The Water Supply core business is responsible for all functions related to the development and provision of additional water resources. In order to support the costs associated with these initiatives, in 2000, SAWS implemented a separate funding mechanism, known as the Water Supply Fee, for water supply development and water quality protection.

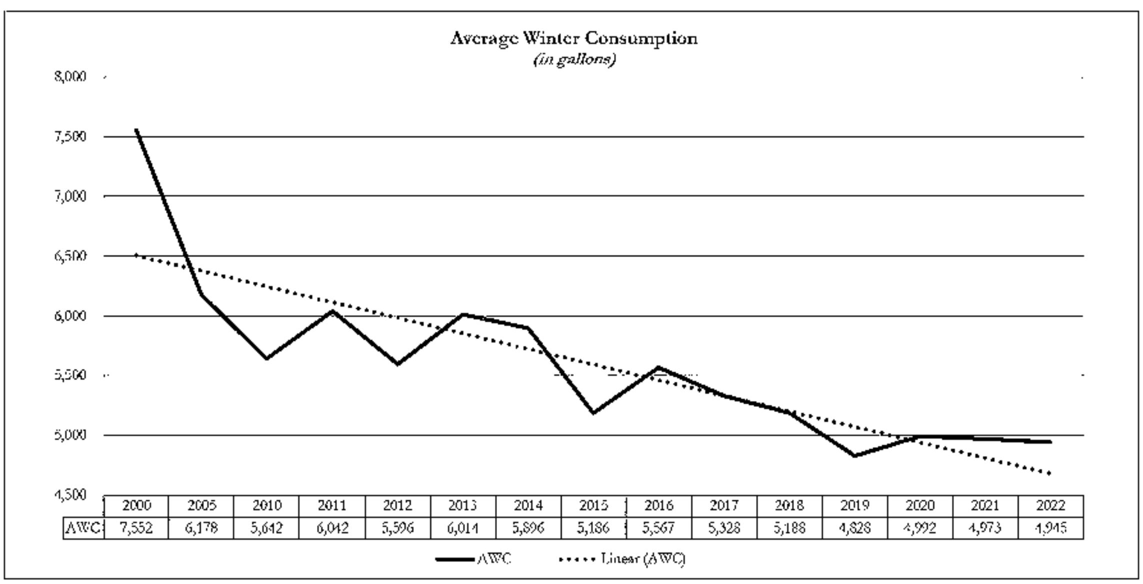
Certain other charges are also included in Water Supply operating revenues including the following:

- pass-through fees designed to recoup the annual fees paid to the Edwards Aquifer Authority (EAA) for permitted water rights,
- meter fees and volumetric charges to customers utilizing recycled water for industrial or irrigation purposes and
- allocated portions of water delivery revenues designed to fund residential and commercial conservation programs and debt service associated with water supply and recycle projects in progress prior to the implementation of a separate Water Supply Fee in 2000.

Water Supply operating revenues increased $52.5 million or 19.2% from 2021 to $325.5 million in 2022 primarily due to the 11.2% increase in biled water usage discussed previously. Water Supply operating revenues decreased $22.7 million or 7.7% from 2020 to $273.0 million in 2021 primarily due to the 4.7% reduction in billed water usage somewhat amplified by the tiered nature of the Water Supply Fee and the lack of a fixed portion to this fee.

The collection and treatment of wastewater is the primary function of the Wastewater core business. More than half of Wastewater operating revenues are generated by residential customers. The residential portion of Wastewater operating revenue is calculated based upon the average metered water usage of each residential wastewater customer during a three consecutive month billing period from November 15th through March 15th. This average, referred to as the average winter consumption (AWC), goes into effect with the April billing each year and continues for a period of twelve months.

The following chart depicts SAWS' AWC since 2000. While periods of extremely dry weather lead to spikes in the AWC, water conservation efforts have resulted in an overall downward trend in the AWC. The AWC reached its all-time low of 4,828 gallons in 2019, experienced a 3.4% increase to 4,992 gallons in 2020 and then largely held flat at 4,973 gallons in 2021 and 4,945 gallons in 2022.



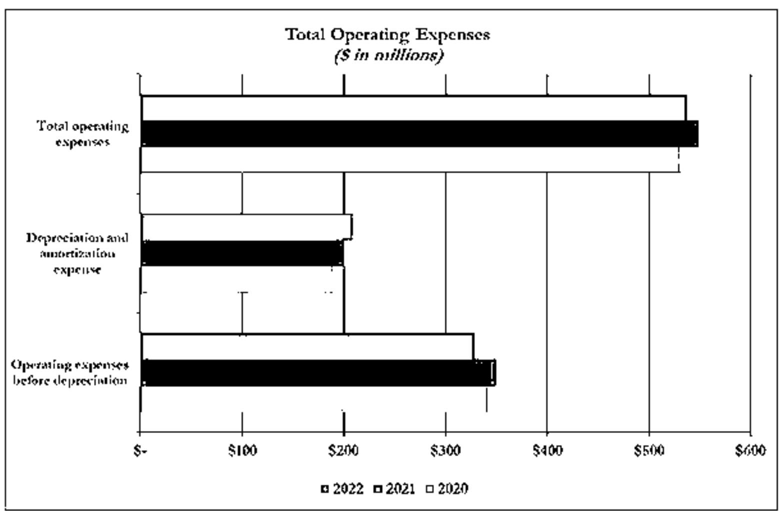
	2000	2005	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
AWC	7,552	6,178	5,642	6,042	5,596	6,014	5,896	5,186	5,567	5,328	5,188	4,828	4,992	4,973	4,945

Wastewater customer growth of 2.6% and increased usage in the residential class and the general class, which consists of commercial, multi-family and industrial customers, led to an increase of $15.1 million or 5.4% from 2021 to $295.2 million in 2022. The increase in the residential class usage was directly related to the 2.8% growth in residential wastewater customers. The increase in the general class usage is primarily due to the continued economic rebound experienced by many of these customers subsequent to the COVID related economic slow down. Wastewater customer growth of 2.9% and increased usage in the general class led to an increase of $13.7 million or 5.2% from 2020 to $280.0 million in 2021.

The Chilled Water core business is responsible for providing cooling services to customers, including various downtown hotels, City of San Antonio facilities, the Alamodome, Port Authority of San Antonio tenants and Hemisfair Plaza tenants. Operating revenues for this core business consist of a fixed base load demand charge for each customer and a pass-through charge to recover utility costs. Chilled water revenues increased $0.9 million or 8.2% from 2021 to 2022 largely reflecting the 2022 implementation of a 10% increase in the demand charge, which represents the first such increase in more than 15 years. As a result of the initial economic rebound from COVID-19, the operating revenues for this core business increased $0.9 million or 9.4% from 2020 to 2021.

Operating Expenses

Total 2022 operating expenses of $536.5 million decreased $12.0 million or 2.2% from 2021 largely due to GASB 68 (pension) and GASB 75 (Other Post Employment Benefits-OPEB) related credits along with decreased pension and OPEB actuarial determined contributions. Contractual services increased $12.8 million or 6.3% in 2022 primarily reflecting increased spending on chemicals, maintenance materials and utilities associated with supply chain delays and inflationary pressures. Depreciation and amortization expense increased $9.1 million or 4.6% in 2022 as a result of capital additions during the year. Salary and benefit related costs decreased $5.7 million or 3.7% from 2021 to 2022 largely due to GASB 68 (pension) related credits for active employees. SAWS has taken a number of steps during the last several years to reduce its liability associated with OPEB. As a result of these actions, the yearly totals for other charges, which includes amounts recorded in connection with GASB Statement No. 75 (OPEB), have been credits. The credit for 2022 was $35.7 million or 624% more than that recorded in 2021. In 2022, SAWS changed Medicare Advantage providers. The new contract provides coverage at no charge to the employer and retirees for three years. The impact of this change provided the majority of the increase in this credit.



Total 2021 operating expenses of $548.5 million increased $17.7 million or 3.3% from 2020 primarily due to the impact of a full year of spending on the Vista Ridge Pipeline Project purchased water in combination with a full year of depreciation expenses related to the project's capital assets. Contractual services increased $19.1 million or 10.4% in 2021 primarily reflecting increased spending on purchased water payments and utilities associated with the Vista Ridge Pipeline Project. Depreciation and amortization expense increased $10.5 million or 5.5% in 2021 primarily as a result of a full year of depreciation related to the $929.3 million of the project's related assets added in 2020. Salary and benefit related costs decreased $9.1 million or 5.6% from 2020 to 2021 largely due to GASB 68 (pension) and GASB 75 (OPEB) related credits along with decreased pension and OPEB actuarial determined contributions. Other Charges decreased $3.3 million or 137.9% primarily due to GASB 75 (OPEB) related credits, which are associated with retirees.

Non-operating Revenues/Expenses

Non-operating revenues consist of interest income earned on investments, the mark to market adjustment recorded on SAWS' investment portfolio and the federal interest subsidy on SAWS Build America Bonds (BABs). During 2022, short term interest rates began to rise from their historically low levels. These rising short term rates resulted in a $9.2 million increase in interest income from 2021 and a ($31.6) million increase in the negative mark to market adjustment for 2022. Extremely low short term interest rates throughout the entirety of 2021 resulted in an $8.2 million reduction in interest income as compared to 2020, while the anticipation of higher levels of short-term interest rates going forward resulted in an ($11.4) million increase in the negative mark to market adjustment during 2021.

Non-operating expenses increased $4.8 million or 2.8% in 2022 primarily due to increased payments to the City of San Antonio. Payment to the City of San Antonio increased $4.1 million as a result of the increase in gross revenues. Non-operating expenses increased $11.2 million or 7.1% in 2021 primarily due to the impact of a full year of interest expense for the Vista Ridge contract liability partially offset by a $0.9 million reduction in the payment to the City of San Antonio, resulting from the decline in gross revenues.

In addition, the Medina Treatment Plant that had been idled during the 2011-2014 drought was deemed permanently impaired as of December 31, 2022. The $7.2 million remaining book value of the plant was written off. Based on the unusual nature of event, the loss was recorded as a special item in the Statements of Revenues, Expenses and Changes in Net Position.

Capital Contributions

Capital contributions for 2022 totaled $281.7 million which represents an increase of $42.1 million from 2021 while in 2021, capital contributions totaled $239.7 million, an increase of $30.9 million from 2020. Development activity was strong for a majority of 2022 with some slowing during the last quarter of the year. As a result, contributions in aid of construction increased 785% from $1.4 million in 2021 to $12.7 million in 2022 and plant contributions increased 37% to $139.2 million.

Development activity was also robust in 2021, resulting in strong growth in plant contributions as well as capital recovery fees. The Edwards Aquifer Authority Habitat Conservation Program's obligation to contribute to capital improvements made to address water leaks in the SAWS distribution system ended in January 2020, which resulted in a 55% reduction in contributions in aid of construction for 2021.

CAPITAL CONTRIBUTIONS	As of December 31,			2022-2021		2021-2020	
($ in thousands)	2022	2021	2020	Increase (Decrease)	% Change	Increase (Decrease)	% Change
Plant Contributions	$ 139,211	$ 101,251	$ 85,955	$ 37,960	37%	$ 15,296	18%
Capital Recovery Fees	129,788	136,963	119,571	(7,175)	(5%)	17,392	15%
Contributions in Aid of Construction	12,747	1,441	3,206	11,306	785%	(1,765)	(55%)
Total Capital Contributions	$ 281,746	$ 239,655	$ 208,732	$ 42,091	18%	$ 30,923	15%

CAPITAL ASSET ACTIVITY

During 2022, SAWS' total capital assets (net of accumulated depreciation) grew from $7.1 billion to $7.5 billion, while during 2021, net capital assets increased from $6.8 billion to $7.1 billion. The increase from 2021 to 2022 is primarily due to SAWS' spending on CIP projects combined with developer contributions of infrastructure.

The overall investment in capital assets includes water and wastewater mains and other related infrastructure, buildings and improvements, land, machinery and equipment, water rights, other intangible assets and construction in progress. Capital asset additions were $580.4 million in 2022 and $484.1 million in 2021.

The following table shows capital assets by asset category for each year.

CAPITAL ASSETS				2022-2021		2021-2020	
		As of December 31,		Increase	%	Increase	%
($ in thousands)	2022	2021	2020	(Decrease)	Change	(Decrease)	Change
Infrastructure	$ 6,992,208	$ 6,692,236	$ 6,410,496	$ 299,972	4%	$ 281,740	4%
Buildings and improvements	1,081,132	1,066,093	1,008,665	15,039	1%	57,428	6%
Machinery and equipment	834,233	800,075	786,163	34,158	4%	13,912	2%
Water rights	248,881	248,881	248,881	-	0%	-	0%
Land	173,669	169,022	162,438	4,647	3%	6,584	4%
Intangibles	61,174	57,290	57,331	3,884	7%	(41)	0%
Construction in progress	775,306	603,821	521,627	171,485	28%	82,194	16%
Less Accumulated depreciation	(2,687,033)	(2,520,370)	(2,355,308)	166,663	7%	165,062	7%
Total Capital Assets	$ 7,479,570	$ 7,117,048	$ 6,840,293	$ 362,522	5%	$ 276,755	4%

Major capital asset spending for the year ended December 31, 2022 included the following projects:

- W-6 Upper Segment: Hwy 90 to SW Military – This project, which is part of the Consent Decree, involves replacing aging and under capacity infrastructure that currently runs through Lackland Air Force Base. Spending during the year totaled $53.2 million and this project was in progress at year end, with a capital investment over the term of the project currently estimated at $196.4 million.

- Water Resources Water Integration Pipeline Phase 2 – This project includes the pipeline necessary to connect the Old Pearsall Road pump station to the Anderson pump station. Spending during the year totaled $19.0 million and this project was in progress at year end. The capital investment over the term of the project is estimated at $44.9 million.

- ConnectH2O Advanced Metering – This project includes the full system-wide implementation of the advanced metering infrastructure, which began in 2022 and is expected to run through 2026. Spending during the year totaled $15.9 million and this project was in progress at year end. The capital investment over the term of the project is currently estimated at $183.6 million.

