

**SANTA ROSA REGIONAL
RESOURCES AUTHORITY**

FINANCIAL STATEMENTS

Year ended June 30, 2021

SANTA ROSA REGIONAL RESOURCES AUTHORITY

Financial Statements

Year ended June 30, 2021

TABLE OF CONTENTS

| | <u>Page Number</u> |
|--|------------------------|
| Independent Auditor's Report | 1 |
| Management's Discussion and Analysis (Required Supplementary Information) | 3 |
| Basic Financial Statements: | |
| Statement of Net Position | 10 |
| Statement of Revenues, Expenses and Changes in Net Position | 11 |
| Statement of Cash Flows | 12 |
| Notes to the Basic Financial Statements | 14 |

Independent Auditor's Report

Board of Directors
Santa Rosa Regional Resources Authority
Temecula, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Santa Rosa Regional Resources Authority (the Authority) as of and for the year ended June 30, 2021, and the related notes to the basic financial statements, which collectively comprise the Authority'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 opinions on these financial statements based on our audit. We conducted our audit 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2021 and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Authority's financial statements for the year ended June 30, 2020, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 26, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* 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 the 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2021 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Irvine, California
September 21, 2021



Management's Discussion & Analysis

The intent of the management's discussion and analysis is to provide highlights of the financial activities for the fiscal year ended June 30, 2021 of the Santa Rosa Regional Resources Authority (the Authority). Readers are encouraged to read this section in conjunction with the accompanying basic financial statements.

Authority Operations – an Overview

The Authority is a Joint Powers Authority formed by Elsinore Valley Municipal Water District (Elsinore), Rancho California Water District (Rancho), and Western Municipal Water District (Western) to perform all functions for the treatment and disposal of wastewater from its member agencies, including the acquisition, construction, and financing for capital projects.

The Authority was formed in November 2015. The service area encompasses all three districts but focuses on those areas delivering flows to the Santa Rosa Wastewater Reclamation Facility (SRWRF) in Murrieta. The SRWRF is the only treatment plant governed by the Authority and is the current and expected focus of its efforts. The Authority purchased the SRWRF by issuing bonds to relieve Rancho's debt related to the SRWRF on August 24, 2017. The SRRRA has a 99-year lease for the land under the SRWRF for \$1 per year. The Authority's Board of Directors has designated Rancho as the Administrator of the SRWRF for the purpose of managing the facilities and providing administrative services to the Authority.

Wastewater Collection/Treatment Operations

The Wastewater system handles flows from the City of Temecula, the City of Wildomar, and the City of Murrieta. This system of pipes is referred to as the "collection system." The collection system owned by the Authority consists of 17.37 miles of pipes, ranging from 8 inches in diameter up to 24 inches in diameter. Most of the system flows by gravity to lift stations that raise the wastewater to a higher level so that it can continue its journey to the reclamation facility. The system contains one lift station.

Wastewater treatment flows originating in the Authority's service area are treated at the SRWRF in Murrieta. The treatment plant was constructed in 1989 and is a sequencing batch reactor (SBR) treatment facility with a secondary and tertiary treatment capacity of 5 million gallons per day (mgd). The treatment plant is nearing completion of the \$38 million rehabilitation project that will extend the useful life of the plant and improve energy efficiency while continuing to utilize batch reactor treatment processing. The project's anticipated completion date is September 2021.

The SRWRF uses a biological treatment process followed by chemical clarification, filtration, and disinfection to prepare the water for reuse. Laboratory tests are conducted daily to ensure that the water meets the State of California's standards for reclaimed water. The facility's reclaimed water customers use virtually all of the treated water. On average, the SRWRF treats approximately one billion gallons of wastewater annually.



Overview of the Financial Statements

This basic annual report consists of the following two parts: *Management's Discussion and Analysis* and *Basic Financial Statements*. The Financial Statements include *Notes to the Basic Financial Statements*, which provide additional information that is essential to a full understanding of the data provided in the basic statements and are an integral part of the financial statements.

Required Financial Statements

The Financial Statements of the Authority report information utilizing the full accrual basis of accounting. The Financial Statements conform to accounting principles, which are generally accepted in the United States of America and consist of three interrelated statements designed to provide the reader with the relevant, understandable data on the Authority's financial condition and operating results. They are the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.

The *Statement of Net Position* includes information on the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, which provide information about the nature and amounts of investments in resources (assets), the obligation to the Authority's creditors (liabilities), and is one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position may serve as a useful indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors such as changes in economic conditions, population growth, and new or changed government legislation must also be considered.

The *Statement of Revenues, Expenses, and Changes in Net Position* identifies the Authority's revenues and expenses for the fiscal year ended June 30, 2021. This statement provides information on the Authority's operations during the fiscal year and can be used to determine whether the Authority has recovered all of its actual and projected costs through user fees and other charges.

The *Statement of Cash Flows* provides information on the Authority's cash receipts, cash payments, and changes in cash resulting from operations, investments, and financing activities. From the Statement of Cash Flows, the reader can obtain comparative information on the source and use of cash and the change in the cash balance from the previous fiscal year.

