Sacramento Municipal Utility District Financing Authority

Financial Statements
and Independent Auditors' Report
December 31, 2021 and 2020

SACRAMENTO MUNICIPAL UTILITY DISTRICT FINANCING AUTHORITY
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Independent Auditors' Report

To the Board of Directors of
Sacramento Municipal Utility District Financing Authority

Opinion

We have audited the accompanying financial statements of Sacramento Municipal Utility District Financing Authority, a component unit of Sacramento Municipal Utility District, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise Sacramento Municipal Utility District Financing Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sacramento Municipal Utility District Financing Authority as of December 31, 2021 and 2020, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sacramento Municipal Utility District Financing Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 and 3 to the financial statements, on October 26, 2021, Sacramento Municipal Utility District Financing Authority entered into an Assignment and Assumption Agreement (the Agreement) with the Central Valley Financing Authority (CVFA), Sacramento Cogeneration Authority and Sacramento Power Authority. The Agreement transfers the assets and obligations to Sacramento Municipal Utility District Financing Authority as of November 1, 2021. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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 Sacramento Municipal Utility District Financing Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 Sacramento Municipal Utility District Financing Authority'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 Sacramento Municipal Utility District Financing Authority'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 required supplementary information, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Baker Tilly US, LLP

Madison, Wisconsin
March 1, 2022

Using this Financial Report

This annual financial report for Sacramento Municipal Utility District Financing Authority (Agency) consists of management's discussion and analysis and the financial statements, including notes to the financial statements. The basic Financial Statements consist of the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows.

The Agency's accounting records are maintained in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board. The Agency's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission.

Overview of the Financial Statements

The following discussion and analysis of the financial performance of the Agency provides an overview of the financial activities for the years ended December 31, 2021 and 2020. This discussion and analysis should be read in conjunction with the Agency's financial statements and accompanying notes, which follow this section.

The Statements of Net Position provide information about the nature and amount of resources and obligations at a specific point in time.

The Statements of Revenues, Expenses and Changes in Net Position report all of the Agency's revenues and expenses during the periods indicated.

The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and debt financing, and other cash uses such as payments for debt service and capital additions.

The Notes to Financial Statements provide additional detailed information to support the financial statements.

Nature of Operations

The Agency is a joint powers authority formed by the Sacramento Municipal Utility District (SMUD) and the Modesto Irrigation District. The Agency owns and operates the Cosumnes Power Plant Project (Project) and related facilities for electric power generation. The Project, which began commercial operations in 2006, is comprised of a 602 megawatt (MW) natural gas-fired combined cycle generation plant.

On October 26, 2021 the Agency entered into Assignment and Assumption Agreements (the Agreements) with the Central Valley Financing Authority (CVFA), Sacramento Cogeneration Authority (SCA), and Sacramento Power Authority (SPA). The Agreements transfer the assets and obligations, including ownership of the Carson Power Plant (Carson), Procter and Gamble Power Plant (Procter and Gamble), Campbell Power Plant (Campbell) and McClellan Power Plant (McClellan), (assigned Power Plants), to the Agency as of November 1, 2021.

Carson which began commercial operations in 1995, is comprised of a 65 MW natural gas-fired combined cycle cogeneration facility and a 42 MW natural gas-fired simple cycle peaking plant. Procter and Gamble which began commercial operations in 1997, is comprised of a 136 MW natural gas-fired combined cycle plant and a 50 MW natural gas-fired simple cycle peaking plant which was subsequently added and began commercial operations in 2001. Campbell which began commercial operations in 1997, is a 160 MW natural gas-fired combined-cycle cogeneration plant consisting of a combustion turbine generator (CTG) and a steam turbine generator. McClellan is a 72 MW simple cycle Combustion Turbine and has been operating since 1986.

SMUD purchases all of the electricity produced by the Project and the assigned Power Plants pursuant to the Power Purchase Agreements (PPA) between SMUD and the Agency and the assigned Power Plants. The Agency has no employees and is obligated to reimburse SMUD for the actual costs of providing general and administrative services, water, fuel costs, and other costs paid by SMUD on the Agency's behalf.

The Agency's Commission is comprised of SMUD's Board of Directors. The Agency is a separate legal entity; however, due to the extent of its operational and financial relationship with SMUD, it is included in the financial statements of SMUD.

Financial & Operational Highlights

The October 26, 2021 Agreements between the Agency and CVFA, SCA and SPA transferred the operation and ownership of the assigned Power Plants to the Agency for operational and administrative efficiencies. On November 1, 2021, CVFA, SCA and SPA transferred assets and obligations to the Agency and ceased operations.

In 2021, the Agency's plant operator, Ethos Energy Power Plant Services, LLC (Ethos), continued to perform quarterly offline gas turbine water washes and inspections as part of standard maintenance protocols at the Project and at the assigned Power Plants. These outages and inspections have been an integral part of the Project's and the assigned Power Plants' successful performances which include ratings from the Institute of Electrical and Electronics Engineers (IEEE) for availability and reliability.

The Project obtained an IEEE Availability rating of 93.88 percent, an IEEE Reliability rating of 100 percent and an overall capacity factor of 83.75 percent. The plant completed two major capital projects namely the Access Platform Improvements and the CTG Cutsforth Shaft Grounding Device.

Carson obtained an IEEE Availability rating of 87.19 percent, an IEEE Reliability rating of 99.7 percent, and a successful call-up ratio for the simple cycle unit of 95.83 percent. The plant completed two major capital project upgrades on the Distributed Control System and the Steam Turbine Controls.

Procter and Gamble obtained an IEEE Availability rating of 93.11 percent, an IEEE Reliability rating of 99.7 percent and a successful call-up ratio for the simple cycle unit of 100 percent. The plant completed installation of a new Centrifugal Chiller.

In early April, a station service transformer and its associated auxiliary unit suffered internal failures due to a through fault originating in the station service transformer at Procter and Gamble. Ethos explored all possible alternatives and were able to quickly rewind both transformers and place them back in service prior to the summer peak.

General Electric (GE) performed a full overhaul of the CT Engine 1B (185-183) at Procter and Gamble. The engine experienced high vibrations during startup after the overhaul so it was shipped back to GE for repair and the spare engine was placed in service.

Campbell obtained an IEEE Availability rating of 99.03 percent, an IEEE Reliability rating of 99.49 percent and a unit capacity factor of 44.49 percent.

McClellan obtained an IEEE Availability rating of 98.46 percent, an IEEE Reliability rating of 100 percent and an overall capacity factor of 0.61 percent. McClellan successfully completed an upgrade to the Generator Protection Panel.