Construction in progress was $775.3 million at December 31, 2022 and $603.8 million at December 31, 2021. The increase in construction in progress was partially due to the projects listed above in addition to other Consent Decree, water main replacement and chilled water projects. Overall, SAWS is committed under various contracts for completion of construction or acquisition of capital assets totaling $784.9 million as of December 31, 2022. For further information on capital assets, refer to Note E.

LONG-TERM DEBT ACTIVITY

In 2022, SAWS issued $435.6 million in junior lien bonds in three transactions. The proceeds of the bonds, including premiums, were used to refund $204.9 million in revenue bonds, provide funds for capital improvement projects and pay the cost of issuance. Additionally, SAWS used cash on hand to redeem $66.2 million in revenue bonds issued in 2012.

In 2021, SAWS issued $372.8 million in junior lien bonds in two transactions. The proceeds of the bonds, including premiums, were used to refund $112.4 million in revenue bonds, provide funds for capital improvement projects and pay the cost of issuance. Additionally, SAWS issued $20 million in commercial paper notes to provide funds for capital improvement projects while using cash on hand to redeem $33.9 million in revenue bonds issued in 2011.

SAWS intends to reissue maturing commercial paper and ultimately refund such maturities with proceeds from the issuance of long-term revenue bonds. Consistent with this intent, SAWS classifies outstanding commercial paper notes as long-term debt.

In September 2022, the three major rating agencies reviewed SAWS' credit ratings, with S&P Global upgrading the Junior Lien rating to AA+ from AA, Fitch Ratings revising it's Rating Outlook to Positive from Stable, and Moody's Investors Service affirming the credit rating. SAWS' high quality credit ratings are based on its large and diverse service area, sound financial management, long-term planning for water supply and infrastructure needs, and competitive water and wastewater rates. SAWS' commercial paper ratings were last updated in September 2018 based on a new revolving credit agreement with JPMorgan Chase Bank, N.A., with the existing revolving credit agreement with Wells Fargo Bank, N.A.being reaffirmed. For additional information on the commercial paper program, refer to Note H.

BOND AND COMMERCIAL PAPER RATINGS				
			Tax-Exempt Commercial Paper	
	Senior Lien Debt	Junior Lien Debt	Series A	Series B
Fitch Ratings	AA+	AA	F1+	F1+
Moody's Investors Service, Inc.	Aa1	Aa2	P-1	P-1
S&P Global Ratings	AA+	AA+	A-1+	A-1+

SAWS' bond ordinances require the maintenance of a debt coverage ratio of at least 1.25x the current annual debt service on outstanding senior lien debt and at least 1.00x the current year annual debt service on outstanding junior lien debt. As of December 31, 2022, and 2021, SAWS was in material compliance with the terms and provisions of the ordinances and documents related to its outstanding bonds and commercial paper. In 2018, SAWS began excluding non-cash revenues and expenses from the pledged revenue calculation, including mark-to-market investment adjustments, certain pension & OPEB related expenses and the write-off of impaired construction in progress projects. With the commencement of the operational phase in April 2020, SAWS began recording the Vista Ridge infrastructure payment portion of the Capital and Raw Groundwater unit price payment as a financed purchase and the water agreement portion of this amount as an operating expense. However, in calculating the debt coverage ratios for both 2021 and 2022, in a manner consistent with the provisions of its bond ordinances, SAWS has recorded the entirety of the Vista Ridge capital and raw groundwater unit price payment as an operating expense.

FINANCIAL RATIOS	2022	2021	2020
Current Year Debt Coverage‡:			
Senior Lien Debt	30.19x	10.30x	9.68x
All Debt	2.20x	1.69x	2.11x
Maximum Annual Debt Coverage‡:			
Senior Lien Debt	30.19x	10.30x	9.68x
All Debt	1.88x	1.57x	1.91x
Net Position Ratio			
(net position/total liabilities + net position)	48.8%	46.7%	45.5%
Days Cash on Hand			
(unrestricted cash & investments/O&M expense before depreciation * 365)	490	452	463

‡ Debt service is net of federal interest subsidy.

ECONOMIC OUTLOOK FOR THE FUTURE

In order to comply with the requirements of the Consent Decree, entered into in 2013, as well as to procure sufficient supplies of water to meet the demands of a rapidly growing city, SAWS implemented water and sewer rate adjustments during each of the 10 years from 2011 to 2020, with the last of these rate adjustments taking effect in January 2020.

In March of 2020, the COVID-19 pandemic profoundly disrupted economic activity and reduced employment across the world, the nation and in San Antonio. Significant economic hardships were imposed upon our customers as job layoffs and eliminations occurred throughout the community. In order to limit any further adverse economic impacts on the community, the goal of SAWS' 2021 through 2023 budget processes was to continue to provide *Sustainable, Affordable Water Services* without the need for an adjustment in water or wastewater rates. Simultaneously, SAWS needs to continue to make prudent and necessary operational expenditures and capital investments in order to ensure the resiliency of its service provision capabilities as well as to comply with the terms of the still active Consent Decree. Given the excellent financial condition of the organization, including its strong balance of cash reserves, SAWS has been able to meet each of those competing objectives in each of the last three years.

San Antonio continues to grow with SAWS experiencing 2.6% and 2.9% growth in the average number of customers served, in 2022 and 2021, respectively. Due to a number of factors, the San Antonio region is positioned to see continued growth during the foreseeable future. While customer growth can help offset increasing operating costs and SAWS can utilize its strong financial condition to further mitigate rate pressures in the short-term, eventually required capital improvements to address infrastructure issues, including SAWS' Consent Decree as well as its Water and Wastewater Master Planning efforts, will require future rate adjustments, albeit at a lesser rate and reduced frequency than has been experienced during the recent past.

CONTACTING SAWS' FINANCIAL MANAGEMENT

This Annual Comprehensive Financial Report is provided to our citizens, customers, investors and creditors as a general overview of SAWS' financial condition and results of operation with a general explanation of the factors affecting the finances of the organization. It is provided to demonstrate SAWS' accountability for the revenues it collects and the expenditures it makes for the services provided. If you have questions about this report or need additional financial information, contact either of the following:

Cecilia Velasquez
Vice President - Financial Services/Controller
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Executive Vice President/Chief Financial Officer
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San Antonio Water System
PO Box 2449
San Antonio, TX 78298

Information about the San Antonio Water System can also be obtained through the Internet at www.saws.org.

BASIC FINANCIAL STATEMENTS

San Antonio Water System
STATEMENTS OF NET POSITION
(amounts in thousands)

	December 31, 2022	December 31, 2021 (Restated)
CURRENT ASSETS		
Unrestricted Current Assets		
Cash and cash equivalents	$ 222,058	$ 165,654
Investments	394,966	373,994
Accounts receivable, net of allowances for uncollectible accounts	86,062	85,591
Other current assets	21,245	16,648
Total unrestricted current assets	724,331	641,887
Restricted Current Assets:		
Cash and cash equivalents	23,902	76,126
Investments	191,724	127,901
Total restricted current assets	215,626	204,027
Total Current Assets	939,957	845,914
NONCURRENT ASSETS		
Unrestricted Noncurrent Assets		
Accounts receivable	3,959	4,264
Restricted Noncurrent Assets:		
Cash and cash equivalents	117,088	185,208
Investments	503,034	451,377
Net pension asset	22,421	3,568
Net OPEB asset	39,039	-
Capital Assets:		
Utility plant in service	8,968,377	8,615,324
Less allowance for depreciation	2,687,033	2,520,370
	6,281,344	6,094,954
Land, water rights and other intangible assets	422,920	418,273
Construction in progress	775,306	603,821
Total capital assets (net of accumulated depreciation)	7,479,570	7,117,048
Total Noncurrent Assets	8,165,111	7,761,465
TOTAL ASSETS	9,105,068	8,607,379
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on bond refunding	21,332	22,005
Deferred outflows - asset retirement obligations	35,462	32,108
Deferred outflows - pension	14,928	13,672
Deferred outflows - OPEB	10,554	12,818
Accumulated decrease in fair value of hedging derivative instrument	1,553	10,357
Total Deferred Outflows of Resources	83,829	90,960
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 9,188,897	$ 8,698,339

San Antonio Water System
STATEMENTS OF NET POSITION (continued)
(amounts in thousands)

	December 31, 2022	December 31, 2021 (Restated)
CURRENT LIABILITIES		
Current Liabilities To Be Paid From Unrestricted Assets		
Accounts payable	$ 41,204	$ 34,007
Customers' deposits	17,197	16,567
Contract payable	17,033	16,415
Accrued vacation payable	7,024	6,148
Accrued payroll and benefits	2,508	1,739
Accrued claims payable	8,513	8,821
Sundry payables and accruals	1,392	1,686
Total unrestricted current liabilities	94,871	85,383
Current Liabilities To Be Paid From Restricted Assets		
Accrued interest payable	17,641	15,507
Payables under construction contracts	55,967	46,562
Commercial paper notes	4,640	4,435
Revenue bonds payable within one year	73,745	80,910
Total restricted current liabilities	151,993	147,414
Total Current Liabilities	246,864	232,797
NONCURRENT LIABILITIES		
Contract payable	870,799	887,585
Accrued vacation payable	8,608	7,386
Net pension liability	2,671	16,474
Net OPEB liability	-	16,458
Asset retirement obligation	40,305	36,191
Derivative instrument	3,434	12,545
Commercial paper notes	224,945	229,585
Revenue bonds payable after one year, net of unamortized premiums and discounts	3,218,835	3,126,091
Total Noncurrent Liabilities	4,369,597	4,332,315
TOTAL LIABILITIES	4,616,461	4,565,112
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pension	47,121	32,712
Deferred inflows - OPEB	32,893	33,279
Deferred inflows - gain on bond refunding	8,555	-
Deferred inflows - leases	4,264	4,552
Total Deferred Inflows of Resources	92,833	70,543
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	4,709,294	4,635,655
NET POSITION		
Net investment in capital assets	3,521,405	3,182,373
Restricted for operating reserve	78,553	75,675
Restricted for debt service	63,465	66,283
Restricted for debt service reserve	12,275	16,984
Restricted for construction	192,883	243,927
Restricted for pension and OPEB benefits	61,460	3,568
Unrestricted	549,562	473,874
TOTAL NET POSITION	$ 4,479,603	$ 4,062,684

The accompanying notes to financial statements form an integral part of this statement.

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San Antonio Water System
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
For the Years Ended December 31,
(amounts in thousands)

	2022	2021
OPERATING REVENUES		
Water delivery system	$ 244,748	$ 215,484
Water supply system	325,485	273,008
Wastewater system	295,162	280,014
Chilled water system	11,712	10,826
Total operating revenues	877,107	779,332
OPERATING EXPENSES		
Salaries and fringe benefits	149,045	154,788
Contractual services	216,418	203,658
Material and supplies	34,638	27,707
Other charges	(41,371)	(5,714)
Less costs capitalized to construction in progress	(30,647)	(31,244)
Total operating expenses before depreciation	328,083	349,195
Depreciation and amortization expense	208,462	199,332
Total operating expenses	536,545	548,527
Operating income	340,562	230,805
NON-OPERATING REVENUES/(EXPENSES)		
Interest earned and miscellaneous	(24,053)	(1,654)
Interest expense on revenue bonds and commercial paper	(92,582)	(92,318)
Interest expense on contract payable	(45,116)	(45,930)
Debt issuance and bond defeasance costs	(2,857)	(2,293)
Other finance charges	(2,089)	(1,319)
Gain on defeased debt and bond retirement	2,462	326
Gain on sale of capital assets	308	2,376
Payments to the City of San Antonio	(34,262)	(30,162)
Payments to other entities	-	(23)
Total non-operating revenues/(expenses)	(198,189)	(170,997)
Special item - plant impairment	(7,200)	-
Increase in net position, before capital contributions	135,173	59,808
Capital contributions	281,746	239,655
CHANGE IN NET POSITION	416,919	299,463
NET POSITION, BEGINNING OF YEAR	4,062,684	3,763,221
NET POSITION, END OF YEAR	$ 4,479,603	$ 4,062,684

The accompanying notes to financial statements form an integral part of this statement.

San Antonio Water System
STATEMENTS OF CASH FLOWS
For the years ended December 31,
(amounts in thousands)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 865,300	$ 775,422
Cash received from stormwater and other third party billings	67,824	66,352
Cash paid to vendors for operations	(254,252)	(246,714)
Cash paid to employees for services	(134,157)	(135,802)
Cash paid to third parties for stormwater and other third party billings	(67,650)	(66,204)
Net cash provided by operating activities	477,065	393,054
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payments to the City of San Antonio	(26,833)	(23,716)
Payments to other entities	-	(44)
Net cash used for noncapital financing activities	(26,833)	(23,760)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of capital assets	561	8,448
Proceeds from capital recovery fees	129,788	136,963
Proceeds from contributions in aid of construction	12,747	1,441
Payments for the acquisition and construction of plant and equipment	(431,570)	(384,895)
Payment for principal on contract payable	(16,168)	(14,957)
Payment of interest on contract payable	(45,116)	(45,930)
Proceeds from commercial paper	100,000	20,000
Payments for retirement of commercial paper	(104,435)	(4,240)
Proceeds from revenue bonds	275,000	326,537
Payments for retirement/refunding of revenue bonds	(80,910)	(90,260)
Payment for cash defeasance of bonds	(70,939)	(33,890)
Payments of interest on commercial paper	(4,329)	(4,029)
Payments of interest on revenue bonds	(114,464)	(115,897)
Payments for bond related expenses	(702)	(1,069)
Payments for bank charges	(1,687)	(1,306)
Net cash used for capital and related financing activities	(352,224)	(203,084)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(431,031)	(776,795)
Maturity of investments	253,255	212,361
Interest income and other	15,828	7,205
Net cash used for invesing activities	(161,948)	(557,229)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(63,940)	(391,019)
CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR	426,988	818,007
CASH AND CASH EQUIVALENTS, AT END OF YEAR	$ 363,048	$ 426,988

The accompanying notes to financial statements form an integral part of this statement.