Financial Highlights

The Authority's financial operations remained sound during the fiscal year. COVID-19 did not impact the operating revenues or expenses of the SRRRA and did not cause any capital projects to be deferred. The treatment facility rehabilitation project is financed by a State Revolving Fund (SRF) loan as well as member agency contributions. In November 2017, the Authority entered into a loan agreement with the State Water Resources Control Board not to exceed \$31,800,000, with loan amounts received as requisitioned with project progression. This agreement was amended on March 4, 2019 to increase the not-to-exceed loan amount to \$37,533,000. As of June 30, 2021, the SRRRA has drawn down \$30,973,354 from this loan agreement through disbursement requests.



Sources of Revenue

| Combined Revenues by Category | | | |
|---|----------------------|----------------------|---------------------|
| Revenue Category | Fiscal Year 2021 | Fiscal Year 2020 | Dollar Change |
| Primary/Secondary | \$ 3,392,166 | \$ 3,241,877 | \$ 150,289 |
| Collections | 295,940 | 284,123 | 11,817 |
| Tertiary | 1,290,588 | 1,155,329 | 135,259 |
| Non-Operating | 9,283,829 | 5,725,678 | 3,558,151 |
| Total Revenues | 14,262,523 | 10,407,007 | 3,855,516 |
| Capital Contributions | 307,528 | 1,502,922 | (1,195,394) |
| Total Revenues & Capital Contributions | <u>\$ 14,570,051</u> | <u>\$ 11,909,929</u> | <u>\$ 2,660,122</u> |

Revenues are based on budgeted expenses charged to each member agency based on an agreed-upon allocation and are billed on a monthly basis. As of January 2019, the SRRRA transitioned from allocating expenses based on EDUs to allocating expenses based on overall proportionate current flows. The current fiscal year operating revenues totaled \$4,978,694, an increase of \$297,365 from the previous year.

Other non-operating revenues consist of investment income, solar rebate income and contributions from member agencies. In the current year, the SRRRA recognized \$4 million of loan forgiveness related to the SRF loan as the rehabilitation project was substantially complete. Debt service contributions from member agencies are for debt service funds. Debt service contributions are billed semi-annually in accordance with the Authority’s debt service schedules and decreased during the year by approximately \$214,165 due to lower principal and interest payments. Capital Contributions consist of capital replacement contributions from member agencies and are billed on a quarterly basis based on projected capital expenditures. Capital contributions decreased during the year due to a focus on the rehabilitation project which was funded through the SRF loan.

Functional Expenses

Operational expenses include costs incurred in order to operate, maintain, and administer the wastewater system, including the collection, transmission, treatment, and disposal of wastewater and the management of wastewater byproducts. Combined operating expenses for fiscal year 2021 totaled \$6,742,387, resulting in a net decrease of \$177,657 less than the prior year. Primary and secondary treatment costs decreased due to the new, more energy efficient, SBR units in operation, which helped save on utility costs and decreased corrective maintenance costs as the focus was on the rehabilitation project. General and administrative costs decreased based on less contracted labor budgeted for administering the SRRRA. Depreciation increased as new assets were put into service.



| Combined Expenses by Category | | | |
|--------------------------------------|---------------------|---------------------|-------------------|
| Expense Category | Fiscal Year 2021 | Fiscal Year 2020 | Dollar Change |
| Primary/Secondary Treatment | \$ 2,848,057 | \$ 3,081,568 | \$ (233,511) |
| Collections | 256,475 | 251,832 | 4,643 |
| Tertiary Treatment | 1,011,690 | 1,002,144 | 9,546 |
| General and Administrative | 266,587 | 312,141 | (45,554) |
| Depreciation | 2,359,578 | 2,272,359 | 87,219 |
| Non-Operating | 2,494,169 | 2,141,655 | 352,514 |
| Total Expenses | \$ 9,236,556 | \$ 9,061,699 | \$ 174,857 |

Net Position

The Authority’s Net Position is showing an increase by \$5,333,495 for the current year. The Authority’s Net Position is allocated to three categories. The first category, Net Investment in Capital Assets, increased from the prior year by \$5,584,798. The Authority added \$6,450,904 in net capital assets from the prior year. The amount of debt offsetting capital assets also experienced an increase of \$866,106 compared to the prior year due to the SRF loan financing the rehabilitation project. These factors created the net increase in the first category. The second category, Restricted Net Position, decreased by \$220,278, which includes replacement contributions from member agencies and deposits from member agencies. The third category Unrestricted Net Position had a decrease of \$31,025.



| Statement of Net Position | | | |
|----------------------------------|----------------------|---------------------|---------------------|
| | Fiscal Year 2021 | Fiscal Year 2020 | Dollar Change |
| Assets | | | |
| Current | \$ 12,195,271 | \$ 16,132,892 | \$ (3,937,621) |
| Noncurrent | | | |
| Capital | <u>79,601,625</u> | <u>73,150,721</u> | <u>6,450,904</u> |
| Total Assets | 91,796,896 | 89,283,613 | 2,513,283 |
| Liabilities | | | |
| Current | 9,981,567 | 13,176,428 | (3,194,861) |
| Noncurrent | | | |
| Long-Term Debt | <u>70,388,191</u> | <u>70,013,542</u> | <u>374,649</u> |
| Total Liabilities | <u>80,369,758</u> | <u>83,189,970</u> | <u>(2,820,212)</u> |
| Net Investment | | | |
| in Capital Assets | 8,661,655 | 3,076,857 | 5,584,798 |
| Restricted | 322,537 | 542,815 | (220,278) |
| Unrestricted | <u>2,442,946</u> | <u>2,473,971</u> | <u>(31,025)</u> |
| Total Net Position | <u>\$ 11,427,138</u> | <u>\$ 6,093,643</u> | <u>\$ 5,333,495</u> |

