

**SANTA ROSA REGIONAL
RESOURCES AUTHORITY**

FINANCIAL STATEMENTS

Year ended June 30, 2022

SANTA ROSA REGIONAL RESOURCES AUTHORITY

Financial Statements

Year ended June 30, 2022

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Independent Auditor's Report

Board of Directors
Santa Rosa Regional Resources Authority
Temecula, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Santa Rosa Regional Resources Authority (SRRRA) as of and for the year June 30, 2022, and the related notes to the financial statements, which collectively comprise SRRRA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of SRRRA, as of June 30, 2022, and the 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SRRRA's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Report on Summarized Comparative Information

We have previously audited SRRRA's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 21, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2022 on our consideration of Authority'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 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 SRRRA's internal control over financial reporting and compliance.

DavisFarrLLP

Irvine, California
September 15, 2022



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, 2022 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). A \$38 million plant rehabilitation project began in FY 2018/2019 and was completed on September 7, 2021. The rehabilitation project significantly extended the useful life of the plant, and improved energy efficiency while continuing to utilize the sequencing batch reactor treatment process.

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, 2022. 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, 2022, the SRRRA has drawn down \$35,991,475 from this loan agreement through disbursement requests and debt service payments on the loan are scheduled to begin in September of 2022.



Sources of Revenue

Combined Revenues by Category			
Revenue Category	Fiscal Year 2022	Fiscal Year 2021	Dollar Change
Primary/Secondary	\$ 3,433,224	\$ 3,392,166	\$ 41,058
Collections	345,951	295,940	50,011
Tertiary	1,140,545	1,290,588	(150,043)
Non-Operating	4,102,380	9,283,829	(5,181,449)
Total Revenues	9,022,100	14,262,523	(5,240,423)
Capital Contributions	360,099	307,528	52,571
Total Revenues & Capital Contributions	<u>\$ 9,382,199</u>	<u>\$ 14,570,051</u>	<u>\$ (5,187,852)</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. SRRRA allocates expenses based on overall proportionate current flows. The current fiscal year operating revenues totaled \$4,919,720, a decrease of \$58,974 from the previous year.

Other non-operating revenues consist of investment income, solar rebate income and contributions from member agencies. 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 \$1,097,182 due to lower principal and interest payments required for the 2017AB Revenue Bonds. The largest reduction to Non-Operating income is from the \$4,000,000 loan forgiveness from the SRF loan program that was recorded as income in the prior year. Capital Contributions consist of capital replacement contributions from member agencies and are billed on a quarterly basis based on projected capital expenditures for non-debt funded projects. Capital contributions increased during the year by \$52,571.

Functional Expenses

Combined Expenses by Category			
Expense Category	Fiscal Year 2022	Fiscal Year 2021	Dollar Change
Primary/Secondary Treatment	\$ 3,047,566	\$ 2,848,057	\$ 199,509
Collections	297,889	256,475	41,414
Tertiary Treatment	1,095,935	1,011,690	84,245
General and Administrative	252,220	266,587	(14,367)
Depreciation	3,504,163	2,359,578	1,144,585
Non-Operating	3,103,667	2,494,169	609,498
Total Expenses	<u>\$ 11,301,440</u>	<u>\$ 9,236,556</u>	<u>\$ 2,064,884</u>



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 2022 totaled \$8,197,773, resulting in a net increase of \$1,455,386 more than the prior year. Primary and secondary treatment costs increased due to higher contract expenses and utility rates in FY21-22 compared to the prior year. General and administrative costs decreased based on less contracted labor budgeted for administering the SRRRA. Depreciation increased compared to prior year, due to this being the first full year of depreciation expenses for the new SRF assets.

Net Position

Statement of Net Position			
	Fiscal Year 2022	Fiscal Year 2021	Dollar Change
Assets			
Current	\$ 10,236,310	\$ 12,195,271	\$ (1,958,961)
Noncurrent			
Capital	<u>77,232,096</u>	<u>79,601,625</u>	<u>(2,369,530)</u>
Total Assets	87,468,406	91,796,896	(4,328,491)
Liabilities			
Current	5,516,404	9,981,567	(4,465,163)
Noncurrent			
Long-Term Debt	<u>72,444,105</u>	<u>70,388,191</u>	<u>2,055,913</u>
Total Liabilities	<u>77,960,509</u>	<u>80,369,758</u>	<u>(2,409,249)</u>
Net Investment			
in Capital Assets	4,601,895	8,661,655	(4,059,760)
Restricted	3,206,977	322,537	2,884,440
Unrestricted	<u>1,699,025</u>	<u>2,442,946</u>	<u>(743,921)</u>
Total Net Position	<u>\$ 9,507,897</u>	<u>\$ 11,427,138</u>	<u>\$ (1,919,241)</u>