San Antonio Water System
STATEMENTS OF CASH FLOWS (continued)
For the years ended December 31,
(amounts in thousands)

	2022	2021 (Restated)
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENTS OF CASH FLOWS TO STATEMENTS OF NET POSITION		
Cash and Cash Equivalents		
Unrestricted	$ 222,058	$ 165,654
Restricted		
Current	23,902	76,126
Restricted - Noncurrent	117,088	185,208
	$ 363,048	$ 426,988
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	$ 340,562	$ 230,805
Adjustments to reconcile operating income to net cash provided by operating activities:		
Non-cash revenues from City of San Antonio	(7,429)	(6,425)
Provision for uncollectible accounts	4,482	23,996
Charge-off of prior year construction expenditures to operating expense	2,887	1,407
Charge-off of asset retirement obligation	(141)	(75)
Depreciation and amortization expense	208,462	199,332
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
Increase in accounts receivable	(4,647)	(26,276)
Increase in other current assets	(3,153)	(963)
Decrease in deferred outflows - Pension	(1,256)	6,580
Decrease in deferred outflows - OPEB	2,264	2,232
(Increase)/Decrease in accounts payable	6,553	(7,309)
Increase in customers' deposits	630	204
Increase in accrued vacation payable	2,098	337
Increase/(Decrease) in accrued payroll and benefits	769	266
Increase/(Decrease) in claims payables	(309)	617
Decrease in sundry payables and accruals	(289)	60
Decrease in net pension liability/(asset)	(32,656)	(24,993)
Decrease in net OPEB liability/(asset)	(55,497)	(24,541)
Increase in deferred inflows - Pension	14,409	8,902
Increase/(Decrease) in deferred inflows - OPEB	(386)	4,346
Increase/(Decrease) in deferred inflows - Leases	(288)	4,552
Total adjustments	136,503	162,249
Net cash provided by operating activities	$ 477,065	$ 393,054
NONCASH CAPITAL, FINANCING AND INVESTING ACTIVITIES		
Plant contributions received from developers	$ 139,211	$ 101,251
Accrued but unpaid liabilities related to capital acquisitions	55,967	46,562
Unrealized (gain)/loss on investments	41,325	9,679
Bond proceeds deposited into an escrow account for purposes of refunding:		
Revenue Bonds	201,399	112,457
Impairment loss	7,200	-
Retirement of vehicle lease liability	(219)	-
Noncash payments to City of San Antonio	7,429	6,425
Total noncash capital and financing activities	$ 452,312	$ 276,373

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San Antonio Water System Fiduciary Funds
STATEMENTS OF FIDUCIARY NET POSITION
(amounts in thousands)

	December 31, 2022	December 31, 2021
ASSETS		
Cash and cash equivalents	$ 217	$ 146
Investments, at fair value		
Mutual funds - stock	205,805	244,935
Mutual funds - bonds	147,474	170,315
Other Investments	39,135	39,272
Total Investments	392,414	454,522
TOTAL ASSETS	392,631	454,668
LIABILITIES	-	-
Net position restricted for pensions	285,051	333,148
Net position restricted for OPEB	107,580	121,520
NET POSITION RESTRICTED FOR POST EMPLOYMENT BENEFITS	$ 392,631	$ 454,668

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
For the years ended December 31,
(amounts in thousands)

	2022	2021
ADDITIONS		
Employer contributions	$ 18,487	$ 18,567
Participant contributions	3,910	3,795
Investment income/(loss)	(66,531)	50,378
Total additions	(44,134)	72,740
DEDUCTIONS		
Benefit payments	17,410	17,072
Administrative expenses	493	530
Total deductions	17,903	17,602
NET INCREASE/(DECREASE) IN NET POSITION	(62,037)	55,138
NET POSITION RESTRICTED FOR POST EMPLOYMENT BENEFITS - BEGINNING	454,668	399,530
NET POSITION RESTRICTED FOR POST EMPLOYMENT BENEFITS - ENDING	$ 392,631	$ 454,668

The accompanying notes to financial statements form an integral part of these statements.

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: On April 30, 1992, the San Antonio City Council approved Ordinance No. 75686, which provided for the consolidation of all city owned utilities related to water including the water, wastewater, and water reuse systems as SAWS. Management and control of SAWS is vested in the SAWS Board consisting of the Mayor of San Antonio and six members who are appointed by the San Antonio City Council. In addition to appointing members of the Board, the City Council must approve all changes in SAWS rates, disposition of real property and any debt issued by SAWS.

SAWS has been defined in City Ordinance No. 75686 as all properties, facilities, and plants currently owned, operated and maintained by the City of San Antonio, Texas and/or the Board, relating to the supply, storage, treatment, transmission and distribution of treated potable water, and chilled water and the collection, treatment and reuse of wastewater, together with all future extensions, improvements, purchases, repairs, replacements and additions thereto, and any other projects and programs of SAWS.

The City currently manages a stormwater system. The City has not incorporated the stormwater system within SAWS; however, SAWS administers certain aspects of the stormwater program on behalf of the City, including billing and providing certain technical services, for a fee. SAWS has agreements with the City (for stormwater billings) and other entities to provide third party billings.

The fiduciary financial statements include three fiduciary funds related to SAWS employee benefit plans: the San Antonio Water System Retirement Plan (SAWSRP), the District Special Project Retirement Income Plan (DSPRP) and the San Antonio Water System Retiree Health Trust (SAWS OPEB Plan). All three plans are governed by the Board which may amend plan provisions, and which is responsible for the management of plan assets. SAWSRP and DSPRP are single-employer pension plans and are tax-qualified plans under Section 401(a) of the Internal Revenue Code. SAWS OPEB Plan assets are held in a trust established under the provisions of the Internal Revenue Code of 1986 Section 115.

SAWS has no component units, however, the operations of SAWS as reported herewith are included as a discretely presented component unit of the City.

Basis of Accounting: The financial statements of SAWS are prepared using the accrual basis of accounting with the economic resources measurement focus as prescribed by the Governmental Accounting Standards Board (GASB). SAWS operates as a proprietary fund and applies all applicable GASB pronouncements and presents its financial statements in accordance with the GASB Codification of Governmental Accounting and Financial Reporting Standards. Under this approach, all assets, deferred outflows of resources, liabilities and deferred inflows of resources of SAWS are reported in the statement of net position, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The fiduciary fund financial statements are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefit payments and plan expenses are recognized when due and payable in accordance with the terms of the plan.

During the year, SAWS implemented the following GASB Statements.

- GASB Statement No. 87, *Leases*. This Statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It 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 this Statement, 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, thereby enhancing the relevance and consistency of information about governments' leasing activities. SAWS adopted the requirements of GASB Statement No. 87 effective January 1, 2022. SAWS presents two-year comparative financial statements. As a result, 2021 was restated to recognize the lease receivable and inflow of resources associated with the leases where SAWS was the lessor. Based on a review of the lease population, it was determined that leases where SAWS was the lessee were immaterial and would not be recognized at this time. This included the lease liability that was recorded in 2020 for certain fleet vehicles. Consequently, the liability was written off, the associated assets were retired and a $6,323 gain on disposal was recognized. As of December 31, 2021, SAWS recorded a short-term lease receivable of $287,870, a long-term lease receivable of $4,264,096 and deferred inflow-leases of $4,551,966. As of December 31, 2022, SAWS adjusted the short-term lease receivable to $305,393, the long-term receivable to $3,958,703 and the deferred inflow-leases to $4,264,096 based on the stated interest rates within each contract. If no interest rate was stated, SAWS used the Jeffries AAA rate in effect at the beginning of the lease. (See Note M for additional information on GASB Statement No. 87 and Note N for details regarding the restated net position).

- GASB Statement No. 91, *Conduit Debt Obligations*. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations and related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. SAWS has not issued conduit debt for the benefit of third-party obligors and was not impacted by this Statement.

- GASB Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement includes changes to specific provisions involving GASB Statements No. 10, No. 31, No. 34, No. 48, No. 53, No. 62, No. 67, No. 68, No. 73, No. 74, No. 84, and No. 87. Paragraphs 4-5 covers the implementation date of GASB No. 87. SAWS adopted GASB No. 87 in 2022 in accordance with GASB No. 95. Paragraph 6 addresses intra-entity transfers covered by GASB No. 48, No. 67, No. 68, No. 74, and No. 75.

SAWS had no activity covered by this paragraph and was not impacted by the change. Paragraph 7 relates to assets accumulated for OPEB not in a trust and is not applicable to SAWS. Paragraphs 8 and 9 covers changes related to pension or OPEB plans not held in a trust covered by GASB No. 73, No. 74 and No. 84. SAWS does not have a pension or OPEB plan covered by these paragraphs and was not impacted by this change. Paragraph 10 covers changes to GASB No. 69 and No. 83 involving accounting for AROs in a government acquisition. SAWS did not have any activities covered by this paragraph and was not impacted by the change. Paragraph 11 covers certain changes to GASB No. 10 involving accounting for insurance recoveries. SAWS does not have any activity covered by this paragraph and was not impacted by the change. Paragraph 12 covers changes to GASB No. 62 and No.72 relating to non-recurring fair value measurement of assets or liabilities. SAWS does not have any assets or liabilities covered by this paragraph and was not impacted by these changes. Paragraph 13 requires a change in terminology for derivative instruments as defined in GASB No. 31, No. 53 and No. 62. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. SAWS implemented this Statement in 2022.

- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.* This Statement was issued in June 2020 and certain requirements of paragraph 4 and 5 as it applies to defined contribution pension, defined contribution OPEB, and other benefit plans became effective immediately. The remaining requirements are effective for fiscal years beginning after June 15, 2021. In 2022, SAWS evaluated the Empower 457 plan discussed in Note J and determined the plan did not meet the definition of a pension plan and would be classified as an other employee benefit plan for accounting and financial reporting basis. Therefore, SAWS has no plans covered by the requirements of this Statement.

The following additional GASB pronouncements will be implemented in the future. Once implemented, application of these standards may restate portions of these financial statements.

- GASB Statement 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. SAWS will implement this Statement in 2023.

- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements.* This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. SAWS will implement this Statement in 2023.

- GASB Statement No. 99, *Omnibus 2022*. This Statement establishes or amends accounting and financial reporting requirements for specific issues related to financial guarantees (paragraphs 4-7), derivative instruments (paragraphs 8-10), leases (paragraphs 11-17), public-public and public-private partnerships (paragraphs 18-22), subscription-based information technology arrangements (paragraphs 23-25), the transition from the London Interbank Offered Rate (paragraph 26), the Supplemental Nutrition Assistance Program (paragraph 27), nonmonetary transactions (paragraph 28), pledges of future revenues (paragraph 29), the focus of government-wide financial statements (paragraph 30), and terminology (paragraph 31 - 32). The requirements in paragraphs 4-10 are effective after June 15, 2023. SAWS will implement these paragraphs in 2024. The requirements in paragraphs 11-25 are effective after June 15, 2022. SAWS implemented paragraphs 11-17 in 2022 in conjunction with GASB Statement No. 87. SAWS will implement paragraphs 18-25 in 2023. Paragraphs 26-32 were effective on issuance; SAWS was not impacted by these paragraphs.

- GASB Statement No. 100, *Accounting Changes and Error Corrections – an Amendment to GASB Statement No. 62.* This Statement enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The requirements for this Statement are effective for fiscal years beginning after June 15, 2023. SAWS is in the process of evaluating GASB Statement No. 100 but does not expect it to have an impact on the financial statements. SAWS will implement this Statement in 2024.

- GASB Statement No. 101, *Compensated Absences.* This Statement updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements for this Statement are effective for fiscal years beginning after December 15, 2023. SAWS is in the process of evaluating GASB Statement No. 101 and has yet to determine the financial impact. SAWS will implement this Statement in 2024.

Recognition of Revenues: Revenues are recognized as goods or services are provided. Customers' meters are read and bills are prepared monthly based on billing cycles. SAWS uses historical information to estimate and record earned revenue not yet billed.

Revenue and Expense Classification: Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of SAWS are charges to customers for water supply, water delivery, wastewater, and chilled water services. Operating expenses include costs of service, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Pensions: For purposes of measuring Net Pension Liability/(Asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the SAWSRP, TMRS and DSPRP plans and additions to/from the SAWSRP, TMRS and DSPRP fiduciary net position have been determined using the same basis as they are reported by SAWSRP, TMRS and DSPRP. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB): For purposes of measuring the Net OPEB Liability/(Asset), deferred outflows of resources and deferred inflows of resources related to SAWS OPEB, and SAWS OPEB expense, information about the fiduciary net position of the SAWS OPEB plan and additions to/from the SAWS OPEB fiduciary net position have been determined using the same basis as they are reported by the SAWS OPEB plan. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Annual Budget: Approximately sixty days prior to the beginning of each fiscal year, an annual budget is presented to the Board for consideration. This budget is prepared on an accrual basis and serves as a tool in controlling and administering the management and operation of the organization. The annual budget reflects an estimate of gross revenues and disposition of these revenues in accordance with the flow of funds required by City Ordinance No. 75686 (See Note B). Once the annual budget has been approved by the Board, the budget is submitted to City Council for review and consultation.

Restricted Resources: When an expenditure is made for purposes for which both restricted and unrestricted resources are available, it is SAWS policy to choose the appropriate resource based on the availability of resources and funding goals established by management for those expenditures.

Cash Equivalents: SAWS considers investments with an original maturity of three months or less at the time of purchase to be cash equivalents.

Investments: City Ordinance No. 75686, SAWS' Investment Policy and Texas state law allow SAWS to invest in direct obligations of the United States or its agencies and instrumentalities. Other allowable investments include direct obligations of the State of Texas or its agencies and instrumentalities; secured certificates of deposit issued by depository institutions that have their main office or a branch office in the State of Texas; defined bankers acceptances and commercial paper; collateralized direct repurchase agreements, reverse repurchase agreements; no-load money market mutual funds; investment pools; municipal bonds; and other types of secured or guaranteed investments. These investments are subject to market risk, interest rate risk, and credit risk which may affect the value at which these investments are recorded. Under the provisions of GASB Statement No. 31, money market investments, including US Treasury and agency obligations, with a remaining maturity at time of purchase of one year or less are reported at amortized cost. All other investments are reported at fair value.

