown in Schedule 13.

SACRAMENTO AREA SEWER DISTRICT

Number of Employees by Identifiable Activity

Fiscal Years 2012-2013 through 2021-2022 Schedule 15

	Full-time-Equivalent Employees as of June 30									
	<u>2022</u>	<u>2021⁽²⁾</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>
Maintenance and Operations	215	213	190	190	189	186	184	185	181	187
Engineering	53	66	75	76	76	74	86	85	66	46
Administration	26	29	35	35	35	37	26	26	44	43
Total Employees	294	308	300	301	300	297	296	296	291	276

Source: SacSewer's Operations budget documents

Note: SacSewer'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 2021, 23 FTE positions were moved to Sacramento Area Sewer District from Sacramento Regional County Sanitation District, due to a Sanitation District Agency re-organization.

SACRAMENTO AREA SEWER DISTRICT

Operating and Capital Indicators

Fiscal Years 2012-2013 through 2021-2022 Schedule 16

	Fiscal Year					
	2022	2021	2020	2019	2018	2017
Pump Stations	107	106	106	106	106	105
Service Connections	305,543	301,000	300,393	297,555	294,311	294,096
Miles of Service line	1,556	1,500	1,533	1,521	1,491	1,392
Miles of Pipe	3,212	3,100	3,162	3,143	3,034	3,008
Manholes	68,242	67,000	67,122	66,458	65,846	65,740
Area of SacSewer (square miles)	281	278	278	278	278	278

Source: SacSewer Geographic Information System report

SACRAMENTO AREA SEWER DISTRICT
Operating and Capital Indicators (Continued)
Fiscal Years 2012-2013 through 2021-2022
Schedule 16

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
106	109	109	107
293,356	291,236	290,636	286,259
1,400	1,400	1,378	1,358
3,000	3,000	3,035	2,991
64,801	64,384	65,209	65,093
278	274	274	270



SACRAMENTO AREA SEWER DISTRICT
Sacramento, California

Bond Disclosure Section

For the Fiscal Years Ended June 30, 2022 and 2021

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

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 and 2021

On October 1, 1993, SacSewer 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 SacSewer 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 SacSewer'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.sacssewer.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 SacSewer 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 SacSewer.
- (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 SacSewer 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 SacSewer 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, 2022 and 2021

REPORTING OF SIGNIFICANT EVENTS

As of June 30, 2022, 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, 2022, 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

SacSewer collects service charges for SacSewer 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 or other appropriate measure) 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
2018	413,809	99.0%
2019	417,027	99.0%
2020	420,297	99.0%
2021	423,244	99.0%
2022	427,549	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, 2022 and 2021

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	\$ 129,770
Procter and Gamble Manufacturing	35,758
H.P. Hood, LLC	29,791
Huhtamaki, Inc.	28,860
Air Products Manufacturing Company	9,040
Raging Waters, Sacramento	7,509
Rio Consumnes Correctional Center	5,643
Cintas Corporation	5,201
Mission Linen Supply	4,530
Aerojet Commercial	3,803
TOTAL	<u>\$ 259,905</u>

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

	<u>Regional San</u>	<u>SacSewer</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. SacSewer fee is based on expansion area. SacSewer relief area impact fee is \$777.

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

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 and 2021

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>
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
2022	11,392	3.57%	9,275,543

Section (5) A table setting forth the collection rates for charges imposed by SacSewer 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>
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
2022	102,104,363	101,368,164	736,199

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

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 and 2021

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 SacSewer for the immediately preceding five (5) fiscal years.

**Revenues, Maintenance and Operations Costs,
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>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021 ⁽¹⁾</u>	<u>2022</u>
Operating revenues:					
Sewer service fees	\$ 98,855	\$ 101,205	\$ 99,834	\$ 97,689	\$ 102,104
Sewer Impact fees	3,330	4,957	6,664	11,943	7,548
Other	1,405	8,940	12,563	7,388	9,093
	<u>\$ 103,590</u>	<u>\$ 115,102</u>	<u>\$ 119,061</u>	<u>\$ 117,020</u>	<u>\$ 118,745</u>
Nonoperating revenues:					
Interest income	1,555	2,600	2,351	826	768
Build America Bond subsidy	2,261	2,231	2,281	2,119	2,229
	<u>3,816</u>	<u>4,831</u>	<u>4,632</u>	<u>2,945</u>	<u>2,997</u>
Total revenue	<u>\$ 107,406</u>	<u>\$ 119,933</u>	<u>\$ 123,693</u>	<u>\$ 119,965</u>	<u>\$ 121,742</u>
M&O Expenses:					
Total operating expense	\$ 113,340	\$ 110,387	\$ 116,545	\$ 118,988	\$ 111,036
Less depreciation and amortization	<u>(36,633)</u>	<u>(36,679)</u>	<u>(38,229)</u>	<u>(37,997)</u>	<u>(39,274)</u>
	<u>\$ 76,707</u>	<u>\$ 73,708</u>	<u>\$ 78,316</u>	<u>\$ 80,991</u>	<u>\$ 71,762</u>
Net revenue, including impact fees	<u>\$ 30,699</u>	<u>\$ 46,225</u>	<u>\$ 45,377</u>	<u>\$ 38,974</u>	<u>\$ 49,980</u>
Senior lien debt service	\$ 10,464	\$ 10,458	\$ 10,466	\$ 10,461	\$ 10,459
Net revenue coverage	2.93	4.42	4.34	3.73	4.78
Undesignated Reserves	\$ 52,543	\$ 49,771	\$ 45,740	\$ 43,224	\$ 41,606

(1) Fiscal Year 2021 has been revised in accordance with the implementation of GASB Statement No. 87, *Leases*.



ACKNOWLEDGEMENTS

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

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