The Authority’s Net Position decreased by \$1,919,241 for the current year. The Authority’s Net Position is allocated to three categories. The first category, Net Investment in Capital Assets, decreased from the prior year by \$4,059,760. The Authority decreased net capital assets by \$2,369,530 from the prior year as detailed below. The amount of debt offsetting capital assets also experienced an increase of \$1,690,233 compared to the prior year from the finalization of the SRF loan financing. These factors created the net decrease in the first category. The second category, Restricted Net Position, increased by \$2,884,440, which includes replacement contributions from member agencies and deposits from member agencies in the prior year. The third category Unrestricted Net Position had a decrease of \$743,921.



Statement of Revenues, Expenses and Changes in Net Position			
	Fiscal Year 2022	Fiscal Year 2021	Dollar Change
Operating Revenues	\$ 4,919,720	\$ 4,978,694	\$ (58,974)
Operating Expenses	(8,197,773)	(6,742,387)	(1,455,386)
Net Non-operating Revenues	998,713	6,789,660	(5,790,947)
Change in Net Position Before Capital Contribution	(2,279,340)	5,025,967	(7,305,307)
Capital Contributions	360,099	307,528	52,571
Change in Net Position	(1,919,241)	5,333,495	(7,252,736)
Net Position, July 1	11,427,138	6,093,643	5,333,495
Net Position, June 30	\$ 9,507,897	\$ 11,427,138	\$ (1,919,241)

The Authority's Net Position totaled \$9,507,897 at June 30, 2022. Please see previous discussion on changes in revenues and expenses.

Capital Assets

Capital Assets			
Asset Category	Fiscal Year 2022	Fiscal Year 2021	Dollar Change
Construction in Progress	\$ 346,262	\$ 145,830	\$ 200,432
Primary/Secondary	55,768,325	55,256,598	511,727
Tertiary	13,061,961	12,712,793	349,168
Collections	17,464,271	17,390,964	73,307
Total Capital Assets	86,640,819	85,506,185	1,134,634
Less: Accumulated Depreciation	(9,408,723)	(5,904,560)	(3,504,163)
Net Capital Assets	\$ 77,232,096	\$ 79,601,625	\$ (2,369,529)

The Authority's capital assets increased during the fiscal year by \$1,134,635 and was offset by an increase in accumulated depreciation due to this being the first full year of depreciation of the completed plant rehabilitation assets.

The major capital asset additions for the current year are noted below:

SRWRF Rehabilitation	\$605,014
AWT FACILITY ASSESSMENT	\$153,925



Long-Term Debt

Schedule of Long-Term Debt			
	Fiscal Year	Fiscal Year	Dollar
	2022	2021	Change
Revenue Bonds	\$ 41,730,000	\$ 45,545,000	\$ (3,815,000)
Unamortized Premium	1,556,875	1,684,837	(127,963)
Loans Payable	32,702,266	26,973,354	5,728,912
Total	\$ 75,989,141	\$ 74,203,191	\$ 1,785,949

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 \$5,728,912 during the year. Additional information can be found on Note 4 of the Notes to the Basic Financial Statements.

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 2023 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 2023 is based on actual wastewater flow data from calendar year 2021. This data is subject to a later proportionate adjustment, once the agencies receive actual flow data for the period of July 1, 2022 through June 30, 2023. 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 2022-2023		
Functional Category	EVMWD	RCWD	WMWD
Primary/Secondary	32.7%	41.9%	25.4%
Collections	32.7%	41.9%	25.4%
Tertiary	32.7%	67.3%	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, 2022

(with prior year comparative totals)