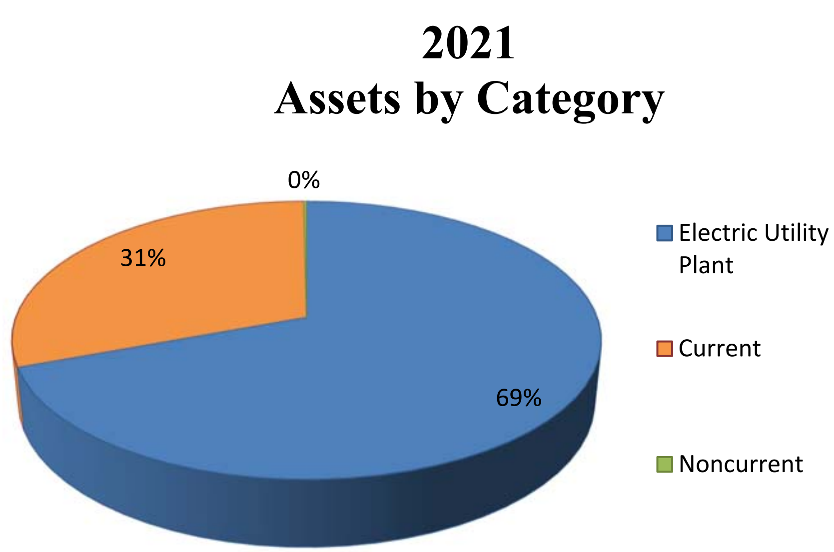
FINANCIAL POSITION

Statements of Net Position Summary
(Dollars in thousands)

	December 31,			Change			
	2021 *	2020	2019	2021 vs. 2020		2020 vs. 2019	
Assets							
Electric utility plant - net	$ 303,591	$ 207,058	$ 220,676	$ 96,533	46.6%	$ (13,618)	-6.2%
Current assets	133,673	60,107	54,906	73,566	122.4%	5,201	9.5%
Noncurrent assets	790	892	998	(102)	-11.4%	(106)	-10.6%
Total assets	438,054	268,057	276,580	169,997	63.4%	(8,523)	-3.1%
Deferred outflows of resources	3,267	1,829	2,195	1,438	78.6%	(366)	-16.7%
Total assets and deferred outflows of resources	$ 441,321	$ 269,886	$ 278,775	$ 171,435	63.5%	$ (8,889)	-3.2%
Liabilities							
Long-term debt - net	$ 99,421	$ 113,152	$ 126,571	$ (13,731)	-12.1%	$ (13,419)	-10.6%
Current liabilities	49,158	36,819	33,257	12,339	33.5%	3,562	10.7%
Noncurrent liabilities	9,020	-0-	-0-	9,020	100.0%	-0-	0.0%
Total liabilities	157,599	149,971	159,828	7,628	5.1%	(9,857)	-6.2%
Net position							
Net investment in capital assets	194,214	84,835	87,590	109,379	128.9%	(2,755)	-3.1%
Restricted	5,725	5,450	4,355	275	5.0%	1,095	25.1%
Unrestricted	83,783	29,630	27,002	54,153	182.8%	2,628	9.7%
Total net position	283,722	119,915	118,947	163,807	136.6%	968	0.8%
Total liabilities and net position	$ 441,321	$ 269,886	$ 278,775	$ 171,435	63.5%	$ (8,889)	-3.2%

* includes the assets and obligations of CVFA, SCA and SPA as a result of the transfer of operations on November 1

The following chart shows the breakdown of the Agency's assets by category:



2021 Compared to 2020

ASSETS & DEFERRED OUTFLOWS OF RESOURCES

- The Agency's main asset is its investment in the Project and the assigned Power Plants, which comprises $303.6 million in Electric Utility Plant, net of accumulated depreciation at December 31, 2021. The Electric Utility Plant - net increased primarily due to the transfer of Electric Utility Plant - net by CVFA, SCA and SPA in the amount of $111.3 million, partially offset by $16.6 million depreciation expense for the year. Electric Utility Plant - net assets make up about 69 percent of the Agency's assets.

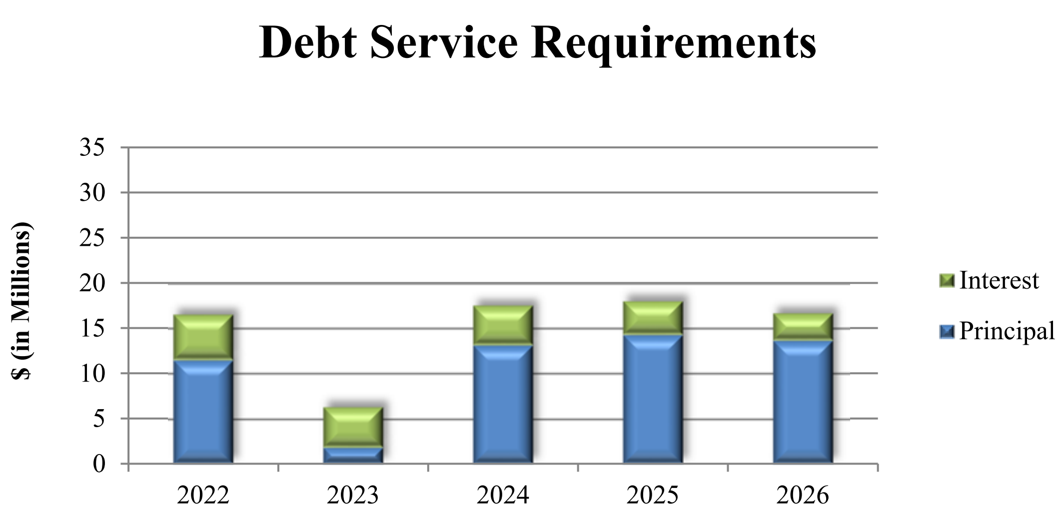
- Current Assets increased primarily due to the transfer of unrestricted cash and cash equivalents, power sales to Member receivables, inventory and prepaid expenses by CVFA, SCA and SPA in the amount of $69.0 million.

- Deferred Outflows of Resources increased primarily due to the asset retirement obligation for CVFA of $1.8 million.

LIABILITIES & NET POSITION

- Long-Term Debt - net decreased primarily due to $10.9 million of scheduled principal payments for 2021. At December 31, 2021, the Agency had bonds outstanding of $101.2 million with maturities through 2030. The Agency's Bonds are rated "AA" by Standard and Poor's and Fitch.

  The following chart summarizes the debt service requirements of the Agency for the next five years:



- Current Liabilities increased primarily due to the transfer of accounts payables, payables due to Member and other liabilities by CVFA, SCA and SPA in the amount of $11.8 million.

- Noncurrent Liabilities increased due to the asset retirement obligation of $9.0 million for CVFA.

- Total Net Position increased primarily due to the net position of transferred operations in the amount of $161.3 million.

2020 Compared to 2019

ASSETS & DEFERRED OUTFLOWS OF RESOURCES

- The Agency's main asset is its investment in the Project, which comprises $207.1 million in Electric Utility Plant, net of accumulated depreciation at December 31, 2020. The Electric Utility Plant - net decreased primarily due to $15.5 million depreciation expense for the year, offset $1.9 million of additions. The additions included the Zero Liquid Discharge (ZLD) Upgrade and Candle Filter Upgrade.

- Current Assets increased primarily due to higher unrestricted cash as part of normal operations, restricted cash for debt service, receivables from SMUD for the fuel portion of the PPA billings in November and December 2020, and prepayments due to a milestone payment for the purchase of the spare gas turbine rotor.