Accounts Receivable: Accounts receivable are recorded at the billed amounts plus an estimate of unbilled revenue receivable. The allowance for uncollectible accounts is management's best estimate of the amount of probable credit losses based on account delinquencies and historical write-off experience. Account balances are written off against the allowance when it is probable the receivable will not be recovered. SAWS wrote off account balances totaling \$16.5 million in 2022 and \$6.3 million in 2021. A provision to increase the allowance for uncollectible accounts is recorded as an offset to operating revenue. Beginning in March 2020 as a result of COVID-19, management increased the provision to account for the suspension of service disconnections and late fees for non-payment. This practice continued through October 2021. The provision recorded to offset revenues was $4.5 million in 2022 and $24.0 million in 2021. In addition, SAWS recorded customer adjustments totaling $0.8 million in 2022 and $0.3 million in 2021. Due to the implementation of GASB Statement No. 87, SAWS recorded a lease receivable in current accounts receivable and the long-term lease receivable was classified as noncurrent accounts receivable.

Other Current Assets: Other current assets include inventory, prepaid expenses, and interest receivable. Inventories are valued at lower of cost or market using the weighted average cost method. Inventories (net) totaled $7.7 million at December 31, 2022 and $6.3 million at December 31, 2021. Prepaid expenses totaled $9.3 million at December 31, 2022 and $7.5 million at December 31, 2021. Interest receivable totaled $4.3 million at December 31, 2022 and $2.8 million at December 31, 2021.

Restricted Assets: Assets restricted by City Ordinance No. 75686, which incorporates the bond indentures, to pay current liabilities are reported as current assets in the Statement of Net Position, regardless of their relative liquidity. Assets restricted for the acquisition of capital assets or to pay noncurrent liabilities are reported as noncurrent assets in the Statement of Net Position. A net pension asset and net OPEB asset is also reported as restricted noncurrent assets in the Statement of Net Position.

Capital Assets: Assets in service are capitalized when the unit cost is greater than or equal to $5,000. Utility plant additions are recorded at cost, which includes materials, labor and direct internal costs during construction. Included in capital assets are intangible assets, which consist of purchased water rights and land easements, costs associated with acquiring additional Certificates of Convenience and Necessity (CCN) related to new service areas and development costs for internally generated computer software. Assets acquired through financed purchase agreements are recorded as assets in Utility Plant in Service and the financed purchase agreements recorded as liabilities in Contract Payable using the present value of contract payments and any other non-executory costs. Assets acquired through contributions, such as those from developers, are recorded at estimated acquisition value at date of donation. Maintenance, repairs, and minor renewals are charged to operating expense, while major plant replacements are capitalized.

Capital assets are depreciated on the straight-line method. This method is applied to all individual assets except distribution and collection mains and intangible assets. Groups of mains are depreciated on the straight-line method over an estimated average useful life of 50 years. Mains are included in the Distribution and transmission system asset category and the Collection system category. Intangible assets not considered to have indefinite useful lives are amortized over their estimated useful life. Capital assets are tested for impairment when a significant unexpected decline in its service utility occurs.

The following table shows an estimated range of useful lives used in providing for depreciation of capital assets:

Structures and improvements	25 - 50	years
Pumping and purification equipment	10 - 50	years
Distribution and transmission system	17.5 - 50	years
Collection system	50	years
Treatment facilities	25	years
Equipment and machinery	5 - 20	years
Furniture and fixtures	3 - 10	years
Computer equipment	5	years
Software	3 - 10	years
Intangible assets (definite useful life)	20	years

Capital Contributions: Capital Contributions consist of plant contributions from developers, capital recovery fees, and contributions in aid of construction and/or grant proceeds received from governmental agencies for facility expansion. Capital Contributions are recognized in the Statement of Revenues, Expenses, and Changes in Net Position, after non-operating revenues (expenses), when eligibility requirements are met.

Capital recovery fees are charged to customers to connect to the water or wastewater system. By Texas law, these fees are to be used for capital expenditures that expand infrastructure capacity or to reimburse SAWS for the cost associated with existing excess infrastructure capacity. In certain instances, infrastructure that facilitates expansion of SAWS' service capacity is contributed by developers. In these instances, SAWS records the donated infrastructure as plant contributions and may abate future capital recovery fees due from the developer equal to a portion of the acquisition value of the infrastructure contributed. SAWS abated future capital recovery fees of $8.0 million in 2022 and $6.4 million in 2021. These abatements are conditional based on the type of development and in certain instances, time requirements and geographic restrictions.

Deferred Outflows and Inflows of Resources: In addition to assets, liabilities, and net position, the Statement of Net Position includes separate sections for deferred outflows and inflows of resources. A deferred outflow of resources represents a consumption of net assets that applies to a future period(s) and therefore, will not be recognized as an outflow of resources until the applicable future period. A deferred inflow of resources is an acquisition of net assets that is applicable to future reporting period(s) and therefore, will not be recognized as an inflow of resources until the applicable future period.

Deferred charge on bond refunding and *Deferred inflows – gain on bond refunding* results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized to interest expense over the shorter of the life of the refunded or refunding debt using the interest method.

Deferred outflows – unamortized asset retirement obligations (ARO) result from unamortized asset retirement obligation costs. This amount is deferred and amortized to depreciation and amortization expense based on the ARO's remaining useful life.

Deferred outflows – pension and *Deferred inflows – pension* result from contributions made by SAWS to its defined benefit pension plans after the measurement date of Net Pension Liability as well as changes in the Net Pension Liability not yet reflected in pension expense. Changes in the Net Pension Liability not yet reflected in pension expense include differences between projected and actual earnings on pension plan investments, expected and actual experience with regard to economic or demographic factors and changes in assumptions about future economic or demographic factors. Differences between projected and actual earnings are recognized in pension expense over a closed five-year period. Other changes are recognized in pension expense using a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees participating in the plans.

Deferred outflows – OPEB and *Deferred inflows – OPEB* result from contributions made by SAWS to its OPEB plan after the measurement date of Net OPEB Liability as well as changes in the Net OPEB Liability not yet reflected in OPEB expense. Changes in the Net OPEB Liability not yet reflected in OPEB expense include differences between projected and actual earnings on OPEB plan investments, expected and actual experience with regard to economic or demographic factors and changes in assumptions about future economic or demographic factors. Differences between projected and actual earnings are recognized in OPEB expense over a closed five-year period. Other changes are recognized in OPEB expense using a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees participating in the plans.

SAWS is a party to an interest rate swap agreement which serves to hedge interest rates on a portion of SAWS' variable rate debt. The agreement qualifies as a derivative instrument and meets the requirements of an effective hedge in accordance with GASB Statements No. 53 and 64. As a result, hedge accounting is used to account for the changes in the fair value of the swap agreement. *Accumulated decrease in fair value of hedging derivative instrument* represents the change in the fair value of the interest rate swap that has not been recognized in the Statement of Revenues, Expenses and Changes in Net Position due to the use of hedge accounting. For more information about this derivative instrument see Note G.

Deferred inflows – leases – As a part of the implementation of GASB Statement No. 87, *Leases*, SAWS is required to record an offset to any lease receivable to Deferred inflows – leases. SAWS will measure the lease receivable and the corresponding Deferred inflows – leases at the net present value of all payments. SAWS will recognize lease revenue and interest revenue in a rational and systematic manner over the life of the lease. For more information about leases see Note M.

Customer Deposits: SAWS collects an advance deposit from new customers to secure payment of the customer's final bill. The deposit is refundable once the customer has demonstrated an acceptable payment history of no more than two late payments within the first twelve-month period. SAWS may collect an additional deposit for customers whose service has been turned off for non-payment and need to restore service.

Compensated Absences: It is SAWS' policy to accrue earned but unused employee vacation pay as well as the employer portion of Social Security taxes and required employer pension contributions related to the accrued vacation pay. The total vacation paid in the current year is used as the estimated amount to be due within one year. Sick leave is not accrued as a terminating employee is not paid for accumulated sick leave.

Revenue Bonds & Commercial Paper: SAWS issues revenue bonds to finance capital improvement projects, refund outstanding bonds to reduce future debt service payments, and pay the cost of issuance. All SAWS' revenue bonds are secured by a lien on and pledge of net revenues of the system. Additionally, certain SAWS' bonds are further secured by the maintenance of a reserve fund established for the benefit of the bondholders. SAWS maintains a commercial paper program that is used to provide funds for the interim financing of a portion of its capital improvements.

Contract Payable: Financed purchase agreements that transfer ownership of an underlying asset at the end of the term, do not have a termination option and do not meet the definition of a lease according to GASB Statement No. 87.

Self-Insurance: SAWS is self-insured for a portion of workers' compensation, employee's health, employer's liability, public officials' liability, property damage and certain elements of general liability. A liability has been recorded for the estimated amount of eventual loss, which will be incurred on claims arising prior to the end of the period including incurred but not reported claims.

Derivative Instrument: As noted above, SAWS is a party to an interest rate swap agreement that qualifies as a derivative instrument. Additionally, mutual fund investments held by SAWS fiduciary funds may use derivative instruments as part of their investment strategy. These mutual funds are comingled pools, rather than individual securities.

Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications: Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE B - CITY ORDINANCE NO. 75686

Funds Flow: City Ordinance No. 75686 requires that SAWS' gross revenues be applied in sequence to: (1) System Fund for payment of current maintenance and operating expenses including a reserve equal to two months of budgeted maintenance and operating expenses for the current fiscal year; (2) Debt Service Fund requirements of Senior Lien Obligations; (3) Reserve Fund requirements of Senior Lien Obligations; (4) Interest and Sinking Fund and Reserve Fund requirements of Junior Lien Obligations; (5) Interest and Sinking Fund and Reserve Fund requirements of Subordinate Lien Obligations; (6) Payment of amounts required on Inferior Lien Obligations, and (7) Transfers to the City's General Fund and to the Renewal and Replacement Fund.

Payments to the City's General Fund: City Ordinance No. 75686 requires SAWS to make payments to the City each month after making all other payments required by the City Ordinance. The amount of the payment is determined by City Council from time to time and cannot exceed 5% of Gross Revenues. Gross Revenues consist of all revenue with respect to the operation and ownership of SAWS with the exception of capital contributions, payments received under the CPS Energy contract for recycled water, discussed below, the federal subsidy of interest on Build America Bonds and earnings on funds deposited in the Project Fund and Reserve Fund until the Reserve Fund contains the required reserve amount. In October 2019, SAWS payment to the City was increased from 2.7% to 4.0% of Gross Revenues. Payments to the City are reported as non-operating expense in the Statement of Revenues, Expenses and Changes in Net Position.

Reuse Contract: SAWS has a contract with CPS Energy, the city owned electricity and gas utility, for the provision of reuse water. According to the City Ordinance, the revenues derived from the contract have been restricted in use to only reuse activities and are excluded from gross revenue for purposes of calculating any payments to the City's General Fund.

Pledged Revenues: Net Revenues of SAWS have been pledged to the payment and security of its debt obligations. Net Revenues are defined by the City Ordinance as SAWS' Gross Revenues after deducting operating expenses before depreciation.

No Free Service: The City Ordinance also provides for no free services except for municipal fire-fighting purposes.

NOTE C – CASH AND INVESTMENTS

San Antonio Water System

The following is a reconciliation of cash and investments reported in the Statements of Net Position to deposits and investments disclosed in this note for December 31, 2022 and 2021.

(amounts in thousands)	December 31, 2022	December 31, 2021
Reported in Statements of Net Position:		
Cash and Cash Equivalents:		
Unrestricted	$ 222,058	$ 165,654
Restricted - current	23,902	76,126
Restricted - noncurrent	117,088	185,208
Total cash and cash equivalents	363,048	426,988
Investments:		
Unrestricted	394,966	373,994
Restricted - current	191,724	127,901
Restricted - noncurrent	503,034	451,377
Total investments	1,089,724	953,272
Total Cash, Cash Equivalents and Invesments	$ 1,452,772	$ 1,380,260
Reported amounts in note for:		
Deposits	$ 17,709	$ 44,059
Investments	1,435,063	1,336,201
Total Deposits and Investments	$ 1,452,772	$ 1,380,260

Deposits: As of December 31, 2022, SAWS' funds are deposited in demand accounts at JP Morgan Chase, SAWS' general depository bank. As required by state law, all SAWS' deposits are fully collateralized and/or are covered by federal depository insurance. At December 31, 2022 and 2021, the collateral pledged was a letter of credit issued by the Federal Home Loan Bank of Cincinnati, under SAWS' name so SAWS incurred no custodial credit risk. At December 31, 2022, the bank balance of SAWS' demand accounts was $1,938,000 and the reported amount was $17,709,000, which included $18,000 of cash on hand. At December 31, 2021, the bank balance of SAWS' demand accounts was $42,509,000 and the reported amount was $44,059,000, which included $18,000 of cash on hand.

Investments: As of December 31, 2022, and 2021, investments include securities issued by the United States government and its agencies and instrumentalities, municipal securities, money market funds and investment pools. As of December 31, 2022, securities purchased are held in custody by Bank of New York Mellon and registered as securities of SAWS. Money Market Funds are managed by Fidelity and Morgan Stanley and are invested in securities issued by the U.S. government or by U.S. agencies. Funds in investment pools are invested in TexPool Prime, Texas Class, Texas Fixed Income Trust and Texas TERM. Investment pools may invest in commercial paper and certificates of deposit, as well as obligations of the U.S. government or its agencies and instrumentalities, and repurchase agreements as allowed under the Public Funds Investment Act (PFIA). All investments in money market funds and investment pools are reported at amortized cost. Amortized cost approximates fair value for these investments.

The following tables provide information related to SAWS investments at December 31, 2022 and 2021.