	<u>2022</u>	<u>2021</u>
ASSETS:		
CURRENT ASSETS:		
Unrestricted assets:		
Cash and investments (Note 2)	\$ 751,820	\$ 1,288,270
Deposits	500,000	500,000
Interest receivable	11,159	5,761
Inventory	79,364	36,039
Prepaid items	583	611
Restricted assets:		
Cash and investments (Note 2)	<u>8,893,384</u>	<u>10,364,590</u>
TOTAL CURRENT ASSETS	<u>10,236,310</u>	<u>12,195,271</u>
NONCURRENT ASSETS:		
Capital assets (Note 3):		
Non-depreciable	346,262	145,830
Depreciable, net of accumulated depreciation	<u>76,885,834</u>	<u>79,455,795</u>
TOTAL NONCURRENT ASSETS	<u>77,232,096</u>	<u>79,601,625</u>
TOTAL ASSETS	<u>87,468,406</u>	<u>91,796,896</u>
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	495,398	3,167,779
Deposits from member agencies	-	1,750,000
Interest payable	1,042,735	1,239,406
Unearned revenue	433,235	9,382
Current portion of long-term liabilities (Note 4)	<u>3,545,036</u>	<u>3,815,000</u>
TOTAL CURRENT LIABILITIES	<u>5,516,404</u>	<u>9,981,567</u>
NONCURRENT LIABILITIES:		
Bonds payable (Note 4)	40,581,875	43,414,837
Loans payable (Note 4)	<u>31,862,230</u>	<u>26,973,354</u>
TOTAL NONCURRENT LIABILITIES	<u>72,444,105</u>	<u>70,388,191</u>
TOTAL LIABILITIES	<u>77,960,509</u>	<u>80,369,758</u>
NET POSITION:		
Net investment in capital assets	4,601,895	8,661,655
Restricted for capital projects	3,206,977	322,537
Unrestricted	<u>1,699,025</u>	<u>2,442,946</u>
TOTAL NET POSITION	<u>\$ 9,507,897</u>	<u>\$ 11,427,138</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, 2022
(with prior year comparative totals)

	2022	2021
OPERATING REVENUES:		
Wastewater services:		
Primary and secondary	\$ 3,433,224	\$ 3,392,166
Collections	345,951	295,940
Tertiary	1,140,545	1,290,588
TOTAL OPERATING REVENUES	4,919,720	4,978,694
OPERATING EXPENSES:		
Primary and secondary treatment	3,047,566	2,848,057
Collections	297,889	256,475
Tertiary treatment	1,095,935	1,011,690
General and administrative	252,220	266,587
Depreciation	3,504,163	2,359,578
TOTAL OPERATING EXPENSES	8,197,773	6,742,387
OPERATING INCOME (LOSS)	(3,278,053)	(1,763,693)
NONOPERATING REVENUES/(EXPENSES):		
Investment income (loss)	(55,832)	7,903
Interest expense	(1,900,454)	(1,848,344)
Contributions from member agencies	4,164,401	5,261,583
Distributions to member agencies	(1,203,213)	(277,824)
Loss on disposal of assets	-	(368,001)
SRF Loan Forgiveness	-	4,000,000
Other non-operating revenue/(expense)	(6,189)	14,343
TOTAL NONOPERATING REVENUES/(EXPENSES)	998,713	6,789,660
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(2,279,340)	5,025,967
CAPITAL CONTRIBUTIONS:		
Capital contributions from member agencies	360,099	307,528
CHANGES IN NET POSITION	(1,919,241)	5,333,495
NET POSITION - BEGINNING OF YEAR	11,427,138	6,093,643
NET POSITION - END OF YEAR	\$ 9,507,897	\$ 11,427,138

See accompanying notes to the basic financial statements.

SANTA ROSA REGIONAL RESOURCES AUTHORITY
Statement of Cash Flows
Year ended June 30, 2022
(with prior year comparative totals)

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from member agencies	\$ 5,337,384	\$ 4,735,275
Cash payments to suppliers of goods and services	<u>(4,715,759)</u>	<u>(4,354,479)</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>621,625</u>	<u>380,796</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(3,828,163)	(8,931,526)
Proceeds from loan	5,728,912	8,317,612
Receipts from member agencies for capital replacement and debt service	2,774,500	2,069,111
Distributions to member agencies	(1,203,213)	(277,824)
Principal paid on long-term debt	(3,815,000)	(3,890,000)
Interest paid on long-term debt	<u>(2,225,087)</u>	<u>(1,613,666)</u>
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,568,051)</u>	<u>(4,326,293)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and investment earnings	<u>(61,230)</u>	<u>29,064</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>(61,230)</u>	<u>29,064</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,007,656)	(3,916,433)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>11,652,860</u>	<u>15,569,293</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 9,645,204</u>	<u>\$ 11,652,860</u>

(Continued)

See accompanying notes to the basic financial statements.