- Deferred Outflows of Resources decreased due to the amortization of the loss on bond refunding.

LIABILITIES & NET POSITION

- Long-Term Debt - net decreased primarily due to $8.7 million of scheduled principal payments for 2020. At December 31, 2020, the Agency had bonds outstanding of $112.1 million with maturities through 2030.

RESULTS OF OPERATIONS

Summary of Revenues, Expenses and Changes in Net Position

(Dollars in thousands)

	December 31,			Change			
	2021 *	2020	2019	2021 vs. 2020		2020 vs. 2019	
Operating revenues	$ 143,050	$ 141,874	$ 157,200	$ 1,176	0.8%	$ (15,326)	-9.7%
Operating expenses	(137,206)	(137,415)	(120,562)	209	0.2%	(16,853)	-14.0%
Operating income	5,844	4,459	36,638	1,385	31.1%	(32,179)	-87.8%
Interest income	51	179	368	(128)	-71.5%	(189)	-51.4%
Interest on debt	(3,386)	(3,669)	(3,962)	283	7.7%	293	7.4%
Other income (expense)	-0-	(1)	8	1	100.0%	(9)	-112.5%
Increase in net assets	2,509	968	33,052	1,541	159.2%	(32,084)	-97.1%
Special item	161,298	-0-	-0-	161,298	100.0%	-0-	0.0%
Change in net position	163,807	968	33,052	162,839	16822.2%	(32,084)	-97.1%
Net position - beginning of year	119,915	118,947	85,895	968	0.8%	33,052	38.5%
Net position - end of year	$ 283,722	$ 119,915	$ 118,947	$ 163,807	136.6%	$ 968	0.8%

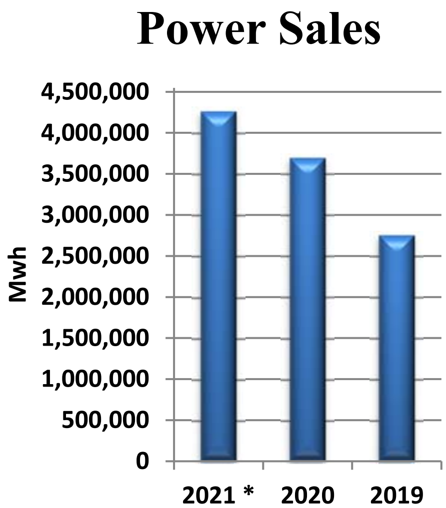
* includes revenues and expenses of CVFA, SCA and SPA for November and December as a result of the transfer of operations on November 1

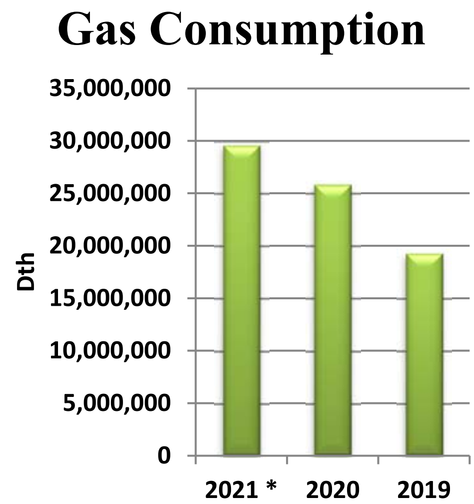
2021 Compared to 2020

OPERATING REVENUES

Operating Revenues increased primarily due to the steam sales for Procter and Gamble and the power sales of the assigned Power Plants as a result of the transfer of operations to the Agency, partially offset by the Agency's lower power sales to Member in 2021. The Agency's power sales are determined monthly, based on a formula defined in the PPA, which is driven by the Agency's actual cost of operations including debt service. In 2021, less revenue was needed due to lower fuel cost, partially offset by higher operator costs.

The following charts show power sales and gas consumption in 2021, 2020, and 2019:

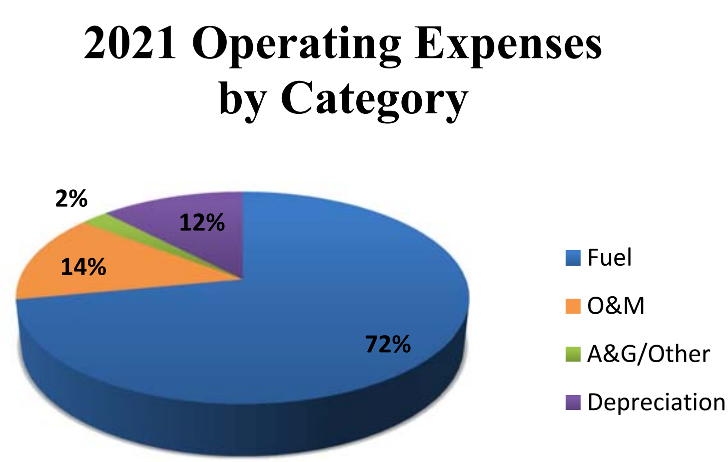




* includes Power Sales and Gas Consumption of CVFA, SCA and SPA for November and December as a result of the transfer of operations on November 1

In 2021 and 2020, the Agency's increase in power sales and gas consumption is primarily a result of the Member's participation in the California Independent System Operator's Energy Imbalance Market (EIM). The EIM provides other California and western United States utilities access to a larger more cost effective energy market. The Project continues to be the most efficient in California requiring the plant to run more to provide energy for the market. In 2021, the increase in volume is a combination of both the Agency's and the assigned Power Plants.

OPERATING EXPENSES



The following table summarizes Operating Expenses for the years ended December 31 (dollars in thousands):

	December 31,			Change			
	2021 *	2020	2019	2021 vs. 2020		2020 vs. 2019	
Operating Expenses							
Fuel	$ 98,592	$ 105,187	$ 86,902	$ (6,595)	-6.3%	$ 18,285	21.0%
Operations and Maintenance	18,501	14,303	17,888	4,198	29.4%	(3,585)	-20.0%
Administrative & general and Other	3,488	2,451	2,242	1,037	42.3%	209	9.3%
Depreciation	16,625	15,474	13,530	1,151	7.4%	1,944	14.4%
Total operating expenses	$ 137,206	$ 137,415	$ 120,562	$ (209)	-0.2%	$ 16,853	14.0%

* includes operating expenses of CVFA, SCA and SPA for November and December as a result of the transfer of operations on November 1

- Fuel Expense decreased due to lower fuel prices of $21.8 million, offset by higher fuel volume of $15.2 million. The increase in volume is a combination of the Agency's and the assigned Power Plants.

- Operations and Maintenance Expense increased primarily due to the higher operator reimbursables and fixed fees, and utility expenses as a result of the transfer of operations to the Agency.

- Depreciation Expense increased due to unitization of ZLD system upgrades and the transfer of operations to the Agency.

2020 Compared to 2019

<u>RESULTS OF OPERATIONS</u>

- Fuel Expense increased due to higher fuel volume of $29.3 million, offset by lower fuel prices of $11.0 million.

- Operations and Maintenance Expense decreased primarily due to lower steam turbine overhaul costs, partially offset by higher operator fees.