December 31, 2022
(dollars in thousands)

Investment Type	Reported Value	Fair Value	Allocation Based on Fair Value	Credit Rating	Weighted Average Maturity (in days)
U.S. Treasury Securities	$ 274,821	$ 274,821	19%	Aaa	493
U.S. Agency Notes	583,469	583,469	41%	AA+	626
Municipal Bonds	231,434	231,434	16%	AAA to AA-	602
Money Market Funds					
Fidelity Instituional MMF	28,080	28,080	2%	AAAm	1
Morgan Stanley	17,652	17,652	1%	AAAm	1
Texas Class Investment Pool	98,602	98,602	7%	AAAm	1
Texpool Prime Local Government Pool	131,414	131,414	9%	AAAm	1
Texas FIT Cash Pool	69,591	69,591	5%	AAAf	1
Total Investments	$ 1,435,063	$ 1,435,063	100%		451

December 31, 2021
(dollars in thousands)

Investment Type	Reported Value	Fair Value	Allocation Based on Fair Value	Credit Rating	Weighted Average Maturity (in days)
U.S. Treasury Securities	$ 300,700	$ 300,700	22%	AA+	579
U.S. Agency Notes	358,534	358,534	27%	AA+	884
Municipal Bonds	246,530	246,530	18%	AAA to AA-	691
Money Market Funds					
Fidelity Instituional MMF	36,507	36,507	3%	AAAm	1
Morgan Stanley	17,522	17,522	1%	AAAm	1
Texas Class Investment Pool	63,489	63,489	5%	AAAm	1
Texpool Prime Local Government Pool	57,431	57,431	4%	AAAm	1
Texas FIT Cash Pool	207,980	207,980	16%	AAAf	1
Texas Term Investment Pool	47,508	47,508	4%	AAAf	145
Total Investments	$ 1,336,201	$ 1,336,201	100%		501

Interest Rate Risk: Interest rate risk is the risk that a change in market interest rates of fixed income securities will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses due to rising interest rates, SAWS' investment policy limits its investments maturities to no more than five years. At December 31, 2022 the longest remaining maturity for any investment was approximately four years with approximately 56% of the investment portfolio maturing in less than one year. At December 31, 2021, the longest remaining maturity for any investment was approximately four years with 46% of the investment portfolio maturing in less than one year.

Credit Risk: Credit risk is the risk that an issuer of financial securities will not fulfill its obligations to the holder of the obligation. In accordance with its investment policies, SAWS manages exposure to credit risk by limiting its investments in long-term obligations of other states and cities to those with a credit rating of "A" or better. As of December 31, 2022 and 2021, the lowest rated municipal security held was "AA-". Additionally, any short-term investments require a rating of at least "A-1" or "P-1".

Concentration of Credit Risk: Concentration of credit risk for investments is the risk of loss attributable to the magnitude of an investment in a single issuer. SAWS' investment policy does not limit the amount it may invest in U.S. Treasury securities, government-guaranteed securities, or government-sponsored entity securities. However, in order to manage its exposure to concentration of credit risk, the investment policy does limit the amount that can be invested in any one government-sponsored issuer to no more than 50% of the total investment portfolio, and no more than 30% of the total investment portfolio in any non-government issuer unless it is fully collateralized, excluding investment pools and money market funds.

As of December 31, 2022, and 2021, the percentage of the investment portfolio for government-sponsored issuers that represent 5% or more of the total investments was as follows:

	December 31,	
	2022	2021
Federal Home Loan Bank	32%	18%

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a financial institution failure, SAWS' deposits or collateral securities may not be returned to it. For SAWS, this risk is completely mitigated by (1) insurance coverage provided by the custodian that protects against loss of cash or securities held in custody and (2) collateral in the form of letters of credit issued by the Federal Home Loan Bank of Cincinnati over the Federal Deposit Insurance Corporation limit. Texas public fund accounts are collateralized at 100%.

Fair Value Measurement: SAWS categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The following tables summarize SAWS investments by the fair value hierarchy as of December 31, 2022 and 2021.

(amounts in thousands)	December 31, 2022	Fair Value Measurements Using Level 1	Level 2	Level 3
Investments by fair value level				
U.S. Treasury Securities	$ 274,821	$ 274,821	$ -	$ -
U.S. Agency Notes	583,469	-	583,469	-
Municipal Bonds	231,434	-	231,434	-
Total investments measured at fair value	$ 1,089,724	$ 274,821	$ 814,903	$ -

(amounts in thousands)	December 31, 2021	Fair Value Measurements Using Level 1	Level 2	Level 3
Investments by fair value level				
U.S. Treasury Securities	$ 300,700	$ 300,700	$ -	$ -
U.S. Agency Notes	358,534	-	358,534	-
Municipal Bonds	246,530	-	246,530	-
Texas Term Investment Pool	47,508	-	47,508	-
Total investments measured at fair value	$ 953,272	$ 300,700	$ 652,572	$ -

Pricing for Level 1 inputs is provided by a pricing service as of the measurement date using pricing from exchanges. Securities classified in Level 2 of the fair value hierarchy are valued using interest rate curves and credit spreads applied to the terms of the debt instruments (maturity and coupon interest) and consider the counterparty rating.

Restricted Cash and Investments: Cash and investments are restricted for a variety of purposes based on the requirements set forth in City Ordinance No. 75686, state law or SAWS policy. The following table summarizes both current and noncurrent restricted cash and investments by purpose at December 31, 2022 and 2021.

(amounts in thousands)	December 31, 2022	December 31, 2021
Restricted for:		
Operations	$ 78,553	$ 75,675
Debt Service	81,106	81,790
Debt Service Reserve	13,072	32,401
Construction - accrued liabilities	55,967	46,562
Construction - capital recovery fees	192,883	243,927
Construction - bond proceeds	414,167	360,257
Total Restricted Cash & Investments	$ 835,748	$ 840,612

The requirements of City Ordinance No. 75686 stipulate that SAWS must accumulate and maintain a reserve equal to 100% of the maximum annual debt service requirements for senior lien obligations. Additional City ordinances require SAWS to maintain a debt service reserve equal to the average annual debt service on all junior lien obligations secured by a reserve fund. Not all SAWS junior lien obligations require the security of a debt service reserve.

Increases in the required reserve amount may be deposited into a reserve account over a five-year period. Ordinance No. 75686 allows for SAWS to provide surety policies equal to all or part of the required reserve. SAWS may use bond proceeds to make the required deposits related to new debt issued. Debt service reserve deposits are required to be maintained until a) the revenue bonds mature, b) the surety policy provider's credit ratings improve to the minimum ratings required under SAWS bond ordinance, or c) new surety policies are provided that meet the requirements of the bond ordinance.

The following table summarizes the cash and investments restricted for Debt Service Reserve at December 31, 2022 and 2021 based on the allocation of the funds between junior lien and senior lien bond requirements.

	December 31,	
(amounts in thousands)	2022	2021
Restricted for Junior Lien Bonds	$ 13,072	$ 13,487
Restricted for Senior Lien Bonds	-	18,914
Total Cash & Investments - Debt Service Reserve	$ 13,072	$ 32,401

Funds restricted for construction include amounts needed to pay accrued construction liabilities, collected but unspent capital recovery fees and unspent bond proceeds. Funds restricted for accrued construction liabilities and unspent bond proceeds are completely offset by related liabilities. By state law, capital recovery fees are restricted for the construction of the infrastructure upon which the calculation of the fee is based.

San Antonio Water System Fiduciary Funds

The fiduciary financial statements include three fiduciary funds related to SAWS employee benefit plans: the San Antonio Water System Retirement Plan (SAWSRP), the District Special Project Retirement Income Plan (DSPRP) and the San Antonio Water System Retiree Health Trust (SAWS OPEB Trust).

In 2020, SAWS established an investment policy for the SAWSRP and DSPRP fiduciary funds. It is the policy of the SAWSRP and DSPRP to invest 20% to 55% of their assets in fixed income securities, 40% to 70% of their assets in equity securities and 0% to 15% of their assets in real assets. The SAWSRP and DSPRP utilize an investment manager to make recommendations as to the appropriate target portfolio weightings among major asset classes. Additionally, the investment manager has full discretionary authority to buy, hold, and sell investments subject to the guidelines as defined in the SAWSRSP and DSPRP investment policies.

In 2012, SAWS established the SAWS OPEB Plan for the exclusive purpose of funding health and life benefits provided to eligible retirees and their dependents. It is the policy of SAWS OPEB Plan to invest 49% to 67% of its assets in equity securities, 28% to 50% in fixed income securities, 1% to 5% in real assets and 0% to 5% in cash. SAWS OPEB Plan utilizes an investment manager to make recommendations as to the appropriate target portfolio weightings among major asset classes. Additionally, the investment manager has full discretionary authority to buy, hold, and sell investments subject to the guidelines as defined in SAWS OPEB Plan's investment policy.

The following tables summarize fiduciary fund investments by plan and in total at December 31, 2022 and 2021.

December 31, 2022
(dollars in thousands)

Investment Type	SAWSRP	DSPRP	SAWS OPEB Plan	Total All Plans	Allocation Based on Fair Value
Collective, Pooled & Mutual Funds:					
Domestic Equity	$ 91,924	$ 3,198	$ 53,521	$ 148,643	37.9%
International Equity	44,155	1,433	11,574	57,162	14.6%
Domestic Debt	104,767	439	42,268	147,474	37.6%
Real Estate	21,226	-	-	21,226	5.4%
Balanced/Asset Allocation	15,666	-	-	15,666	3.9%
Annuity	110	-	-	110	0.0%
Money Market Mutual Funds	-	-	217	217	0.1%
Standard Insurance Company:					
Guaranteed Long-term Fund	-	2,133	-	2,133	0.5%
Total Investments	$ 277,848	$ 7,203	$ 107,580	$ 392,631	100.0%

December 31, 2021
(dollars in thousands)

Investment Type	SAWSRP	DSPRP	SAWS OPEB Plan	Total All Plans	Allocation Based on Fair Value
Collective, Pooled & Mutual Funds:					
Domestic Equity	$ 113,136	$ 3,826	$ 55,726	$ 172,688	38.0%
International Equity	52,963	1,582	17,702	72,247	15.8%
Domestic Debt	121,862	507	47,946	170,315	37.5%
Real Estate	20,356	-	-	20,356	4.5%
Balanced/Asset Allocation	16,356	-	-	16,356	3.6%
Money Market Mutual Funds	-	-	146	146	0.0%
Standard Insurance Company:					
Guaranteed Long-term Fund	-	2,560	-	2,560	0.6%
Total Investments	$ 324,673	$ 8,475	$ 121,520	$ 454,668	100.0%

The Standard Insurance Company Guaranteed Long-term Fund is reported at contract value as of December 31, 2022 and 2021, and money market mutual funds are reported at amortized cost, which approximates fair value. Money market funds are reported as Cash and Cash Equivalents in the Statements of Fiduciary Net Position.

Fair Value: SAWS categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Pricing for Level 1 inputs is provided by a pricing service as of the measurement date using pricing from exchanges. Pricing for Level 2 inputs is provided by various sources such as issuer, investment managers or fund accountants.

The following tables summarize fiduciary fund investments by the fair value hierarchy as of December 31, 2022 and 2021.

(dollars in thousands)	December 31,	Fair Value Measurement Using		
Investment Type	2022	Level 1	Level 2	Level 3
Collective and Pooled Funds				
Domestic Equity	$ 148,643	$ 97,742	$ 50,901	$ -
International Equity	57,162	53,007	4,155	-
Domestic Debt	147,474	121,138	26,336	-
Real Estate	21,226	21,226	-	-
Balanced/Asset Allocation	15,666	15,666	-	-
Total Investments	$ 390,171	$ 308,779	$ 81,392	$ -

(dollars in thousands)	December 31,	Fair Value Measurement Using		
Investment Type	2021	Level 1	Level 2	Level 3
Collective and Pooled Funds				
Domestic Equity	$ 172,688	$ 116,275	$ 56,413	$ -
International Equity	72,247	50,561	11,686	-
Domestic Debt	170,315	139,938	30,377	-
Real Estate	20,356	20,356	-	-
Balanced/Asset Allocation	16,356	16,356	-	-
Total Investments	$ 451,962	$ 343,486	$ 98,476	$ -

Fiduciary Fund investments are not subject to the Public Funds Investment Act. The investments are subject to the following risks:

Credit Risk: The individual investments held by the Collective, Pooled and Mutual funds at December 31, 2022 and December 31, 2021 were not rated. The Standard Insurance Company Guaranteed Long-term Fund had a rating of A by S&P Global Ratings at December 31, 2022 and A at December 31, 2021.

Concentration of Credit Risk: As of December 31, 2022, and 2021, more than 99% of fiduciary fund investments were in collective, pooled and mutual funds.

The following funds exceeded 5% of fiduciary net position:

	December 31, 2022
Principal Core Plus Bond Separate Account-Z	22.65%
Principal LargeCap S&P 500 Index Separate Account-Z	12.24%
Principal Diversified International Separate Account-Z	6.56%
Principal MidCap S&P 400 Index SA-Z	6.47%
Principal US Property	5.41%

	December 31, 2021
Principal Core Plus Bond Separate Account-Z	22.71%
Principal LargeCap S&P 500 Index Separate Account-Z	13.06%
Principal Diversified International Separate Account-Z	6.87%
Principal MidCap S&P 400 Index SA-Z	6.86%

Interest Rate Risk: The effective duration of the Domestic Debt funds was 5.9 years at December 31, 2022 and 5.7 years at December 31, 2021. The Standard Insurance Company Guaranteed Long-term Fund had an effective duration of 5.8 years at December 31, 2022 and 6.2 years at December 31, 2021.

NOTE D – ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at December 31, 2022 and 2021:

(amounts in thousands)	2022	2021*
Current:		
Receivable from customers	$ 89,260	$ 90,666
Unbilled revenue	28,120	37,699
Receivable from leases & governmental agencies	1,355	1,096
Less: Allowance for doubtful accounts	(32,673)	(43,870)
	86,062	85,591
Noncurrent:		
Receivable from leases	3,959	4,264
Total accounts receivable	$ 90,021	$ 89,855

*2021 was restated in 2022 due to the implementation of GASB Statement No. 87.

