

COUNTY SANITATION DISTRICT 1

A Component Unit of the County of Sacramento, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2000

Prepared by:

Warren H. Harada, Administrator
Public Works Agency

Cheryl Creson, Director
Department of County Engineering and Administration

Jordan V. Ayers, Chief
Accounting and Fiscal Services

Robert F. Shanks, Director
Department of Water Quality

Marcia Maurer, *Chief Financial
and Administrative Officer, Department of Water Quality and
District Chief Financial Officer*



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Table of Contents

INTRODUCTORY SECTION

Transmittal Letter	iii
Officials	xiii
Organizational Chart.....	xiv
Certificate of Achievement for Excellence in Financial Reporting.....	xv

FINANCIAL SECTION

Independent Auditor's Report	1
Financial Statements:	
• Comparative Balance Sheets	4
• Comparative Statements of Revenues, Expenses and Changes in Retained Earnings	7
• Comparative Statements of Cash Flows	8
• Notes to the Financial Statements.....	10

STATISTICAL SECTION

Tables Presented:	
• Total Annual Revenues	20
• Total Annual Expenses.....	22
• Property Tax Levies and Collections	24
• Assessed Value of Property	25
• Average County Property Tax Rates	26
• Property Values and Residential Construction	27
• Sacramento County Taxable Transactions.....	28
• Population	30
• Connected Equivalent Single Family Dwellings and Monthly Sewer Rates.....	31
• Top Industrial Users	32
• California Senate Bill 1760	33

BOND DISCLOSURE

Required Information	36
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INTRODUCTORY SECTION



COUNTY OF SACRAMENTO

PUBLIC WORKS AGENCY

COUNTY ADMINISTRATION BUILDING
827 SEVENTH STREET, ROOM 304
SACRAMENTO, CA 95814
www.co.sacramento.ca.us/publicworks/index.html

Phone: (916) 874-6581
Fax: (916) 874-7100

WARREN H. HARADA, Administrator
CHERYL F. CRESON, Director
County Engineering and Administration
ROBERT F. SHANKS, Director
Water Quality
JOHN W. NEWTON, Director
General Services
THOMAS J. ZLOTKOWSKI, Director
Transportation
KEITH C. DE VORE, Director
Water Resources

December 14, 2000

Honorable Board of Directors
County Sanitation District 1

The Comprehensive Annual Financial Report (CAFR) of County Sanitation District 1 (District) for the fiscal year ended June 30, 2000 is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported to present fairly the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

The County of Sacramento (County) is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, as amended in 1996, and U.S. Office of Management and Budget Circular A-133, "*Audits of States, Local Governments and Non-Profit Organizations*". The District is included in the scope of the county's single audit. However, no federal awards were received by the District; therefore, there was no impact upon the County's single audit. Information related to the County's single audit, including the schedule of expenditures of federal awards, schedule of findings and questioned costs, and the independent auditor's report on internal controls and compliance with applicable laws and regulations, can be obtained from the Sacramento County Department of Finance, Auditor-Controller's Division.

THE FINANCIAL REPORTING ENTITY: The District is a political subdivision of the State of California and is a blended component unit of the County of Sacramento (County). The District is also a contributing agency of the Sacramento Regional County Sanitation District (SRCSD) as it is included in SRCSD's territorial jurisdiction. The District was formed in 1978 by the

consolidation of four sewer maintenance districts and six county sanitation districts which provided sewer service to portions of the Cities of Sacramento and Folsom as well as the urban, unincorporated areas of Sacramento County. This reorganization provided for a common service rate structure for the customers in the affected areas, achieved savings and reduced administrative effort associated with only one sanitation district instead of ten. This reorganization also provided more equitable representation of the former districts on the SRCSD and the District Board of Directors than was possible earlier. The District also serves the areas now included within the incorporated City of Citrus Heights and the newly incorporated City of Elk Grove effective July 1, 2000.

The District was formed for the purpose of planning, designing, constructing, and operating collection system services within its service area. It also provides wastewater collection and treatment services for the communities of Courtland and Walnut Grove. This District is governed by a Board of Directors comprised of the Sacramento County Board of Supervisors, plus the mayors (or their representatives) from the cities of Sacramento, Folsom, and Citrus Heights. Effective July 1, 2000, the Board will have an additional new member, representing the City of Elk Grove.

The District is staffed by the Water Quality Department of Sacramento County's Public Works Agency. Water Quality Department employees operate and maintain all District facilities included in its wastewater collection system, the collection systems and treatment plants in Walnut Grove and Courtland, SRCSD facilities, the unincorporated area's stormwater collection and disposal system, and potable water pumping and distribution systems for a number of public agencies. Oversight of the Water Quality Department is provided through the Board of Supervisors and the County Executive's Office.

ECONOMIC OUTLOOK AND CONDITIONS

Construction activity in Sacramento continues to be robust since the trough of the recession of the early 1990's. The District's sewer impact fees (i.e. connection fees), a good indicator of economic activity in the area, were \$2.8 million in fiscal year 1999-00. In 1995, McClellan Air Force Base was included on the federal base closure list and it will cease operations in 2001. The facility will be conveyed to the County of Sacramento in April 2001 and significant activity is underway to identify reuse opportunities for the base's many high technology facilities. Sacramento's success in reusing both the former Sacramento Army Depot and Mather Air Force Base reinforces the District's belief that the base's facilities will continue to contribute to Sacramento's economy. McClellan Air Force Base is considered a private system within the District's service territory. Upon conveyance of the facility, the District will begin operating the base's wastewater collection system and collecting service charge revenues.

Connections to the District's system are measured in units called Equivalent Single-Family Dwellings (ESDs). The following table reflects ESD growth in the District over the past five years:

DISTRICT EQUIVALENT SINGLE-FAMILY DWELLINGS

Residential/Commercial Customers
Fiscal Years 1995-96 through 1999-00

	1995-96	1996-97	1997-98	1998-99	1999-00
Total	310,025	312,478	316,018	321,058	328,171

A key component of Sacramento's plan for sustaining economic growth is a concerted effort by the community to attract and retain new business. During fiscal year 1995-96, an impact fee deferral program for commercial and industrial applicants for sewer connection permits was implemented which defers up to 80 percent of the impact fee for up to five years. During fiscal year 1996-97, a residential fee deferral pilot program was implemented which defers certain development impact fees for residential construction until the close of escrow or fifteen months, whichever occurs first. A similar program to defer or waive trunk sewer connection fees for the construction of housing for low and very low-income households was also implemented during fiscal year 1996-97. Fee waivers cannot exceed the greater of 200 connections per year or 5% of the number of connections in the unincorporated area for the previous year. These programs were implemented to stimulate and encourage economic development that will create jobs and provide economic stimuli for the benefit of all the District's residents.

MAJOR INITIATIVES

ACCOMPLISHMENTS: In recognition of the need to provide for community growth and to provide long-range planning for the District's wastewater facilities, the District and SRCSD completed the Sacramento Sewerage Expansion Study (Study) in April 1993. In August 1994, the Study was updated to reflect the Sacramento County General Plan adopted in late 1993. The Study developed recommendations for improvements and expansion to the trunk sewer system and was intended to serve as a detailed Master Plan for the next 20 years and beyond with periodic reviews and updates as necessary.

A scheduled five-year update to the Study was begun in 1998-99 and was presented to the Board of Directors in November 2000. The goal of this update is to develop a comprehensive planning document that can be utilized by District staff to fund and implement the next phase of sewerage facilities expansion to 2020. The Study identifies two distinct categories of sewerage facilities. Relief projects are those facilities required to provide additional capacity for developed areas due to increasing population density and aging sewer infrastructure. These factors combine to result in greater wastewater generation and rainfall dependent inflow and infiltration than the capacity of existing sewers. Expansion projects are those facilities required to provide wastewater collection and conveyance services to developing areas. These developing areas include East Elk Grove, East Franklin/Laguna Ridge, Vineyard, Sunrise-Douglas, and Mather Field.

Projected capital costs of \$290 million over the next twenty years are envisioned in the Study (2000 dollars). Future customers will pay capital costs via sewer impact fees in proportion to their respective benefit from the projects. Projects which benefit existing customers will be financed through monthly service charges.

CURRENT ACTIVITIES: The District Rehabilitation – Capital Outlay Fund was created in 1997-98 to provide for the evaluation and rehabilitation of the collection and trunk sewer systems. The goal of this program is to maintain the serviceability of the sanitary sewer system and protect the community’s \$4 billion investment (replacement cost) in this critical infrastructure. Implementing a cost-effective, system-wide program has been designed using a two-level approach. First are short-term activities intended to correct common, known defects quickly and inexpensively. Second are long-term activities including a comprehensive sewer system condition assessment and design and construction of larger and more comprehensive rehabilitation projects. The current program is financed through a \$1.00 per ESD component of the monthly service charge.