- Depreciation Expense increased due to the unitization of CTG assets.

Requests for Information

For more information about the Sacramento Municipal Utility District Financing Authority, visit our website at www.smud.org or contact us at customerservices@smud.org.

SACRAMENTO MUNICIPAL UTILITY DISTRICT FINANCING AUTHORITY
STATEMENTS OF NET POSITION

	December 31, 2021	December 31, 2020
ASSETS		
ELECTRIC UTILITY PLANT		
Plant in service	$ 946,971,480	$ 390,507,984
Less accumulated depreciation	(645,198,955)	(183,449,762)
Plant in service - net	301,772,525	207,058,222
Construction work in progress	1,818,920	-0-
Total electric utility plant - net	303,591,445	207,058,222
RESTRICTED ASSETS		
Debt service funds	8,254,654	8,252,135
Less current portion	(8,254,654)	(8,252,135)
Total restricted assets	-0-	-0-
CURRENT ASSETS		
Cash and cash equivalents:		
Unrestricted cash and cash equivalents	61,375,152	15,613,637
Restricted cash and cash equivalents	8,254,654	8,252,135
Receivables:		
Power sales to Member	38,597,316	26,526,800
Steam sales	1,550,821	-0-
Accrued interest and other	19,614	20,115
Materials and supplies	19,489,211	7,344,348
Prepayments	4,281,645	2,245,313
Regulatory costs recovered within one year	104,416	104,416
Total current assets	133,672,829	60,106,764
NONCURRENT ASSETS		
Regulatory costs for future recovery	783,118	887,534
Other	6,328	4,571
Total noncurrent assets	789,446	892,105
TOTAL ASSETS	438,053,720	268,057,091
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized bond losses	1,492,952	1,829,027
Deferred asset retirement obligation outflow	1,774,505	-0-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,267,457	1,829,027
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 441,321,177	$ 269,886,118

The accompanying notes are an integral part of these financial statements.

SACRAMENTO MUNICIPAL UTILITY DISTRICT FINANCING AUTHORITY
STATEMENTS OF NET POSITION

	December 31, 2021	December 31, 2020
LIABILITIES AND NET POSITION		
LONG-TERM DEBT - net	$ 99,420,892	$ 113,152,421
CURRENT LIABILITIES		
Accounts payable	9,392,167	2,651,395
Payable due to Member	25,786,053	20,465,473
Long-term debt due within one year	11,450,000	10,900,000
Accrued interest	2,529,625	2,802,125
Total current liabilities	49,157,845	36,818,993
NONCURRENT LIABILITIES		
Accrued decommissioning	9,020,763	-0-
Total noncurrent liabilities	9,020,763	-0-
TOTAL LIABILITIES	157,599,500	149,971,414
NET POSITION		
Net investment in capital assets	194,213,505	84,834,828
Restricted	5,725,029	5,450,010
Unrestricted	83,783,143	29,629,866
TOTAL NET POSITION	283,721,677	119,914,704
COMMITMENTS AND CONTINGENCIES (Notes 10 and 11)		
TOTAL LIABILITIES AND NET POSITION	$ 441,321,177	$ 269,886,118

The accompanying notes are an integral part of these financial statements.

SACRAMENTO MUNICIPAL UTILITY DISTRICT FINANCING AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Years Ended December 31, 2021	2020
OPERATING REVENUES		
Power sales to Member	$ 141,244,680	$ 141,874,444
Gas sales to Member	435,925	-0-
Steam sales	1,334,572	-0-
Other	34,912	-0-
Total operating revenues	143,050,089	141,874,444
OPERATING EXPENSES		
Fuel	98,592,034	105,187,258
Operations	16,251,835	12,172,685
Maintenance	2,248,540	2,129,611
Administrative and general	3,383,959	2,347,251
Depreciation	16,625,207	15,474,370
Regulatory amounts collected in rates	104,416	104,416
Total operating expenses	137,205,991	137,415,591
OPERATING INCOME	5,844,098	4,458,853
NON-OPERATING REVENUES (EXPENSES)		
Interest income	50,971	179,451
Interest on debt	(3,386,296)	(3,669,584)
Other expenses	-0-	(1,570)
Total non-operating revenues (expenses)	(3,335,325)	(3,491,703)
CHANGE IN NET POSITION BEFORE SPECIAL ITEM	2,508,773	967,150
SPECIAL ITEM		
Net position from transferred operations (Note 3)	161,298,200	-0-
Total special item	161,298,200	-0-
CHANGE IN NET POSITION	163,806,973	967,150
NET POSITION - BEGINNING OF YEAR	119,914,704	118,947,554
NET POSITION - END OF YEAR	$ 283,721,677	$ 119,914,704

The accompanying notes are an integral part of these financial statements.

SACRAMENTO MUNICIPAL UTILITY DISTRICT FINANCING AUTHORITY
STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2021	Years Ended December 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from power sales to Member	$ 146,864,388	$ 140,924,836
Receipts from steam sales and other	887,893	-0-
Payments to Member	(105,525,218)	(106,744,121)
Payments to vendors	(17,021,633)	(14,507,939)
Net cash provided by operating activities	25,205,430	19,672,776
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from transfer of operations	37,998,934	-0-
Net cash provided by noncapital financing activities	37,998,934	-0-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Construction expenditures	(992,552)	(1,933,262)
Repayment of long-term debt	(10,900,000)	(8,710,000)
Interest payments on long-term debt	(5,604,250)	(6,039,750)
Net cash used in capital and related financing activities	(17,496,802)	(16,683,012)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	56,472	226,147
Net cash provided by investing activities	56,472	226,147
Net increase in cash and cash equivalents	45,764,034	3,215,911
Cash and cash equivalents - beginning of the year	23,865,772	20,649,861
Cash and cash equivalents - end of the year	$ 69,629,806	$ 23,865,772
CASH AND CASH EQUIVALENTS INCLUDED IN:		
Unrestricted cash and cash equivalents	$ 61,375,152	$ 15,613,637
Restricted cash and cash equivalents	8,254,654	8,252,135
Cash and cash equivalents - end of the year	$ 69,629,806	$ 23,865,772

The accompanying notes are an integral part of these financial statements.

SACRAMENTO MUNICIPAL UTILITY DISTRICT FINANCING AUTHORITY
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2021	2020
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 5,844,098	$ 4,458,853
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	16,625,207	15,474,370
Regulatory amortization	104,416	104,416
Asset retirement obligation amortization	57,783	
Changes in operating assets and liabilities:		
Receivables	4,702,192	(949,608)
Other assets	(1,467,039)	(1,080,544)
Payables and accruals	(661,227)	1,665,289
Net cash provided by operating activities	$ 25,205,430	$ 19,672,776
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Net amortization of debt related (expenses) and premiums	$ 1,945,454	$ 2,152,416
Loss on asset retirements	-0-	(1,570)
Net plant received from transfer of operations	111,271,467	-0-
Asset retirement obligation acquired from transfer of operations	8,633,060	-0-

The accompanying notes are an integral part of these financial statements.