Due to the implementation of GASB Statement No. 87 in 2022, SAWS recorded a lease receivable in accounts receivable, of which $0.3 million was classified as current accounts receivable as of December 31, 2022 and 2021. In addition, the long-term lease receivable of $4.0 million and $4.3 million was classified as noncurrent as of December 31, 2022 and 2021, respectively.

NOTE E – CAPITAL ASSETS

A summary of capital asset activity for the year ended December 31, 2022 is as follows:

(amounts in thousands)	December 31, 2021	Increases	Transfers	Decreases	December 31, 2022
Capital assets, not being depreciated:					
Land	$ 169,022	$ 168	$ 4,480	$ 1	$ 173,669
Water rights purchased	248,881	-	-	-	248,881
Other intangible assets	370	-	-	-	370
Construction in progress	603,821	570,949	(396,577)	2,887	775,306
Total capital assets, not being depreciated/amortized	1,022,094	571,117	(392,097)	2,888	1,198,226
Capital assets, being depreciated					
Structures and improvements	1,059,502	161	24,714	9,836	1,074,541
Pumping and purification equipment	281,030	-	6,658	96	287,592
Distribution and transmission system	3,740,045	-	61,730	11,220	3,790,555
Treament facilties	2,952,191	-	269,452	19,990	3,201,653
Equipment and machinery	488,533	7,136	25,710	6,226	515,153
Furniture and fixtures	6,591	-	-	-	6,591
Computer equipment	30,512	1,959	-	983	31,488
Software	55,566	51	3,833	-	59,450
Other intangible assets	1,354	-	-	-	1,354
Total capital assets being depreciated/amortized	8,615,324	9,307	392,097	48,351	8,968,377
Less accumulated depreciation					
Structures and improvements	(304,117)	(28,263)	-	(3,239)	(329,141)
Pumping and purification equipment	(103,872)	(9,579)	-	(96)	(113,355)
Distribution and transmission system	(934,576)	(73,547)	-	(11,220)	(996,903)
Treatment facilties	(909,189)	(60,105)	-	(19,989)	(949,305)
Equipment and machinery	(193,957)	(29,258)	-	(5,473)	(217,742)
Furniture and fixtures	(6,360)	(68)	-	-	(6,428)
Computer equipment	(22,956)	(2,152)	-	(880)	(24,228)
Software	(44,556)	(4,520)	-	-	(49,076)
Other intangible assets	(787)	(68)	-	-	(855)
Total accumulated depreciation	(2,520,370)	(207,560)	-	(40,897)	(2,687,033)
Total capital assets, being depreciated/amortized	6,094,954	(198,253)	392,097	7,454	6,281,344
Capital assets, net	$ 7,117,048	$ 372,864	$ -	$ 10,342	$ 7,479,570

A summary of capital asset activity for the year ended December 31, 2021 is as follows:

(amounts in thousands)	December 31, 2020	Increases	Transfers	Decreases	December 31, 2021
Capital assets, not being depreciated:					
Land	$ 162,438	$ -	$ 6,830	$ 246	$ 169,022
Water rights purchased	248,881	-	-	-	248,881
Other intangible assets	370	-	-	-	370
Construction in progress	521,627	474,037	(390,436)	1,407	603,821
Total capital assets, not being depreciated/amortized	933,316	474,037	(383,606)	1,653	1,022,094
Capital assets, being depreciated					
Structures and improvements	1,002,070	394	58,808	1,770	1,059,502
Pumping and purification equipment	279,218	461	1,351	-	281,030
Distribution and transmission system	3,610,086	-	138,633	8,674	3,740,045
Treatment facilties	2,800,410	-	167,975	16,194	2,952,191
Equipment and machinery	477,239	7,802	16,839	13,347	488,533
Furniture and fixtures	6,595	-	-	4	6,591
Computer equipment	29,706	1,333	-	527	30,512
Software	55,607	80	-	121	55,566
Other intangible assets	1,354	-	-	-	1,354
Total capital assets being depreciated/amortized	8,262,285	10,070	383,606	40,637	8,615,324
Less accumulated depreciation					
Structures and improvements	(276,667)	(28,011)	-	(561)	(304,117)
Pumping and purification equipment	(94,744)	(9,128)	-	-	(103,872)
Distribution and transmission system	(872,534)	(70,716)	-	(8,674)	(934,576)
Treatment facilities	(863,401)	(56,474)	-	(10,686)	(909,189)
Equipment and machinery	(179,076)	(28,071)	-	(13,190)	(193,957)
Furniture and fixtures	(6,294)	(70)	-	(4)	(6,360)
Computer equipment	(21,409)	(2,066)	-	(519)	(22,956)
Software	(40,464)	(4,213)	-	(121)	(44,556)
Other intangible assets	(719)	(68)	-	-	(787)
Total accumulated depreciation	(2,355,308)	(198,817)	-	(33,755)	(2,520,370)
Total capital assets, being depreciated/amortized	5,906,977	(188,747)	383,606	6,882	6,094,954
Capital assets, net	$ 6,840,293	$ 285,290	$ -	$ 8,535	$ 7,117,048

Asset Impairment: SAWS periodically reviews its capital assets for possible impairment. As part of SAWS' capital improvement program, SAWS incurs costs to design capital improvement projects. These costs are included in capital assets as Construction in Progress. Periodically the actual construction of these projects may not occur due to changes in plans. Once it has been determined that construction will not proceed, any capitalized costs are charged off to operating expenses. Design and project costs written off totaled $2.9 million in 2022 and $1.4 million in 2021.

SAWS owns a water treatment plant in southwest Bexar County to treat water supplied from Medina Lake and the Medina River. During the height of the 2011 - 2014 drought, Medina Lake water levels were greatly diminished leading to poor water quality. As a result, the treatment plant was idled from April 2013 through August 2015. Due to heavy rainfall during the summer of 2015, lake levels increased to a peak of nearly 80% of capacity. SAWS restarted the treatment plant on September 1, 2015 and treated approximately 500 acre-feet of Medina River water. Water quality concerns persisted, and SAWS elected to idle the treatment plant again in October 2015. During the planning efforts to develop the 2022-2023 Water Management Plan, it was determined that current available water supplies were expected to be sufficient to meet customers' demand in the foreseeable future without utilizing the Medina supplies during the drought of record. The restoration costs were evaluated and deemed significant in relation to the service utility of the plant. As a result, the plant was deemed permanently impaired as of December 31, 2022. The $7.2 million remaining book value of the plant was written off and the loss was recorded as a special item in the Statements of Revenues, Expenses and Changes in Net Position.

NOTE F – OTHER LIABILITIES

Accrued Vacation Payable: SAWS records an accrual for vacation payable for all full-time employees and pays unused vacation hours available at the end of employment with the final paycheck. Changes in the liability amount for 2022 and 2021 were as follows:

(amounts in thousands)

	Balance at Beginning of Year	Current-Year Accruals	Payments	Balance at End of Year	Estimated Due Within One Year
Year Ended December 31, 2022	$ 13,534	$ 9,122	$ (7,024)	$ 15,632	$ 7,024
Year Ended December 31, 2021	$ 13,197	$ 6,485	$ (6,148)	$ 13,534	$ 6,148

Risk Management

Health Care Benefits: SAWS provides health care benefits to eligible employees and retirees through a self-insured plan that includes medical, prescription drug and dental benefits. The payment of claims associated with these benefits is handled by third party administrators. Plan participants contribute a portion of the cost of providing these benefits through payroll deductions or monthly premiums, annual deductibles and other co-payments. SAWS was self-insured for the first $500,000 of medical claims per person during 2021 and 2022.

Other Risks: SAWS is exposed to various risks of financial loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. SAWS is self-administered and self-insured for the first $2,000,000 of each workers' compensation and general liability claim and is fully self-insured for automobile liability. Claims that exceed the self-insured retention limit for workers' compensation and general liability are covered through SAWS' comprehensive commercial insurance program (CCIP). Additionally, under the CCIP, SAWS maintains deductible programs for public officials and employment practices liability, fiduciary liability, pollution legal liability, drone liability, cyber liability and crime with varying deductibles. Property coverage is on a replacement cost basis with a deductible of $250,000 per occurrence. Settled claims during the last three years have not exceeded the insurance coverage in any year.

The claims liability for health care benefits and other risks, including incurred but not reported claims, is based on the estimated ultimate cost of settling the claims. Changes in the liability amount for the last three fiscal years were as follows:

	(amounts in thousands)				
	Balance at Beginning of Year	Current-Year Accruals	Payments	Balance at End of Year	Estimated Due Within One Year
Year Ended December 31, 2022	$ 8,821	$ 19,373	$ (19,682)	$ 8,513	$ 8,513
Year Ended December 31, 2021	8,205	24,234	(23,618)	8,821	8,821
Year Ended December 31, 2020	8,312	23,627	(23,734)	8,205	8,205

NOTE G – DERIVATIVE INSTRUMENT

In 2003, SAWS entered into an interest rate swap agreement in connection with its City of San Antonio, Texas, Water System Subordinate Lien Revenue and Refunding Bonds, Series 2003-A and 2003-B (the "Series 2003 Bonds") issued in a variable interest rate mode. The Series 2003 Bonds were issued to provide funds for SAWS' capital improvements program and to refund certain outstanding commercial paper notes.

Objective of the Interest Rate Swap: The swap was used to hedge interest rates on the Series 2003 Bonds to a synthetic fixed rate that produced a lower interest rate than a traditional long-term fixed rate bond issued at that time. In August 2008, SAWS used commercial paper notes to redeem $110,615,000 of the $111,615,000 outstanding principal of the Series 2003 Bonds due to unfavorable market conditions relating to the ratings downgrade of the 2003 Bond insurer, MBIA Insurance Corporation (MBIA). In 2009, SAWS redeemed the remaining $1 million of the Series 2003 Bonds through the issuance of additional commercial paper. The interest rate swap agreement was not terminated upon the redemption of the Series 2003 Bonds and instead serves as an off-market hedge for that portion of the commercial paper notes outstanding, which pertain to the redemption of the Series 2003 Bonds. SAWS currently intends to maintain a portion of its outstanding commercial paper in amounts matching the notional amounts of the swap. SAWS did not recognize any economic gain or loss as a result of this refunding since the debt service requirements of the commercial paper notes are expected to closely match the debt service requirements of the refunded debt. Commercial paper notes totaling $64,385,000 at December 31, 2022 and $68,820,000 at December 31, 2021 were hedged by the interest rate swap agreement.

Terms: The swap agreement contains scheduled reductions to the outstanding notional amounts that are expected to follow the original scheduled reductions of the Series 2003 Bonds. The Series 2003 Bonds were issued on March 27, 2003, with a principal amount of $122,500,000. The swap agreement matures on May 1, 2033. At the time the swap was entered into, the counterparty was Bear Stearns Financial Products, Inc. (Bear Stearns FPI), with the index for the variable rate leg of the swap being the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index.

In 2008, JPMorgan Chase & Co. announced its acquisition of The Bear Stearns Companies Inc., the parent of Bear Stearns FPI. JPMorgan Chase & Co. guaranteed the trading obligations of the Bear Stearns Companies Inc. and its subsidiaries. Effective June 16, 2009, the swap agreement was amended between SAWS, JPMorgan Chase & Co, and MBIA to provide for JPMorgan Chase Bank N.A. (JP Morgan Chase) to become the swap counterparty and allow for the remainder of outstanding Series 2003 Bonds to be redeemed, while maintaining the swap agreement as an obligation to all parties. The amendment provides for the conditional release of MBIA's swap insurance policy upon the occurrence of certain future events.

The combination of commercial paper notes and a floating-to-fixed swap creates a synthetic fixed-rate of 4.18%. The synthetic fixed-rate protects against the potential of rising interest rates.

Fair Value: The swap had an approximate fair value of negative $3,434,000 at December 31, 2022 and $12,545,000 at December 31, 2021. This value is based on Level 2 inputs in the fair value hierarchy using the zero-coupon valuation method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These net payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

The swap agreement meets the criteria of an effective hedge under GASB Statement No. 53 and therefore qualifies for hedge accounting treatment. Since the fair value is negative, the fair value is recorded as a non-current liability. Changes in the swap's fair value are recorded as a deferred outflow of resources and included on the Statement of Net Position. At the time the Series 2003 Bonds were redeemed in 2008, the fair value of the swap was negative $6.2 million. The deferred outflow at the time of redemption was included in the carrying value of the Series 2003 Bonds and resulted in a loss on redemption of $6.2 million. This loss is included in the deferred charge on bond refunding on the Statement of Net Position and is being amortized over the remaining life of the Series 2003 Bonds. The unamortized deferred charge on bond refunding related to the swap was $1,881,000 at December 31, 2022 and $2,188,000 at December 31, 2021.

Credit Risk: SAWS was not exposed to credit risk on its outstanding swap at December 31, 2022 and 2021 because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, SAWS would be exposed to credit risk in the amount of the swap's fair value. The swap counterparty, JPMorgan Chase was rated Aa2 by Moody's Investors Service, A+ by S&P Global Ratings, and AA by Fitch Ratings as of December 31, 2022, and Aa2 by Moody's Investors Service, A+ by S&P Global Ratings, and AA by Fitch Ratings as of December 31, 2021. The amended swap agreement contains a credit support annex which will become effective upon the release of MBIA from the swap insurance policy. Collateralization would be required by either party should the fair value of the swap reach applicable thresholds as stated in the amended swap agreement.

Basis Risk: SAWS is exposed to basis risk to the extent that the interest payments on its hedged commercial paper notes do not match the variable-rate payments received on the associated swap. SAWS attempts to mitigate this risk by (a) matching the outstanding hedged commercial paper notes associated with the redemption of the variable-rate debt to the notional amount and amortization schedule of the swap and (b) selecting an index for the variable-rate leg of the swap that is reasonably expected to closely match the interest rate on the hedged commercial paper notes.

Termination Risk: SAWS may terminate the swap at any time for any reason. JPMorgan Chase may terminate the swap if SAWS fails to perform under the terms of the agreement. SAWS' ongoing payment obligations under the swap are insured as provided for in the swap amendment and JPMorgan Chase cannot terminate as long as the insurer does not fail to perform. Also, if at the time of the termination the swap has a negative fair value, SAWS would be liable to the counterparty for a payment equal to the swap's fair value.