| Statement of Revenues, Expenses and Changes in Net Position | | | |
|--|----------------------|---------------------|---------------------|
| | Fiscal Year 2021 | Fiscal Year 2020 | Dollar Change |
| Operating Revenues | \$ 4,978,694 | \$ 4,681,329 | \$ 297,365 |
| Operating Expenses | (6,742,387) | (6,920,044) | 177,657 |
| Net Non-operating Revenues | <u>6,789,660</u> | <u>3,584,023</u> | <u>3,205,637</u> |
| Change in Net Position Before Capital Contribution | 5,025,967 | 1,345,308 | 3,680,659 |
| Capital Contributions | <u>307,528</u> | <u>1,502,922</u> | <u>(1,195,394)</u> |
| Change in Net Position | 5,333,495 | 2,848,230 | 2,485,265 |
| Net Position, July 1 | <u>6,093,643</u> | <u>3,245,413</u> | <u>2,848,230</u> |
| Net Position, June 30 | <u>\$ 11,427,138</u> | <u>\$ 6,093,643</u> | <u>\$ 5,333,495</u> |



Capital Assets

The Authority's capital assets increased during the fiscal year by \$5,414,478, as well as a decrease in accumulated depreciation from the disposal of assets as a result of the rehabilitation project. The major capital asset additions for the current year are noted below:

| | |
|-------------------------------|-------------|
| SRWRF Rehabilitation | \$3,364,157 |
| SRWRF Disinfection Conversion | \$2,030,857 |

| Capital Assets | | | |
|--------------------------------|---------------------|---------------------|------------------|
| Asset Category | Fiscal Year 2021 | Fiscal Year 2020 | Dollar Change |
| Construction in Progress | \$ 145,830 | \$ 29,719,031 | \$ (29,573,201) |
| Primary/Secondary | 55,256,598 | 26,270,988 | 28,985,610 |
| Tertiary | 12,712,793 | 7,097,568 | 5,615,225 |
| Collections | 17,390,964 | 17,004,120 | 386,844 |
| Total Capital Assets | 85,506,185 | 80,091,707 | 5,414,478 |
| Less: Accumulated Depreciation | (5,904,560) | (6,940,986) | 1,036,426 |
| Net Capital Assets | \$ 79,601,625 | \$ 73,150,721 | \$ 6,450,904 |

Long-Term Debt

The Authority issued the 2017AB Revenue Bonds in August 2017 totaling \$55,230,000, as well as entered into a SRF Loan agreement as of November 2017 and amended as of March 2019. The SRF loan increased \$8,317,612 during the year with an offsetting \$4,000,000 reduction to the loan recognizing the principal forgiveness on the debt as the project was nearing completion. Additional information can be found on Note 4 of the Notes to the Basic Financial Statements.

| Schedule of Long-Term Debt | | | |
|-----------------------------------|---------------------|---------------------|------------------|
| | Fiscal Year 2021 | Fiscal Year 2020 | Dollar Change |
| Revenue Bonds | \$ 45,545,000 | \$ 49,435,000 | \$ (3,890,000) |
| Unamortized Premium | 1,684,837 | 1,812,800 | (127,963) |
| Loans Payable | 26,973,354 | 22,655,742 | 4,317,612 |
| Total | \$ 74,203,191 | \$ 73,903,542 | \$ 299,649 |

Economic Factors and Next Year's Budgets and Rates

The Authority's Board of Directors and Executive Advisory Committee considered many factors when setting the fiscal year 2022 budget. The Operating Budget establishes rates and/or contributions to be billed to and paid by the member agencies for each available type of service provided. The member agency



allocation for fiscal year 2022 is based on actual wastewater flow data from calendar year 2020. This data is subject to a later proportionate adjustment, once the agencies receive actual flow data for the period of July 1, 2021 through June 30, 2022. Capital and Debt contribution allocations are based upon a proportionate amount of ultimate capacity in the relevant service type applicable to each of the three member agencies. See below matrices for Operating and Capital expense allocation.

| Operating Expense Allocation Matrix Per JPA Agreement Section 3.1 | | | |
|--|--|-------------|-------------|
| | Initial Member Agency Cost Share % FY 2021-2022 | | |
| Functional Category | EVMWD | RCWD | WMWD |
| Primary/Secondary | 30.8% | 44.4% | 24.8% |
| Collections | 30.8% | 44.4% | 24.8% |
| Tertiary | 30.8% | 69.2% | 0.0% |

| Capital & Debt Expense Allocation Matrix Per JPA Agreement Section 5.1 | | | |
|---|--|--|-------------------------------|
| Member Agency | Primary/Secondary | Tertiary | Collections |
| | Based on ultimate flow/capacity requirements | Based on ultimate recycled water amounts | Based on engineering analysis |
| EVMWD | 40% - 2.0 MGD | 40% - 2.0 MGD | 43.57% |
| RCWD | 40% - 2.0 MGD | 60% - 3.0 MGD | 36.61% |
| WMWD | 20% - 1.0 MGD | 0% - 0.0 MGD | 19.82% |

Contacting the Santa Rosa Regional Resources Authority’s Financial Management

This financial report is designed to provide the Authority’s elected officials, customers, investors, and creditors with a general overview of the Authority’s finances and to demonstrate the Authority’s accountability of the revenues it receives. If you have any questions regarding this report or need additional financial information, please contact the Santa Rosa Regional Resources Authority’s Administrator.