SACRAMENTO MUNICIPAL UTILITY DISTRICT FINANCING AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND OPERATIONS

The Sacramento Municipal Utility District Financing Authority (Agency) is a joint powers authority (JPA) formed by the Sacramento Municipal Utility District (SMUD) and the Modesto Irrigation District (MID) pursuant to the California Government Code. The purpose of the Agency is to own and operate the Cosumnes Power Plant Project (Project) and related facilities for electric power generation. The Project, which began commercial operations in February 2006, is comprised of a 602 megawatt (MW) natural gas-fired combined cycle generation plant. The Project is situated on approximately 38 acres adjacent to SMUD's decommissioned nuclear power plant. The land is owned by SMUD and leased to the Agency.

On October 26, 2021, the Agency entered into Assignment and Assumption Agreements (the Agreements) with the Central Valley Financing Authority (CVFA), Sacramento Cogeneration Authority (SCA), and Sacramento Power Authority (SPA). The Agreements transfer the assets and obligations, including ownership of the Carson Power Plant (Carson), Procter and Gamble Power Plant (Procter and Gamble), Campbell Power Plant (Campbell) and McClellan Power Plant (McClellan), (assigned Power Plants), to the Agency as of November 1, 2021 (see Note 3).

Carson, previously owned and operated by CVFA, a JPA formed by SMUD and the Sacramento Regional County Sanitation District (SRCSD), began commercial operations in 1995 and is comprised of a 65 MW natural gas-fired combined cycle cogeneration facility and a 42 MW natural gas-fired simple cycle peaking plant. Carson is situated on approximately ten acres of land adjacent to the SRCSD sewage treatment plant. The land is owned by SRCSD and leased to the Agency.

Procter and Gamble, previously owned and operated by SCA, a JPA formed by SMUD and the Agency, began commercial operations in 1997 and is comprised of a 136 MW natural gas-fired combined cycle plant and a 50 MW natural gas-fired simple cycle peaking plant which was subsequently added and began commercial operations in 2001. Procter and Gamble is situated on approximately eight acres of land owned by the Agency, which is adjacent to The Procter & Gamble Manufacturing Company (P&G) plant in Sacramento.

Campbell, previously owned and operated by SPA, a JPA formed by SMUD and the Agency, began commercial operations in 1997 and is a 160 MW natural gas-fired combined-cycle cogeneration plant consisting of a combustion turbine generator and a steam turbine generator. Campbell is situated on approximately six acres of land which is owned by SMUD and leased to the Agency.

McClellan, previously owned and operated by SPA, is a 72 MW simple cycle combustion turbine and has been operating since 1986. McClellan is located on the United States Air Force property at the former McClellan Air Force Base in Sacramento. The land is leased by SMUD and subleased to the Agency.

The Agency has no employees. The Project and the assigned Power Plants are operated by Ethos Energy Power Plant Services, LLC (Ethos) under the terms of the Operations and Maintenance Agreements.

Pursuant to the Power Purchase Agreements (PPA) with SMUD and the Agency, SMUD purchases, on a "take-or-pay" basis, all capacity, energy and environmental attributes of the Project and assigned Power Plants. The Agency is obligated to reimburse SMUD for the actual costs of providing general and administrative services, fuel costs, water and other costs paid by SMUD on the Agency's behalf. The Agency paid SMUD $101.4 million in 2021 and $107.9 million in 2020.

Carson provides steam to SRCSD's adjacent sewage treatment plant pursuant to the Long-Term Commodity Agreement. Carson also provides steam and electricity for the refrigeration process of the Glacier Ice facility pursuant to the Thermal

Energy Sales Agreement. The primary fuel for the Carson is a mixture of natural gas and digester gas from SRCSD's sewage treatment plant. Presently, digester gas represents two percent of the fuel used by the Carson and the remaining amount is sold to SMUD.

The Agency sells steam to P&G pursuant to a Steam Sales Agreement, which was assigned to SCA from SMUD.

SMUD is entitled to all rights and property of the Project and the assigned Power Plants in the event of termination of the JPA agreement. Neither MID nor SRCSD has any obligation to make contributions or advances to the Agency. The JPA agreement will remain in effect until terminated by a supplemental written agreement of the parties; provided, that in no event shall the JPA agreement terminate while any contracts between the Agency and either of the parties or other parties are in effect, or while any bonds or notes of the Agency are outstanding. Project revenues and the subsequent payments of principal and interest related to the Agency's long-term debt are not dependent upon the continued successful operation of the Project. SMUD is required to make payments in an amount sufficient to pay principal and interest and all other payments required to be made under the Indenture of Trust (Indenture), dated June 1, 2015. Neither MID nor SMUD has any obligation or liability to the Agency beyond that specifically provided for in the JPA agreement or the Project agreements.

The Agency's Commission is comprised of SMUD's Board of Directors. The Agency is a separate legal entity; however, it is included in the financial statements of SMUD as a component unit because of the extent of its operational and financial relationships with SMUD.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting. The accounting records of the Agency are maintained in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). The Agency's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Electric revenues and costs that are directly related to generation of electricity and steam are reported as operating revenues and expenses. All other revenues and expenses are reported as non-operating revenues and expenses.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S.) requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, revenues and expenses. Actual results could differ from those estimates.

Plant in Service. The Agency generally computes depreciation on Electric Utility Plant on a straight-line basis using five years for software and the remaining life of the JPA for all other capital assets. The costs of replacement units are capitalized. Major overhaul parts are depreciated over their estimated useful lives, ranging from 4 to 24 years. Repair and maintenance costs are charged to expense. When the Agency retires portions of its Electric Utility Plant, retirements are recorded against Accumulated Depreciation and the retired portion of Electric Utility Plant is removed from Plant in Service. Capital assets are generally defined by the Agency as tangible assets with an initial, individual cost of more than five thousand dollars and an estimated useful life in excess of two years.

Restricted Assets. The Agency's restricted assets are comprised of cash, which is limited for specific purposes pursuant to the Indenture requirements. The Indenture specifies the flow of cash into the various Agency funds and dictates when they may become unrestricted.

Cash and Cash Equivalents. Cash and cash equivalents include all debt instruments purchased with an original maturity of 90 days or less and all investments in the Local Agency Investment Fund (LAIF), and money market funds. LAIF has an equity interest in the State of California (State) Pooled Money Investment Account (PMIA). PMIA funds are on deposit with the State's Centralized Treasury System and are managed in compliance with the California Government Code, according to a statement of investment policy which sets forth permitted investment vehicles, liquidity parameters and maximum maturity of investments.

Receivable from Member. The Agency records as a Receivable from Member the amounts due from SMUD for the purchase of power generated by the Project and assigned Power Plants.

Materials and Supplies. Materials and supplies are stated at average cost, which approximates the first-in, first-out method.

Prepayments. The Agency's prepayments consist of an advance payment for inventory, property insurance, leases and permits. The Agency pays for property insurance, leases and permits annually in advance. These prepayments are recognized as expenses in the month the actual costs are incurred.

Other Noncurrent Assets. Other Noncurrent Assets is comprised of emission credits.