Market-access Risk: SAWS is subject to market-access risk as the variable-rate debt hedged by the swap consists of commercial paper notes. At December 31, 2022, $64,385,000 of outstanding commercial paper with current maturities of approximately 31 days was hedged by the interest rate swap. At December 31, 2021, $68,820,000 of outstanding commercial paper with current maturities of approximately 18 days was hedged by the interest rate swap. As previously noted, SAWS intends to reissue the commercial paper notes in amounts matching the notional amounts of the swap.

Swap Payments and Associated Debt: As of December 31, 2022, debt service requirements of the hedged commercial paper notes and net swap payments, assuming current interest rates remain the same, are as detailed below. As rates vary, variable-rate interest payments and net swap payments will vary. Principal payments assume that commercial paper notes will be repaid in accordance with the amortization schedule of the swap.

Pay-Fixed, Receive-Variable Interest Rate Swap
Estimated Debt Service Requirements of Variable-Rate
Debt Outstanding and Net Swap Payments
(amounts in thousands)

Year	Principal	Interest Paid on Debt	Interest Rate Swap, Net	Total
2023	$ 4,640	$ 1,396	$ 319	$ 6,355
2024	4,850	1,288	294	6,432
2025	5,070	1,174	268	6,512
2026	5,305	1,055	241	6,601
2027	5,540	930	212	6,682
2028 - 2032	31,740	2,576	588	34,904
2033	7,240	55	13	7,308
Total	$ 64,385	$ 8,474	$ 1,935	$ 74,794

NOTE H – LONG TERM DEBT

REVENUE BONDS

On February 15, 2022, SAWS issued $77,785,000 City of San Antonio, Texas Water System Junior Lien Revenue Refunding Bonds, Series 2022A (No Reserve Fund). The proceeds from the sale of the bonds were used (i) refund $105,280,000 City of San Antonio, Texas Water System Revenue and Refunding Bonds, Series 2012A (Series 2012A) and (ii) pay the cost of issuance. The refunding of the Series 2012A bonds reduced future debt service by approximately $41.3 million and resulted in an economic gain of approximately $30.3 million. The bonds are secured together with other outstanding Junior Lien Obligations solely by a lien on a pledge of net revenues and are subordinate to outstanding Senior Lien Obligations.

On May 15, 2022, SAWS deposited $66,165,000 from available cash on hand to the paying agent for the redemption of $56,065,000 City of San Antonio, Texas Water System Revenue Refunding Bonds, Series 2012 and $10,100,000 City of San Antonio, Texas Water System Revenue and Refunding Bonds, Series 2012A. The redemption of these bonds reduced future debt service by approximately $78,365,500 between 2022 and 2028.

On October 18, 2022, SAWS issued $258,235,000 City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2022B (No Reserve Fund). The proceeds from the sale of the bonds were used to (i) finance capital improvement projects, and (ii) pay the cost of issuance. The bonds are secured together with other outstanding Junior Lien Obligations solely by a lien on a pledge of net revenues and are subordinate to outstanding Senior Lien Obligations.

On November 1, 2022, SAWS remarketed $99,590,000 City of San Antonio, Texas Water System Variable Rate Junior Lien Revenue and Refunding Bonds, Series 2014B Bonds (No Reserve Fund) into a SIFMA Index Mode for a period of three years, ending October 31, 2025. The interest rate on the bonds is reset weekly at a spread of 0.65% over the Securities Industry and Financial Markets Association (SIFMA) Swap Index. The proceeds from the sale of the bonds were used to pay the $99,590,000 principal of the maturing bonds. There was no economic gain or loss on this transaction. The bonds are secured together with other outstanding Junior Lien Obligations solely by a lien on a pledge of net revenues and are subordinate to outstanding Senior Lien Obligations.

Senior lien water system revenue bonds outstanding as of December 31, 2022, consist of the Series 2009B and Series 2010B, outstanding in the amount of $101,835,000 and as of December 31, 2021, consist of the Series 2009B, Series 2010B, Series 2012, and Series 2012A, outstanding in the amount of $280,565,000. Senior lien revenue bonds are collateralized by a senior lien and pledge of the gross revenues of SAWS after deducting and paying the current expenses of operations and maintenance of SAWS and maintaining a two-month operating reserve for such expenses. Interest rates on senior lien bonds range from 5.502% to 5.920%, exclusive of any federal interest subsidy on the Series 2009B and 2010B Build America Bonds.

The junior lien water system revenue bonds are composed of two categories of debt: fixed rate debt and variable rate debt. The junior lien fixed rate debt is similar to the senior lien bonds, as they have fixed interest rates for the life of the bonds. The junior lien variable rate bonds have interest rates that are periodically reset throughout the life of the bonds. An additional component of the fixed rate junior lien debt is direct placement debt with the Texas Water Development Board (TWDB). Direct placement debt with TWDB is offered at subsidized interest rates for qualified water, wastewater and water supply projects. All the junior lien water system revenue bonds are collateralized by a junior lien and pledge of the gross revenues of SAWS after deducting the current expenses of operations and maintenance of SAWS, maintaining a two-month operating reserve for such expenses, and paying debt service on senior lien obligations.

As of December 31, 2022, direct placement bonds with TWDB consist of junior lien Series 2012, Series 2013A, Series 2013C, Series 2013D, Series 2014C, Series 2014D, Series 2015A, Series 2016D, Series 2016E, Series 2018B, Series 2019B, Series 2020B, and Series 2020D in an outstanding amount of $301,960,000. Interest rates on the TWDB junior lien fixed rate bonds range from 0.00% to 3.39%.

As of December 31, 2022, the remaining junior lien fixed rate revenue bonds consist of Series 2013B (No Reserve Fund), Series 2013E (No Reserve Fund), Series 2014A (No Reserve Fund), Series 2015B (No Reserve Fund), Series 2016A (No Reserve Fund), Taxable Series 2016B, Series 2016C (No Reserve Fund), Series 2017A (No Reserve Fund), Series 2018A (No Reserve Fund), Series 2019C (No Reserve Fund), Series 2020A (No Reserve Fund), Series 2020C (No Reserve Fund), Series 2021A (No Reserve Fund), Series 2022A (No Reserve Fund), and Series 2022B (No Reserve Fund) is outstanding in the amount of $2,223,240,000. Interest rates on the junior lien fixed rate bonds range from 2.00% to 5.25%.

The junior lien variable rate bonds, comprised of the Series 2013F (No Reserve Fund) (Series 2013F Bonds), the Series 2014B (No Reserve Fund) (Series 2014B Bonds) and the Series 2019A (No Reserve Fund) (Series 2019A Bonds), are outstanding in the amount of $364,490,000 at December 31, 2022. The Series 2013F Bonds are tax-exempt variable rate notes currently in a Term Mode through October 31, 2026 at an interest rate of 1.00% with a yield of 0.82%. The Series 2014B Bonds are tax-exempt variable rate notes currently in a SIFMA Index Mode with interest reset weekly at a spread of 0.65% over the SIFMA Swap Index through October 31, 2025. The Series 2019A Bonds are tax-exempt variable rate notes currently in the term mode through April 30, 2024, at an interest rate of 2.625% with a yield of 2.45%.

Upon conclusion of an interest period, SAWS is permitted to change the mode for all or any portion of the junior lien variable interest bonds (the Bonds) to a different mode. The Bonds are subject to a mandatory tender without right of retention at the conclusion of the interest period. The Bonds are not subject to the benefit of a liquidity facility provided by a third party. Accordingly, a failure to remarket the Bonds at the end of an interest period will result in the rescission of the notice of mandatory tender with respect to the Bonds and SAWS has no obligation to purchase the Bonds at such time. The occurrence of a failed remarketing will not result in an event of default under the ordinance. Until SAWS redeems or remarkets the Bonds that had a failed remarketing, the Bonds shall bear interest at the stepped rate of 7.0% for the Series 2013F Bonds and 8.0% for the Series 2014B Bonds and Series 2019A Bonds.

On May 15, 2021, SAWS deposited $33,890,000 from available cash on hand to the paying agent for the redemption of $21,055,000 City of San Antonio, Texas Water System Revenue Refunding Bonds, Series 2011 and $12,835,000 City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2011. The redemption of these bonds reduced future debt service by approximately $38,393,000 between 2022 and 2031.

On July 13, 2021, SAWS issued $274,375,000 City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2021A (No Reserve Fund). The proceeds from the sale of the bonds were used to (i) finance capital improvement projects, (ii) refund $13,570,000 City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2011A (Series 2011A), and (iii) pay the costs of issuance. The refunding of the Series 2011A bonds reduced future debt service by approximately $3,131,000 and resulted in an economic gain of approximately $2,033,000. The bonds are secured together with other outstanding Junior Lien Obligations solely by a lien on a pledge of net revenues and are subordinate to outstanding Senior Lien Obligations.

On November 1, 2021, SAWS remarketed $98,420,000 City of San Antonio, Texas Water System Variable Rate Junior Lien Revenue and Refunding Bonds, Series 2013F Bonds (No Reserve Fund) into a Fixed Rate Mode for a period of five years, ending October 31, 2026. The coupon rate for these bonds is 1.00% with a yield of 0.82%. The proceeds from the sale of the bonds were used to (i) pay the $98,795,000 principal of the maturing bonds, and (ii) pay the cost of issuance. There was no economic gain or loss on this transaction. The bonds are secured together with other outstanding Junior Lien Obligations solely by a lien on a pledge of net revenues and are subordinate to outstanding Senior Lien Obligations.

As of December 31, 2021, direct placement bonds with TWDB consist of junior lien Series 2012, Series 2013A, Series 2013C, Series 2013D, Series 2014C, Series 2014D, Series 2015A, Series 2016D, Series 2016E, Series 2018B, Series 2019B, Series 2020B, and Series 2020D in an outstanding amount of $315,555,000. Interest rates on the TWDB junior lien fixed rate bonds range from 0.00% to 3.39%.

As of December 31, 2021, the remaining junior lien fixed rate revenue bonds consist of Series 2012 (No Reserve Fund), Series 2013B (No Reserve Fund), Series 2013E (No Reserve Fund), Series 2014A (No Reserve Fund), Series 2015B (No Reserve Fund), Series 2016A (No Reserve Fund), Taxable Series 2016B, Series 2016C (No Reserve Fund), Series 2017A (No Reserve Fund), Series 2018A (No Reserve Fund), Series 2019C (No Reserve Fund), Series 2020A (No Reserve Fund), Series 2020C (No Reserve Fund) and Series 2021A (No Reserve Fund) is outstanding in the amount of $1,947,250,000. Interest rates on the junior lien fixed rate bonds range from 2.00% to 5.00%.

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury for investment income received at yields that exceed the issuer's tax-exempt borrowing rates. The Treasury requires payment for each issue every five years. The estimated liability is updated annually for all tax-exempt issuances or changes in yields until such time as payment of the calculated liability is due. A liability is recorded once payment appears to be probable. As of December 31, 2022, SAWS had a recorded arbitrage liability of $23,000 related to the Series 2018B junior lien bonds. As of December 31, 2021, SAWS had no arbitrage rebate liability associated with any outstanding bonds.

The following tables summarize revenue bond transactions for the years ended December 31, 2022, and 2021.

(*amounts in thousands*)	Balance January 1, 2022	Additions	Reductions/ Amortization	Balance December 31, 2022	Due Within One Year
Revenue Bonds	$ 2,592,305	$ 435,610	$ 338,350	$ 2,689,565	$ 60,035
Direct Placement Bonds	315,555	-	13,595	301,960	13,710
Unamortized premium	299,888	36,189	34,773	301,304	
Unamortized discount	(747)	-	(498)	(249)	
Total Bonds Payable, Net	$ 3,207,001	$ 471,799	$ 386,220	$ 3,292,580	$ 73,745

(*amounts in thousands*)	Balance January 1, 2021	Additions	Reductions/ Amortization	Balance December 31, 2021	Due Within One Year
Revenue Bonds	$ 2,414,435	$ 372,795	$ 194,925	$ 2,592,305	$ 67,315
Direct Placement Bonds	357,145	-	41,590	315,555	13,595
Unamortized premium	263,255	67,676	31,043	299,888	
Unamortized discount	(790)	-	(43)	(747)	
Total Bonds Payable, Net	$ 3,034,045	$ 440,471	$ 267,515	$ 3,207,001	$ 80,910

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The following table shows the annual debt service requirements on SAWS' debt obligations for each of the next five years and then in five-year increments after that.

Annual Debt Service Requirements
Revenue and Refunding Bonds
(amounts in thousands)

Year Ended December 31,	Fixed Rate Bonds						Variable Rate Bonds	
	Revenue Bonds				Direct Placement Bonds		Revenue Bonds	
	Principal	Interest	Interest Rate Subsidy‡	Net Interest	Principal	Interest	Principal	Interest*
2023	$ 60,035	$ 111,550	$ 1,908	$ 109,642	$ 13,710	$ 4,681	$ -	$ 8,342
2024	65,405	107,422	1,908	105,514	13,835	4,554	-	8,654
2025	70,270	104,178	1,875	102,303	13,980	4,408	-	8,966
2026	76,285	100,646	1,797	98,849	14,155	4,242	-	8,966
2027	68,240	97,009	1,716	95,293	14,315	4,062	-	10,934
2028 - 2032	434,165	425,233	7,487	417,746	74,815	17,106	59,275	51,371
2033 - 2037	575,240	302,182	4,864	297,318	59,320	11,130	100,105	38,443
2038 - 2042	466,550	168,214	691	167,523	57,615	5,861	115,530	22,301
2043 - 2047	301,100	85,132	-	85,132	33,685	1,057	69,510	7,075
2048 - 2052	207,785	19,714	-	19,714	6,530	56	20,070	607
	$ 2,325,075	$ 1,521,280	$ 22,246	$ 1,499,034	$ 301,960	$ 57,157	$ 364,490	$ 165,659

‡ Federal interest rate subsidy on Build America Bonds is utilized to pay interest on those bonds but is reported as nonoperating revenue. The Balanced Budget and Emergency Deficit Control Act of 1985, as amended, reduced the BAB subsidy paid during the fiscal years 2021-2030 by 5.7%. The BAB subsidy to be received by SAWS is reduced by this amount for all future payments.