Over the last year the District has rehabilitated two pump stations, made 56 point repairs, replaced 1,700 feet of service line and 6,400 feet of collector sewer, lined 13,700 feet of collector sewer, split 250 double wyes, and repaired 353 maintenance holes as part of the short-term program.

The major long-term project has been the preparation of a Collection System Rehabilitation Program Master Plan (Program), which assesses the current condition of the system and develops criteria and methods to identify and prioritize needed projects. The results of this program were presented to the District’s Board of Directors in November 2000. The District was far sighted to initiate the condition assessment of the system two years ago because the EPA is presently in the process of developing regulations to require sewage agencies to develop Capacity, Management, Operation, and Maintenance (CMOM) programs. This Program goes a long way toward meeting the requirements expressed in the draft rules.

FUTURE ACTIVITIES: Several other District projects will begin design and/or construction in 2000-01. Those projects, and total project costs, are:

- Courtland Wastewater Treatment Plant \$ 4,300,000
- Madison Oak Outfall Trunk \$ 1,000,000
- Mather Field Rehabilitation \$ 1,100,000
- Miscellaneous Sewer Rehabilitation – North \$ 1,000,000
- Miscellaneous Sewer Rehabilitation – South \$ 1,000,000

In addition, the District is undergoing a major facilities expansion to provide improved service delivery for its customers. The District has completed preliminary negotiations with SMUD to purchase an existing corporation yard located in the Antelope area. The purchase is expected to close in February 2001. This additional corporation yard north of the river will allow crews to be located closer to their work and avoid lengthy traffic delays. The existing facility at 9660 Ecology Lane will be remodeled to serve as the Maintenance and Operations (M & O) headquarters as well as accommodating the long-term needs of M & O and its support staff.

A portion of the District's service area is within the city limits of Sacramento including the rapidly developing area of North Natomas. The City of Sacramento and the District are currently exploring the impacts of transferring responsibility for the sanitary and combined sewer facilities operated by the City to the District. Carollo Engineers has been retained to report on the impacts of the proposed transfer including staffing, impact fees, monthly service charges, and system maintenance, operation, and rehabilitation. It is expected that the City of Sacramento and the District will make a decision on this issue in fiscal year 2000-01.

FINANCIAL INFORMATION

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

SINGLE AUDIT: The District is included in the scope of the County's single audit. However, no federal awards were received by the District in the current fiscal year. Therefore, single audit considerations had no impact on the District. The results of the County's single audit for the year ended June 30, 1999 can be obtained from the County's Auditor Controller's Office. The single audit for the year ended June 30, 2000 is underway and will be completed in 2000.

BUDGETARY CONTROLS: The District prepares an annual budget to serve as an approved plan for operational control and performance evaluation. State law does not require the formal adoption of an appropriated budget for government enterprise activities.

Each year the District prepares operations and capital budgets that are presented to the Board of Directors for review and approval. Those budgets, as approved by the Board, provide the financial basis for the District's operations.

Department and County level controls that require the use of requisitions, purchase orders, contracts and specific approval and verification procedures verify expenses and ensure budgeted amounts are not exceeded. Monthly comparison of actual-to-budgeted revenues and expenses identify significant variances that may require the District to take corrective action.

REVENUES AND EXPENSES: The following schedule presents a summary of the District's operating revenues and expenses for fiscal year 1999-00 and indicates the percentages of increases and decreases in relation to prior year amounts.

SUMMARY OF OPERATING REVENUES AND EXPENSES

Fiscal Year 1999-00

Operating Revenues	1999-00 Amount	Percentage Of Total	Increase From 1998-99	Percentage Increase
Sewer service fees	\$ 21,945,079	88.4%	\$ 1,147,184	5.5%
Sewer impact (connection) fees	2,881,774	11.6 %	61,594	2.2%
Total operating revenues	\$ 24,826,853	100%	\$ 1,208,778	5.1%

Operating Expenses	1999-00 Amount	Percentage of Total	Increase/ (Decrease) From 1998-99	Percentage Increase/ (Decrease)
Labor force	16,679,005	58.2%	2,274,911	15.8%
Professional services	594,956	2.1%	85,497	16.8%
Utilities	203,227	0.7%	(16,403)	(7.5)%
Services and supplies	1,864,280	6.5%	385,608	26.1%
Chemicals	80,054	0.3%	(72,367)	(47.5)%
Mechanical/electronic	122,965	0.4%	(13,664)	(10.0)%
Equipment and supplies	75,961	0.3%	35,706	88.7%
Office expense	23,949	0.1%	(1,097)	(4.4)%
Insurance expense	2,008,546	7.0%	(433,533)	(17.8)%
Maintenance and supplies	565,884	2.0%	448,155	380.7%
Depreciation	6,440,556	22.5%	(206,688)	(3.1)%
Total operating expenses	\$ 28,659,383	100%	\$ 2,486,125	9.5%

In July 1997, the Board of Directors approved a \$0.50 per month (per ESD) sewer service charge increase that was in full effect on October 1, 1997. The increase finances the District's rehabilitation program by generating approximately \$2 million per year. An additional rate increase of \$0.50 per month (per ESD) was approved in August 1999 effective October 1, 1999. The total increase finances future rehabilitation program costs and a portion of the debt service related to the June 2000 Revenue Bond issue. No service charge increase to finance additional operations and maintenance costs will be enacted through 2001. Until then, added expenses will be financed from service charges from new customers and available retained earnings.

The District's sewer impact fee has been increased significantly over the past several years, from \$316 per home in 1993 to \$473 per home in 2000. Impact fees are a major financing component of the District's Master Plan. The update of the Sacramento Sewerage Expansion Study had identified major trunk sewer projects that will be required to convey wastewater discharges from new customers. Impact fees will finance those projects, either on a pay-as-you-go basis, or as debt service on long-term borrowing. Impact fee revenues increased to almost \$3 million in 1999-00 reflecting Sacramento's recovery from the recession of the early 1990's. Revenues are expected to continue their significant increase as development continues in the North Natomas and Elk Grove/Laguna areas due to the Sacramento area becoming a destination community for economic growth and expansion.

Operating revenue increased by over 5% due to the impact of the 1999 \$0.50 rate increase and growth in the customer base. Operating expenses increased in 1999-00 as the District's labor force grew to provide additional services to its customers. This growth is mostly due to a major collection system rehabilitation effort currently underway. In addition, a systematic re-evaluation of collection system maintenance priorities is focusing on benchmarking efforts to compare the District's maintenance program to those of other successful agencies, and to adopt improved maintenance practices whenever possible.

DEBT ADMINISTRATION: The District issued \$52 million of revenue bonds in June 2000 to finance new trunk construction and rehabilitation of existing pipelines. The 2000 bonds were issued through the Sacramento County Sanitation Districts Financing Authority as the Revenue Bonds Series 2000 for \$52,000,000. It is indicative of the District's strong financial performance that the underlying ratings of the District were Aa3/AA/AA by Moody's, Standard & Poor's, and Fitch, respectively. Even with their strong ratings, the District chose to issue the bonds with insurance. As such, the bonds were issued with ratings of Aaa/AAA/AAA by Moody's, Standard & Poor's, and Fitch, respectively. At June 30, 2000, the District had \$51,401,363 in outstanding long-term obligations.

CASH MANAGEMENT: The District's unrestricted cash and investments are maintained in the County's pooled cash fund. The County Treasurer is responsible for managing the investment of pooled cash fund resources. The County Pooled Investment Fund is rated AAA for credit quality and V1+ for volatility by Fitch IBCA.

Cash temporarily idle during the year was invested in negotiable certificates of deposit, time certificates, commercial paper, municipal notes, U.S. Treasury and Agency investments. The average yield on investments during fiscal year 1999-00 was 5.62 percent. The yield rate for a one-year U.S. Treasury bill during the same period was 6.05 percent.

The County Pooled Investment Fund Policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. All categorized collateral on deposits was held either by the County, its agent, or a financial institution's trust department in the County's name. The investment pool is subject to regulatory oversight by the Treasury Oversight Committee.

RISK MANAGEMENT: The District participates in the County's self-insurance program for property damage and liability. Annual premiums are based primarily on claims experience. Current premiums are charged to expense in the year incurred. Estimated insurance liabilities are actuarially determined and the District's portion is accrued at year-end.

OTHER INFORMATION

INDEPENDENT AUDIT: The financial statements of the District are audited each year by an independent auditor. The firm of Macias, Gini & Company LLP was selected to perform the independent audit for the fiscal year ended June 30, 2000. The independent auditor's report on the financial statements is included in the financial section of this report.

AWARDS: The District's Comprehensive Annual Financial Report for the fiscal year ended June 30, 1999, was awarded the *Certificate of Achievement for Excellence in Financial Reporting* by the Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such a report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our District continues to conform to the Certificate of Achievement program requirements and we will be submitting our Comprehensive Annual Financial Report for the current year to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS: The preparation of this CAFR on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Accounting and Fiscal Services (AFS) Section of Sacramento County's Department of County Engineering and Administration. Each member of AFS has our sincere appreciation for the contributions made in the preparation of this report.