Regulatory Deferrals. As a regulated entity, the Agency's financial statements are prepared in accordance with GASB Statement No. 62, ***"Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board and American Institute of Certified Public Accountants Pronouncements,"*** which require that the effects of the rate making process be recorded in the financial statements. Accordingly, certain expenses and credits normally reflected in the Change in Net Position as incurred, are recognized when included in rates and recovered from, or refunded to, SMUD through the PPA. The Agency records regulatory assets and credits to reflect rate-making actions of the Commission. The account includes the unamortized debt issuance costs of previously issued bonds of the Agency. The regulatory asset is amortized using the straight-line method over the remaining life of the associated bonds and recorded in Regulatory Amounts Collected in Rates in the Statements of Revenues, Expenses and Changes in Net Position.

Gains and Losses on Bond Refundings. Gains and losses resulting from bond refundings are included in Deferred Outflows and Deferred Inflows of Resources and amortized as a part of Interest on Debt, over the shorter of the life of the refunded debt or the new debt using the effective interest method, in the Statements of Revenues, Expenses and Changes in Net Position.

Payable to Member. The Agency records as a Payable to Member the amounts due to SMUD for general and administrative services, water, fuel costs, and other costs paid by SMUD on the Agency's behalf.

Asset Retirement Obligation (ARO). Under Statement of Governmental Accounting Standards (SGAS) No. 83, ***"Certain Asset Retirement Obligations,"*** the Agency has a legal obligation to decommission the Carson facility. The Agency records the ARO as Accrued Decommissioning and a corresponding Deferred Asset Retirement Obligation Outflows in the Statements of Net Position. The Deferred Asset Retirement Obligation Outflows is amortized over the remaining useful life of the Carson facility and included as Operating Expenses in the Statements of Revenues, Expenses and Changes in Net Position (see Note 7).

Net Position. The Agency classifies its Net Position into three components as follows:

- Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding debt balances, net of unamortized debt expenses. Deferred outflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt are also included.
- Restricted - This component of net position consists of assets with constraints placed on their use, either externally or internally. Constraints include those imposed by debt indentures (excluding amounts considered in net capital, above), grants or laws and regulations of other governments, by law through constitutional provisions or enabling legislation, or by the Commission. These restricted assets are reduced by liabilities related to those assets.
- Unrestricted - This component of net position consists of net amount of the assets, deferred outflows of resources and liabilities that do not meet the definition of "Net investment in capital assets" or "Restricted."

Operating Revenues. Power sales to Member are recorded as revenues when the electricity is delivered. Gas sales to Member, Steam sales and rent income on subleased property are recorded when earned.

Operating Expenses. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets and are recorded when incurred.

Special Item. The transferred net positions of the assigned Power Plants are reported as special item.

Subsequent Events. Subsequent events for the Agency have been evaluated through March 1, 2022, which is the date that the financial statements were available to be issued.

Recent Accounting Pronouncements, adopted. In May 2020, GASB issued SGAS No. 95, ***"Postponement of the Effective Dates of Certain Authoritative Guidance"*** (GASB No. 95). The primary objective of this statement is to provide temporary relief to governments and other stakeholders as a result of the COVID-19 pandemic. GASB No. 95 postpones the effective dates of certain provisions in statements and implementation guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. This statement was effective for the Agency in 2020. The Agency has postponed the implementation of GASB No. 87, ***"Leases"*** and GASB No. 93, ***"Replacement of Interbank Offered Rates."***

Recent Accounting Pronouncements, not yet adopted. In June 2017, GASB issued SGAS No. 87, ***"Leases"*** (GASB No. 87). The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This statement is effective for the Agency in 2022. The Agency is currently assessing the financial statement impact of adopting this statement.

In March 2020, GASB issued SGAS No. 93, ***"Replacement of Interbank Offered Rates"*** (GASB No. 93). The objective of this statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notably, the London Interbank Offered Rate (LIBOR), which is expected to cease to exist in its current form at the end of 2021. This statement provides exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment. By removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap, GASB No. 93 identifies the Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates to replace LIBOR. This statement is effective for the Agency in

2022. The Agency is currently assessing the financial statement impact of adopting this statement but does not expect it to be material.

In March 2020, GASB issued SGAS No. 94, ***"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"*** (GASB No. 94). The primary objective of this statement is to provide guidance for accounting and financial reporting related to public-private and public-public partnership arrangements (PPPs) and availability payment arrangements (APAs). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This statement is effective for the Agency in 2023. The Agency is currently assessing the financial impact of adopting this statement but does not expect it to be material.

In May 2020, GASB issued SGAS No. 96, ***"Subscription-Based Information Technology Arrangements"*** (GASB No. 96). This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. The statement (1) defines a SBITA as a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction; (2) establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in GASB No. 87, ***"Leases,"*** as amended. This statement is effective for the Agency in 2023. The Agency is currently assessing the financial statement impact of adopting this statement.

In June 2020, GASB issued SGAS No. 97, ***"Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans"*** (GASB No. 97). The primary objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. This statement is effective for the Agency in 2022. The Agency is currently assessing the financial statement impact of adopting this statement but does not expect it to be material.

NOTE 3. ASSIGNMENT AND ASSUMPTION AGREEMENTS

The Agreements between the Agency and CVFA, SCA and SPA, transferred the operation and ownership of the assigned Power Plants to the Agency for operational and administrative efficiencies. On November 1, 2021, CVFA, SCA and SPA transferred assets and obligations to the Agency and ceased operations. The transfer meets the definition of a transfer of operations under GASB Statement No. 69, ***"Government Combinations and Disposals of Government Operations"*** (GASB No. 69). In accordance with GASB No. 69, the Agency reported 2021 operations of the assigned Power Plants as of November 1, 2021. The calendar year of 2020 has not been restated and therefore only includes the Agency's information. As a result of the transfer, the Agency recognized the following assets, liabilities, and net position:

	CVFA	SCA	SPA	Total
Transferred Assets				
Electric utility plant - net				
Plant in service - net	$ 27,114,106	$ 44,021,749	$ 40,060,087	$ 111,195,942
Construction in process	13,008	-0-	62,517	75,525
Total electric utility plant - net	27,127,114	44,021,749	40,122,604	111,271,467
Current assets				
Unrestricted cash and cash equivalents	5,267,217	21,015,704	11,716,013	37,998,934
Receivables:				
Power sales to Member	3,937,967	8,771,735	4,544,597	17,254,299
Steam sales	447,292	621,938	-0-	1,069,230
Accrued interest and other	594	2,945	1,461	5,000
Material and supplies	2,346,458	4,282,052	4,631,954	11,260,464
Prepayments	422,946	618,053	411,288	1,452,287
Total current assets	12,422,474	35,312,427	21,305,313	69,040,214
Noncurrent assets				
Other	1,406	703	1,055	3,164
Total noncurrent assets	1,406	703	1,055	3,164
Deferred outflows of resources				
Deferred ARO outflow	1,444,585	-0-	-0-	1,444,585
Total deferred outflows of resources	1,444,585	-0-	-0-	1,444,585
Total Transferred Assets	$ 40,995,579	$ 79,334,879	$ 61,428,972	$ 181,759,430
Transferred Liabilities				
Current liabilities				
Accounts payable	$ 1,625,640	$ 713,301	$ 1,010,217	$ 3,349,158
Payable due to Member	1,623,164	3,613,961	3,232,421	8,469,546
Other liabilities	9,466	-0-	-0-	9,466
Total current liabilities	3,258,270	4,327,262	4,242,638	11,828,170
Noncurrent liabilities				
Accrued decommissioning	8,633,060	-0-	-0-	8,633,060
Total noncurrent liabilities	8,633,060	-0-	-0-	8,633,060
Total Transferred Liabilities	$ 11,891,330	$ 4,327,262	$ 4,242,638	$ 20,461,230
Net Position of Transferred Operations	$ 29,104,249	$ 75,007,617	$ 57,186,334	$ 161,298,200