SANTA ROSA REGIONAL RESOURCES AUTHORITY

Statement of Net Position

June 30, 2021

(with prior year comparative totals)

| | <u>2021</u> | <u>2020</u> |
|---|----------------------|---------------------|
| ASSETS: | | |
| CURRENT ASSETS: | | |
| Unrestricted assets: | | |
| Cash and investments (Note 2) | \$ 1,288,270 | \$ 1,202,901 |
| Deposits | 500,000 | 500,000 |
| Interest receivable | 5,761 | 26,922 |
| Inventory | 36,039 | 36,126 |
| Prepaid items | 611 | 551 |
| Restricted assets: | | |
| Cash and investments (Note 2) | <u>10,364,590</u> | <u>14,366,392</u> |
| TOTAL CURRENT ASSETS | <u>12,195,271</u> | <u>16,132,892</u> |
| NONCURRENT ASSETS: | | |
| Capital assets (Note 3): | | |
| Non-depreciable | 145,830 | 29,719,030 |
| Depreciable, net of accumulated depreciation | <u>79,455,795</u> | <u>43,431,691</u> |
| TOTAL NONCURRENT ASSETS | <u>79,601,625</u> | <u>73,150,721</u> |
| TOTAL ASSETS | <u>91,796,896</u> | <u>89,283,613</u> |
| LIABILITIES: | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | 3,167,779 | 2,892,519 |
| Deposits from Member Agencies | 1,750,000 | 5,250,000 |
| Interest payable | 1,239,406 | 876,765 |
| Unearned revenue | 9,382 | 267,144 |
| Current portion of long-term liabilities (Note 4) | <u>3,815,000</u> | <u>3,890,000</u> |
| TOTAL CURRENT LIABILITIES | <u>9,981,567</u> | <u>13,176,428</u> |
| NONCURRENT LIABILITIES: | | |
| Bonds payable (Note 4) | 43,414,837 | 47,357,800 |
| Loans payable (Note 4) | <u>26,973,354</u> | <u>22,655,742</u> |
| TOTAL NONCURRENT LIABILITIES | <u>70,388,191</u> | <u>70,013,542</u> |
| TOTAL LIABILITIES | <u>80,369,758</u> | <u>83,189,970</u> |
| NET POSITION: | | |
| Net investment in capital assets | 8,661,655 | 3,076,857 |
| Restricted for capital projects | 322,537 | 542,815 |
| Unrestricted | <u>2,442,946</u> | <u>2,473,971</u> |
| TOTAL NET POSITION | <u>\$ 11,427,138</u> | <u>\$ 6,093,643</u> |

See accompanying notes to the basic financial statements.

SANTA ROSA REGIONAL RESOURCES AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
Year ended June 30, 2021
(with prior year comparative totals)

| | <u>2021</u> | <u>2020</u> |
|--|------------------------|------------------------|
| OPERATING REVENUES: | | |
| Wastewater services: | | |
| Primary and secondary | \$ 3,392,166 | \$ 3,241,877 |
| Collections | 295,940 | 284,123 |
| Tertiary | <u>1,290,588</u> | <u>1,155,329</u> |
| TOTAL OPERATING REVENUES | <u>4,978,694</u> | <u>4,681,329</u> |
| OPERATING EXPENSES: | | |
| Primary and secondary treatment | 2,848,057 | 3,081,568 |
| Collections | 256,475 | 251,832 |
| Tertiary treatment | 1,011,690 | 1,002,144 |
| General and administrative | 266,587 | 312,141 |
| Depreciation | <u>2,359,578</u> | <u>2,272,359</u> |
| TOTAL OPERATING EXPENSES | <u>6,742,387</u> | <u>6,920,044</u> |
| OPERATING INCOME (LOSS) | <u>(1,763,693)</u> | <u>(2,238,715)</u> |
| NONOPERATING REVENUES/(EXPENSES): | | |
| Investment income | 7,903 | 244,798 |
| Interest expense | (1,848,344) | (1,702,199) |
| Contributions from member agencies | 5,261,583 | 5,475,749 |
| Distributions to member agencies | (277,824) | (439,456) |
| Loss on disposal of assets | (368,001) | - |
| SRF Loan Forgiveness | 4,000,000 | - |
| Other non-operating revenue/(expense) | <u>14,343</u> | <u>5,131</u> |
| TOTAL NONOPERATING REVENUES/(EXPENSES) | <u>6,789,660</u> | <u>3,584,023</u> |
| NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS | 5,025,967 | 1,345,308 |
| CAPITAL CONTRIBUTIONS: | | |
| Capital contributions from member agencies | <u>307,528</u> | <u>1,502,922</u> |
| CHANGES IN NET POSITION | 5,333,495 | 2,848,230 |
| NET POSITION - BEGINNING OF YEAR | <u>6,093,643</u> | <u>3,245,413</u> |
| NET POSITION - END OF YEAR | <u>\$ 11,427,138</u> | <u>\$ 6,093,643</u> |

See accompanying notes to the basic financial statements.

