

# 2020

COMPREHENSIVE ANNUAL

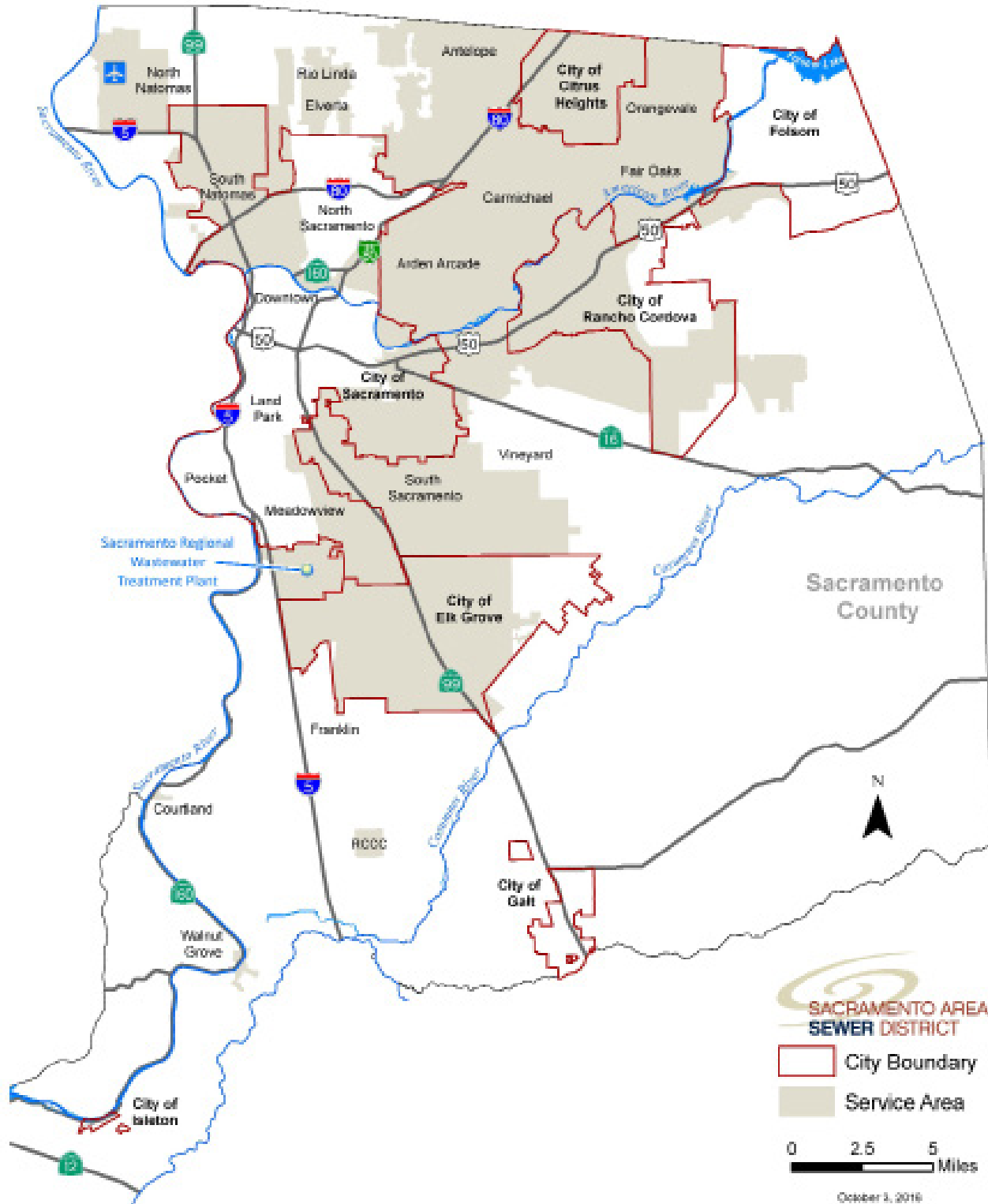
# FINANCIAL

# REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019  
SACRAMENTO, CALIFORNIA



# SASD SERVICE AREA



# **SACRAMENTO AREA SEWER DISTRICT**

*Sacramento, California*

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

*For the Fiscal Years Ended June 30, 2020 and 2019*

**Prepared by:**

*Prabhakar Somavarapu  
District Engineer*

*Joseph T. Maestretti  
District Chief Financial Officer*

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December 23, 2020

Honorable Board of Directors  
Sacramento Area Sewer District

The Sacramento Area Sewer District (SASD) hereby submits the Comprehensive Annual Financial Report (CAFR) for the fiscal years ended on June 30, 2020 and 2019. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with SASD. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported to present fairly the financial position and changes in financial position for SASD. All disclosures necessary to enable the reader to gain an understanding of SASD's financial activities have been included.

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

An independent auditor audits SASD's financial statements each year. The firm Macias Gini & O'Connell LLP was selected to perform the independent audit for the fiscal years ended on June 30, 2020 and 2019. The independent auditor's report is presented as the first component of the financial section of this report. The goal of the independent audit was to provide reasonable assurance that SASD's basic financial statements are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Based upon the audit, the independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that SASD's basic financial statements for the fiscal years ended June 30, 2020 and 2019, is fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. SASD's MD&A can be found immediately following the report of the independent auditors.

**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

**Prabhakar Somavarapu**  
District Engineer

**Rosemary Clark**  
Director of Operations

**Christoph Dobson**  
Director of Policy & Planning

**Matthew Doyle**  
Director of Internal Services

**Joseph Maestretti**  
Chief Financial Officer

**Nicole Coleman**  
Public Affairs Manager



## ***PROFILE OF SASD***

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

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

SASD serves approximately 1.2 million people in its 278 square mile service area made up of the urban, unincorporated areas of Sacramento County; the cities of Citrus Heights, Elk Grove, and Rancho Cordova; portions of the City of Sacramento; and a small area in the City of Folsom. SASD serves approximately 294,000 sewer service connections and maintains/operates approximately 3,100 miles of main line pipes, 1,500 miles of lower lateral pipes, 67,000 manholes, and 106 pump stations.

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

## ***FACTORS AFFECTING FINANCIAL CONDITION***

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

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. The spread of COVID-19 is having significant negative impact throughout the world, including California. The outbreak continues to be ongoing, and the ultimate geographic spread, duration, severity, and other actions that may be taken to contain or treat its impact are uncertain. Whether or to what extent the local, State, national and global economy affects the finances of SASD and the ultimate impact on the operations and revenues of SASD is unknown.

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

## ***BUDGETARY CONTROLS***

SASD prepares annual operational and capital budgets that are presented to the Board of Directors for its review and approval. The budget serves as an approved plan to facilitate financial control and operational evaluation. The final budget is prepared and presented to the Board of Directors for approval in late May or early June and becomes effective on July 1<sup>st</sup> of the corresponding fiscal year. The final budget for fiscal year 2020-21 was approved by SASD's Board of Directors on May 13, 2020.

## ***CRITICAL ISSUES AFFECTING SASD***

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

- **Lawsuits and Settlements**—Legal challenges are an ever present hazard in the wastewater utility business. In 2012, SASD settled a lawsuit brought by the California Sportfishing Protection Alliance that increased planned operations and maintenance costs. The terms of this consent decree were completed in early 2018.
- **Regulatory Requirement Changes**—Significant changes in the regulatory requirements that govern SASD operations could cause capital and/or operating costs to rise beyond the projected levels.
- **Aging Infrastructure**—In order to adequately address emerging aging infrastructure issues, SASD is developing and implementing an asset sustainability strategy including a comprehensive condition assessment program for main lines, pump stations, force mains, lower laterals, and reinforced concrete pipe. Estimates of cost increases and appropriate reserve levels associated with the condition assessment program could be significant.
- **Natural Disasters or Other Emergencies**-The potential for natural disasters, such as earthquake, flood, or drought, is always a concern in the SASD service area. 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.

## ***INTERNAL CONTROLS***

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

## **LONG-TERM PLANNING**

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

- **Comprehensive Long-Term Financial Plan (CLTFP)**—The CLTFP is comprised of data regarding financial performance measures, critical issues, a 10-year financial forecast and forecast assumptions, a 10-year Capital Funding Projection that serves as the strategic document to estimate SASD’s funding needs. The CLTFP is updated annually, and the last update was presented to the SASD Board of Directors in February 2020.
- **2010 Sewer System Capacity Plan (SCP)**—Adopted by the Board of Directors in January 2012, the SCP ensures SASD’s sewer collection system continues to serve its customers now and into the future by identifying areas of possible capacity deficiencies. Focused on existing and build-out sewer capacity over the ten-year horizon, the plan identifies potential capacity deficiencies, develops possible solutions to reestablish system performance in relief areas, and updates trunk expansion alternatives from previous planning documents. Modeling of hydraulic performance resulted in capital cost projections of \$911 million in 2010 dollars over the next 100 years. Future customers will pay capital costs via sewer impact fees, and projects benefiting existing customers will be funded through monthly rates. The next update of SASD’s SCP is scheduled for 2020.
- **2017 Asset Management Plan**—This Plan projects the lifecycle of SASD’s assets and provides an overview of asset maintenance, operation and replacement costs, life expectancies, and long-range projections for sustainability.
- **2020 Capital Funding Ten-Year Projection**—This projects the capital projects that are anticipated over the next ten years. About \$240 million in project costs are anticipated over the next ten years. Other than the first three years of the program, less than \$23 million is needed in any year; therefore, the capital program can be financed with available cash, and debt financing can be avoided. The following are some of the programs that are currently being implemented or are in the planning phase, in order of ten-year projected costs:
  1. Lower Lateral Replacement Projects - \$50 million
  2. System Capacity Plan Projects - \$29 million
  3. Vehicles and Equipment - \$25 million

## **DEBT ADMINISTRATION**

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

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

As of June 30, 2020, SASD has approximately \$164 million in outstanding long-term debt and has no plans to issue bonds in the near future.

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

## **AWARDS AND ACKNOWLEDGEMENTS**

SASD's Comprehensive Annual Financial Report for the fiscal year ended on June 30, 2019 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 Comprehensive Annual Financial Report, the contents of which conform to program standards. Such a report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year. SASD continues to conform to the Certificate of Achievement program requirements, and we will be submitting our current year CAFR to the GFOA for Certificate of Achievement.