NOTE 4. ELECTRIC UTILITY PLANT

The Agency had the following electric utility plant activity during 2021:

	Balance January 1, 2021	Additions	Adjustments/ Transfers/ Disposals	Balance December 31, 2021
Nondepreciable electric utility plant:				
Construction work in progress	$ -0-	$ 1,962,487	$ (143,567)	$ 1,818,920
Land	-0-	-0-	772,000	772,000
Total nondepreciable electric utility plant	-0-	1,962,487	628,433	2,590,920
Depreciable electric utility plant:				
Generation	390,507,984	143,567	555,547,929	946,199,480
Less: accumulated depreciation	(183,449,762)	(16,625,207)	(445,123,986)	(645,198,955)
Total electric utility plant - net	$ 207,058,222	$ (14,519,153)	$ 111,052,376	$ 303,591,445

The Agency had the following electric utility plant activity during 2020:

	Balance January 1, 2020	Additions	Adjustments/ Transfers/ Disposals	Balance December 31, 2020
Nondepreciable electric utility plant:				
Construction work in progress	$ 2,218,147	$ 1,858,262	$ (4,076,409)	$ -0-
Total nondepreciable electric utility plant	2,218,147	1,858,262	(4,076,409)	-0-
Depreciable electric utility plant:				
Generation	388,181,575	4,076,409	(1,750,000)	390,507,984
Less: accumulated depreciation	(169,723,822)	(15,474,370)	1,748,430	(183,449,762)
Total electric utility plant - net	$ 220,675,900	$ (9,539,699)	$ (4,077,979)	$ 207,058,222

NOTE 5. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Equivalents and Investments. The Agency's investments are governed by the California State and Municipal Codes and its Indenture, which allow the Agency investments to include: obligations which are unconditionally guaranteed by the U.S. Government or its agencies or instrumentalities; direct and general obligations of the State or any local agency within the State; bankers' acceptances; commercial paper; certificates of deposit; repurchase and reverse repurchase agreements; medium term corporate notes; LAIF; and money market funds. The Agency's investment policy also includes restrictions for investments relating to maximum amounts invested as a percentage of total portfolio and with a single issuer, maximum maturities, and minimum credit ratings.

Credit Risk. This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. To mitigate the risk, the Agency limits investments to those rated, at a minimum, "A-1" or equivalent for short-term investments and "A" or equivalent for medium-term corporate notes by a nationally recognized rating agency.

Custodial Credit Risk. This is the risk that in the event of the failure of a depository financial institution or counterparty to a transaction, the Agency's deposits may not be returned, or the Agency will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of another party. The Agency does not have a deposit or investment policy for custodial credit risk.

At December 31, 2021 and 2020, $13.9 million and $2.1 million of the Agency's cash balances were uninsured, respectively. The bank balance is also, per a depository pledge agreement between the Agency and the Agency's bank, collateralized at 129 percent and 134 percent of the collective funds on deposit (increased by the amount of accrued but uncredited interest, reduced by deposits covered by Federal Deposit Insurance Corporation) at December 31, 2021 and 2020, respectively. At both December 31, 2021 and 2020, the Agency had money market funds of $8.3 million which were uninsured. The Agency's money market funds are held in trust for the benefit of the Agency.

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Agency places no limit on the amounts invested in any one issuer for federal agency securities. The Agency had no investments subject to this risk at December 31, 2021 and 2020.

Interest Rate Risk. This is the risk that investments are exposed to fair value losses arising from increasing interest rates. Though the Agency has restrictions as to the maturities of some of the investments, it does not have a formal policy for interest rate risk. The Agency had no investments subject to this risk at December 31, 2021 and 2020.

The following schedules present credit risk by type of security held at December 31, 2021 and 2020. The credit ratings listed are from Standard & Poor's. N/A is defined as not applicable to the rating disclosure requirements.

The Agency's cash and cash equivalents consist of the following:

	Credit Rating	December 31, 2021	December 31, 2020
Cash and Cash Equivalents:			
Deposits	N/A	$ 14,129,496	$ 2,381,815
LAIF	Not Rated	47,245,656	13,231,822
Money market funds	AAAm	8,254,654	8,252,135
Total cash and cash equivalents		$ 69,629,806	$ 23,865,772

The Agency's cash and cash equivalents are classified in the Statements of Net Position as follows:

	December 31, 2021	December 31, 2020
Cash and Cash Equivalents:		
Debt service funds	$ 8,254,654	$ 8,252,135
Unrestricted funds	61,375,152	15,613,637
Total cash and cash equivalents	$ 69,629,806	$ 23,865,772

NOTE 6. LONG-TERM DEBT

The Agency issued $193.3 million of 2015 Cosumnes Project Revenue Refunding Bonds (Bonds) in June 2015 with interest rates ranging from 2.0 percent to 5.0 percent, maturing July 2030.

The Agency's long-term debt is presented below:

	December 31, 2021	December 31, 2020
2015 Cosumnes project revenue refunding bonds, fixed rates 5.00%, 2022-2030	$ 101,185,000	$ 112,085,000
Unamortized premium - net	9,685,892	11,967,421
Total long-term debt	110,870,892	124,052,421
Less: amounts due within one year	(11,450,000)	(10,900,000)
Total long-term debt - net	$ 99,420,892	$ 113,152,421

The following summarizes long-term debt activity for the year ended December 31, 2021:

	January 1, 2021	Additions	Refunding, Payments or Amortization	December 31, 2021
Cosumnes project revenue bonds	$ 112,085,000	$ -0-	$ (10,900,000)	$ 101,185,000
Unamortized premiums - net	11,967,421	-0-	(2,281,529)	9,685,892
Total long-term debt	$ 124,052,421	$ -0-	$ (13,181,529)	$ 110,870,892

The following summarizes long-term debt activity for the year ended December 31, 2020:

	January 1, 2020	Additions	Refunding, Payments or Amortization	December 31, 2020
Cosumnes project revenue bonds	$ 120,795,000	$ -0-	$ (8,710,000)	$ 112,085,000
Unamortized premiums - net	14,486,174	-0-	(2,518,753)	11,967,421
Total long-term debt	$ 135,281,174	$ -0-	$ (11,228,753)	$ 124,052,421

The annual debt service requirements to maturity for Bonds are as follows at December 31, 2021:

Year	Principal	Interest	Total
2022	$ 11,450,000	$ 5,059,250	$ 16,509,250
2023	1,845,000	4,486,750	6,331,750
2024	13,115,000	4,394,500	17,509,500
2025	14,270,000	3,738,750	18,008,750
2026	13,630,000	3,025,250	16,655,250
2027-2030(combined)	46,875,000	5,360,750	52,235,750
Total	$ 101,185,000	$ 26,065,250	$ 127,250,250

Proceeds from the Bonds were used to refund previously issued 2006 Bonds that provided financing for the Project. The Bonds, payable through 2030, are secured solely by a pledge of and lien on the trust estate under the Indenture which includes revenues from the PPA and investment income from funds established under the Indenture.