In closing, we wish to thank the Board of Directors for their leadership and support which made possible the preparation of this report.

Respectfully submitted,

Marcia Maurer
Chief Financial and Administrative Officer
Department of Water Quality,
and District Chief Financial Officer

Jordan Ayers, Chief
Accounting and Fiscal Services
Department of County Engineering
and Administration
Public Works Agency

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County Sanitation District 1

Board of Directors

Roger Dickinson	Supervisor, First District
Illa Collin	Supervisor, Second District
Muriel P. Johnson	Supervisor, Third District
Roger Niello	Supervisor, Fourth District
Don Nottoli	Supervisor, Fifth District
Joseph N. Yee	City of Sacramento
Tom Aceituno	City of Folsom
Roberta MacGlashan	City of Citrus Heights

Officials

Warren H. Harada
Administrator, Public Works Agency

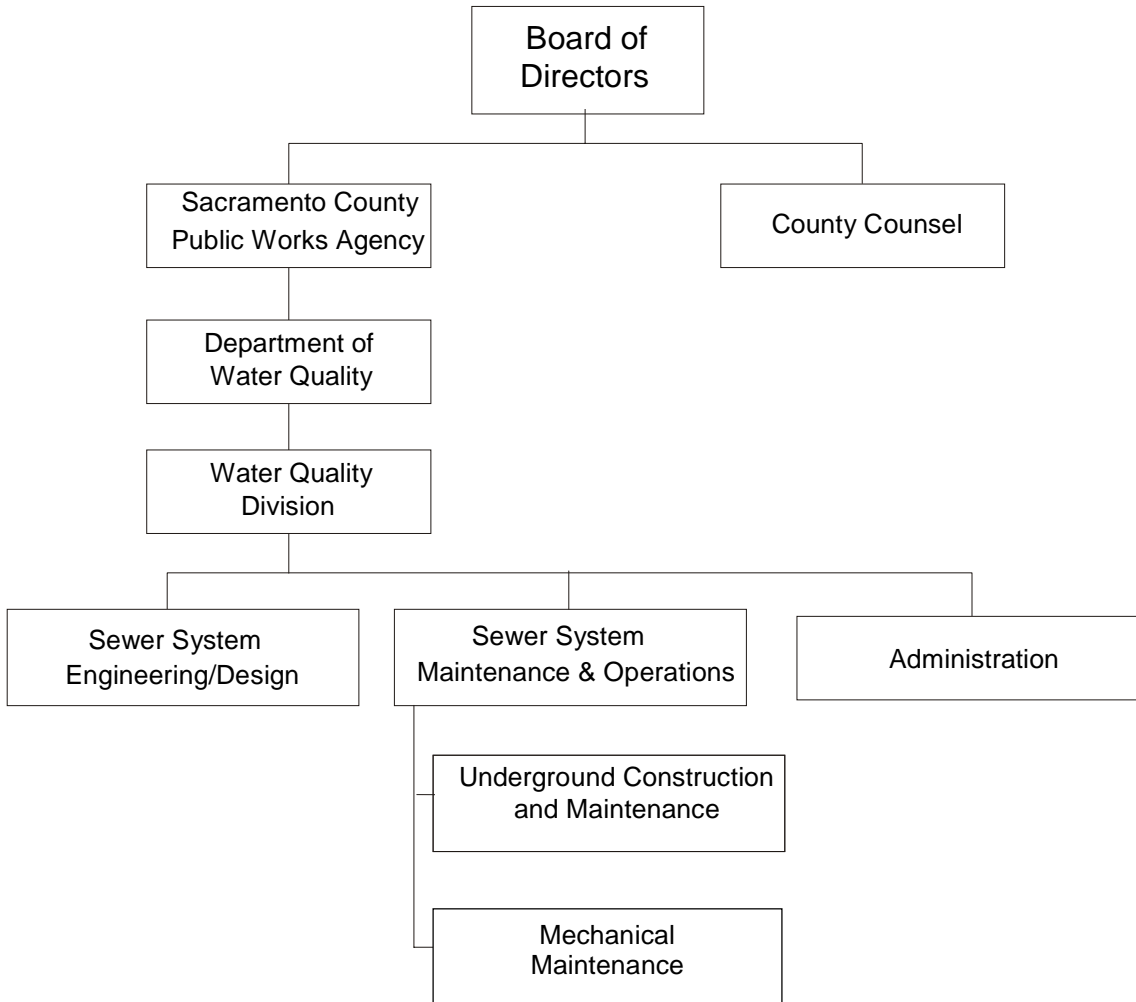
Robert F. Shanks
Director, Department of Water Quality
Public Works Agency and
District Engineer

Wendell F. Kido
Chief, Water Quality Division and
District Manager

Marcia Maurer
Chief Financial and Administrative Officer,
Water Quality Department and
District Chief Financial Officer

County Sanitation District 1

Organizational Chart



ACKNOWLEDGMENTS

This **COMPREHENSIVE ANNUAL FINANCIAL REPORT** was prepared by the
County of Sacramento
Public Works Agency
Department of County Engineering and Administration
Accounting and Fiscal Services Section

Warren H. Harada, Administrator
Public Works Agency

Jordan Ayers, Chief
Accounting and Fiscal Services
Department of County Engineering and Administration
Public Works Agency

Karen Stoyanowski, Senior Accounting Manager
Accounting and Fiscal Services
Department of County Engineering and Administration
Public Works Agency

Special Thanks To:

**Marcia Maurer, Chief Financial
and Administrative Officer**

Department of Water Quality
Public Works Agency
and
Chief Financial Officer
County Sanitation District 1

FINANCIAL SECTION

Independent Auditor's Report

Independent Auditor's Report

COUNTY SANITATION DISTRICT 1

A Component Unit of the County of Sacramento, California

Financial Statements

For the Fiscal Years Ended June 30, 2000 and 1999

COUNTY SANITATION DISTRICT 1

COMPARATIVE BALANCE SHEETS

JUNE 30, 2000 AND 1999

ASSETS	<u>2000</u>	<u>1999</u>
CURRENT ASSETS:		
Cash & investments	\$ 21,582,106	\$ 30,744,539
Receivables:		
Sewer service fees, net of allowance	3,198,990	3,243,699
Interest receivables	728,765	1,082,192
Due from County funds	1,621,778	645,921
TOTAL CURRENT ASSETS	<u>27,131,639</u>	<u>35,716,351</u>
OTHER ASSETS:		
Restricted cash and investments	51,207,509	250,000
Deposits with others	-	-
Long term receivables	1,687,924	1,482,433
Deferred charges	774,460	-
Total other assets	<u>53,669,893</u>	<u>1,732,433</u>
PROPERTY, PLANT AND EQUIPMENT:		
Land	1,033,263	1,033,263
Buildings & improvements	292,451,717	286,459,001
Equipment	3,229,546	2,999,227
Construction in progress	21,131,276	15,663,284
Total property, plant and equipment	<u>317,845,802</u>	<u>306,154,775</u>
Less accumulated depreciation	<u>(122,347,221)</u>	<u>(118,255,424)</u>
Net property, plant and equipment	<u>195,498,581</u>	<u>187,899,351</u>
TOTAL ASSETS	<u>\$ 276,300,113</u>	<u>\$ 225,348,135</u>

See accompanying notes to financial statements.

COUNTY SANITATION DISTRICT 1

COMPARATIVE BALANCE SHEETS

JUNE 30, 2000 AND 1999

LIABILITIES AND EQUITY

CURRENT LIABILITIES:

Warrants payable	\$ 206,067	\$ 101,019
Accounts payable & retentions	1,789,595	1,606,634
Due to County funds	2,959,271	5,160,911
Claims liabilities	750,000	750,000
TOTAL CURRENT LIABILITIES	<u>5,704,933</u>	<u>7,618,564</u>

NONCURRENT LIABILITIES:

Deferred revenue	44,575	36,085
Estimated insurance liabilities	158,000	88,191
Long term debt obligations	51,401,363	
Total noncurrent liabilities	<u>51,603,938</u>	<u>124,276</u>

TOTAL LIABILITIES	<u>57,308,871</u>	<u>7,742,840</u>
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EQUITY:

Contributed capital	<u>132,976,781</u>	<u>134,634,719</u>
Retained earnings:		
Reserved for future acquisition and construction of assets	55,786,914	17,495,270
Reserved for collection system rehabilitation	10,168,403	1,087,847
Unreserved	20,059,144	64,387,459
Total retained earnings	<u>86,014,461</u>	<u>82,970,576</u>

TOTAL EQUITY	<u>219,054,242</u>	<u>217,605,295</u>
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TOTAL LIABILITIES AND EQUITY	<u>\$ 276,300,113</u>	<u>\$ 225,348,135</u>
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See accompanying notes to financial statements

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COUNTY SANITATION DISTRICT 1