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

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

Respectfully submitted,



Joseph T. Maestretti, CPA  
Sacramento Area Sewer District Chief Financial Officer

# Sacramento Area Sewer District

## Board of Directors

<b>Jeannie Bruins</b>	<b>City of Citrus Heights</b>
<b>Larry Carr</b>	<b>City of Sacramento</b>
<b>Sue Frost</b>	<b>County of Sacramento, Chair</b>
<b>Kerri Howell</b>	<b>City of Folsom, Vice Chair</b>
<b>Patrick Hume</b>	<b>City of Elk Grove</b>
<b>Patrick Kennedy</b>	<b>County of Sacramento</b>
<b>Robert McGarvey</b>	<b>City of Rancho Cordova</b>
<b>Don Nottoli</b>	<b>County of Sacramento</b>
<b>Susan Peters</b>	<b>County of Sacramento</b>
<b>Phil Serna</b>	<b>County of Sacramento</b>

## SASD Officials

**Prabhakar Somavarapu**  
District Engineer

**Rosemary Clark**  
Director of Operations

**Christoph Dobson**  
Director of Policy and Planning

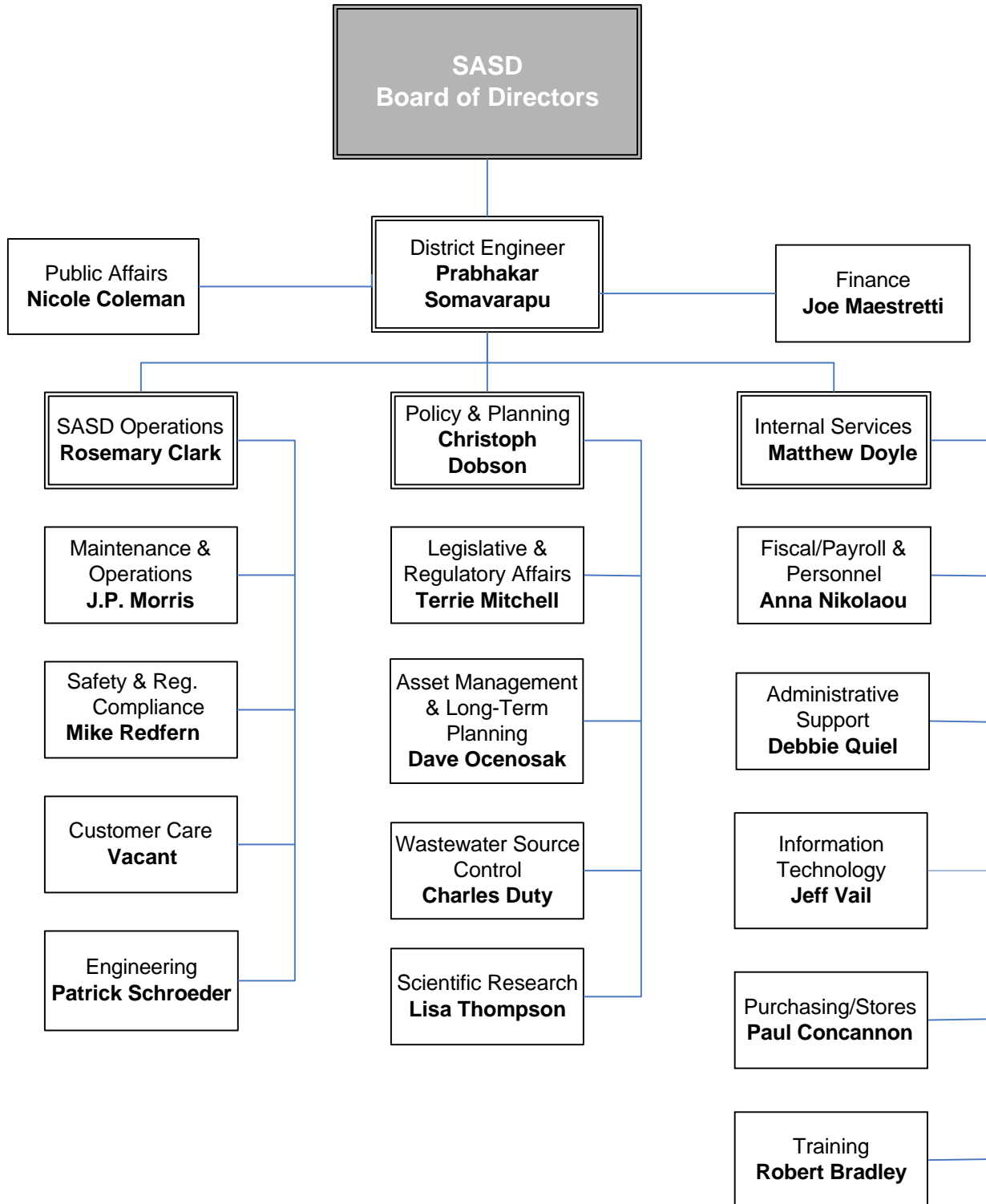
**Joseph T. Maestretti, CPA**  
Chief Financial Officer

**Matthew Doyle**  
Director of Internal Services

**Nicole Coleman**  
Public Affairs Manager

# SACRAMENTO AREA SEWER DISTRICT

## ORGANIZATIONAL CHART



**SACRAMENTO AREA SEWER DISTRICT**

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



Government Finance Officers Association

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

Presented to

**Sacramento Area Sewer District  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2019**

*Christopher P. Morrill*

Executive Director/CEO







## Independent Auditor's Report

Board of Directors  
Sacramento Area Sewer District  
Sacramento, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Sacramento Area Sewer District (SASD), as of and for the fiscal years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise SASD's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SASD, as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of SASD's proportionate share of the County's net pension liability, the schedule of SASD's pension contributions, and the schedule of SASD's proportionate share of the County's OPEB liability, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise SASD's basic financial statements. The introductory section, statistical section, and bond disclosure section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2020, on our consideration of SASD's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SASD's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SASD's internal control over financial reporting and compliance.



Sacramento, California  
December 23, 2020

## SACRAMENTO AREA SEWER DISTRICT

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

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 and 2019

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

#### FINANCIAL HIGHLIGHTS

- At June 30, 2020, the assets and deferred outflows of SASD exceeded liabilities and deferred inflows by \$809.4 million (*net position*). Of this amount, \$71.6 million was unrestricted and \$737.8 million was the net investment in capital assets. At June 30, 2019, the assets and deferred outflows of SASD exceeded liabilities and deferred inflows by \$785.8 million (*net position*). Of this amount, \$59.5 million was unrestricted and \$726.3 million was the net investment in capital assets.
- SASD's total net position increased by \$23.6 million and by \$26.9 million during 2019-20 and 2018-19, respectively. In addition, there was a \$4.1 million operating loss, \$6.6 million nonoperating loss, offset by contributed capital of \$34.3 million. The decrease during fiscal year 2018-19 was attributable to \$242 thousand operating loss, \$6.6 million nonoperating loss, offset by contributed capital of \$33.7 million.
- The decrease of \$1.2 million in long-term obligations in 2019-20 was due to scheduled debt service payments. The decrease in long-term obligations of \$1.2 million in 2018-19 was also due to scheduled debt service payments.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

## SACRAMENTO AREA SEWER DISTRICT

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

#### FOR THE FISCAL YEARS ENDED JUNE 30, 2020 and 2019

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

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

#### **FINANCIAL ANALYSIS**

As previously noted, net position may serve over time as a useful indicator of SASD's financial position. As of June 30, 2020 and 2019, total net position was \$809.4 million and \$785.8 million, respectively. During the fiscal years ended June 30, 2020 and 2019, net position increased \$23.6 million and by \$26.9 million, respectively. The increase for the fiscal year ended June 30, 2020, net position is primarily based on operating and nonoperating losses offset by capital contributions.

**SACRAMENTO AREA SEWER DISTRICT**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 and 2019

The following table summarizes the changes between assets, deferred outflows, liabilities, deferred inflows, and net position as of June 30, 2020, 2019 and 2018:

**Condensed Statements of Net Position**  
(Amounts Expressed in Thousands)

	2020	% Change	2019	% Change	2018
Assets:					
Current assets	\$ 147,699	7.2%	\$ 137,796	9.4%	\$ 125,952
Noncurrent assets	5,591	1.2%	5,523	0.2%	5,514
Capital assets, net	<u>901,601</u>	1.1%	<u>891,628</u>	1.6%	<u>877,911</u>
Total Assets	<u>1,054,891</u>	1.9%	<u>1,034,947</u>	2.5%	<u>1,009,377</u>
Deferred Outflows of Resources	<u>10,993</u>	-8.7%	<u>12,040</u>	-26.0%	<u>16,268</u>
Liabilities:					
Current and other liabilities	11,335	-7.9%	12,312	0.9%	12,198
Long-term obligations	167,881	-0.9%	169,356	-0.8%	170,786
Other noncurrent liabilities	<u>70,183</u>	-7.5%	<u>75,845</u>	-7.0%	<u>81,597</u>
Total Liabilities	<u>249,399</u>	-3.2%	<u>257,513</u>	-2.7%	<u>264,581</u>
Deferred Inflows of Resources	<u>7,044</u>	91.7%	<u>3,675</u>	68.8%	<u>2,177</u>
Net Position:					
Net investment in capital assets	737,806	1.6%	726,315	2.1%	711,264
Unrestricted	<u>71,635</u>	20.4%	<u>59,484</u>	24.9%	<u>47,623</u>
Total Net Position	<u>\$ 809,441</u>	3.0%	<u>\$ 785,799</u>	3.5%	<u>\$ 758,887</u>

As of June 30, 2020, the current assets increased by approximately \$10 million. Of those current assets, cash and investments increased by \$6.9 million. Capital assets also increased by approximately \$10 million. The main reason for this increase is due to higher development in the Sacramento area, in which the number of service connections increased by almost \$17 million. The increase in unrestricted net position of over \$12 million is mainly due to an increase in revenues including \$7.7 million that was received for a final litigation settlement for the sale of Bond/Waterman Road Property. In the fiscal year ended June 30, 2019, the increase in unrestricted net position of \$12 million was mainly due to \$5 million received from the Department of General Services for the reimbursement of fleet replacement charges.

The largest portion of SASD's net position (91% and 92% at June 30, 2020 and 2019, respectively) reflects its net investment in capital assets (e.g., land, structures and improvements, equipment, and construction in progress), less any related debt still outstanding used to acquire those assets. SASD uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Although SASD's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining amount (9% and 8% at June 30, 2020 and 2019, respectively) may be used to meet SASD's ongoing obligations to customers and creditors.

**SACRAMENTO AREA SEWER DISTRICT**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 and 2019

The following table summarizes the changes in net position for the fiscal years ended June 30, 2020, 2019, and 2018:

<b>Changes in Net Position</b>					
(Amounts Expressed in Thousands)					
	<u>2020</u>	%	<u>2019</u>	%	<u>2018</u>
		Change		Change	
Operating revenues:					
Sewer service fees	\$ 99,834	-1.4%	\$ 101,205	2.4%	\$ 98,855
Other	12,563	40.5%	8,940	536.3%	1,405
Nonoperating revenues:					
Interest income	2,351	-9.6%	2,600	67.2%	1,555
Intergovernmental revenue	2,281	2.2%	2,231	-1.3%	2,261
Total revenues	<u>117,029</u>	1.8%	<u>114,976</u>	10.5%	<u>104,076</u>
Operating expenses:					
County labor - water quality	48,673	6.3%	45,789	-0.3%	45,936
Depreciation and amortization	38,229	4.2%	36,679	0.1%	36,633
Billing	754	112.4%	355	1988.2%	17
Other operating expenses	28,889	4.8%	27,564	-10.4%	30,753
Nonoperating expenses:					
Interest expense	9,018	-0.5%	9,062	-0.5%	9,112
Other expense	2,179	-7.9%	2,367	154.0%	932
Total expenses	<u>127,742</u>	4.9%	<u>121,816</u>	-1.3%	<u>123,383</u>
Loss before Capital Contributions	<u>(10,713)</u>	-56.6%	<u>(6,840)</u>	64.6%	<u>(19,307)</u>
Capital Contributions:					
Pipe from developers	27,691	-3.8%	28,795	611.3%	4,048
Sewer impact fees	6,664	34.4%	4,957	48.9%	3,330
Total Capital Contributions	<u>34,355</u>	1.8%	<u>33,752</u>	357.5%	<u>7,378</u>
Increase (decrease) in net position	23,642	-12.2%	26,912	325.6%	(11,929)
Net position, beginning of year *	<u>785,799</u>		<u>758,887</u>		<u>770,816</u>
Net position, end of year	<u>\$ 809,441</u>		<u>\$ 785,799</u>		<u>\$ 758,887</u>

\*In fiscal year 2018, beginning net position was restated due to the adoption of GASB Statement 75.