SANTA ROSA REGIONAL RESOURCES AUTHORITY
Statement of Cash Flows
Year ended June 30, 2021
(with prior year comparative totals)

| | <u>2021</u> | <u>2020</u> |
|---|--------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash received from member agencies | \$ 4,735,275 | \$ 4,563,493 |
| Cash payments to suppliers of goods and services | <u>(4,354,479)</u> | <u>(4,848,152)</u> |
| NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES | <u>380,796</u> | <u>(284,659)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Acquisition and construction of capital assets | (8,931,526) | (18,117,531) |
| Proceeds from loan | 8,317,612 | 15,873,098 |
| Receipts from member agencies for capital replacement and debt service | 2,069,111 | 8,978,671 |
| Distributions to member agencies | (277,824) | (439,456) |
| Principal paid on long-term debt | (3,890,000) | (2,570,000) |
| Interest paid on long-term debt | <u>(1,613,666)</u> | <u>(1,681,005)</u> |
| NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(4,326,293)</u> | <u>2,043,777</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Interest and investment earnings | <u>29,064</u> | <u>273,127</u> |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | <u>29,064</u> | <u>273,127</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (3,916,433) | 2,032,245 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | <u>15,569,293</u> | <u>13,537,048</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 11,652,860</u> | <u>\$ 15,569,293</u> |

(Continued)

See accompanying notes to the basic financial statements.

SANTA ROSA REGIONAL RESOURCES AUTHORITY
Statement of Cash Flows
(Continued)
Year ended June 30, 2021
(with prior year comparative totals)

| | <u>2021</u> | <u>2020</u> |
|---|----------------------|----------------------|
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET | | |
| CASH PROVIDED BY OPERATING ACTIVITIES: | | |
| Operating income (loss) | \$ (1,763,693) | \$ (2,238,715) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | 2,359,578 | 2,272,359 |
| Other non-operating revenue/(expense) | 14,343 | 5,131 |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in assets: | | |
| Inventory | 87 | (288) |
| Prepaid items | (60) | (42) |
| Accounts payable | 28,303 | (200,137) |
| Unearned revenue | <u>(257,762)</u> | <u>(122,967)</u> |
| Total adjustments | <u>2,144,489</u> | <u>1,954,056</u> |
| NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES | <u>\$ 380,796</u> | <u>\$ (284,659)</u> |
| CASH AND CASH EQUIVALENTS- | | |
| FINANCIAL STATEMENT CLASSIFICATION | | |
| Unrestricted cash and cash equivalents | \$ 1,288,270 | \$ 1,202,901 |
| Restricted cash and cash equivalents | <u>10,364,590</u> | <u>14,366,392</u> |
| | <u>\$ 11,652,860</u> | <u>\$ 15,569,293</u> |
| NON CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES | | |
| Net change in investment fair values | <u>\$ 2,642</u> | <u>\$ 34,715</u> |
| Forgiveness of loan | <u>\$ 4,000,000</u> | <u>\$ -</u> |

See accompanying notes to the basic financial statements.

SANTA ROSA REGIONAL RESOURCES AUTHORITY
Notes to the Basic Financial Statements
Year ended June 30, 2021

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Santa Rosa Regional Resources Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Authority are described below.

a. Description of Reporting Entity

The Authority was created on November 12, 2015 pursuant to the provisions of Articles 1, 2 and 4 of Chapter 5 of Division 7, of Title 1 of the Government Code (Section 6500 et al, as amended) of the State of California relating to the joint exercise powers common to public agencies for the purpose of the ownership, operation, maintenance, and administration of the Santa Rosa Water Reclamation Facilities (the Facilities), on a cooperative basis for the collection, transmission, treatment, and disposal of wastewater, and the management of wastewater treatment byproducts, and to supersede certain agreements by and among the member agencies.

The three Member Agencies of the Authority are the Elsinore Valley Municipal Water District (Elsinore), Rancho California Water District (Rancho), and Western Municipal Water District (Western) of Riverside County. The Authority is governed by a Board of Directors consisting of three Directors. Each Member Agency appoints one Director. The Directors serve without compensation. The Board of Directors currently employs Rancho, under contract to operate the Authority.

b. Acquisition and Operation of Facilities

Under the Joint Exercise of Powers Agreement (the Agreement) creating the Santa Rosa Regional Resources Authority, the Authority acquired certain facilities including property described in the Facilities Acquisition Agreement and obtained financing to pay off and defease the Rancho debt associated with the Facilities. The Member Agencies approved the acquisition of the Facilities by issuing bonds to relieve Rancho's debt on the Facilities on August 24, 2017. The Facilities will be operated in accordance with the Agreement and such other agreements entered into by the Authority and the Member Agencies from time to time. The Authority has a 99-year lease for the land under the Facilities for one dollar (\$1.00) per fiscal year payable on July 1 of each year. The Authority also obtained a State Revolving Fund (SRF) Loan from the State Water Resources Control Board (the Control Board) to finance a capital rehabilitation project of the Facilities. See Note 3 for additional details on capital assets and Note 4 for additional details on the long-term liabilities.