SANTA ROSA REGIONAL RESOURCES AUTHORITY
Statement of Cash Flows
(Continued)
Year ended June 30, 2022
(with prior year comparative totals)

	<u>2022</u>	<u>2021</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET		
CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (3,278,053)	\$ (1,763,693)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,504,163	2,359,578
Other non-operating revenue/(expense)	(6,189)	14,343
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Inventory	(43,325)	87
Prepaid items	28	(60)
Increase (decrease) in liabilities:		
Accounts payable	21,148	28,303
Unearned revenue	423,853	(257,762)
Total adjustments	<u>3,899,678</u>	<u>2,144,489</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 621,625</u>	<u>\$ 380,796</u>
CASH AND CASH EQUIVALENTS-		
FINANCIAL STATEMENT CLASSIFICATION		
Unrestricted cash and cash equivalents	\$ 751,820	\$ 1,288,270
Restricted cash and cash equivalents	<u>8,893,384</u>	<u>10,364,590</u>
	<u>\$ 9,645,204</u>	<u>\$ 11,652,860</u>
NON CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Net change in investment fair values	\$ (76,738)	\$ 2,642
Forgiveness of loan	-	4,000,000
Total	<u>\$ (76,738)</u>	<u>\$ 4,002,642</u>

See accompanying notes to the basic financial statements.

SANTA ROSA REGIONAL RESOURCES AUTHORITY
Notes to the Basic Financial Statements
Year ended June 30, 2022

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Santa Rosa Regional Resources Authority (SRRRA) 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 SRRRA are described below.

a. Description of Reporting Entity

SRRRA 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 SRRRA are the Elsinore Valley Municipal Water District (Elsinore), Rancho California Water District (Rancho), and Western Municipal Water District (Western) of Riverside County. SRRRA 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 SRRRA.

b. Acquisition and Operation of Facilities

Under the Joint Exercise of Powers Agreement (the Agreement) creating the Santa Rosa Regional Resources Authority, SRRRA 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 SRRRA and the Member Agencies from time to time. SRRRA 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. SRRRA 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, 2022

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Basis of Accounting and Measurement Focus

SRRRA 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 SRRRA 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 SRRRA. 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, SRRRA 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, 2022

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 SRRRA'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 SRRRA's own data.

f. Inventory

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, 2022, inventory consists of materials inventory of \$79,364.

g. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. SRRRA's capitalization policy, which has set the capitalization threshold for reporting capital assets at \$10,000 and an estimated useful life of more than two years. 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, 2022

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. SRRRA 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, 2022.

h. Bond Premium

The bond premium, net of accumulated amortization, was \$1,556,875 as of June 30, 2022, 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, 2022

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 SRRRA's prior year financial statements, from which this selected financial data was derived.

2. CASH AND INVESTMENTS

Cash and investments held by SRRRA were comprised of the following at June 30, 2022:

Financial Statement Classification:

Current:

Cash and investments	\$ 751,820
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Restricted:

Cash and investments	8,893,384
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Total	\$ 9,645,204
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Cash and investments as of June 30, 2022, consisted of the following:

Deposits with financial institutions	\$ 326,747
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Investments	9,318,457
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Total cash and investments	\$ 9,645,204
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Investments Authorized by SRRRA's Investment Policy:

SRRRA'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, 2022

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 SRRRA'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 SRRRA 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.

SRRRA 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. SRRRA's investments of \$9,318,457 have a weighted-average duration of one day.

SANTA ROSA REGIONAL RESOURCES AUTHORITY
Notes to the Basic Financial Statements
(Continued)
Year ended June 30, 2022

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 SRRRA's investments.

Investment	Total June 30, 2022	AAA	Unrated
Local Agency Investment Fund	\$ 5,883,684	\$ -	\$ 5,883,684
Cash Held by Fiscal Agent:			
Money Market Mutual Funds	3,434,773	3,434,773	-
	<u>\$ 9,318,457</u>	<u>\$ 3,434,773</u>	<u>\$ 5,883,684</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 SRRRA'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:

SRRRA 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 SRRRA's investment in this pool is reported in the accompanying financial statements at amounts based upon SRRRA'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, 2022

3. CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2022 were as follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Capital assets, not being depreciated:				
Construction in progress	\$ 145,830	\$ 1,134,634	\$ (934,202)	\$ 346,262
Capital assets being depreciated:				
Primary/Secondary system	55,256,598	511,727	-	55,768,325
Tertiary system	12,712,793	349,168	-	13,061,961
Collection system	17,390,964	73,307	-	17,464,271
Total capital assets, being depreciated	85,360,355	934,202	-	86,294,557
Less accumulated depreciation for:				
Primary/Secondary system	2,191,015	2,353,689	-	4,544,704
Tertiary system	1,766,743	639,801	-	2,406,544
Collection system	1,946,802	510,673	-	2,457,475
Total accumulated depreciation	5,904,560	3,504,163	-	9,408,723
Total capital assets, being depreciated, net	79,455,795	(2,569,961)	-	76,885,834
Total capital assets, net	\$ 79,601,625	\$ (1,435,327)	\$ (934,202)	\$ 77,232,096

Depreciation expense was \$3,504,163 for the year ended June 30, 2022.

4. LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2022, were as follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Due Within One Year
Revenue Bonds:					
2017A Series	\$ 22,555,000	\$ -	\$ (970,000)	\$ 21,585,000	\$ 730,000
2017B Series	22,990,000	-	(2,845,000)	20,145,000	1,975,000
	45,545,000	-	(3,815,000)	41,730,000	2,705,000
Add:					
Unamortized Premium	1,684,837	-	(127,962)	1,556,875	-
Subtotal	47,229,837	-	(3,942,962)	43,286,875	2,705,000
Loan Payable	26,973,354	5,728,912	-	32,702,266	840,036
Total	\$ 74,203,191	\$ 5,728,912	\$ (3,942,962)	\$ 75,989,141	\$ 3,545,036

SANTA ROSA REGIONAL RESOURCES AUTHORITY
Notes to the Basic Financial Statements
(Continued)
Year ended June 30, 2022

4. LONG-TERM LIABILITIES (CONTINUED)

2017 Series A and B Revenue Bonds

In August 2017, SRRRA 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, 2022, the outstanding balance on the 2017 Series A and B Revenue Bonds was \$21,585,000 and \$20,145,000 respectively.

Aggregate maturities of the revenue bonds and interest payments subsequent to June 30, 2022, are as follows:

Year Ending	Principal	Interest	Total
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	2,785,000	1,049,400	3,834,400
2028-2032	15,160,000	3,647,270	18,807,270
2033-2036	12,935,000	645,850	13,580,850
	<u>\$ 41,730,000</u>	<u>\$ 10,480,073</u>	<u>\$ 52,210,073</u>

As of August 1, 2017, each member agency entered into a Wastewater Capacity Funding Agreement with SRRRA. The Funding Agreement sets forth terms and conditions which require each member agency to fulfill its obligations under the Agreement to pay SRRRA its allocated share of SRRRA'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, SRRRA 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. The outstanding balance at June 30, 2022 is \$32,702,266.

SANTA ROSA REGIONAL RESOURCES AUTHORITY
Notes to the Basic Financial Statements
(Continued)
Year ended June 30, 2022

4. LONG-TERM LIABILITIES (CONTINUED)

Aggregate maturities of the State Revolving Fund and interest payments subsequent to June 30, 2022, are as follows:

Year Ending	Principal	Interest	Total
2023	\$ 840,036	\$ 579,897	\$ 1,419,933
2024	846,413	573,520	1,419,933
2025	861,648	558,285	1,419,933
2026	877,158	542,775	1,419,933
2027	892,947	526,986	1,419,933
2028-2032	4,711,695	2,387,970	7,099,665
2033-2037	5,151,292	1,948,376	7,099,668
2038-2042	5,631,901	1,467,764	7,099,665
2043-2047	6,157,351	942,314	7,099,665
2048-2051	6,731,825	367,842	7,099,667
	<u>\$ 32,702,266</u>	<u>\$ 9,895,729</u>	<u>\$ 42,597,995</u>

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 SRRRA. The Funding Agreement sets forth terms and conditions which require each member agency to fulfill its obligations under the Agreement to pay SRRRA its allocated share of SRRRA'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

SRRRA's Board of Directors currently employs Rancho, under contract to operate the SRRRA. During the fiscal year ended June 30, 2022, SRRRA paid Rancho \$4,786,735 in operating expenses and \$475,178 in capital project management costs. In addition, there is \$60,113 due to Rancho for capital project management costs incurred and not yet paid.

6. RISK MANAGEMENT

SRRRA 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.

SANTA ROSA REGIONAL RESOURCES AUTHORITY
Notes to the Basic Financial Statements
(Continued)
Year ended June 30, 2022

6. RISK MANAGEMENT (CONTINUED)

At June 30, 2022, SRRRA 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.

SRRRA 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.

7. COMMITMENTS

SRRRA 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, 2022, the total remaining commitments on these contracts is \$52,786.

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, SRRRA has agreed to assume responsibility for and pay any remaining unfunded liability associated with Rancho Employees upon a change in Rancho as SRRRA's Administrator, which is unlikely.

In the event of the dissolution of SRRRA, 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 SRRRA's formation date and will be periodically redetermined over the life of SRRRA. If Rancho is terminated as SRRRA'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

SANTA ROSA REGIONAL RESOURCES AUTHORITY
Notes to the Basic Financial Statements
(Continued)
Year ended June 30, 2022

8. CONTINGENCIES (CONTINUED)

to withdraw from SRRRA, 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 SRRRA. Due to the uncertainty of these future events, the accompanying financial statements do not include a pension liability at June 30, 2022.