## SACRAMENTO AREA SEWER DISTRICT

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

#### FOR THE FISCAL YEARS ENDED JUNE 30, 2020 and 2019

Total operating revenues, which consist of sewer service fees and other revenues increased by \$2.3 million in 2019-20 and \$9.9 million in 2018-19. In 2019-20, most of the increase in revenues was due to a \$7.7 million final litigation settlement. In 2018-19, most of the increase in the revenues was due to the aforementioned \$5 million reimbursement from the Department of General Services for fleet replacement charges. In 2019-20, there was no significant growth in the number of customers served and no increase in service fees.

Interest income decreased by \$249 thousand in 2019-20 and increased \$1.0 million in 2018-19.

Effective July 1, 2019 the amount charged for impact fees increased. Sewer impact fees for the "relief" area increased from \$689 per ESD to \$719 per ESD. Sewer impact fees for "expansion" areas increased from \$3,062 per ESD to \$3,194 per ESD. Sewer impact fees increased by 34% in 2019-20. Sewer impact fees increased by 49% in 2018-19.

In 2019-20, total expenses increased by \$5.9 million. The primary reason for this increase was attributable to an increase in labor costs of \$2.9 million and an increase in pipeline maintenance costs of \$3.2 million. The increases are due to planned increases in main line repairs and associated labor costs. In 2018-19 total expenses decreased by approximately \$1.6 million. The primary reason for this decrease was attributable to a decrease in pipeline maintenance costs of \$4.7 million. The decrease in pipeline maintenance costs were due to the completion of a lower lateral TV inspection program and reduction of corresponding corrective work. This decrease was offset by increases in services and supplies of \$1.1 million and data processing of \$740 thousand.

Total capital contributions increased by \$603 thousand during the 2019-20 year as compared to the prior year. Pipe from developers decreased by \$1.1 million and sewer impact fees increased by \$1.7 million. Total capital contributions increased by approximately \$26.4 million during the 2018-19 year as compared to the prior year. Pipe from developers increased by \$24.8 million and sewer impact fees increased by \$1.6 million.

## SACRAMENTO AREA SEWER DISTRICT

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

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 and 2019

#### CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

**Capital Assets**, net of accumulated depreciation, totaled \$902 million and \$892 million at June 30, 2020 and 2019, respectively. This corresponded to an increase of \$10 million for the fiscal year ended June 30, 2020 and an increase of \$14 million for the fiscal year ended June 30, 2019. The following table summarizes capital assets for the fiscal years ended 2020, 2019, and 2018:

#### Changes in Capital Assets

(Amounts Expressed in Thousands)

	<u>2020</u>	%	<u>2019</u>	%	<u>2018</u>
		Change		Change	
Land	\$ 9,288	0.1%	\$ 9,277	0.0%	\$ 9,273
Software, structures, improvements and equipment	1,389,964	2.7%	1,353,916	2.8%	1,316,427
Construction in progress	122,893	10.2%	111,513	17.2%	95,156
Less accumulated depreciation	<u>(620,544)</u>	6.4%	<u>(583,078)</u>	7.4%	<u>(542,945)</u>
	<u>\$ 901,601</u>	1.1%	<u>\$ 891,628</u>	1.6%	<u>\$ 877,911</u>

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

In 2018-19, construction in progress increased by \$16 million due to \$17 million in additions offset by \$1 million in completion of ongoing projects. This increase is mainly due to increases in Lower Lateral Replacement Projects, Root Mitigation Projects, and the Rosemont Pump Station Replacement Project. When completed projects are placed into service, they are transferred to structures, improvements, or equipment. Software, structures, improvements and equipment increased by \$37 million. The majority of the increase was from \$34 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 (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 and 2019

**Long-term obligations** totaled \$172 and \$174 million at June 30, 2020 and 2019, 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, 2019, 2018, and 2017.

#### Summary of Outstanding Long-term Obligations

(Amounts Expressed in Thousands)

	Fiscal Years Ended June 30,		
	2020	2019	2018
Loan payable to Financing Authority	\$ 169,355	\$ 170,786	\$ 172,161
Compensated absences	2,968	2,771	2,625
	<u>\$ 172,323</u>	<u>\$ 173,557</u>	<u>\$ 174,786</u>

The decrease in long-term obligations in 2019-20 was primarily due to \$1.09 million in scheduled debt service payments. The decrease in long-term obligations in 2018-19 was primarily due to \$1.03 million in scheduled debt service payments.

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

#### ADDITIONAL INFORMATION

This financial report is designed to provide a general overview of SASD's finances for all those with an interest. Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to Joseph T. Maestretti, Chief Financial Officer, Sacramento Area Sewer District, 10060 Goethe Rd, Sacramento, CA 95827, or phone (916) 876-6116.

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**SACRAMENTO AREA SEWER DISTRICT**  
*Sacramento, California*

**Basic Financial Statements**

For the Fiscal Years Ended June 30, 2020 and 2019

**SACRAMENTO AREA SEWER DISTRICT**

STATEMENTS OF NET POSITION  
JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS:</b>		
CURRENT ASSETS:		
Cash and investments	\$ 128,245,532	\$ 121,351,439
Sewer services fees receivable	14,034,983	13,859,999
Due from local governments		
Interest receivable	1,058,917	1,429,818
State Water Resources Control Board	2,946,121	-
Inventories	<u>1,412,978</u>	<u>1,154,847</u>
<b>TOTAL CURRENT ASSETS</b>	<u>147,698,531</u>	<u>137,796,103</u>
NONCURRENT ASSETS:		
Restricted cash and investments	5,560,298	5,472,841
Loans receivable	30,263	50,312
Capital assets:		
Land	9,287,987	9,276,987
Construction in progress	122,893,263	111,513,057
Software	2,814,071	2,814,071
Structures and improvements	1,358,263,640	1,324,809,601
Equipment	<u>28,886,873</u>	<u>26,292,198</u>
Total capital assets	1,522,145,834	1,474,705,914
Less accumulated depreciation	<u>(620,544,315)</u>	<u>(583,077,592)</u>
Total capital assets (net of accumulated depreciation)	901,601,519	891,628,322
<b>TOTAL NONCURRENT ASSETS</b>	<u>907,192,080</u>	<u>897,151,475</u>
<b>TOTAL ASSETS</b>	<u>1,054,890,611</u>	<u>1,034,947,578</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred outflows related to pension	10,876,477	11,880,717
Deferred outflows related to OPEB	<u>116,743</u>	<u>158,902</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>10,993,220</u>	<u>12,039,619</u>
<b>LIABILITIES:</b>		
CURRENT LIABILITIES:		
Warrants payable	1,348,986	3,000,788
Accounts and retentions payable	4,156,339	3,547,253
Interest payable	3,899,649	3,917,732
Compensated absences	445,188	415,695
Due to local governments	9,550	13
Current portion of loan payable	<u>1,475,155</u>	<u>1,430,155</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>11,334,867</u>	<u>12,311,636</u>
NONCURRENT LIABILITIES:		
Developer reimbursement payable	33,358,588	38,480,836
Compensated absences	2,522,734	2,355,608
Total OPEB liability	2,810,939	3,908,774
Net pension liability	31,490,903	31,100,165
Long-term obligations	<u>167,880,369</u>	<u>169,355,525</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>238,063,533</u>	<u>245,200,908</u>
<b>TOTAL LIABILITIES</b>	<u>249,398,400</u>	<u>257,512,544</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Deferred inflows related to pension	5,584,462	3,370,796
Deferred amounts related to OPEB	<u>1,459,694</u>	<u>304,502</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>7,044,156</u>	<u>3,675,298</u>
<b>NET POSITION:</b>		
Net investment in capital assets	737,806,293	726,315,483
Unrestricted	<u>71,634,982</u>	<u>59,483,872</u>
<b>TOTAL NET POSITION</b>	<u>\$ 809,441,275</u>	<u>\$ 785,799,355</u>

*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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>OPERATING REVENUES:</b>		
Sewer service fees	\$ 99,833,976	\$ 101,204,376
Other revenue	12,563,189	8,940,218
Total operating revenues	<u>112,397,165</u>	<u>110,144,594</u>
<b>OPERATING EXPENSES:</b>		
County labor - SDA	48,672,570	45,789,126
Office equipment	556,890	708,470
Depreciation and amortization	38,229,282	36,679,040
Services and supplies	1,440,439	2,328,492
Consultants	5,069,967	4,834,241
County labor - other	1,395,710	1,567,727
Chemicals	331,810	264,693
Billing	754,118	355,471
Pipeline maintenance	14,897,558	11,655,609
Insurance	1,100,106	1,129,680
Utilities	611,520	623,484
Electricity	966,957	920,511
Data processing	2,518,388	3,530,300
Total operating expenses	<u>116,545,315</u>	<u>110,386,844</u>
Operating loss	<u>(4,148,150)</u>	<u>(242,250)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Interest revenue	2,351,431	2,600,248
Interest expense	(9,017,621)	(9,061,695)
Sewer Incentive Program	(261,005)	(367,697)
Intergovernmental revenue	2,280,740	2,230,984
Other expense	(1,918,001)	(1,999,862)
Total nonoperating revenues (expenses)	<u>(6,564,456)</u>	<u>(6,598,022)</u>
Loss before capital contributions	<u>(10,712,606)</u>	<u>(6,840,272)</u>
<b>CAPITAL CONTRIBUTIONS:</b>		
Pipe from developers	27,690,489	28,795,058
Sewer impact fees	6,664,037	4,957,712
Total capital contributions	<u>34,354,526</u>	<u>33,752,770</u>
Changes in net position	23,641,920	26,912,498
Net position, beginning of year	<u>785,799,355</u>	<u>758,886,857</u>
Net position, end of year	<u>\$ 809,441,275</u>	<u>\$ 785,799,355</u>

*See accompanying notes to the basic financial statements.*

**SACRAMENTO AREA SEWER DISTRICT**

STATEMENTS OF CASH FLOWS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers and users	\$ 99,658,992	\$ 100,220,346
Receipts from others	9,600,784	8,882,735
Payments to County for labor force	(46,153,964)	(44,747,380)
Payments to suppliers for goods and services	(30,137,637)	(25,201,184)
Payments to others	(1,949,243)	(1,258,885)
Net cash provided by operating activities	31,018,932	37,895,632
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets	(25,254,915)	(26,441,007)
Principal payments on long-term loan	(1,085,000)	(1,030,000)
Interest payments on long-term loan	(9,380,860)	(9,428,309)
Build America Bond interest subsidy	2,297,024	2,288,467
Sewer impact fees collected	6,664,037	4,957,712
Net cash used by capital and related financing activities	(26,759,714)	(29,653,137)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received	2,722,332	1,959,083
Net cash provided by investing activities	2,722,332	1,959,083
Net increase in cash and cash equivalents	6,981,550	10,201,578
Cash and cash equivalents, beginning of year	126,824,280	116,622,702
Cash and cash equivalents, end of year	\$ 133,805,830	\$ 126,824,280
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:</b>		
Cash and investments	\$ 128,245,532	\$ 121,351,439
Restricted cash and investments	5,560,298	5,472,841
Total cash and cash equivalents	\$ 133,805,830	\$ 126,824,280