SANTA ROSA REGIONAL RESOURCES AUTHORITY
Notes to the Basic Financial Statements
(Continued)
Year ended June 30, 2021

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Basis of Accounting and Measurement Focus

The Authority reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the Authority is that the costs (including depreciation) of providing services to the Member Agencies on a continuing basis be financed or recovered primarily through user charges for wastewater services. Revenues and expenses are recognized on the accrual basis. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as wastewater services, result from exchange transactions associated with the principal activity of the Authority. Exchange transactions are those in which each party receives and gives up essentially equal values. General and administrative expenses and depreciation expense are also considered operating expenses. Other revenue and expenses not included in the above categories are reported as nonoperating revenues and expenses.

d. Cash and Cash Equivalents

Cash and cash equivalents on the statement of net position include amounts in the Local Agency Investment Fund. Investments are stated at their fair value, which represents the quoted or stated market value. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value as represented by the external pool.

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

For the purposes of the statement of cash flows, the Authority considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

e. Fair Value Measurements

Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a 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 inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

SANTA ROSA REGIONAL RESOURCES AUTHORITY
Notes to the Basic Financial Statements
(Continued)
Year ended June 30, 2021

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and fair value is determined through the use of models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are inactive;
- Inputs other than quoted prices that are observable for the asset or liability;
- 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. These unobservable inputs reflect the Authority's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include the Authority's own data.

f. Inventory

Materials inventory consists primarily of materials used in the construction and maintenance of utility plant and is valued at weighted-average cost. As of June 30, 2021, inventory consists of materials inventory of \$36,039.

g. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. The Authority's capitalization policy, which has set the capitalization threshold for reporting capital assets at \$10,000 and an estimated useful life of more than one year. Donated assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

SANTA ROSA REGIONAL RESOURCES AUTHORITY
Notes to the Basic Financial Statements
(Continued)
Year ended June 30, 2021

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

| | |
|----------------------------|-----------|
| Wastewater treatment plant | 40 years |
| Equipment and vehicles | 5 years |
| Computers and software | 3-5 years |
| Office equipment | 5-7 years |

A capital asset is considered impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstances is outside the normal life cycle of the capital asset. The Authority periodically evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Management has determined that there were no such impairments at June 30, 2021.

h. Bond Premium

The bond premium, net of accumulated amortization, was \$1,684,838 as of June 30, 2021, and has been reported as an addition to bonds payable.

i. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt associated with the acquisition, construction or improvement of those assets.

Restricted net position – This component of net position consists of external constraints placed on net position use imposed by creditors, grantors, contributors, or laws and regulations of other governments. Or constraints imposed by law through constitutional provisions or enabling legislation, less outstanding debt associated with restricted assets. Net position designated as restricted for capital is contributions from member agencies restricted for capital use.

Unrestricted net position - This component of net position consists of all net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

SANTA ROSA REGIONAL RESOURCES AUTHORITY
Notes to the Basic Financial Statements
(Continued)
Year ended June 30, 2021

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

k. Prior Year Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's prior year financial statements, from which this selected financial data was derived.

2. CASH AND INVESTMENTS

Cash and investments held by the Authority were comprised of the following at June 30, 2021:

Financial Statement Classification:

Current:

| | |
|----------------------|--------------|
| Cash and investments | \$ 1,288,270 |
|----------------------|--------------|

Restricted:

| | |
|----------------------|------------|
| Cash and investments | 10,364,590 |
|----------------------|------------|

| | |
|-------|---------------|
| Total | \$ 11,652,860 |
|-------|---------------|

Cash and investments as of June 30, 2021, consisted of the following:

| | |
|--------------------------------------|------------|
| Deposits with financial institutions | \$ 447,466 |
|--------------------------------------|------------|

| | |
|-------------|------------|
| Investments | 11,205,394 |
|-------------|------------|

| | |
|----------------------------|---------------|
| Total cash and investments | \$ 11,652,860 |
|----------------------------|---------------|

Investments Authorized by the Authority's Investment Policy:

The Authority's Investment Policy allows for investments in the Local Agency Investment Fund (LAIF) with the maximum amount allowable by LAIF.

SANTA ROSA REGIONAL RESOURCES AUTHORITY
Notes to the Basic Financial Statements
(Continued)
Year ended June 30, 2021

2. CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by Debt Agreements:

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Authority's Investment Policy. The following table identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of risk.

| <u>Authorized Investment Type</u> | <u>Maximum Maturity</u> | <u>Maximum Percentage Allowed</u> | <u>Maximum Investment in One Issuer</u> |
|--|-------------------------|-----------------------------------|---|
| U.S. Treasury Obligations | No Limitation | No Limitation | No Limitation |
| U.S. Government Sponsored | | | |
| Agency Securities | No Limitation | No Limitation | No Limitation |
| State Obligations or Political Subdivision of States | No Limitation | No Limitation | No Limitation |
| Certificates of Deposits | No Limitation | No Limitation | No Limitation |
| Banker's Acceptances | 365 days | No Limitation | No Limitation |
| Repurchase Agreements | No Limitation | No Limitation | No Limitation |
| Commercial Paper | No Limitation | No Limitation | No Limitation |
| Money Market Mutual Funds | No Limitation | No Limitation | No Limitation |
| Investment Agreements | No Limitation | No Limitation | No Limitation |

Disclosures Relating to 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 of its fair value to changes in market interest rates. One of the ways that the Authority manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity as necessary to provide the cash flow and liquidity needed for operations.