**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND 1999**

	<u>2000</u>	<u>1999</u>
OPERATING REVENUES:		
Sewer service fees	\$ 21,945,079	\$ 20,797,895
Sewer connection fees	2,881,774	2,820,180
Total operating revenues	<u>24,826,853</u>	<u>23,618,075</u>
OPERATING EXPENSES:		
Labor force	16,679,005	14,404,094
Professional services	594,956	509,459
Utilities	203,227	219,630
Services and supplies	1,864,280	1,478,672
Chemicals	80,054	152,421
Mechanical and electronic	122,965	136,629
Equipment and supplies	75,961	40,255
Office expense	23,949	25,046
Insurance claims and expense	2,008,546	2,442,079
Maintenance and supplies	565,884	117,729
Depreciation and amortization	6,440,556	6,647,244
Total operating expenses	<u>28,659,383</u>	<u>26,173,258</u>
Operating loss	<u>(3,832,530)</u>	<u>(2,555,183)</u>
NONOPERATING REVENUES (EXPENSES):		
Interest income	1,861,928	1,576,009
Other revenue	336,753	3,493,237
Intergovernmental expense	(938,267)	(1,695,160)
Other expenses	30,553	(1,332,932)
Total nonoperating revenues (expenses)	<u>1,290,967</u>	<u>2,041,154</u>
Net income (loss)	<u>(2,541,563)</u>	<u>(514,029)</u>
Add: Depreciation on assets acquired from contributed capital	<u>5,585,448</u>	<u>5,605,934</u>
Increase in retained earnings	3,043,885	5,091,905
Retained earnings, beginning of year	82,970,576	77,878,671
Retained earnings, end of year	<u>\$ 86,014,461</u>	<u>\$ 82,970,576</u>

COUNTY SANITATION DISTRICT 1

**COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND 1999**

	<u>2000</u>	Restated <u>1999</u>
Cash flows from operating activities:		
Operating loss	\$ (3,832,530)	\$ (2,555,184)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	6,440,556	6,647,244
Nonoperating revenue	336,753	597,006
Nonoperating expense	30,553	(489,665)
Change in operating assets & liabilities:		
Sewer service fees receivable	44,709	(364,647)
Due from County funds	(975,857)	(372,074)
Long term receivables	(205,491)	-
Warrants payable	105,048	48,745
Accounts payable and retentions	182,962	856,357
Due to County funds	(2,201,640)	551,451
Claims liabilities	-	750,000
Deferred revenue	8,490	-
Estimated insurance liabilities	69,809	-
Total adjustments	<u>3,835,892</u>	<u>8,224,417</u>
Net cash provided by operating activities	<u>3,362</u>	<u>5,669,233</u>
Cash flows from non-capital financing activities:		
Contributions to other agencies and funds	<u>(938,267)</u>	<u>(1,695,160)</u>
Net cash used by non-capital financing activities	<u>(938,267)</u>	<u>(1,695,160)</u>
Cash flows from capital and related financing activities:		
Proceeds from bond issuance	50,626,903	
Acquisition and construction of capital assets	(10,112,277)	(8,386,164)
Contributions from other agencies and funds	-	2,896,231
Reimbursement agreements	-	(843,267)
Net cash used by capital and related financing activities	<u>40,514,626</u>	<u>(6,333,200)</u>
Cash flows from investing activities:		
Interest on cash and investments	<u>2,215,355</u>	<u>1,177,272</u>
Net cash provided by investing activities	<u>2,215,355</u>	<u>1,177,272</u>
Net increase (decrease) in cash and cash equivalents	41,795,076	(1,181,855)
Cash and cash equivalents at beginning of year	<u>30,994,539</u>	<u>32,176,394</u>
Cash and cash equivalents at end of year	<u><u>\$ 72,789,615</u></u>	<u><u>\$ 30,994,539</u></u>

See accompanying notes to financial statements

COUNTY SANITATION DISTRICT 1

**COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND 1999**

**Reconciliation of cash and cash equivalents to the
comparative balance sheets:**

Cash and investments	\$21,582,106	\$30,744,539
Restricted assets	51,207,509	250,000
	<u>\$72,789,615</u>	<u>\$30,994,539</u>

**Schedule of noncash investing, capital and financing
activities:**

Retirement of capital assets	-	\$ (39,340)
Contributed assets	\$15,824,698	13,849,688
Adjustment to contributed capital for abandoned pipe	(4,680)	(89,808)
Adjustment to contributed capital for Elect. System	(11,892,509)	-

See accompanying notes to financial statements

**COUNTY OF SACRAMENTO
COUNTY SANITATION DISTRICT 1**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the County Sanitation District 1 (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Under GASB Statement Number 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the District has elected not to apply Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989. The more significant of the District's accounting policies are described below.

REPORTING ENTITY

The District is a political subdivision of the State of California and is a blended component unit of the County of Sacramento (the County). The District is also a contributing agency of the Sacramento Regional County Sanitation District (SRCSD) as it is included in SRCSD's territorial jurisdiction. The District was formed in 1978 by the consolidation of four sewer maintenance districts and six County sanitation districts which provided sewer service to portions of the Cities of Sacramento and Folsom as well as the urban, unincorporated areas of Sacramento county. This reorganization provided for a common service rate structure for the customers in the areas affected. This reorganization also achieved savings and reduced administrative effort associated with operating one sanitation district instead of ten and it provided a more equitable representation on the SRCSD Board of Directors than would have been possible for the former districts under previous law. The District also serves the area now included within the incorporated City of Citrus Heights.

The District was formed for the purpose of planning, designing, constructing, and operating collection system services for the County's urban, unincorporated area as well as the City of Citrus Heights and portions of the Cities of Sacramento and Folsom, and wastewater treatment for the communities of Courtland and Walnut Grove. This District is governed by a Board of Directors comprised of the Sacramento County Board of Supervisors, plus one representative each from the Sacramento, Folsom and Citrus Heights City councils.

On October 1, 1993, the District entered into a Joint Exercise of Powers Agreement with SRCSD to form the Sacramento County Sanitation Districts Financing Authority (the Authority) for the purpose of facilitating the financing of acquisition and/or construction of real and personal property in and for the District and SRCSD. The Board of Directors of SRCSD serves as the Authority's governing board. For financial reporting purposes, the Master Installment Purchase Contract between the District and the Authority has been

**COUNTY OF SACRAMENTO
COUNTY SANITATION DISTRICT 1**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

eliminated and the financial data of the Authority related to this contract has been included within the County Sanitation District 1.

The Department of Water Quality Department, of the County's Public Works Agency, staffs the District. The Water Quality Department operates and maintains all of the Regional facilities, as well as a large wastewater collection system in the County's unincorporated area operated by the District, and potable water pumping and distribution systems for a number of public agencies.

The District meets the criteria set forth in GAAP for inclusion as a blended component unit of the County because the governing body is substantially the same as the County. Under GAAP, the District has no component units.

BUDGETARY PROCESS

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The District uses the accounting principles applicable to enterprise funds. The District uses an economic resources based cost of service or capital maintenance concept. Under this concept, revenues and expenses are matched using the accrual basis of accounting.

CASH AND INVESTMENTS

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

RECEIVABLES

There is approximately \$231,075 of allowance for doubtful accounts on the sewer service fees at June 30, 2000 and 1999, respectively. The allowance for doubtful accounts is approximately 7 percent of sewer service fees outstanding at each fiscal year end.

**COUNTY OF SACRAMENTO
COUNTY SANITATION DISTRICT 1**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DEFERRED CHARGES

Deferred charges consist of costs incurred for the issuance of long-term obligations. Amortization of issuance cost is computed using the straight-line method, which approximates the effective interest method, over the life of the related obligation. Accumulated amortization was zero at June 30, 2000.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical costs. When assets are retired or otherwise disposed of, the net book value, which is the difference between historical costs and related accumulated depreciation, is removed from the financial statements. Any gain or loss from the retirement or disposal of an asset is reflected in net income for the period. Depreciation is provided on each asset using the straight-line method over the following estimated useful lives.

Vehicles	3 to 5 years
Machinery and equipment	7 to 10 years
Buildings and infrastructure	30 to 40 years
Sanitation treatment plant and related equipment	30 to 40 years

Maintenance and repairs are charged to expense as incurred. Significant additions or improvements are capitalized and depreciated over the revised estimated useful lives. Costs incurred for major improvements or construction of assets are carried in construction in progress until the project is completed at which time costs related to the project are capitalized in the appropriate asset account.

ESTIMATED INSURANCE LIABILITIES

The County maintains all-risk blanket property insurance coverage that provides limits of liability of \$400 million per occurrence annually. In addition, the county maintains a separate policy that contains boiler and machinery coverage with \$100 million per occurrence annually.