*See accompanying notes to the basic financial statements.*

**SACRAMENTO AREA SEWER DISTRICT**

STATEMENTS OF CASH FLOWS (Continued)  
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
<b>RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES TO OPERATING LOSS:</b>		
Operating loss	\$ (4,148,150)	\$ (242,250)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	38,229,282	36,679,040
Other expense	(1,688,238)	(891,188)
Payments for Sewer Incentive Program	(261,005)	(367,697)
Intergovernmental expense	(16,284)	(57,483)
Net effect of change in:		
Sewer service fees receivable	(174,984)	(984,030)
Due from state governments - other	(2,946,121)	-
Inventories	(258,131)	(56,711)
Due from Financing Authority	20,049	29,887
Warrants payable	(1,651,802)	1,176,591
Compensated absences	196,619	146,344
Due to local governments	9,537	13
Net pension liability and related deferred outflows and inflows	3,608,644	2,240,998
Total OPEB liability and related deferred outflows and inflows	99,516	222,118
Net cash provided by operating activities	\$ 31,018,932	\$ 37,895,632
 <b>SCHEDULE OF NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>		
Pipe contributed by developers	\$ 27,690,489	\$ 28,795,058
Acquisition of capital assets with accounts and retentions payable	4,156,339	3,547,253
Acquisition of capital assets with developer reimbursement payable	(5,122,248)	(2,612,082)

*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, 2020 and 2019

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

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

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

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

#### Cash Equivalents and Investments

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

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



# SACRAMENTO AREA SEWER DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 and 2019

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Measurement Focus and Basis of Accounting

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

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

#### Receivables

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

#### Inventories

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

#### Developer Reimbursement Payable

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

**SACRAMENTO AREA SEWER DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 and 2019

**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 35 years
Structures and improvements	40 to 100 years

SASD's policy is to capitalize all land and to capitalize all other assets with a cost greater than \$20,000 and a useful life of more than one year. The exception is light vehicles and software, which has a capitalization threshold of \$15,000 and \$100,000, respectively.

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

**Pensions**

SASD participates in the County of Sacramento's Cost-Sharing Defined Benefit Pension Plan. For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Sacramento County Employees' Retirement System (SCERS) and additions to/deductions from the SCERS's fiduciary net position have been determined on the same basis as they are reported by SCERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Deferred Inflows and Outflows of Resources**

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

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

# SACRAMENTO AREA SEWER DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 and 2019

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Compensated Absences

SASD's labor force are employees of the County. Employees accrue vacation in varying amounts based on classification and length of service. Additionally, certain employees are allowed compensated time off in lieu of overtime compensation and/or working on holidays. Sick leave is earned by regular, full-time employees. Any sick leave hours not used during the period are carried forward to following years, with no limit to the number of hours that can be accumulated. Any sick leave hours unused at the time of an employee's retirement are added to the actual period of service when computing retirement benefits. Upon retirement, management employees have the option of receiving payment for one-half of accrued sick leave with the balance included in the calculation of retirement benefits. It is the policy of the County not to pay accumulated sick leave to employees who terminate prior to retirement. The liability for compensated absences earned through year-end, but not yet taken, is accrued in the accompanying financial statements. Compensated absences for the fiscal years ended June 30, 2020 and June 30, 2019 was \$2,967,922 and \$2,771,303, respectively (see Note 4 on long-term obligations).

#### Budgetary Process

SASD prepares an annual operating and capital budget, which is approved and adopted by the SASD Board of Directors. The budget serves as an approved plan to facilitate financial control and operational evaluation. California state law does not require formal adoption of appropriated budgets for enterprise funds.

#### Risk Management

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

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

#### Reclassifications

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

# SACRAMENTO AREA SEWER DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 and 2019

### 2. CASH EQUIVALENTS AND INVESTMENTS

SASD maintains specific cash deposits and investments with the County and participates in the Sacramento County Pooled Investment Fund, which is not rated by credit rating agencies. At June 30, 2020 and 2019, the carrying amount of SASD's cash and investments held in the fund was \$128,245,532 and \$121,351,439, respectively. The weighted average maturity of the Treasurer's cash and investment pool was 282 and 321 days at June 30, 2020 and 2019 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 of total portfolio) of "prime quality" (the highest ranking provided by either Moody's investor services or Standard and Poor's Corporation) and these investments are further restricted as to capacity and credit rating of the company and are restricted as to a percentage of the whole portfolio and the dollar-weighted average maturity is also restricted; negotiable certificates of deposit issued by approved banks, not to exceed 30 percent of the total portfolio; repurchase and reverse repurchase agreements are permitted investments but are subject to stringent rules regarding term, value and timing, all put in place to minimize risk of loss; medium term notes, carry a maturity of no more than five years and rated "A" or better by a nationally recognized rating service, not to exceed 30 percent of the portfolio; shares of beneficial interest issued by a diversified management company subject certain limitations; notes, bonds and other obligations that are at all times secured by a valid first priority security interest in securities of the types listed in Government Code Section 53651; mortgage pass-through securities and other mortgage and consumer receivable backed bonds, not to exceed maturity of five years, subject to the credit rating of the issuer and not to exceed 20 percent of the portfolio; shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized previously.

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

## SACRAMENTO AREA SEWER DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 and 2019

#### 2. CASH EQUIVALENTS AND INVESTMENTS (Continued)

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. The District does not have a separate deposit or investment policy that addresses a specific type of risk. Investments held in the County's investment pool are available on demand and are reported at amortized cost, which approximates fair value.

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

At June 30, 2020 and 2019, 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, 2020 and 2019:

	2020	2019
Restricted proceeds from debt issues held by:		
County Treasurer's cash and investment pool	\$ 5,559,453	\$ 5,472,124
Investments held by County Fiscal Agent	845	717
<b>Total Restricted Cash and Investments</b>	<b>\$ 5,560,298</b>	<b>\$ 5,472,841</b>

#### Investments Authorized by Debt Agreements

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

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

**SACRAMENTO AREA SEWER DISTRICT**

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 and 2019

**2. CASH EQUIVALENTS AND INVESTMENTS (Continued)**

**Interest Rate Risk**

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

Investment Type	Amount at June 30, 2020	Weighted Average Maturity (in years)	Amount at June 30, 2019	Weighted Average Maturity (in years)
County Treasurer's cash and investment pool	\$5,559,453	0.77	\$5,472,124	0.88
Held by Bond Trustee:				
Money Market Mutual Funds	<u>845</u>	0.08	<u>717</u>	0.00
Total	<u>\$5,560,298</u>		<u>\$5,472,841</u>	

**Credit Risk**

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

Investment Type	Amount at June 30, 2020	Ratings as of June 30, 2020	Amount at June 30, 2019	Ratings as of June 30, 2019
Held by Bond Trustee:				
Money Market Mutual Funds	<u>\$ 845</u>	Aaa/AAA	<u>\$ 717</u>	Aaa/AAA

# SACRAMENTO AREA SEWER DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 and 2019

### 2. CASH EQUIVALENTS AND INVESTMENTS (Continued)

#### Custodial Credit Risk

This is the risk that in the event a financial institution or counterparty fails, SASD would not be able to recover the value of its deposits and investments. As of June 30, 2020 and 2019, one hundred percent of SASD's investments are held in the County's name. SASD does not have a policy for custodial credit risk.

#### Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurements and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. 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 under GASB 72 are described as follows:

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

Level 2 - Inputs to the valuation methodology include:

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

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

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

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

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

**SACRAMENTO AREA SEWER DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 and 2019

**3. CAPITAL ASSETS**

Capital assets activity for the fiscal years ended June 30, 2020 and 2019 were as follows:

	<u>July 1, 2019</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2020</u>
Capital assets not being depreciated:				
Land	\$ 9,276,987	\$ 11,000	\$ -	\$ 9,287,987
Construction in progress	111,513,057	22,539,902	(11,159,696)	122,893,263
Total capital assets not being depreciated	<u>120,790,044</u>	<u>22,550,902</u>	<u>(11,159,696)</u>	<u>132,181,250</u>
Capital assets being depreciated:				
Structures and improvements	1,324,809,601	34,186,326	(732,287)	1,358,263,640
Equipment	26,292,198	2,854,710	(260,035)	28,886,873
Software	2,814,071	-	-	2,814,071
Total capital assets being depreciated	<u>1,353,915,870</u>	<u>37,041,036</u>	<u>(992,322)</u>	<u>1,389,964,584</u>
Less accumulated depreciation:				
Structures and improvements	(567,171,451)	(36,475,095)	732,287	(602,914,259)
Equipment	(13,285,041)	(1,561,218)	30,272	(14,815,987)
Software	(2,621,100)	(192,969)	-	(2,814,069)
Total accumulated depreciation	<u>(583,077,592)</u>	<u>(38,229,282)</u>	<u>762,559</u>	<u>(620,544,315)</u>
Total capital assets being depreciated, net	<u>770,838,278</u>	<u>(1,188,246)</u>	<u>(229,763)</u>	<u>769,420,269</u>
Net capital assets	<u>\$ 891,628,322</u>	<u>\$ 21,362,656</u>	<u>\$ (11,389,459)</u>	<u>\$ 901,601,519</u>
	<u>July 1, 2018</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2019</u>
Capital assets not being depreciated:				
Land	\$ 9,272,842	\$ 4,145	\$ -	\$ 9,276,987
Construction in progress	95,156,359	17,406,284	(1,049,586)	111,513,057
Total capital assets not being depreciated	<u>104,429,201</u>	<u>17,410,429</u>	<u>(1,049,586)</u>	<u>120,790,044</u>
Capital assets being depreciated:				
Structures and improvements	1,297,290,612	29,076,372	(1,557,383)	1,324,809,601
Equipment	16,321,707	11,232,044	(1,261,553)	26,292,198
Software	2,814,071	-	-	2,814,071
Total capital assets being depreciated	<u>1,316,426,390</u>	<u>40,308,416</u>	<u>(2,818,936)</u>	<u>1,353,915,870</u>
Less accumulated depreciation:				
Structures and improvements	(533,565,957)	(35,162,877)	1,557,383	(567,171,451)
Equipment	(6,950,653)	(6,487,267)	152,879	(13,285,041)
Software	(2,428,131)	(192,969)	-	(2,621,100)
Total accumulated depreciation	<u>(542,944,741)</u>	<u>(41,843,113)</u>	<u>1,710,262</u>	<u>(583,077,592)</u>
Total capital assets being depreciated, net	<u>773,481,649</u>	<u>(1,534,697)</u>	<u>(1,108,674)</u>	<u>770,838,278</u>
Net capital assets	<u>\$ 877,910,850</u>	<u>\$ 15,875,732</u>	<u>\$ (2,158,260)</u>	<u>\$ 891,628,322</u>

Depreciation and amortization expense is included in the Statements of Revenues, Expenses, and Changes in Net Position for fiscal years ended June 30, 2020, and 2019 totaled \$38,229,282 and \$36,679,040, respectively. During fiscal year ended June 30, 2019, SASD was contributed fully depreciated equipment that had an original cost of \$5,164,073.



# SACRAMENTO AREA SEWER DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 and 2019

### 4. LONG-TERM OBLIGATIONS

The Financing Authority issued the 2015 Series Revenue Bonds, 2010 Series Revenue Bonds and the 2005 Series Revenue Bonds which are reported in the Financing Authority's financial statements. SASD and the Financing Authority entered into a master installment agreement. SASD makes loan payments to the Financing Authority on the 2015 Series Refunding Bonds and 2010 Series Revenue Bonds.