The Agency has pledged future net revenues to repay $101.2 million for the Bonds at December 31, 2021 and $112.1 million at December 31, 2020. Annual principal and interest payments on the Bonds required approximately 11.5 percent and 10.4 percent of the Agency's net revenues for 2021 and 2020, respectively. The total principal and interest remaining to be paid on the Bonds is $127.3 million and $143.8 million at December 31, 2021 and 2020, respectively. Debt service payments are made semi-annually on January 1 and July 1. Principal and interest paid was $16.5 million and $14.7 million for 2021 and 2020, respectively. Total net revenues were $143.2 million and $141.9 million for 2021 and 2020, respectively.

The payments of principal and interest related to the Agency's long-term debt are not dependent upon the continued successful operation of the Project. SMUD guarantees to make payments in an amount sufficient to pay principal and interest and all other payments required to be made under the Indenture, under a "take-or-pay" contract. The Agency is not required to repay SMUD for any amounts paid under this guarantee.

Terms of Debt Indenture. The debt indenture contains a provision that in an event of default, the holders of the majority of the debt outstanding are entitled to declare the outstanding amounts due immediately.

NOTE 7. ACCRUED DECOMMISSIONING

Asset Retirement Obligation (ARO). The Agency accounts for the ARO associated with the future retirement of Carson. GASB No. 83 requires the measurement of the ARO be based on the best estimate of the current value of the outlays expected to be incurred and the current value be adjusted for the effects of the general inflation or deflation at least annually. In addition, it also requires a government to evaluate relevant factors that may significantly change the estimated asset retirement outlays.

The Agency's ground lease agreement with the SRCSD for Carson requires to restore the premises to its original condition upon termination of the contract. In 2018 a study to determine the current value of the asset retirement obligation was conducted by an external contractor who specializes in decommissioning studies. The expected costs and scope of work were based on the 2018 cost estimate and assumes a contractor will be responsible for the work and that decommissioning would take place between 2025 and 2027. The result of this study was used to determine the balance of the ARO and the deferred outflows at January 1, 2018. The Agency used the annual All Urban Consumer Price Index to adjust this obligation for inflation in 2021. At December 31, 2021, the remaining useful life of the Agency's assets is four years.

NOTE 8. INSURANCE PROGRAMS

The Agency purchases commercial property and casualty insurance coverage at levels consistent with coverages on similar facilities. The policies' deductible dollar amounts vary depending on the type of coverage. Excess liability coverage for most claims against the Agency is $140.0 million and property is covered under an all-risk policy to replacement value. Generally, the maximum risk that the Agency would be exposed to is limited to $5.0 million for most casualty claims and $5.0 million for property claims. No claims have exceeded the limits of property or liability insurance in any of the past three years. There were no significant reductions in coverage compared to the prior year.

NOTE 9. FAIR VALUE MEASUREMENTS

SGAS No. 72, ***"Fair Value Measurement and Application"*** (GASB No. 72), defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The Agency utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique.

GASB No. 72 establishes a fair value hierarchy that prioritizes the inputs 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) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy defined by GASB No. 72 are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs that reflect the Agency's own assumptions about factors that market participants would use in pricing the asset or liability.

The valuation methods of the fair value measurements are disclosed below. All of the Agency's investments are valued using Level 2 inputs.

- LAIF - uses the fair value of the pool's share price multiplied by the number of shares held. This pool can include a variety of investments such as U.S. government securities, federal agency securities, negotiable certificates of deposit, bankers' acceptances, commercial paper, corporate bonds, bank notes, and other investments. The fair values of the securities are generally based on quoted and/or observable market prices.

The following table identifies the level within the fair value hierarchy that the Agency's financial assets and are accounted for on a recurring basis as of December 31, 2021 and 2020, respectively. As required by GASB No. 72, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Agency's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of the fair value of liabilities and their placement within the fair value hierarchy levels.

Recurring Fair Value Measures (Level 2)

	December 31,	
	2021	2020
Investments reported as Cash and Cash Equivalents:		
LAIF	$ 47,245,656	$ 13,231,822
Total fair value investments	$ 47,245,656	$ 13,231,822

NOTE 10. COMMITMENTS

Natural Gas Interconnection and Supply Agreements. Pursuant to the Natural Gas Interconnection and Supply Agreements, SMUD supplies all of the natural gas requirements of the Project and the assigned Power Plants. The Agency pays for the actual supply, storage and transportation costs for the fuel supplied to the Project and the assigned Power Plants as specified in the agreements for 30 years following acceptance. The agreements will be in effect for Carson through October 2025, for Procter and Gamble through March 2027, for Campbell through December 2027 and for the Project through September 2039.

Operation and Maintenance Agreements. Ethos serves as the Operator and is responsible for the primary operation, repair, overhaul and maintenance services of the Project and the assigned Power Plants. The Agency pays for such services according to the terms of the agreements and provides, at no cost to Ethos, fuel, water, and power not already provided for in other agreements. At December 31, 2021, the minimum annual commitment to Ethos was approximately $11.6 million.

Ground Lease Agreements. The Agency leases land for the Project from SMUD under the ground lease agreement expiring December 2040. The minimum lease payment increases by three percent annually and the rate is renegotiated based on the average Consumer Price Index every five years. For Carson, the Agency leases land from SRCSD under the ground lease agreement expiring October 2025. The minimum lease payment increases by the escalation in SRCSD's average electric power cost. For Campbell and McClellan, the Agency leases land from SMUD under the ground lease agreement expiring December 2030. The minimum lease payment increases or decreases by the Producer Price Index annually. At December 31, 2021, the Agency's annual minimum lease payment was approximately $0.4 million.

Water Supply Agreement. Pursuant to the Water Supply Agreement, SMUD supplies water to the Agency. The Agency is obligated to pay for the actual water supply, storage, and transportation costs for 30 years through September 2039.

Commodity Agreement. Carson provides SRCSD's sewage treatment plant with all of the steam required for its operation and emergency power should the outside power supply become disrupted. The Agency also purchases a minimum of 90 percent of the digester gas made available to Carson by the sewage treatment plant, provided the gas meets standards set forth in this agreement, as amended, which expires in October 2025.

NOTE 11. CONTINGENCIES

General Contingencies. In the normal operation of business, the Agency is party to various claims, legal actions and complaints. Management and the Agency's legal counsel believe that there are no material loss contingencies that would have a material adverse impact on the financial position of the Agency.