The Authority monitors the interest rate risk inherent in its portfolio by measuring the weighted-average duration of its portfolio. Duration measures the investments exposure to fair value arising from changing interest rates. The weighted-average duration expresses investment time horizons - the time when investments become due and payable, in years, weighted to reflect dollar size of individual investments with an investment type. The Authority's investments of \$11,205,394 have a weighted-average duration of one day.

SANTA ROSA REGIONAL RESOURCES AUTHORITY
Notes to the Basic Financial Statements
(Continued)
Year ended June 30, 2021

2. CASH AND INVESTMENTS (CONTINUED)

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented in the following table are the Standard and Poor's or Moody's credit ratings for the Authority's investments.

| <u>Investment</u> | <u>Total June 30, 2021</u> | <u>AAA</u> | <u>Unrated</u> |
|------------------------------|--------------------------------|---------------------|---------------------|
| Local Agency Investment Fund | \$ 6,605,471 | \$ - | \$ 6,605,471 |
| Cash Held by Fiscal Agent: | | | |
| Money Market Mutual Funds | <u>4,599,923</u> | <u>4,599,923</u> | <u>-</u> |
| | <u>\$ 11,205,394</u> | <u>\$ 4,599,923</u> | <u>\$ 6,605,471</u> |

Custodial Credit Risk:

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and The Authority's Investment Policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

California Local Agency Investment Fund:

The Authority is a voluntary participant in the California Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio).

SANTA ROSA REGIONAL RESOURCES AUTHORITY
Notes to the Basic Financial Statements
(Continued)
Year ended June 30, 2021

3. CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2021 were as follows:

| | Balance July 1, 2020 | Additions | Deletions | Balance June 30, 2021 |
|--|-------------------------|----------------------|------------------------|--------------------------|
| Capital assets, not being depreciated: | | | | |
| Construction in progress | \$ 29,719,030 | \$ 9,117,011 | \$ (38,690,211) | \$ 145,830 |
| Capital assets being depreciated: | | | | |
| Primary/Secondary system | 26,270,988 | 32,579,436 | (3,593,826) | 55,256,598 |
| Tertiary system | 7,097,568 | 5,615,225 | - | 12,712,793 |
| Collection system | 17,004,121 | 557,022 | (170,179) | 17,390,964 |
| Total capital assets, being depreciated | <u>50,372,677</u> | <u>38,751,683</u> | <u>(3,764,005)</u> | <u>85,360,355</u> |
| Less accumulated depreciation for: | | | | |
| Primary/Secondary system | 4,162,080 | 1,345,347 | (3,316,414) | 2,191,013 |
| Tertiary system | 1,262,543 | 503,915 | - | 1,766,458 |
| Collection system | 1,516,363 | 510,316 | (79,590) | 1,947,089 |
| Total accumulated depreciation | <u>6,940,986</u> | <u>2,359,578</u> | <u>(3,396,004)</u> | <u>5,904,560</u> |
| Total capital assets, being depreciated, net | <u>43,431,691</u> | <u>36,392,105</u> | <u>(368,001)</u> | <u>79,455,795</u> |
| Total capital assets, net | <u>\$ 73,150,721</u> | <u>\$ 45,509,116</u> | <u>\$ (39,058,212)</u> | <u>\$ 79,601,625</u> |

Depreciation expense was \$2,359,578 for the year ended June 30, 2021.

4. LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2021, were as follows:

| | Balance July 1, 2020 | Additions | Deletions | Balance June 30, 2021 | Due Within One Year |
|---------------------|-------------------------|---------------------|-----------------------|--------------------------|------------------------|
| Revenue Bonds: | | | | | |
| 2017A Series | \$ 23,540,000 | \$ - | \$ (985,000) | \$ 22,555,000 | \$ 970,000 |
| 2017B Series | 25,895,000 | - | (2,905,000) | 22,990,000 | 2,845,000 |
| | 49,435,000 | - | (3,890,000) | 45,545,000 | 3,815,000 |
| Add: | | | | | |
| Unamortized Premium | 1,812,800 | - | (127,963) | 1,684,837 | - |
| Subtotal | 51,247,800 | - | (4,017,963) | 47,229,837 | 3,815,000 |
| Loan Payable | 22,655,742 | 8,317,612 | (4,000,000) | 26,973,354 | - |
| Total | <u>\$ 73,903,542</u> | <u>\$ 8,317,612</u> | <u>\$ (8,017,963)</u> | <u>\$ 74,203,191</u> | <u>\$ 3,815,000</u> |

SANTA ROSA REGIONAL RESOURCES AUTHORITY
Notes to the Basic Financial Statements
(Continued)
Year ended June 30, 2021

4. LONG-TERM LIABILITIES (CONTINUED)

2017 Series A and B Revenue Bonds

In August 2017, the Authority issued \$24,040,000 of Tax-Exempt Fixed Rate Revenue Bonds and \$31,190,000 of Taxable Fixed Rate Revenue Bonds. These bonds were issued to provide funds to finance the acquisition of wastewater treatment facilities and improvements.

The bonds bear interest rates ranging from 3% to 5% and are payable semiannually in February and August through August 2034.

As of June 30, 2021, the outstanding balance on the 2017 Series A and B Revenue Bonds was \$22,555,000 and \$22,990,000 respectively.