#### 2015 Series Revenue Bonds

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

#### 2010 Series Revenue Bonds

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

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

# SACRAMENTO AREA SEWER DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 and 2019

### 4. LONG-TERM OBLIGATIONS (Continued)

#### Maturity Schedule

Future debt service requirements on SASD's revenue bonds as of June 30, 2020 are as follows:

<u>Fiscal years ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$1,130,000	\$9,330,909	\$10,460,909
2022	1,180,000	9,279,059	10,459,059
2023	1,230,000	9,230,859	10,460,859
2024	1,275,000	9,180,759	10,455,759
2025	1,335,000	9,128,559	10,463,559
2026-2030	25,505,000	42,434,902	67,939,902
2031-2035	46,155,000	33,775,103	79,930,103
2036-2040	69,675,000	16,713,923	86,388,923
2041	16,175,000	511,534	16,686,534
	<u>\$163,660,000</u>	<u>\$139,585,607</u>	<u>\$303,245,607</u>

#### Bond Covenants

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

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

For the fiscal years ended 2020 and 2019, SASD was in compliance with the preceding covenants.

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

## SACRAMENTO AREA SEWER DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 and 2019

#### 4. LONG-TERM OBLIGATIONS (Continued)

Changes in long-term obligations for the fiscal years ended June 30, 2020 and 2019 were as follows:

	Balance July 1, 2019	Increase	Decrease	Balance June 30, 2020	Due Within One Year
Loan Payable to Financing Authority					
Revenue Bonds	\$ 164,745,000	\$ -	\$ (1,085,000)	\$ 163,660,000	\$ 1,130,000
Plus premium	6,040,680	-	(345,156)	5,695,524	345,155
Compensated absences	2,771,303	612,314	(415,695)	2,967,922	445,188
	<u>\$ 173,556,983</u>	<u>\$ 612,314</u>	<u>\$ (1,845,851)</u>	<u>\$ 172,323,446</u>	<u>\$ 1,920,343</u>
	Balance July 1, 2018	Increase	Decrease	Balance June 30, 2019	Due Within One Year
Loan Payable to Financing Authority					
Revenue Bonds	\$ 165,775,000	\$ -	\$ (1,030,000)	\$ 164,745,000	\$ 1,085,000
Plus premium	6,385,835	-	(345,155)	6,040,680	345,155
Compensated absences	2,624,959	540,088	(393,744)	2,771,303	415,695
	<u>\$ 174,785,794</u>	<u>\$ 540,088</u>	<u>\$ (1,768,899)</u>	<u>\$ 173,556,983</u>	<u>\$ 1,845,850</u>

#### 5. RELATED PARTY TRANSACTIONS

For fiscal years 2019-20 and 2018-19, the County paid SASD \$2,280,423 and \$2,516,971, respectively, for interest earned on Treasury deposits. SASD's labor force are employees of the County and is contractually obligated to reimburse to the County for all employee costs. SASD also uses other County departments for services, such as risk management, engineering, accounting, utility billing, etc. Expenses paid to the County during fiscal years 2019-20 and 2018-19 were \$57,942,736 and \$55,394,265 respectively.

In addition, for fiscal years 2019-20 and 2018-19, SASD paid the Financing Authority \$10,465,859 and \$10,458,307, respectively, for debt service.

#### 6. COMMITMENTS AND CONTINGENCIES

SASD has entered into contracts for the construction of certain projects. At June 30, 2020 and 2019, the unexpended balance of the contract commitments was \$5,889,769 and \$8,822,307 respectively.

SASD is a defendant in various matters of litigation. Of these matters, management and the SASD's legal counsel do not anticipate any material effect on the June 30, 2020 and 2019 basic financial statements.

## SACRAMENTO AREA SEWER DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 and 2019

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

##### **Plan Description**

SASD's labor force are employees of the County, which provides medical and dental insurance, and subsidy/offset payments as authorized by the Board of Supervisors on an annual basis. The County has established a Retiree Healthcare Plan (HC Plan) and participates in a single-employer plan and it does not issue a publicly available report. In September 2019 and September 2018, the Board of Supervisors approved the Retiree Medical and Dental Insurance Program Administrative Policy for calendar years 2020 and 2019, respectively.

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

##### **Benefits Provided**

All annuitants are eligible to enroll in a retiree medical and/or dental insurance plan in a given calendar year if (1) they began receiving a continuing retirement allowance from SCERS during that calendar year, or (2) they were enrolled in the annual plan previously approved by the County (continuous coverage), or (3) they previously waived coverage but elected to enroll during the County authorized enrollment period with a coverage date effective January of the given calendar year. Total benefits paid by SASD during the year ended June 30, 2020 and 2019 is \$116,743 and \$158,902, respectively.

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

SASD reported a liability of \$2,810,939 and \$3,908,774 for its proportionate share of the total OPEB liability as of June 30, 2020 and 2019, respectively. At June 30, 2020 and 2019, the total OPEB liability was measured as of June 30, 2019 and June 30, 2018, respectively, and the total OPEB liability used to calculate the OPEB liability was determined by actuarial valuations as of the same dates. SASD's proportion of the total OPEB liability was based on the total full-time equivalents (FTE) of SASD relative to the total FTEs of the County. At June 30, 2019 and 2018, SASD's proportion was 2.43 and 2.44 percent, respectively.

For the year ended June 30, 2020 and 2019, SASD recognized OPEB expense of \$99,516 and \$222,118, respectively.

**SACRAMENTO AREA SEWER DISTRICT**

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 and 2019

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ (1,260,442)
Differences between projected and actual earnings		(56,910)
Changes in proportion	-	(142,342)
Contributions subsequent to the measurement date	116,743	-
Total	\$ 116,743	\$ (1,459,694)

At June 30, 2019, SASD reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ (259,427)
Changes in proportion	-	(45,075)
Contributions subsequent to the measurement date	158,902	-
Total	\$ 158,902	\$ (304,502)

For the year ended June 30, 2020, \$116,743 was reported as deferred outflows of resources related to OPEB resulting from amounts paid by SASD subsequent to the measurement date and will be recognized as a reduction of the total OPEB liability during the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending June 30	
2021	\$ (223,746)
2022	(223,746)
2023	(223,746)
2024	(223,746)
2025	(223,746)
2026 - 2027	(340,964)
Total	\$ (1,459,694)

**SACRAMENTO AREA SEWER DISTRICT**

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 and 2019

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

**Actuarial Assumptions**

The total OPEB liability in the June 30, 2020 and 2019 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, 2019 and 2018
Discount Rate	3.50% at June 30, 2019 (Bond Buyer 20-Bond GO Index) 3.87% at June 30, 2018 (Bond Buyer 20-Bond GO Index)
Inflation	2.75% annually
Medical Trend	7.25%, decreasing to an ultimate rate of 4.00% (June 30, 2019) 7.50%, decreasing to an ultimate rate of 4.00% (June 30, 2018)
Mortality Improvement	Post-retirement mortality projected fully generational with Scale MP-2019 for June 30, 2019 valuation and Scale MP-2017 for June 30, 2018 valuation
Salary Increase	3%
Healthcare Participation	45%

**Discount Rate**

The discount rate used to measure the total OPEB liability was 3.50 and 3.87 percent for the June 30, 2019 and 2018 valuation dates, respectively, and was based on the Bond Buyer 20-Bond GO Index.

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

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

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

**SACRAMENTO AREA SEWER DISTRICT**

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 and 2019

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

The following presents SASD's proportionate share of the total OPEB liability as of June 30, 2019, as well as what SASD's proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87 percent) or 1-percentage-point higher (4.87 percent) than the discount rate at June 30, 2019:

	1% Decrease <u>(2.87%)</u>	Discount Rate <u>(3.87%)</u>	1% Increase <u>(4.87%)</u>
Total OPEB Liability	\$ 4,204,943	\$ 3,908,774	\$ 3,628,324

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

The following presents SASD's proportionate share of the total OPEB liability as of June 30, 2020, as well as what SASD's proportionate share of the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

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

The following presents SASD's proportionate share of the total OPEB liability as of June 30, 2019, as well as what SASD's proportionate share of the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the healthcare cost trend rates at June 30, 2019:

	1% Decrease <u>(6.5% decreasing to 3.0% in 2076)</u>	Current Rate (7.5% <u>decreasing to 4.0% in 2076)</u>	1% Increase <u>(8.5% decreasing to 5.0% in 2076)</u>
Total OPEB Liability	\$ 3,459,423	\$ 3,908,774	\$ 4,436,305

# SACRAMENTO AREA SEWER DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 and 2019

### 8. NET PENSION LIABILITY

#### Plan Description

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

#### Benefits Provided

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

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

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



## SACRAMENTO AREA SEWER DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 and 2019

#### **8. NET PENSION LIABILITY (Continued)**

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

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

#### **Contributions**

Participating employers and active members (i.e. County), including SASD, are required by statute to contribute a percentage of covered salary to the Plan. Contributions to the Plan are made pursuant to Section 31584 of the County Employees Retirement Law of 1937. The Plan's funding policy provides for periodic contributions at actuarially-determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate adequate assets to pay benefits when legally due. Each employer of the Plan is obligated by state law to make all required contributions to the plan and depending on the participating employer and their employees' tiers. The average contribution rate was 19.26% of covered payroll for the year ended June 30, 2020 and 17.42% of covered payroll for the year ended June 30, 2019. SASD's proportionate share of the County's contribution to the Plan was \$4,671,098 and \$4,045,247 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

SASD reported a liability of \$31,490,903 and \$31,100,165 for its proportionate share of the County's net pension liability at June 30, 2020 and June 30, 2019, respectively. The net pension liability was measured as of June 30, 2019 and June 30, 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. SASD's proportion of the County's net pension liability was based on SASD's fiscal year 2019 and 2018 actual contributions to the County's pension plan relative to the total contributions of the County as a whole. At June 30, 2019, SASD's proportion was 1.52 percent, which was a decrease of 0.07 percent from its proportionate share measured as of June 30, 2018. At June 30, 2018, SASD's proportion was 1.59 percent.

SASD recognized pension expense of \$3,608,644 and \$6,289,261 for the years ended June 30, 2020 and June 30, 2019, respectively.

**SACRAMENTO AREA SEWER DISTRICT**

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 and 2019

**8. NET PENSION LIABILITY (Continued)**

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

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

The \$4,671,098 reported as deferred outflows of resources related to pension, resulting from SASD's contributions to the County's plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

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

Years ending June 30		
2021	\$	160,444
2022		160,444
2023		160,444
2024		139,585
Total	\$	620,917

**SACRAMENTO AREA SEWER DISTRICT**

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 and 2019

**8. NET PENSION LIABILITY (Continued)**

At June 30, 2019, SASD reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 6,866	\$ (687,161)
Changes in assumptions	7,664,353	(216,982)
Net differences between projected and actual earnings on plan investments	-	(2,112,858)
Changes in proportion and differences between employer contributions and proportionate share of contributions	164,251	(353,795)
Employer contributions paid by the District to County subsequent to the measurement date	4,045,247	-
Total	\$ 11,880,717	\$ (3,370,796)

**Actuarial Assumptions** – SASD’s proportion of the County’s total pension liability in the June 30, 2019 and 2018 actuarial valuations were determined using the following actuarial assumptions applied to all periods included in the measurement:

June 30, 2020	
Actuarial valuation date	June 30, 2019
Actuarial cost method	Entry-Age actuarial cost method
Actuarial Assumptions:	
Investment Rate of Return	7.00%
Inflation	3.00%
Projected Salary increases	Miscellaneous: 4.50% to 10.75%
Cost of Living Adjustments	See below
June 30, 2019	
Actuarial valuation date	June 30, 2018
Actuarial cost method	Entry-Age actuarial cost method
Actuarial Assumptions:	
Investment Rate of Return	7.00%
Inflation	3.00%
Projected Salary increases	Miscellaneous: 4.50% to 10.75%.
Cost of Living Adjustments	See below

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, 2019 and June 30, 2018 actuarial valuations.