The District participates in the County's self-insurance program for property damage and liability. Annual premiums are based primarily on claims experience. Current premiums

**COUNTY OF SACRAMENTO
COUNTY SANITATION DISTRICT 1**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

are charged to expense in the year incurred. Estimated insurance liabilities are actuarially determined and the District's portion is accrued at year-end.

The Liability/Property Self-Insurance Fund's estimated claim liabilities are actuarially based and include claims incurred but not reported. The estimated liabilities include provisions for allocated claims adjustment expenses, including administrative, attorney, and other associated expenses. Proceeds received for salvage and subrogation are recognized as revenue in the year of receipt, and therefore are not included in the estimated liabilities.

CONTRIBUTED CAPITAL

Contributed capital of the District consists of infrastructure, which is generally pipe contributed by developers and property owners. In 1998, the District began converting infrastructure records from handwritten maps to an electronic database. The conversion was completed in 2000, which resulted in a net decrease of the inventory at year-end.

RECLASSIFICATION

Certain 1999 amounts have been reclassified to conform to the 2000 presentation.

2. CASH AND INVESTMENTS

The District maintains specific cash deposits and investments with the County and involuntarily participates in the external investment pool of the County. At June 30, 2000 and 1999, the carrying amount of the District's cash held by the County as part of the external investment pool were \$21,582,106 and \$30,744,539, respectively. California Government Code authorizes the Treasurer of the County to invest excess funds in the following list of eligible securities:

- a) Obligations of the U. S. Treasury, agencies and instrumentalities.
- b) Bankers acceptances eligible for purchase by the Federal Reserve System.
- c) Commercial paper with an A-1 rating by Moody's Investors Service or a P-1 rating by Standard and Poor's Corporation.
- d) Repurchase agreements or reverse repurchase agreements.

**COUNTY OF SACRAMENTO
COUNTY SANITATION DISTRICT 1**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND 1999

2. CASH AND INVESTMENTS (continued)

- e) Medium-term notes with a five-year maximum maturity from corporations operating within the United States and rated in the top three rating categories by Moody's Investment Service and Standard and Poor's Corporation.
- f) Shares of beneficial interest issued by diversified management companies (money market funds) investing in securities and obligations as outlined in a) through f) above. Certain security rankings and/or organizational requirements apply to this type of investment.

Also, the County Treasurer's investment pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by California Government Code Section 27134. At June 30, 2000 and 1999, the District's investments are presented at fair value in accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools". However, the value of the pool shares in the County that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the District's position in the pool.

3. RESTRICTED CASH AND INVESTMENTS

Restricted cash and investments consist of the following at June 30, 2000:

Cash on deposit with financial institutions in lieu of construction retentions	\$ 236,865
Restricted proceeds from debt issues held by the County Treasurer as trustee	<u>50,970,644</u>
	<u>\$ 51,207,509</u>

The County, acting in a fiduciary capacity, established a separate cash and investments pool (fiscal agent pool) to segregate and invest monies in accordance with long-term obligation covenants. At June 30, 2000 and 1999, the District's cash held by the County as part of the fiscal agent pool was \$50,931,169 and -0- respectively. Cash and interest receivable of \$38,228 and -0- at June 30, 2000 and 1999, respectively, were held in the external investment pool discussed in Note 2.

**COUNTY OF SACRAMENTO
COUNTY SANITATION DISTRICT 1**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND 1999

4. LONG-TERM OBLIGATIONS

Long-term obligations consist of the following at June 30, 2000:

2000 Revenue Bonds, with interest rates ranging from 4.100% to 5.500% due serially through December 1, 2020, with a term bond of \$27,335,000 due in 2030, net of unamortized discount of \$598,637.	\$ <u>51,401,363</u>
	51,401,363
Less current portion	-
	\$ <u><u>51,401,363</u></u>

On June 22, 2000, the District (through the Sacramento County Sanitation Districts Financing Authority) issued bonds in the amount of \$52,000,000 with interest rates ranging from 4.1% to 5.5%. The purpose of this issue was to finance or reimburse the costs of acquisition and construction of certain additions, betterments and improvements to the District's Sanitation System.

Future debt service requirements at June 30, 2000 are as follows:

Fiscal Year Ending June 30,	
2001	\$ 2,761,576
2002	2,761,576
2003	3,574,561
2004	3,574,165
2005	3,571,434
Thereafter	<u>92,885,568</u>
	109,128,880
Less amounts representing:	
Interest	(57,128,880)
Unamortized Discount	<u>(598,637)</u>
	<u>\$ 51,401,363</u>

**COUNTY OF SACRAMENTO
COUNTY SANITATION DISTRICT 1**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND 1999

4. LONG-TERM OBLIGATIONS (continued)

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury of investment income received at yields that exceed the issuer's tax-exempt borrowing rates. The U.S. Treasury requires payment every five years. At June 30, 2000, it was estimated that there was no amount payable to the U.S. Treasury for excess investment income related to the 2000 Revenue Bonds. The ultimate liability to be paid for the 2000 Revenue Bonds will fluctuate based upon the timing of drawdowns and changing investment yields.

2000 Revenue Bond Covenants: Pursuant to the Indenture between the County and Union Bank of California, N.A., as trustee, and the Master Installment Purchase Contract between the Sacramento County Sanitation Districts Financing Authority and the District, the District is required to faithfully perform and abide by all of the covenants, undertakings, and provisions of the above agreement so long as any of the bonds are outstanding. Specific covenants include the following:

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

For fiscal year 2000, the District was in compliance with the preceding covenants. In addition, the County Treasurer has certified that for fiscal year 2000, no action was taken that would cause these obligations to be "arbitrage bonds" subject to federal income taxation under the Internal Revenue Code, as amended.

5. ADVANCES TO CONTRIBUTING AGENCY

During fiscal year 1986-87, SRCSD transferred land with a book value of \$19,347 (estimated value of \$3,550,000) to the District as a partial repayment of outstanding advances to them. Under the agreement, SRCSD guaranteed to the District that the resale value of the land would equal the estimated value of \$3,550,000. In the event a lesser amount is realized upon sale, SRCSD will reimburse the District for the difference. As a result, the District is carrying the land at book value and the long-term receivable of \$3,550,000 has been reduced by this amount.

**COUNTY OF SACRAMENTO
COUNTY SANITATION DISTRICT 1**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND 1999

5. ADVANCES TO CONTRIBUTING AGENCY (continued)

Attempts to sell the land at the estimated value of \$3,550,000 and at a reduced value of \$2,215,000 have been unsuccessful. However, in January 1992, SRCSD sold .38 acres of the 10.708 acres held for sale. SRCSD sold this parcel for \$85,000 and as a result, the District has reduced the long-term receivable by the net gain on the sale of \$84,306.

In October 1994, SRCSD repaid \$2,000,000 to the District and a remaining balance of \$1,446,347 exists at June 30, 2000 and 1999. This balance represents the majority of the long-term receivable balance at June 30, 2000 and 1999 and is expected to be repaid when the land is sold or when SRCSD has excess operating funds.

6. CONTRIBUTED CAPITAL

A summary of changes in contributed capital for the fiscal years ended June 30, 1999 and 2000 are as follows:

Balance at June 30, 1998	\$126,480,773
Add: Capital contributions	13,849,688
Less: Abandoned contributed pipe	(89,808)
Less: Depreciation of assets acquired by capital contributions	<u>(5,605,934)</u>
Balance at June 30, 1999	134,634,719
Add: Capital contributions	15,824,698
Less: Abandoned contributed pipe	(4,680)
Less: Adjustment due to conversion to electronic system	(11,892,508)
Less: Depreciation of assets acquired by capital contributions	<u>(5,585,448)</u>
Balance at June 30, 2000	<u>\$132,976,781</u>

In 1998, the District began converting infrastructure records from handwritten maps to an electronic database. The conversion was completed in 1999-2000 and resulted in a reduction of contributed capital totaling \$11,892,508. This reduction is primarily the result of abandoned pipe and record-keeping errors discovered during the conversion.

**COUNTY OF SACRAMENTO
COUNTY SANITATION DISTRICT 1**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND 1999

7. RELATED PARTY TRANSACTIONS

For the year ended June 30, 2000, the County of Sacramento, a related party, owed the District \$728,765 for interest earned on Treasury deposits. In addition, the District's employees are employees of the County and the District uses other County departments for other services, such as risk management, engineering, accounting, utility billing, etc. Expenditures paid to the County during the year were \$13,744,744.

8. COMMITMENTS AND CONTINGENCIES

The District has entered into contracts for the construction of certain projects. At June 30, 2000 and 1999, the unexpended balance of the contract commitments was approximately \$7,000,000 and \$1,900,000, respectively.

The District is a defendant in various matters of litigation. Of these matters, management and the District's legal counsel do not anticipate any material effect on the June 30, 2000 financial statements. Provisions have been made for anticipated probable losses which have been reflected in the financial statements.

9. SUBSEQUENT EVENT

Effective July 1, 2000, the City of Elk Grove incorporated. As a result, the Board of Directors added a member from the new city.