Aggregate maturities of the revenue bonds and interest payments subsequent to June 30, 2021, are as follows:

| Year Ending | Principal | Interest | Total |
|----------------|----------------------|----------------------|----------------------|
| 2022 | \$ 3,815,000 | \$ 1,514,296 | \$ 5,329,296 |
| 2023 | 2,705,000 | 1,416,801 | 4,121,801 |
| 2024 | 2,650,000 | 1,331,460 | 3,981,460 |
| 2025 | 2,735,000 | 1,241,857 | 3,976,857 |
| 2026 | 2,760,000 | 1,147,435 | 3,907,435 |
| 2027-2031 | 14,675,000 | 4,204,469 | 18,879,469 |
| 2032-2035 | 16,205,000 | 1,138,050 | 17,343,050 |
| Total | <u>\$ 45,545,000</u> | <u>\$ 11,994,367</u> | <u>\$ 57,539,367</u> |

As of August 1, 2017, each member agency entered into a Wastewater Capacity Funding Agreement with the Authority. The Funding Agreement sets forth terms and conditions which require each member agency to fulfill its obligations under the Agreement to pay the Authority its allocated share of the Authority's debt service on the bonds. The allocated share of debt service is based on agreed upon capacity rights related to the capital facilities acquired and constructed by the bond funding.

State Revolving Fund Loan Payable

In November 2017, the Authority entered into a loan agreement with the State Water Resources Control Board totaling \$31,800,000. In March 2019, the agreement was amended to increase the loan to \$37,533,000. Principal and interest will not be due until one year after the completion of the project. Interest is payable at 1.8% per annum. An amortization schedule is not yet available for amounts drawn down to date. The outstanding balance at June 30, 2021 is \$26,973,354.

SANTA ROSA REGIONAL RESOURCES AUTHORITY
Notes to the Basic Financial Statements
(Continued)
Year ended June 30, 2021

4. LONG-TERM LIABILITIES (CONTINUED)

As of January 2, 2018, each member agency entered into a Funding Agreement Pertaining to State Revolving Fund Loan from the California State Water Resources Control Board with the Authority. The Funding Agreement sets forth terms and conditions which require each member agency to fulfill its obligations under the Agreement to pay the Authority its allocated share of the Authority's debt service on the SRF loan. The allocated share of debt service is based on agreed upon capacity rights related to capital facilities constructed by the SRF loan.

5. RELATED PARTIES

The Authority's Board of Directors currently employs Rancho, under contract to operate the SRRRA. During the fiscal year ended June 30, 2021, the Authority paid Rancho \$4,434,345 in operating expenses and \$505,563 in capital project management costs. In addition, there is \$56,068 due to Rancho for capital project management costs incurred and not yet paid.

6. RISK MANAGEMENT

The Authority is a member of the Association of California Water Agencies Joint Powers Insurance Authority (JPIA). The JPIA is a risk-pooling self-insurance authority, created under provisions of California Government Code Sections 6500 et seq. The purpose of the JPIA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

At June 30, 2021, the Authority participated in the self-insurance program of the JPIA as follows:

General and Auto Liability - Insured up to \$55,000,000 with aggregate policy limits; the JPIA is self-insured up to \$5,000,000 and excess insurance coverage has been purchased.

Public Officials' Liability - Insured up to \$60,000,000 with aggregate policy limits; the JPIA is self-insured up to \$5,000,000 and excess insurance coverage has been purchased.

Property Insurance - Insured for replacement cost of buildings, personal property, fixed equipment, unscheduled vehicles on premises, and actual cash value for mobile equipment and vehicles.

Crime Insurance - Insured up to \$100,000 each for public employee theft, depositor's forgery or alteration and computer and funds transfer fraud.

The Authority pays annual premiums for these coverages. They are subject to retrospective adjustments based on claims experience. The nature and amounts of these adjustments cannot be estimated and are charged to expense as invoiced.

SANTA ROSA REGIONAL RESOURCES AUTHORITY
Notes to the Basic Financial Statements
(Continued)
Year ended June 30, 2021

7. COMMITMENTS

The Authority has entered into various contracts for the purchase of material and construction of wastewater facilities. The amounts contracted are based on the contractors' estimated cost of construction. At June 30, 2021, the total remaining commitments on these contracts is \$1,052,565.

8. CONTINGENCIES

California Public Employees Retirement System (CalPERS) Actuarial Liability - Rancho has an unfunded potential actuarial liability to CalPERS for Rancho's employees who are, or have been, assigned to the Facilities (Rancho Employees). Although it is understood that Rancho will bear the financial responsibility to pay the annual employer contributions to CalPERS for the retirement benefits accrued by the Rancho Employees, the Authority has agreed to assume responsibility for and pay any remaining unfunded liability associated with Rancho Employees upon a change in Rancho as the Authority's Administrator, which is unlikely.

In the event of the dissolution of the Authority, each Member Agency will assume responsibility for and pay its proportionate share of any remaining unfunded actuarial liability associated with Rancho Employees. The unfunded actuarial liability was computed as of the Authority's formation date and will be periodically redetermined over the life of the Authority. If Rancho is terminated as the Authority's Administrator, the unfunded actuarial liability will be calculated based on benefit accrued by Rancho Employees as of the effective date of the termination. If a Member Agency elects to withdraw from the Authority, the Member Agency will assume liability for its proportionate share of the unfunded actuarial liability, if any, at the time of that Member Agency's withdrawal from the Authority. Due to the uncertainty of these future events, the accompanying financial statements do not include a pension liability at June 30, 2021.