# SACRAMENTO AREA SEWER DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 and 2019

### **8. NET PENSION LIABILITY (Continued)**

Mortality rates used in the actuarial valuation dated June 30, 2019 are based on Headcount-Weighted RP-2014 with the two-dimensional scale MP-2016. For healthy Miscellaneous members, the ages are set forward one year for males and no age adjustment for females. For Miscellaneous members that are disabled, the ages are set forward seven years for males and set forward eight years for females. Mortality rates used in the actuarial valuation dated June 30, 2018 are based on the Headcount-Weighted RP-2014 with the two-dimensional scale MP-2016. For healthy Miscellaneous members, the ages are set forward one year for males and no age adjustment for females. For Miscellaneous members that are disabled, the ages are set forward seven years for males and set forward eight years for female.

The actuarial assumptions used in the June 30, 2019 and 2018 valuations were based on the results of an actuarial experience study for the three-year period of July 1, 2013 through June 30, 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

## SACRAMENTO AREA SEWER DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 and 2019

#### 8. NET PENSION LIABILITY (Continued)

The target allocation and projected arithmetic real rates of return for each major asset class used in the derivation of the long-term expected investment rate of return assumption, measured as of June 30, 2019 and 2018, are summarized in the table below:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return (Arithmetic)</b>
U.S. Large Cap Equity	17.0%	5.6%
U.S. Small Cap Equity	4.0%	6.4%
International Developed Equity	16.0%	7.0%
Emerging Markets Equity	4.0%	9.3%
High Yield Bonds	1.0%	3.7%
Bank Loans	1.0%	3.0%
Growth Oriented Absolute Return	3.0%	5.0%
Private Equity	9.0%	8.7%
Private Credit	4.0%	5.1%
Core/Core Plus Bonds	10.0%	1.1%
Global Bonds	3.0%	0.1%
U.S. Treasury	5.0%	0.2%
Diversifying Absolute Return	7.0%	3.0%
Real Estate	7.0%	4.4%
Real Assets	7.0%	7.7%
Commodities	2.0%	3.8%
<b>Total</b>	<b>100.00%</b>	

**Discount Rate** – The discount rates used to measure the total pension liability (TPL) was 7.00% as of June 30, 2019 and 2018. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL as of June 30, 2019 and 2018.

**SACRAMENTO AREA SEWER DISTRICT**

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 and 2019

**8. NET PENSION LIABILITY (Continued)**

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

The following table presents SASD’s proportionate share of the County’s net pension liability calculated using the discount rate of 7.00% for the years ended June 30, 2020 and 2019, as well as what SASD’s proportionate share of the County’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate at June 30, 2020 and 2019.

**SASD’s proportionate share of the County’s net pension liability**

Year Ending June 30	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% increase (8.00%)
2020	\$56,387,193	\$31,490,903	\$ 11,148,781
2019	\$55,989,389	\$31,100,165	\$ 10,767,558

**Pension Plan Fiduciary Net Position**

Detailed information about the County’s collective net pension liability is available in the County’s separately issued Comprehensive Annual Financial Report (CAFR). 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 comprehensive annual financial report. That report may be obtained on the Internet at [www.retirement.saccounty.net/Pages/FinancialInformation.aspx](http://www.retirement.saccounty.net/Pages/FinancialInformation.aspx).

**9. FUTURE GASB PRONOUNCEMENTS**

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The effective date of this Statement was postponed to fiscal years beginning after December 15, 2019, with the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Authoritative Guidance*. SASD 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, 2020 and 2019

#### 9. FUTURE GASB PRONOUNCEMENTS (Continued)

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The effective date of this Statement was postponed to fiscal years beginning after June 15, 2021 with the issuance of GASB Statement No. 95. SASD is currently evaluating the effect of this standard on the financial statements

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

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

## SACRAMENTO AREA SEWER DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 and 2019

#### 9. FUTURE GASB PRONOUNCEMENTS (Continued)

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

GASB Statement No. 93 – In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements (except paragraphs 13 and 14) of this Statement are effective for reporting periods beginning after June 15, 2020. Paragraphs 13 and 14 have been postponed to reporting periods beginning after June 15, 2021 with the issuance of GASB Statement No. 95. SASD is currently evaluating the effect of this standard on the financial statements.

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



## SACRAMENTO AREA SEWER DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 and 2019

#### **9. FUTURE GASB PRONOUNCEMENTS (Continued)**

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

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

#### **10. Coronavirus (COVID-19) Pandemic**

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

**SACRAMENTO AREA SEWER DISTRICT**  
*Sacramento, California*

**Required Supplementary Information**

For the Fiscal Years Ended June 30, 2020 and 2019

**SACRAMENTO AREA SEWER DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

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

**SACRAMENTO AREA SEWER DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

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

**Notes to Schedule:**

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

**SACRAMENTO AREA SEWER DISTRICT**

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

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

Last Ten Years <sup>(1)</sup>

	Fiscal Year		
	2020	2019	2018
SASD's proportion of the County's OPEB liability	2.43%	2.44%	2.48%
SASD's proportionate share of the County's OPEB liability	\$ 2,810,939	\$ 3,908,774	\$ 3,753,160
SASD's covered employee payroll	\$ 21,955,000	\$ 26,271,593	\$ 25,904,577
SASD's proportionate share of the OPEB liability as a percentage of its covered employee payroll	12.80%	14.88%	14.49%
Measurement date	6/30/2019	6/30/2018	6/30/2017

**Notes to Schedule:**

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

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**SACRAMENTO AREA SEWER DISTRICT**  
*Sacramento, California*

**Statistical Section**

For the Fiscal Years Ended June 30, 2020 and 2019



# SACRAMENTO AREA SEWER DISTRICT

## Index to Statistical Section

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

### Contents

#### ***Financial Trends***

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

- Net Position by Component – Fiscal Years 2010-2011 through 2019-2020
- Changes in Net Position - Fiscal Years 2010-2011 through 2019-2020
- Operating Revenues by Source - Fiscal Years 2010-2011 through 2019-2020
- Operating Expenses - Fiscal Years 2010-2011 through 2019-2020
- Nonoperating Revenues and Expenses - Fiscal Years 2010-2011 through 2019-2020
- Capital Contributions - Fiscal Years 2010-2011 through 2019-2020

#### ***Revenue Capacity***

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

- Wastewater Collected and Conveyed - Fiscal Years 2010-2011 through 2019-2020
- Number of Customers by Type - Fiscal Years 2010-2011 through 2019-2020
- Sewer Rates - Fiscal Years 2010-2011 through 2019-2020
- Ten Largest Customers – Fiscal Years 2020 and 2011

#### ***Debt Capacity***

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

- Pledged Revenue Coverage - Fiscal Years 2010-2011 through 2019-2020
- Net Ratios of Outstanding Debt by Type - Fiscal Years 2010-2011 through 2019-2020

#### ***Demographic and Economic Information***

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

- Demographic and Economic Statistics - Fiscal Years 2010-2011 through 2019-2020
- Private Sector Principal Employers – Fiscal Years 2020 and 2011

#### ***Operating Information***

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

- Number of Employees by Identifiable Activity - Fiscal Years 2010-2011 through 2019-2020
- Operating and Capital Indicators - Fiscal Years 2010-2011 through 2019-2020

**SACRAMENTO AREA SEWER DISTRICT**

**Net Position by Component**

**Fiscal Years 2010-2011 through 2019-2020  
Schedule 1**

Fiscal Year	Net Investment in Capital Assets	Restricted		Unrestricted	Total Net Position
		Capital Construction	Debt Service		
2020	\$ 737,806,293	\$ -	\$ -	\$ 71,634,982	\$ 809,441,275
2019	726,315,483	-	-	59,483,872	785,799,355
2018 <sup>2</sup>	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 <sup>1</sup>	703,208,279	-	4,616,224	46,534,443	754,358,946
2014	635,140,183	-	10,531,501	123,749,911	769,421,595
2013	624,118,669	999,589	10,917,186	115,392,862	751,428,306
2012	632,622,714	1,100,748	10,661,071	98,326,197	742,710,730
2011	669,164,254	372,573	10,730,881	46,777,902	727,045,610

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

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

## SACRAMENTO AREA SEWER DISTRICT

### Changes in Net Position

#### Fiscal Years 2010-2011 through 2019-2020 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
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 <sup>2</sup>	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 <sup>1</sup>	98,855,635	100,686,145	(1,830,510)	(1,980,159)	9,771,212	5,960,543	748,398,403	754,358,946
2014	99,970,054	103,860,654	(3,890,600)	(12,044,643)	33,928,532	17,993,289	751,428,306	769,421,595
2013	99,826,864	92,275,929	7,550,935	(13,455,675)	14,622,316	8,717,576	742,710,730	751,428,306
2012	99,801,183	85,491,988	14,309,195	(13,262,552)	14,618,477	15,665,120	727,045,610	742,710,730
2011	98,313,027	85,476,487	12,836,540	(4,445,112)	41,002,327	49,393,755	677,651,855	727,045,610

**Note** <sup>1</sup>: 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** <sup>2</sup>: Fiscal year 2018 beginning net position has been revised in accordance with the implementation guidance in GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Prior years have not been restated as permitted by the standard.

# SACRAMENTO AREA SEWER DISTRICT

## Operating Revenues by Source

Fiscal Years 2010-2011 through 2019-2020  
Schedule 3

<b>Fiscal Year</b>	<b>Sewer Service Fees</b>	<b>Other Revenue</b>	<b>Total Operating Revenues</b>
2020	\$ 99,833,976	\$ 12,563,189	\$ 112,397,165
2019	101,204,376	8,940,218	110,144,594
2018	98,854,822	1,404,532	100,259,354
2017	98,245,042	1,531,638	99,776,680
2016	97,120,333	2,041,328	99,161,661
2015	97,082,529	1,773,106	98,855,635
2014	96,565,734	3,404,320	99,970,054
2013	95,825,402	4,001,462	99,826,864
2012	95,988,816	3,812,367	99,801,183
2011	94,813,872	3,499,155	98,313,027

**SACRAMENTO AREA SEWER DISTRICT**

**Operating Expenses**

**Fiscal Years 2010-2011 through 2019-2020  
Schedule 4**

Fiscal Year	Labor Force			Depreciation and Amortization	Utilities			Services and Supplies
	Water Quality	Other	Total		Electricity	Other	Total	
2020	\$ 48,672,570	\$ 1,395,710	50,068,280	\$ 38,229,282	\$ 966,957	\$ 611,520	\$ 1,578,477	\$ 1,440,439
2019	45,789,126	1,567,727	47,356,853	36,679,040	920,511	623,484	1,543,995	2,328,492
2018	45,936,396	1,633,725	47,570,121	36,633,007	940,143	548,567	1,488,710	1,266,732
2017	43,213,984	1,549,492	44,763,476	36,108,426	951,368	501,264	1,452,632	998,892
2016	39,447,381	1,686,268	41,133,649	35,405,208	882,059	507,438	1,389,497	770,597
2015	37,063,712	1,473,783	38,537,495	35,315,196	800,282	520,533	1,320,815	1,258,653
2014	36,834,704	2,271,463	39,106,167	34,180,869	869,707	481,150	1,350,857	1,491,555
2013	35,215,521	1,793,871	37,009,392	33,481,261	855,075	416,589	1,271,664	1,246,479
2012	33,203,007	1,760,272	34,963,279	30,797,283	799,864	450,815	1,250,679	1,476,071
2011	33,648,768	1,760,526	35,409,294	29,331,096	899,408	499,617	1,399,025	1,328,513