**STATISTICAL
SECTION**

COUNTY SANITATION DISTRICT 1

A Component Unit of the County of Sacramento, California

Statistical Section

For the Fiscal Years Ended June 30, 2000 and 1999

COUNTY OF SACRAMENTO
COUNTY SANITATION DISTRICT 1

TOTAL ANNUAL REVENUES
 Fiscal Years 1990-91 through 1999-00

	<u>1990-91</u>	<u>1991-92</u>	<u>1992-93</u>	<u>1993-94</u>
Operating revenues:				
Sewer service fees	\$12,204,028	\$13,414,911	\$14,534,567	\$15,378,728
Sewer connection fees	<u>1,636,272</u>	<u>1,545,717</u>	<u>2,274,675</u>	<u>1,636,881</u>
Total operating revenues	<u>13,840,300</u>	<u>14,960,628</u>	<u>16,809,242</u>	<u>17,015,609</u>
Non operating revenues:				
Interest income	2,092,021	1,844,925	2,077,795	1,708,267
Other revenues	<u>385,748</u>	<u>194,987</u>	<u>152,231</u>	<u>608,893</u>
Total non operating revenues	<u>2,477,769</u>	<u>2,039,912</u>	<u>2,230,026</u>	<u>2,317,160</u>
 Total revenues	 <u>\$ 16,318,069</u>	 <u>\$ 17,000,540 #</u>	 <u>\$ 19,039,268 #</u>	 <u>\$ 19,332,769</u>

Source: Audited Financial Statements for Fiscal Years 1990-91 through 1999-00

COUNTY OF SACRAMENTO
COUNTY SANITATION DISTRICT 1

TOTAL ANNUAL REVENUES
 Fiscal Years 1990-91 through 1999-00 (continued)

<u>1994-95</u>	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>
\$16,991,170	\$18,154,386	\$18,646,389	\$20,020,242	\$20,797,895	\$21,945,079
<u>1,522,654</u>	<u>1,274,837</u>	<u>1,351,371</u>	<u>2,010,015</u>	<u>2,820,180</u>	<u>2,881,774</u>
<u>18,513,824</u>	<u>19,429,223</u>	<u>19,997,760</u>	<u>22,030,257</u>	<u>23,618,075</u>	<u>24,826,853</u>
1,673,291	1,841,980	1,904,322	1,714,237	1,576,009	1,861,928
<u>207,956</u>	<u>192,863</u>	<u>1,038,414</u>	<u>953,299</u>	<u>3,493,237</u>	<u>336,753</u>
<u>1,881,247</u>	<u>2,034,843</u>	<u>2,942,736</u>	<u>2,667,536</u>	<u>5,069,246</u>	<u>2,198,681</u>
<u>\$ 20,395,071</u>	<u>\$ 21,464,066</u>	<u>\$ 22,940,496</u>	<u>\$ 24,697,793</u>	<u>\$ 28,687,321</u>	<u>\$ 27,025,534</u>

COUNTY OF SACRAMENTO
COUNTY SANITATION DISTRICT 1

TOTAL ANNUAL EXPENSES
Fiscal Years 1990-91 through 1999-00

	<u>1990-91</u>	<u>1991-92</u>	<u>1992-93</u>	<u>1993-94</u>
Operating expenses:				
Labor force	\$ 9,758,354	\$ 11,312,086	\$ 12,427,779	\$ 12,728,619
Professional services	92,662	88,312	76,194	97,681
Utilities	225,160	230,252	231,927	211,721
Services and supplies	279,338	795,671	413,426	630,930
Insurance	112,957	144,773	76,102	72,319
Chemicals	144,627	135,305	46,452	801
Mechanical and electronic	131,637	144,143	73,599	86,105
Equipment and supplies	43,126	45,725	30,804	43,628
Office expense	17,700	18,576	18,577	17,722
Maintenance and supplies	16,959	128,856	12,884	34,840
Depreciation and amortization	<u>4,802,768</u>	<u>5,158,121</u>	<u>5,437,490</u>	<u>5,609,864</u>
Total operating expenses	15,625,288	18,201,820	18,845,234	19,534,230
Nonoperating expenses:				
Intergovernmental expense	1,909	232,495	35,927	15,810
Other expenses	<u>104,575</u>	<u>63,810</u>	<u>194,357</u>	<u>105,623</u>
Total expenses	<u>\$ 15,731,772</u>	<u>\$ 18,498,125</u>	<u>\$ 19,075,518</u>	<u>\$ 19,655,663</u>

Source: Audited Financial Statements for Fiscal Years 1990-91 through 1999-00

COUNTY OF SACRAMENTO
COUNTY SANITATION DISTRICT 1

TOTAL ANNUAL EXPENSES

Fiscal Years 1990-91 through 1999-00 (continued)

<u>1994-95</u>	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>
\$ 12,294,414	\$ 13,951,115	\$ 13,917,645	\$ 15,446,922	\$ 14,404,094	\$ 16,679,005
41,618	405,883	769,062	573,429	509,459	594,956
232,057	224,151	219,387	226,020	219,630	203,227
474,257	1,025,509	1,222,620	1,703,392	1,478,672	1,864,280
118,895	125,957	142,238	2,092,559	2,442,079	2,008,546
#	24,982	207,308	155,098	152,421	80,054
83,223	87,967	127,314	100,408	136,629	122,965
149,022	43,364	29,201	57,750	40,255	75,961
32,336	24,881	30,486	14,086	25,046	23,949
37,541	28,058	43,529	122,715	117,729	565,884
<u>5,623,800</u>	<u>6,290,915</u>	<u>6,410,805</u>	<u>6,397,701</u>	<u>6,647,244</u>	<u>6,440,556</u>
19,087,163	22,232,782	23,119,595	26,890,080	26,173,258	28,659,383
4,263	90,639	225,481	72,055	1,695,160	938,267
<u>411,828</u>	<u>345,232</u>	<u>557,940</u>	<u>417,837</u>	<u>1,332,932</u>	<u>(30,553)</u>
<u>\$ 19,503,254</u>	<u>\$ 22,668,653</u>	<u>\$ 23,903,016</u>	<u>\$ 27,379,972</u>	<u>\$ 29,201,350</u>	<u>\$ 29,567,097</u>

COUNTY OF SACRAMENTO
COUNTY SANITATION DISTRICT 1

PROPERTY TAX LEVIES AND COLLECTIONS

Fiscal Years 1990-91 through 1999-00
(amounts expressed in thousands)

	Total Assessed Valuation^a	Secured Tax Levies^b	Secured Tax Delinquent at June 30		Current Secured Tax Collections	
			Amount	%	Amount	%
1990-91	42,760,788	388,000	16,249	4.2	386,155 ^c	99.5
1991-92	47,786,635	436,227	19,211	4.4	429,342 ^c	98.4
1992-93	51,015,388	462,192	18,662	4.0	443,530 ^d	96.0
1993-94	52,332,679	475,862	17,020	3.6	458,842 ^d	96.4
1994-95	53,355,817	485,265	13,853	2.8	471,412 ^d	97.2
1995-96	54,056,086	491,167	11,599	2.4	479,568 ^d	97.6
1996-97	54,158,275	492,473	10,145	2.1	482,328 ^d	97.9
1997-98	54,810,113	500,035	9,404	1.9	490,631 ^d	98.1
1998-99	57,181,929	523,535	8,846	1.7	514,689 ^d	98.3
1999-00	60,640,474	558,022	9,276	1.7	548,746 ^d	98.3

^aMain roll value - Includes secured, unsecured, utility roll and State-reimbursed exemptions

^bAdjusted levy amount as of June 30 - Secured Countywide 1% and Utility 1%

^cIncludes secured, prior years' redemption, penalties and interest

^dCollection amount of June 30 - Secured Countywide 1% and Utility 1%

Source: County of Sacramento, California, Department of Finance

COUNTY OF SACRAMENTO
COUNTY SANITATION DISTRICT 1

ASSESSED VALUE OF PROPERTY
 Fiscal Years 1990-91 through 1999-00

	Secured Main <u>Roll Value</u>	Unsecured Main <u>Roll Value</u>	Total Assessed <u>Value</u>^a
1990-91	40,197,245	2,563,543	42,760,788
1991-92	44,959,249	2,827,386	47,786,635
1992-93	47,955,263	3,060,125	51,015,388
1993-94	49,193,985	3,138,694	52,332,679
1994-95	50,182,807	3,173,010	53,355,817
1995-96	50,790,844	3,265,242	54,056,086
1996-97	50,977,283	3,180,992	54,158,275
1997-98	51,541,123	3,268,990	54,810,113
1998-99	53,778,895	3,403,034	57,181,929
1999-00	57,145,432	3,495,042	60,640,474

^aProperty if assessed at 100% of market value.