**SACRAMENTO AREA SEWER DISTRICT**

**Operating Expenses (Continued)**

**Fiscal Years 2010-2011 through 2019-2020  
Schedule 4**

<b>Billing</b>	<b>Pipeline Maintenance</b>	<b>Data Processing</b>	<b>Office Equipment</b>	<b>Consultants</b>	<b>Chemicals</b>	<b>Insurance</b>	<b>Total Operating Expenses</b>
\$ 754,118	\$ 14,897,558	\$ 2,518,388	\$ 556,890	\$ 5,069,967	\$ 331,810	\$ 1,100,106	\$ 116,545,315
355,471	11,655,609	3,530,300	708,470	4,834,241	264,693	1,129,680	110,386,844
17,453	16,335,769	2,790,046	571,353	5,106,006	394,341	1,166,271	113,339,809
137,713	16,574,669	2,721,382	517,905	5,157,029	364,662	1,307,605	110,104,391
251,038	13,758,609	2,279,231	620,170	4,508,899	339,322	1,401,677	101,857,897
395,428	13,235,161	2,531,191	725,602	5,401,703	431,658	1,533,243	100,686,145
1,146,188	15,564,139	3,308,135	660,261	5,399,106	426,672	1,226,705	103,860,654
-	12,075,207	1,963,129	503,494	2,834,498	256,370	1,634,435	92,275,929
429,177	9,979,224	1,587,138	482,019	2,837,442	167,501	1,522,175	85,491,988
1,414,128	9,215,748	2,084,978	548,004	3,473,699	34,920	1,237,082	85,476,487

**SACRAMENTO AREA SEWER DISTRICT**

**Nonoperating Revenues and Expenses**

**Fiscal Years 2010-2011 through 2019-2020  
Schedule 5**

<b>Fiscal Year</b>	<b>Interest Expense</b>	<b>Interest Revenue</b>	<b>Inter-governmental Revenue (Expense)</b>	<b>Other Expenses</b>	<b>Gain on extinguishment of debt</b>	<b>Gain on disposal of assets</b>	<b>Total Nonoperating Revenues (Expenses)</b>
2020	\$ (9,017,621)	\$ 2,351,431	\$ 2,280,740	\$ (2,179,006)	\$ -	\$ -	\$ (6,564,456)
2019	(9,061,695)	2,600,248	2,230,984	(2,367,559)	-	-	(6,598,022)
2018	(9,112,204)	1,555,076	2,261,492	(931,529)	-	-	(6,227,165)
2017	(9,151,671)	979,343	2,258,911	(1,589,639)	-	-	(7,503,056)
2016	(7,471,784)	133,184	2,220,225	(1,589,532)	-	(3,500)	(6,711,407)
2015	(14,951,737)	291,833	2,251,022	(234,799)	6,256,021	4,407,501	(1,980,159)
2014	(13,840,761)	510,982	2,208,248	(923,112)	-	-	(12,044,643)
2013	(16,011,407)	789,443	2,411,714	(645,425)	-	-	(13,455,675)
2012	(16,010,762)	1,743,221	2,402,439	(1,397,450)	-	-	(13,262,552)
2011	(8,860,822)	1,249,327	3,471,743	(305,360)	-	-	(4,445,112)

# SACRAMENTO AREA SEWER DISTRICT

## Capital Contributions

Fiscal Years 2010-2011 through 2019-2020  
Schedule 6

<u>Fiscal Year</u>	<u>Pipe From Developers</u>	<u>Sewer Impact Fees</u>	<u>Other Capital Contributions</u>	<u>Total Capital Contributions</u>
2020	\$ 27,690,489	\$ 6,664,037	\$ -	\$ 34,354,526
2019	28,795,058	4,957,712	-	33,752,770
2018	4,048,277	3,329,898	-	7,378,175
2017	13,145,126	4,594,864	-	17,739,990
2016	26,184,807	1,885,106	-	28,069,913
2015	8,726,704	1,044,508	-	9,771,212
2014	31,632,360	2,296,172	-	33,928,532
2013	14,369,952	252,364	-	14,622,316
2012	10,494,903	4,123,574	-	14,618,477
2011	21,890,680	1,059,508	18,052,139	41,002,327



# SACRAMENTO AREA SEWER DISTRICT

## Wastewater Collected and Conveyed

Fiscal Years 2010-2011 through 2019-2020  
Schedule 7

<u>Fiscal Year</u>	<u>Connected Equivalent Single-Family Dwelling Units (ESD)</u>	<u>Monthly Sewer Rate per ESD</u>
2020	420,297	\$ 19.85
2019	417,027	\$ 19.85
2018	413,809	\$ 19.85
2017	410,689	\$ 19.85
2016	407,502	\$ 19.85
2015	405,597	\$ 19.85
2014	404,647	\$ 19.85
2013	402,705	\$ 19.85
2012	401,405	\$ 19.85
2011	400,178	\$ 19.85

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

## SACRAMENTO AREA SEWER DISTRICT

### Number of Customers by Type

Fiscal Years 2010-2011 through 2019-2020  
Schedule 8

Fiscal Year	Residential ESD's	Commercial ESD's	Total ESD's <sup>1</sup>	Industrial Flow Customers	Total
2020	364,208	56,089	420,297	60	420,357
2019	361,384	55,644	417,027	64	417,091
2018	358,730	55,079	413,809	68	413,877
2017	356,191	54,498	410,689	67	410,756
2016	363,125	44,376	407,502	66	407,568
2015	361,004	44,593	405,597	68	405,665
2014	360,111	44,536	404,647	64	404,711
2013	358,650	44,055	402,705	62	402,767
2012	357,721	43,584	401,305	66	401,371
2011	356,158	44,020	400,178	54	400,232

**Source:** Customer billing records

**Note**<sup>1</sup>: 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 2010-2011 through 2019-2020  
Schedule 9**

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Residential Rates <sup>1</sup> :										
Operations and										
Maintenance	\$14.85	\$16.00	\$16.00	\$16.00	\$16.00	\$14.65	\$15.56	\$13.46	\$13.15	\$13.15
Rehabilitation	5.00	3.85	3.85	3.85	3.85	5.20	4.29	6.39	6.70	6.70
Total	\$19.85	\$19.85	\$19.85	\$19.85	\$19.85	\$19.85	\$19.85	\$19.85	\$19.85	\$19.85
Industrial Rates <sup>3</sup> :										
Fixed Amount <sup>4</sup>	\$0.00	\$0.00	\$0.00	\$0.00	\$7.16	\$7.16	\$7.16	\$7.16	\$7.16	\$7.16
Per Million Gallons	72.73	72.73	72.73	72.73	72.73	72.73	72.73	72.73	72.73	72.73
Per Thousand Lbs SS <sup>2</sup>	5.10	5.10	5.10	5.10	5.10	5.10	5.10	5.10	5.10	5.10

**Source:** District ordinances

**Notes** <sup>1</sup>: Monthly rate at June 30 per equivalent single-family dwelling (ESD).

**Notes** <sup>2</sup>: SS=Suspended Solids.

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

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

# SACRAMENTO AREA SEWER DISTRICT

## Ten Largest Customers

### Current Year and Nine Years Ago Schedule 10

#### Fiscal Year 2020

<u>Customer</u>	<u>Service Fees</u> <sup>1</sup>	<u>%</u>
Sacramento County Airport System - SIA	\$ 130,117	0.13%
Procter and Gamble Manufacturing	35,855	0.04%
H.P. Hood, LLC	20,037	0.02%
Aerojet Commercial	10,727	0.01%
Huhtamaki, Inc.	10,175	0.01%
Rio Cosumnes Correctional Center	6,371	0.01%
Cintas Corporation	5,924	0.01%
Mission Linen Supply	4,511	0.00%
Air Products Manufacturing Co	4,147	0.00%
Aramark Uniform Services, Inc.	3,878	0.00%
Subtotal (10 largest)	231,742	0.23%
Balance from other customers	99,602,234	99.77%
Grand totals	\$ 99,833,976	100.00%

#### Fiscal Year 2011

<u>Customer</u>	<u>Service Fees</u> <sup>1</sup>	<u>%</u>
Campbell Soup Supply Company	\$ 43,491	0.05%
Procter and Gamble Manufacturing	32,951	0.03%
Huhtamaki Food Services, Inc.	10,682	0.01%
Welch's Overall Cleaning Co., Inc.	9,157	0.01%
Rio Consumnes Correctional Center	7,657	0.01%
Pepsi-Cola Bottling Co., Inc.	6,780	0.01%
Mission Industries	5,620	0.01%
Crystal Cream and Butter Co.	5,287	0.01%
Sacramento CoGeneration Authority	4,218	0.00%
Aramark Uniform Services, Inc.	3,802	0.00%
Subtotal (10 largest)	129,645	0.14%
Balance from other customers	94,684,227	99.86%
Grand totals	\$ 94,813,872	100.00%

**Note** <sup>1</sup>: Amount includes base rate charges, as well as multiple meters on various accounts.

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

## SACRAMENTO AREA SEWER DISTRICT

### Pledged Revenue Coverage

#### Fiscal Years 2010-2011 through 2019-2020 Schedule 11

Fiscal Year	Operating Revenues	Sewer Impact Fees	Interest Revenue	Other Revenue <sup>1</sup>	Gross Revenues
2020	\$ 112,397,165	\$ 6,664,037	\$ 2,351,431	\$ 2,280,740	\$ 123,693,373
2019	110,144,594	4,957,712	2,600,248	2,230,984	119,933,538
2018	100,259,354	3,329,898	1,555,076	2,261,492	107,405,820
2017	99,776,680	4,594,864	979,343	2,258,911	107,609,798
2016	99,161,661	1,885,106	133,184	2,220,225	103,400,176
2015	98,855,635	1,044,508	291,833	2,267,685	102,459,661
2014	99,970,054	2,296,172	510,982	2,250,570	105,027,778
2013	99,826,864	252,364	789,443	2,444,943	103,313,614
2012	99,801,182	4,123,574	1,743,221	2,444,943	108,112,920
2011	98,313,027	1,059,508	1,249,327	1,154,557	101,776,419

**Note<sup>1</sup>:** Other Revenue mainly consists of the Build America Bond subsidy.

**Note<sup>2</sup>:** 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<sup>3</sup>:** Principal and Interest amounts taken from debt service schedule.

**SACRAMENTO AREA SEWER DISTRICT**

**Pledged Revenue Coverage (Continued)**

**Fiscal Years 2010-2011 through 2019-2020  
Schedule 11**

<b>Less Operating Expenses (excluding depreciation and amortization)</b>	<b>Net Available Revenues</b>	<b>Revenue Bonds Debt Service</b>			<b>Coverage Ratio</b>
		<b>Principal<sup>2,3</sup></b>	<b>Interest<sup>2,3</sup></b>	<b>Total</b>	
\$ 78,316,033	\$ 45,377,340	\$ 1,085,000	\$ 9,380,860	\$ 10,465,860	4.34
73,707,804	46,225,734	1,030,000	9,428,309	10,458,309	4.42
76,706,802	30,699,018	990,000	9,473,859	10,463,859	2.93
73,995,965	33,613,833	950,000	9,512,660	10,462,660	3.21
66,452,689	36,947,487	920,000	9,005,526	9,925,526	3.72
65,370,949	37,088,712	4,820,000	14,130,778	18,950,778	1.96
69,679,785	35,347,993	4,635,000	14,316,609	18,951,609	1.87
58,794,668	44,518,946	4,460,000	14,491,841	18,951,841	2.35
54,694,704	53,418,216	4,285,000	14,663,728	18,948,728	2.82
56,145,391	45,631,028	3,325,000	10,814,162	14,139,162	3.23

# SACRAMENTO AREA SEWER DISTRICT

## Net Ratios of Outstanding Debt by Type

Fiscal Years 2010-2011 through 2019-2020  
Schedule 12

Fiscal Year	Outstanding Debt <sup>1</sup>		Total Debt Outstanding	Debt Per Equivalent Single-Family Dwelling <sup>2</sup>	Percentage of Personal Income <sup>3</sup>
	Net Revenue Bonds	Capital Lease			
2020	\$ 169,355,524	\$ -	\$ 169,355,524	\$ 402.94	N/A
2019	170,785,680	-	170,785,680	409.53	0.21%
2018	172,160,835	-	172,160,835	416.04	0.22%
2017	173,495,990	-	173,495,990	422.25	0.23%
2016	174,791,145	-	174,791,145	428.93	0.25%
2015	176,056,300	-	176,056,300	434.07	0.27%
2014	267,480,273	-	267,480,273	661.02	0.42%
2013	272,529,262	-	272,529,262	676.75	0.45%
2012	273,659,030	59,239,521	332,898,551	829.33	0.61%
2011	278,160,954	60,086,436	338,247,390	845.24	0.63%

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

**Note<sup>2</sup>:** Equivalent single-family dwelling data is shown at schedule 7.

**Note<sup>3</sup>:** Per capita personal income data is shown at Schedule 13.

# SACRAMENTO AREA SEWER DISTRICT

## Demographic and Economic Statistics

### Fiscal Years 2010-2011 through 2019-2020 Schedule 13

Fiscal Year	County Population	Personal Income <i>(in thousands)</i>	Per Capita Personal Income	County Unemployment Rate	School Enrollment	County Labor Force
2020	1,552,058	NA	NA	3.7%	250,000	709,000
2019	1,540,975	\$ 80,969,087	\$ 52,544	3.8%	247,000	706,900
2018	1,530,615	76,832,420	50,197	4.6%	246,000	703,500
2017	1,514,460	72,878,458	48,122	5.4%	244,000	697,600
2016	1,501,335	69,870,482	46,539	6.0%	243,000	693,000
2015	1,482,000	65,126,187	43,944	7.3%	241,000	689,800
2014	1,462,000	63,512,541	43,438	8.8%	240,000	679,300
2013	1,450,000	60,668,975	41,837	10.5%	238,000	684,000
2012	1,436,000	54,861,602	38,202	12.1%	237,000	685,400
2011	1,422,000	53,612,730	37,700	12.6%	237,000	677,400

**Note:** NA = Not available until April 2021. Information will be updated next fiscal year.

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



# SACRAMENTO AREA SEWER DISTRICT

## Private Sector Principal Employers

### Current Year and Nine Years Ago Schedule 14

<u>Employer</u>	<u>Number of</u> <u>Employees</u>	<u>Percent of</u> <u>County Labor</u> <u>Force</u> <sup>1</sup>
	<u>2020</u> <sup>a</sup>	<u>2020</u> <sup>c</sup>
Kaiser Permanente	15,585	2.27%
UC Davis Health System	14,510	2.11%
Sutter / California Health Services	10,764	1.57%
Dignity /Mercy Healthcare	7,871	1.15%
Intel Corporation	6,200	0.90%
Amazon - Sacramento Fulfillment Center	4,500	0.66%
Raley's Inc. / Bel Air	3,500	0.45%
Health Net of California Inc.	3,227	0.47%
VSP Global	2,429	0.35%
Safeway	1,878	0.27%
	<u>2011</u> <sup>b</sup>	<u>2011</u> <sup>c</sup>
Kaiser Permanente	9,903	1.68%
Sutter/California Health Services	7,282	1.23%
Mercy/Catholic Healthcare West	6,976	1.19%
PRIDE Industries	5,900	1.00%
Wells Fargo & Co.	3,905	0.66%
Hewlett-Packard Co.	3,500	0.59%
Union Pacific Railroad	2,620	0.45%
HealthNet of CA	2,400	0.41%
Cache Creak Casino Resort	2,376	0.40%
Pacific Gas and Electric Co.	2,034	0.35%

**Note** <sup>1</sup>: County labor force is shown in schedule 13.

**Source** <sup>a</sup>: Sacramento Business Journal Annual Book of Lists

**Source** <sup>b</sup>: Sacramento Area Commerce and Trade Organization

**Source** <sup>c</sup>: California Employment Development Department, Labor Market Information

**SACRAMENTO AREA SEWER DISTRICT**

**Number of Employees by Identifiable Activity**

**Fiscal Years 2010-2011 through 2019-2020  
Schedule 15**

	<b>Full-time-Equivalent Employees as of June 30</b>									
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015<sup>(1)</sup></u>	<u>2014</u>	<u>2013</u>	<u>2012<sup>(2)</sup></u>	<u>2011</u>
Maintenance and Operations	190	190	189	186	184	185	181	187	178	169
Engineering	75	76	76	74	86	85	66	46	48	44
Administration	35	35	35	37	26	26	44	43	47	96
Total Employees	300	301	300	297	296	296	291	276	273	309

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

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

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

**Source:** SASD Operations budget documents

# SACRAMENTO AREA SEWER DISTRICT

## Operating and Capital Indicators

### Fiscal Years 2010-2011 through 2019-2020 Schedule 16

	Fiscal Year					
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Pump Stations	106	106	106	105	106	106
Service Connections	300,393	297,555	294,311	293,655	296,400	291,150
Miles of Service line	1,533	1,521	1,491	1,446	1,408	1,390
Miles of Pipe	3,162	3,143	3,034	3,027	3,022	3,005
Manholes	67,122	66,458	65,846	65,636	65,461	65,001
Area of SASD (square miles)	278	278	278	278	277	273

**Source:** SASD Geographic Information System report

**SACRAMENTO AREA SEWER DISTRICT**

**Operating and Capital Indicators (Continued)**

**Fiscal Years 2010-2011 through 2019-2020  
Schedule 16**

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
108	107	106	104
290,446	286,259	284,241	282,862
1,384	1,358	1,348	1,339
2,995	2,991	2,984	3,019
64,816	65,093	64,998	65,021
273	270	270	270

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**SACRAMENTO AREA SEWER DISTRICT**  
*Sacramento, California*

**Bond Disclosure Section**

For the Fiscal Years Ended June 30, 2020 and 2019

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

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 and 2019

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

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

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

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

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

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

## **ANNUAL REPORT**

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

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

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



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

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 and 2019

**REPORTING OF SIGNIFICANT EVENTS**

As of June 30, 2020, 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, 2020, there is no knowledge on the part of the Board of Directors, officers, or employees of Sacramento Area Sewer District of any impending significant event that would require disclosure under the provisions of the Certificate.

**ADDITIONAL INFORMATION**

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

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

Fiscal Year Ended June 30,	Residential/Commercial Number of Equivalent Single-Family Dwelling Units (ESD)	Percentage of Service Charge Revenues
2016	407,502	99.0%
2017	410,689	99.0%
2018	413,809	99.0%
2019	417,027	99.0%
2020	420,297	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, 2020 and 2019

**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	\$ 130,117
Procter and Gamble Manufacturing	35,855
H.P. Hood, LLC	20,037
Aerojet Commercial	10,727
Huhtamaki, Inc.	10,175
Rio Consumnes Correctional Center	6,371
Cintas Corporation	5,924
Mission Linen Supply	4,511
Air Products Manufacturing Company	4,147
Aramark Uniform Services, Inc.	3,878
TOTAL	<u>\$ 231,742</u>

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

	<u>SRCSD</u>	<u>SASD</u>	<u>TOTAL</u>
Monthly Services Charges	\$ 37.00	\$ 19.85	\$ 56.85
Sewer Impact Fees (a)	\$ 6,479	\$ 3,194	\$ 9,673

(a) Regional San impact fee is based on new area fee. Infill area impact fee is \$3,605. SASD fee is based on expansion area. SASD relief area impact fee is \$719.

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

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 and 2019

**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>
2016	14,003	4.60%	10,916,118
2017	13,679	4.46%	11,271,701
2018	13,636	4.41%	11,225,397
2019	13,788	4.42%	11,759,117
2020	12,851	4.10%	10,646,019

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

<u>Fiscal Year Ended June 30</u>	<u>Total Amount of Service Charges</u>	<u>Total Amount Collected</u>	<u>Amount Assigned from County under Teeter Plan</u>
2016	91,720,333	90,899,126	821,207
2017	98,245,042	97,426,992	818,050
2018	98,854,822	98,039,744	815,078
2019	101,204,376	100,368,698	835,678
2020	99,833,876	98,729,498	1,104,378

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

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 and 2019

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

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

<b>Revenues:</b>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Operating revenues:					
Sewer service fees	\$ 97,120	\$ 98,245	\$ 98,855	\$ 101,205	\$ 99,834
Sewer Impact fees	1,885	4,595	3,330	4,957	6,664
Other	2,041	1,532	1,405	8,940	12,563
	<u>\$ 101,046</u>	<u>\$ 104,372</u>	<u>\$ 103,590</u>	<u>\$ 115,102</u>	<u>\$ 119,061</u>
Nonoperating revenues:					
Interest income	133	979	1,555	2,600	2,351
Build America Bond subsidy	2,220	2,259	2,261	2,231	2,281
	<u>2,353</u>	<u>3,238</u>	<u>3,816</u>	<u>4,831</u>	<u>4,632</u>
Total revenue	<u>\$ 103,399</u>	<u>\$ 107,610</u>	<u>\$ 107,406</u>	<u>\$ 119,933</u>	<u>\$ 123,693</u>
<b>M&amp;O Expenses:</b>					
Total operating expense	\$ 101,858	\$ 110,104	\$ 113,340	\$ 110,387	\$ 116,545
Less depreciation and amortization	(35,405)	(36,108)	(36,633)	(36,679)	(38,229)
	<u>\$ 66,453</u>	<u>\$ 73,996</u>	<u>\$ 76,707</u>	<u>\$ 73,708</u>	<u>\$ 78,316</u>
<b>Net revenue, including impact fees</b>	<u>\$ 36,946</u>	<u>\$ 33,614</u>	<u>\$ 30,699</u>	<u>\$ 46,225</u>	<u>\$ 45,377</u>
<b>Senior lien debt service</b>	\$ 9,926	\$ 10,463	\$ 10,464	\$ 10,458	\$ 10,466
<b>Net revenue coverage</b>	3.72	3.21	2.93	4.42	4.34
<b>Undesignated Reserves</b>	\$ 47,355	\$ 52,001	\$ 52,543	\$ 49,771	\$ 45,740



#### ACKNOWLEDGEMENTS

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

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