Source: County of Sacramento, California, Department of Finance

COUNTY OF SACRAMENTO
COUNTY SANITATION DISTRICT 1

AVERAGE COUNTY PROPERTY TAX RATES

All Direct and Overlapping Governments
(Per \$100 of Assessed Value)
Fiscal Years 1990-91 through 1999-00

	Total 1% Countrywide Rate			
	General Fund	%	Other Agencies	Schools^b
1990-91	0.3702	%	0.6298	
1991-92	0.3692		0.3498	0.2810
1992-93	0.3331		0.3238	0.3431
1993-94	0.1823		0.3070	0.5107
1994-95	0.1816		0.3078	0.5106
1995-96	0.1816		0.3077	0.5107
1996-97	0.1821		0.3067	0.5112
1997-98	0.1777		0.3132	0.5091
1998-99	0.1784		0.3157	0.5059
1999-00	0.1783		0.3119	0.5099

^aThe average bond rate is the average of the County bond rate and the highest bond rate plus the SRCSD bond rate.

^bBeginning in 1992-93, a significant portion of property tax revenue previously received by the County was permanently shifted by the State to schools.

Source: County of Sacramento, California, Department of Finance

COUNTY OF SACRAMENTO
COUNTY SANITATION DISTRICT 1

PROPERTY VALUES AND RESIDENTIAL CONSTRUCTION
CALENDAR YEARS 1990 THROUGH 1999
(dollar amounts expressed in thousands)

<u>Calendar</u> <u>Year</u>	<u>(Building Permit Valuations)</u>			<u>Residential Construction</u>		
	<u>Residential</u>	<u>Non-Residential</u>	<u>Total</u>	<u>Single-Family</u>	<u>Multi-Family</u>	<u>Total</u>
1990	1,229,689	505,312	1,735,001	7,936	2,249	10,185
1991	637,628	363,506	1,001,134	4,235	587	4,822
1992	712,779	368,142	1,080,921	4,847	952	5,799
1993	657,151	406,676	1,063,827	4,549	735	5,284
1994	700,121	477,659	1,177,780	4,572	596	5,168
1995	586,496	386,576	973,072	3,539	328	3,867
1996	595,801	403,782	999,583	3,594	281	3,875
1997	600,913	686,665	1,287,578	3,610	366	3,976
1998	1,021,230	800,309	1,821,539	5,110	2,610	7,720
1999	1,158,832	948,188	2,107,020	5,523	4,900	10,423

Source: Sacramento County Assessor's Office.

COUNTY OF SACRAMENTO
COUNTY SANITATION DISTRICT 1

SACRAMENTO COUNTY TAXABLE TRANSACTIONS

Calendar Years 1990 through 1999

(Amounts expressed in thousands)

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
Apparel stores	\$ 309,565	\$ 328,445	\$ 326,893	\$ 321,314
General merchandise	1,385,278	1,365,460	1,416,982	1,394,930
Specialty stores	978,103	986,374	1,012,763	1,020,170
Food stores	597,130	675,849	721,828	615,246
Packaged liquor stores	56,296	56,852	56,007	47,285
Eating and drinking places	785,731	809,167	809,996	815,211
Home furnishing and appliances	468,269	458,642	441,439	443,891
Building materials and farm implements	742,868	645,121	570,654	544,579
Service stations	527,433	507,906	540,400	526,681
Automotive, boat, motorcycle, and plane dealers and parts outlets	<u>1,352,206</u>	<u>1,166,987</u>	<u>1,164,073</u>	<u>1,221,699</u>
Total retail outlets	7,202,879	7,000,803	7,061,035	6,951,006
Business and personal services	418,997	424,395	421,395	426,196
All other outlets	<u>2,802,423</u>	<u>2,703,704</u>	<u>2,697,663</u>	<u>2,836,734</u>
Total all outlets	<u>\$ 10,424,299</u>	<u>\$ 10,128,902</u>	<u>\$ 10,180,093</u>	<u>\$ 10,213,936</u>

Source: California Board of Equalization

COUNTY OF SACRAMENTO
COUNTY SANITATION DISTRICT 1

SACRAMENTO COUNTY TAXABLE TRANSACTIONS

Calendar Years 1990 through 1999 (continued)

(Amounts expressed in thousands)

<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
\$ 336,561	\$ 325,766	\$ 337,455	\$ 351,076	\$ 364,544	\$ 369,927
1,437,405	1,429,394	1,443,568	1,536,577	1,663,856	1,851,634
1,165,029	1,249,240	1,294,671	1,335,040	1,449,835	1,624,485
606,536	604,318	630,408	644,514	641,284	696,416
46,352	47,337	49,274	55,851	60,809	66,236
852,135	887,305	907,290	949,013	1,008,886	1,080,021
500,686	550,338	557,687	480,584	489,935	523,294
568,751	577,845	629,926	703,511	766,340	877,472
546,975	516,520	594,514	586,279	517,785	630,998
<u>1,339,630</u>	<u>1,396,685</u>	<u>1,502,419</u>	<u>1,584,697</u>	<u>1,752,127</u>	<u>2,218,394</u>
7,400,060	7,584,748	7,947,212	8,227,142	8,715,401	9,938,877
449,786	479,781	500,914	552,663	619,589	705,364
<u>3,118,608</u>	<u>3,368,795</u>	<u>3,532,149</u>	<u>3,754,364</u>	<u>3,993,656</u>	<u>4,335,152</u>
<u>\$ 10,968,454</u>	<u>\$ 11,433,324</u>	<u>\$ 11,980,275</u>	<u>\$ 12,534,169</u>	<u>\$ 13,328,646</u>	<u>\$ 14,979,393</u>

COUNTY OF SACRAMENTO
COUNTY SANITATION DISTRICT 1

POPULATION
Years Ending January 1, 1991 through 2000

As of January 1st	Cities of:						County Total
	Citrus Heights ^a	Folsom	Galt	Isleton	Sacramento	Unincorporated	
1991		33,450	9,525	850	375,400	650,300	1,069,525
1992		36,500	11,050	850	385,200	666,000	1,099,600
1993		38,500	12,950	870	391,100	667,800	1,111,220
1994		39,850	13,900	860	393,500	682,290	1,130,400
1995		40,850	15,250	850	396,000	696,250	1,149,200
1996		41,450	15,400	830	384,800	680,920	1,123,400
1997	86,400	43,250	15,950	830	388,100	604,970	1,139,500
1998	87,200	45,600	16,700	840	392,800	616,660	1,159,800
1999	88,300	48,250	17,200	850	396,200	627,100	1,177,900
2000	89,200	52,700	18,050	850	406,000	642,700	1,209,500

Source: California Department of Finance (1990 to 1996) and Sacramento Area Council of Governments (1997 and 2000)

^a In January 1997, the City of Citrus Heights was incorporated. Prior to 1997, the City's population was included in the unincorporated totals.

COUNTY OF SACRAMENTO
COUNTY SANITATION DISTRICT 1

CONNECTED EQUIVALENT SINGLE FAMILY DWELLINGS
AND MONTHLY SEWER RATES

Fiscal Years 1990-91 through 1999-00

	<u>City of Sacramento</u>	<u>CSD No. 1</u>	<u>City of Folsom</u>	<u>Placer County/ Roseville</u>	<u>Total</u>	<u>Monthly Rate</u>
1990-91	110,704	287,000	12,200		409,904	\$ 3.35
1991-92	111,752	292,743	13,472	542	418,509	3.60
1992-93	112,000	298,216	14,100	542	424,858	3.80
1993-94	110,520	302,550	13,001	542	426,613	3.95
1994-95	111,685	305,833	13,516	542	431,576	4.20
1995-96	111,840	310,025	14,270	542	436,677	4.50
1996-97	113,463	312,478	14,856	482	441,279	4.50
1997-98	114,948	316,018	15,871	542	447,379	5.00
1998-99	115,127	321,058	17,524	697	454,406	5.00
1999-00	115,153	328,171	18,685	697	462,706	5.50

Source: CSD1

COUNTY OF SACRAMENTO
COUNTY SANITATION DISTRICT 1

TOP INDUSTRIAL USERS
Largest Industrial Customers of the District
As of June 30, 2000

	Revenues Received
Campbell Soup Company	\$ 48,601
Procter & Gamble Manufacturing	17,114
Chinet	6,864
Mission Industries	4,492
Aerojet Propulsion Division	1,763
Rio Consumnes Correctional Center	1,548
Pepsi-Cola	1,307
Ameripride Uniform Services	1,306
Sacramento Power Authority	1,117

COUNTY SANITATION DISTRICT 1

SCHEDULE OF INFORMATION FOR CALIFORNIA SENATE BILL 1760

For Fiscal Year Ending June 30, 2000

During 1999-00, the California Senate adopted Bill No. 1760 which requires the District to present the following information regarding its operations:

Description of capacity charges:

The District receives capacity charges from developers. These charges are comprised of inclusion fees and participation fees. Inclusion fees consist of revenue received from charges to residential developments to connect into an existing sewerage system and includes a share of the initial cost of the basic sewage system. Participation fees consist of revenue which provide funds for the construction of the basic sewerage system, including trunk lines, treatment plant, pumping or lift stations, etc.

Description of public improvement projects:

The District is involved in various on-going capital improvement projects that have been discussed in depth in the Introductory Section of this report. One major long-term project centers around the preparation of a Collection System Rehabilitation Program master plan, which will assess the current condition of the system, then identify and prioritize the needed projects. Other projects include design and/or construction for various rehabilitation projects and treatment plants. There were no interfund loans between the District and other County funds which involved capacity charges. The capital costs spent during the fiscal year of \$7,398,532 were funded out of interest earnings, other revenues and fund equity.

Financial Information:

Net equity provided from capacity charges - Beginning of Year	\$	17,526,733
Net equity provided from capacity charges - End of Year		55,571,577
Interest revenues on capacity charges		828,032
Capacity charges collected during the year		2,823,042

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BOND DISCLOSURE

SECTION

COUNTY SANITATION DISTRICT 1

A Component Unit of the County of Sacramento, California

Bond Disclosures

For the Fiscal Year Ended June 30, 2000

**ANNUAL REPORT FOR THE SACRAMENTO COUNTY
SANITATION DISTRICT FINANCING AUTHORITY AND
COUNTY SANITATION DISTRICT 1**

Fiscal Year 1999-2000

On October 1, 1993, the District entered into a Joint Exercise of Powers Agreement with the Sacramento Regional County Sanitation District (SRCSD) to form the Sacramento County Sanitation Districts Financing Authority (the Authority) for the purpose of facilitating the financing of acquisition and/or construction of real and personal property in and for the District and SRCSD. The Board of Directors of the District serves as the Authority's governing board. For financial reporting purposes, the Master Installment Purchase Contract between the District and the Authority has been eliminated.

This section is provided in accordance with the requirements of the "Continuing Disclosure Certificate for the Sacramento County Sanitation Districts Financing Authority of its Revenue Bonds Series 2000 (the Certificate)". The material provided under the Certificate is intended to meet or exceed the requirements of Securities and Exchange Commission Rule 15c2-12(b)(5) (the Rule). The data tables provided herein apply to the 2000 issue.

This Bond Disclosure Section included within the District's Comprehensive Annual Financial Report (CAFR) provides the information required by the Continuing Disclosure Certificate. The CAFR, in turn, will be filed with each National Repository specified in the Rule, and with any other repository that shall be identified in the future. The CAFR may also be found at www.srcsd.com.

ANNUAL REPORT

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

The annual report also contains the following five (5) sections as required in the Certificate:

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

**ANNUAL REPORT FOR THE SACRAMENTO COUNTY
SANITATION DISTRICT FINANCING AUTHORITY AND
COUNTY SANITATION DISTRICT 1**

Fiscal Year 1999-2000

REPORTING OF SIGNIFICANT EVENTS

As of June 30, 2000, none of the Events listed in Section 5 of the Certificates have occurred for the Series 2000 Bonds issued by the Financing Authority. As of June 30, 2000, there is no knowledge on the part of the Board of Directors, officers, or employees of County Sanitation District 1 of any impending Significant Event that would require disclosure under the provisions of the Certificate.

As of June 22, 2000, the Sacramento County Sanitation Districts Financing Authority concurrently issued bonds for the Sacramento Regional County Sanitation District to finance certain capital improvements and refund certain outstanding obligations. The Authority issued Revenue Bonds Series 2000A, Taxable Revenue Bonds Series 2000B, and 2000 Subordinate Lien Variable Rate Revenue Bonds, Series C for that district.

ADDITIONAL INFORMATION

The District collects service charges for CSD-1 and SRCSD per the Master Interagency Agreement. The bimonthly invoices sent to customers list an amount for "Local Sewer" (to recover charges for the wastewater collection systems operated by the District), and a separate amount for "Regional Sewer" (to recover the charges imposed by SRCSD for treatment services).

CSD-1's service charges are collected by the Department of County Engineering and Administration's Consolidated Utilities Billing System (CUBS) which is operated by Sacramento County employees. On July 28, 1999 the existing CUBS system was converted to a new billing system, FOCUS (Full Service, On-line, Customer Utilities Solution), which is Y2K compliant.

**ANNUAL REPORT FOR THE SACRAMENTO COUNTY
SANITATION DISTRICT FINANCING AUTHORITY AND
COUNTY SANITATION DISTRICT 1**

Fiscal Year 1999-2000

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

**Number of Accounts and Percentage of Service Charge Revenues
for the Fiscal Year Ended June 30**

Residential/Commercial		
Fiscal Year Ended June 30,	Number of Equivalent Single-family Dwelling	Percentage of Service Charge Revenues
1996	310,025	98.0%
1997	312,478	98.0%
1998	316,018	98.0%
1999	321,058	99.0%
2000	328,171	99.0%

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

**Largest Industrial Customers of the District
for the Fiscal Year Ended June 30, 2000**

<u>Largest Industrial Customers</u>	<u>Revenues Received</u>
Campbell Soup Company	\$48,601
Procter & Gamble Manufacturing	17,114
Chinet	6,864
Mission Industries	4,492
Aerojet General Corporation	1,763
Rio Cosumnes Correctional Center	1,548
Pepsi-Cola Bottling Co., Inc	1,307
Ameripride Uniform Services	1,306
Sacramento Power Authority	1,117
Dean Foods	<u>844</u>
TOTAL	<u>\$84,956</u>

**ANNUAL REPORT FOR THE SACRAMENTO COUNTY
SANITATION DISTRICT FINANCING AUTHORITY AND
COUNTY SANITATION DISTRICT 1**

Fiscal Year 1999-2000

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

**Sewer Rates and Impact Fees
for the Fiscal Year Ended June 30, 2000**

<u>Monthly Service Charges</u>	<u>Regional</u>	<u>CSD-1</u>	<u>Total</u>
SRCSD & CSD-1	\$11.90	\$5.50	\$17.40
<u>Sewer Impact Fees</u>			
SRCSD & CSD-1	\$2,404	\$473	\$2,877

Section (4) A table setting for the collection rates for charges imposed by the District on its customers for the immediately proceeding five (5) Fiscal Years.

**Collection Rates for CSD-1
for the Fiscal Year Ended June 30
(rounded to nearest thousand)**

Fiscal Year Ended June 30	Total Amount of Service Charges	Total Amount Collected	Amount Assigned to County under Teeter Plan
1996	\$18,247,000	\$ 17,248,000	\$ 999,000
1997	18,646,000	17,539,000	1,107,000
1998	20,020,000	18,976,000	1,044,000
1999	20,798,000	19,905,000	893,000
2000	23,847,000	23,724,000	123,000

**ANNUAL REPORT FOR THE SACRAMENTO COUNTY
SANITATION DISTRICT FINANCING AUTHORITY AND
COUNTY SANITATION DISTRICT 1**

Fiscal Year 1999-2000

Section (5) A table showing the Revenues, Maintenance and Operation Costs, Net Revenues (as these three terms are defined in the Installment Purchase Contract), and Reserve Balances of the District for the immediately preceding five (5) Fiscal Years.

**Revenues, Maintenance and Operations Costs,
Net Revenue and Certain Fund Balances of the
District for the Fiscal Years Ended June 30
(amounts expressed in thousands)**

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Revenues:					
Operating revenues:					
Sewer service fees		\$ 18,646	\$ 20,020	\$ 20,798	\$ 21,945
Connection fees		1,351	2,010	2,820	2,882
	<u>\$ 19,525</u>	<u>19,997</u>	<u>22,030</u>	<u>23,618</u>	<u>24,827</u>
Non-operating revenues:					
Interest income	1,842	1,904	1,714	1,576	1,862
Other revenue	-	1,038	953	3,493	337
	<u>1,842</u>	<u>2,942</u>	<u>2,667</u>	<u>5,069</u>	<u>2,199</u>
Total revenue	<u>21,367</u>	<u>22,939</u>	<u>24,697</u>	<u>28,687</u>	<u>27,026</u>
M&O Expenses:					
Total operating expense	22,233	23,120	26,890	26,173	28,659
Less depreciation and amortization	<u>(6,291)</u>	<u>(6,411)</u>	<u>(6,398)</u>	<u>(6,647)</u>	<u>(6,441)</u>
	<u>15,942</u>	<u>16,709</u>	<u>20,492</u>	<u>19,526</u>	<u>22,218</u>
Net revenue , including impact fees	<u>\$ 5,425</u>	<u>\$ 6,230</u>	<u>\$ 4,205</u>	<u>\$ 9,161</u>	<u>\$ 4,808</u>
Percentage of total revenue	25%	27%	17%	32%	18%
Reserve balances, end of year	<u>\$ 27,100</u>	<u>\$ 26,900</u>	<u>\$ 25,500</u>	<u>\$ 20,400</u>	<u>\$ 21,772</u>