*The variable rate bonds are currently in a Term Mode and SIFMA Index Mode. Interest listed above is based on the fixed rate through the interst period for the Term Mode and a budged rate of 3.00% thereafter and at 3.00% for the SIMFA Index Mode.

COMMERCIAL PAPER PROGRAM

SAWS maintains a commercial paper program that is used to provide funds for the interim financing of a portion of its capital improvements. The City has authorized the commercial paper program in an amount of $500 million. Notes payable under the program cannot exceed maturities of 270 days.

The City has covenanted in the ordinance authorizing the commercial paper program (Note Ordinance) the issuance of City of San Antonio, Texas Water System Commercial Paper Notes, Series A (Series A Notes), the issuance of City of San Antonio, Texas Water System Commercial Paper Notes, Series B (Series B Notes), and City of San Antonio, Texas Water System Commercial Paper Notes, Series C (Series C Notes) and the maintenance at all times of credit facilities with banks or other financial institutions which would provide available borrowing capacity sufficient to pay the principal of the commercial paper program. The credit facility is maintained under the terms of a revolving credit agreement. The Note Ordinance also authorizes the ability to designate and issue subseries of notes. The Series A Notes are currently authorized as City of San Antonio, Texas Water System Commercial Paper Notes, Subseries A-1 (Subseries A-1 Notes) and City of San Antonio, Texas Water System Commercial Paper Notes, Subseries A-2 (Subseries A-2 Notes). The Subseries A-2 Notes are directly placed with JPMorgan Chase Bank, N.A. under a Note Purchase Agreement.

The borrowings under the commercial paper program are equally and ratably secured by and are payable from (i) the proceeds from the sale of bonds or additional borrowing under the commercial paper program and (ii) borrowing under and pursuant to the revolving credit agreement. The capacity of the combined revolving credit and note purchase agreements is $500 million with the Revolving Credit Agreement with JPMorgan Chase Bank, N.A. in the amount of $400 million, supporting the Series A Notes expiring October 4, 2023; and the Revolving Credit Agreement with Wells Fargo Bank, N.A. in the amount of $100 million, supporting the Series B Notes and Series C Notes expiring January 5, 2024.

The issuance of commercial paper is further supported by the following agreements and related participants:

- Dealer Agreements with Goldman, Sachs & Co., J.P. Morgan Securities LLC., and Ramirez & Co., Inc.
- Issuing and Paying Agency Agreement with The Bank of New York Mellon Trust Company, N.A.

Commercial paper notes of $229,585,000 are outstanding as of December 31, 2022, with $227,585,000 outstanding under the Subseries A-1 Notes, and $2,000,000 outstanding under Subseries A-2 Notes. Interest rates on the Subseries A-1 Notes outstanding at December 31, 2022 range from 2.25% to 3.75% and maturities range from 31 to 124 days. The interest rate on the Subseries A-2 Notes outstanding at December 31, 2022 is 4.555% with a maturity of 33 days. All outstanding notes combined had an average rate of 2.616% and average 61 days to maturity. Commercial paper notes of $234,020,000 are outstanding as of December 31, 2021, with $132,020,000 outstanding under the Subseries A-1 Notes, $2,000,000 outstanding under Subseries A-2 Notes, and $100,000,000 outstanding under Series C Notes. Interest rates on the Subseries A-1 Notes outstanding at December 31, 2021 range from 0.09% to 0.15% and maturities range from 7 to 128 days. The interest rate on the Subseries A-2 Notes outstanding at December 31, 2021 is 1.378% with a maturity of 34 days. The interest rate on the Series C Notes outstanding at December 31, 2021 is 0.33% with a maturity of 269 days. All outstanding notes combined had an average rate of 0.256% and average 144 days to maturity. The direct placement revenue bonds and commercial paper notes of $301,960,000 and $2,000,000, respectively, contain events of default and/or termination provisions with possible finance-related consequences. SAWS management has evaluated the events of default and/or termination provisions with possible finance-related consequences and in the opinion of SAWS management, the likelihood is remote that these provisions will have a significant effect on SAWS' financial position or results of operations.

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The following tables summarize the outstanding and available balance of the commercial paper program for the years ended December 31, 2022 and December 31, 2021.

Year Ended December 31, 2022 *(amounts in thousands)* Issue Description	Authorized Amount	Amount Outstanding	Unissued Portion
Subseries A-1 Notes	$ 398,000	$ 227,585	$ 170,415
Subseries A-2 Notes (Direct Placement)	2,000	2,000	-
Series C Notes (Direct Placement)	100,000	-	100,000
Total	$ 500,000	$ 229,585	$ 270,415

Year Ended December 31, 2021 *(amounts in thousands)* Issue Description	Authorized Amount	Amount Outstanding	Unissued Portion
Subseries A-1 Notes	$ 398,000	$ 132,020	$ 265,980
Subseries A-2 Notes (Direct Placement)	2,000	2,000	-
Series C Notes (Direct Placement)	100,000	100,000	-
Total	$ 500,000	$ 234,020	$ 265,980

SAWS intends to reissue maturing commercial paper, in accordance with the refinancing terms of the revolving credit agreement, and ultimately refund such maturities with proceeds from the issuance of long-term revenue bonds. Consistent with this intent, and since SAWS has the available $500 million revolving credit agreement described above, SAWS has classified nearly all outstanding commercial paper notes as long-term debt. In accordance with the amortization schedule of the interest rate swap agreement discussed in Note G, SAWS intends to redeem $4,640,000 of commercial paper in 2023. Therefore, this portion of the commercial paper is classified as a current liability.

The following tables summarize transactions of the commercial paper program for the years ended December 31, 2022 and 2021.

Year Ended December 31, 2022 *(amounts in thousands)* Issue Description	Outstanding Notes at Beginning of Year	Notes Issued	Notes Retired	Outstanding Notes at End of Year	Payable Within One Year
Subseries A-1 Notes	$ 132,020	$ 100,000	$ 4,435	$ 227,585	$ 4,640
Subseries A-2 Notes (Direct Placement)	2,000	-	-	2,000	-
Series B Notes	-	-	-	-	-
Series C Notes (Direct Placement)	100,000	-	100,000	-	-
Total	$ 234,020	$ 100,000	$ 104,435	$ 229,585	$ 4,640

Year Ended December 31, 2021 *(amounts in thousands)* Issue Description	Outstanding Notes at Beginning of Year	Notes Issued	Notes Retired	Outstanding Notes at End of Year	Payable Within One Year
Subseries A-1 Notes	$ 116,260	$ 20,000	$ 4,240	$ 132,020	$ 4,435
Subseries A-2 Notes (Direct Placement)	2,000	-	-	2,000	-
Series B Notes	-	-	-	-	-
Series C Notes (Direct Placement)	100,000	-	-	100,000	-
Total	$ 218,260	$ 20,000	$ 4,240	$ 234,020	$ 4,435

OTHER DEBT MATTERS

Debt Covenants: SAWS is required to comply with various provisions included in the ordinances which authorized the bond issuances. SAWS management believes it is in compliance with all significant provisions of the bond ordinances.

Under these bond ordinances, SAWS is required to establish and maintain rates and charges for services sufficient to produce Net Revenues 1.25x the annual debt service requirements on Senior Lien obligations (senior lien debt coverage ratio) and at least 1.00x the current year annual debt service on outstanding Junior Lien obligations. SAWS senior lien debt coverage ratio was 30.19x at December 31, 2022 and 10.30x at December 31, 2021. The current annual combined debt coverage ratio was 2.20x at December 31, 2022 and 1.69x at December 31, 2021.

In prior years, SAWS legally defeased revenue bonds by placing revenues or proceeds of new bond issues in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in SAWS' financial statements. At December 31, 2022, there were $2.2 million of the former Bexar Metropolitan Water Districts bonds outstanding considered legally defeased.

NOTE I - CONTINGENCIES AND COMMITMENTS

Water Agreements

As of December 31, 2022, SAWS has entered into various agreements to obtain rights to pump water from the Edwards Aquifer. The term of these agreements varies, with some expiring as early as 2023 and others continuing until 2028. The annual cost per acre foot ranges from $100 to $140. Under these various agreements, SAWS paid $2.9 million in 2022 and $3.2 million 2021.

The future commitments under these agreements are as follows:

(dollars in thousands)	2023	2024	2025	2026	2027	Thereafter
Edwards Aquifer - commitments	$ 1,728	$ 657	$ 657	$ 657	$ 309	$ 30
Edwards Aquifer - acre feet	13,111	5,232	5,232	5,232	2,464	300

SAWS also has commitments to purchase water supplies under various contracts. All water provided under these contracts is subject to availability.

Under a contract with Guadalupe-Blanco River Authority (GBRA), SAWS will receive 4,000-acre feet of water annually through the end of the contract in 2037. Additionally, SAWS must purchase water not sold by GBRA to other third parties. The additional amount of water available in 2023 is estimated to be 2,500-acre feet and is projected to decline over the remaining term of the contract as the demand increases for other GBRA customers.

The cost of the water escalates over time with projected prices ranging from $1,178 per acre foot in 2023 to approximately $1,803 per acre foot by 2037.

Under a contract with the Massah Development Corporation, SAWS has a minimum take or pay commitment to purchase 100 acre-feet per month or 1,200 acre-feet per year of raw water from the Lower Glen Rose/Cow Creek formations of the Trinity Aquifer in northern Bexar County at projected prices ranging from $820 to $870 per acre foot. This agreement expires in July 2025 and SAWS has a unilateral option to extend the contract for 10 years.

In 2012, SAWS entered into an agreement with Water Exploration Company, Ltd., (WECO) to purchase groundwater produced by WECO from the Trinity Aquifer. In connection with this agreement, two prior water purchase agreements between DSP and WECO were terminated. In 2018, Texas Water Supply Company assumed the assets of WECO, including this agreement between SAWS and WECO. The 2012 agreement has a term of 15 years, with two optional 5-year extensions. SAWS is obligated to purchase up to 17,000 acre-feet per year in monthly increments not to exceed 1,417 acre-feet if the water is available to be produced. SAWS only pays for delivered water meeting all state and federal drinking water standards. Pumping under this contract may not reduce the Trinity Aquifer below 600 feet Mean Sea Level at test wells on the tracts. The projected price to be paid per acre-foot of raw water ranges from $1,251 in 2023 to $1,355 by 2027.

In 2010, SAWS was granted a permit by the Gonzales County Underground Water Conservation District (District) to produce 11,688-acre feet of water from the Carrizo Aquifer in Gonzales County. SAWS has entered into 23 separate agreements with landowners to produce water under that permit. These agreements remain in force indefinitely as long as SAWS continues to make payments in accordance with the terms of the agreements. SAWS makes payments to the landowners based on actual water produced. SAWS expects to produce the maximum water available under its permit in 2023 and projects payments to landowners will be $1,500,000. These payments escalate annually based on the average of the increase in the Consumer Price Index and Producers Price Index.

In 2011, SAWS entered into an agreement with the Schertz Seguin Local Government Corporation (SSLGC) to 1) treat water produced by SAWS under its permit with the District at SSLGC's treatment plant in Gonzales County and transport that water through SSLGC's existing transportation pipeline to a SAWS facility in Schertz, Texas and 2) purchase up to 5,000 acre feet of wholesale water annually from SSLGC. As part of this agreement, SSLGC agreed to expand its treatment facilities to handle the volume of water supplied by SAWS. SSLGC issued contract revenue bonds in 2012 to finance the expansion. SAWS is unconditionally obligated to make monthly payments to SSLGC beginning in December 2014 equal to $1/12^{th}$ the annual debt service payment owed by SSLGC on the contract revenue bonds regardless of the amount of water actually provided by SAWS to SSLGC for treatment and transportation. In addition to the payment made to SSLGC for the expansion of the treatment plant, SAWS makes payments to SSLGC for treating and transporting the SAWS produced water.

The initial term of the agreement with SSLGC expires in 2050 and is automatically renewed for successive terms of 5 years unless SAWS chooses to cancel the contract upon the expiration of any term. The projected price paid to SSLGC to treat and transport water provided by SAWS is projected to be $527 per acre foot in 2023, peaks at $683 per acre foot in 2041 and ends at $655 per acre foot in 2050. The projected price through 2041 includes the debt service associated with the expansion of SSLGC's treatment plant. Payments for any wholesale water purchased from SSLGC are based on SSLGC's operating water rates. The 2023 price also includes the cost of surplus water from SSLGC, which contractually continues to be made available in subsequent years.

Under a contract with Bexar-Medina-Atascosa Counties W.C.I.D. No. 1 (BMA), SAWS has a take or pay commitment to purchase 19,974 acre feet of untreated water annually from Medina Lake. If BMA is unable to deliver water to SAWS, BMA issues a credit for the undelivered water, which can be used to offset payments due to BMA during the next calendar year. The price of the water is based on the rate charged by GBRA for raw water. GBRA's rate for raw water as of December 31, 2022 was $165 per acre foot. The agreement has been amended several times with the current agreement ending in 2049.

Under a contract with Canyon Regional Water Authority (CRWA), SAWS is required to make certain contractually required minimum payments each year to fund capital and operating expenses of CRWA. Additionally, SAWS makes payments based on the number of acre feet of water SAWS commits to take in a given year. SAWS currently has access to 6,300 acre feet annually from 2023 through 2028 and 6,800 acre feet annually from 2029 to 2042. The average cost ranges from $973 to $1,451 per acre foot.

Total payments under these water purchase agreements were $28.9 million in 2022 and $35.3 million in 2021. A summary of all estimated future payments under all of these agreements is provided in the following table. The estimated fixed water payments consist of the take or pay commitments under the agreements. The estimated variable water payments will be made only if water is made available to SAWS. The estimates assume price escalations but do not assume the extension of any water purchase agreement. As with any estimate, the actual amounts paid could differ materially.

(dollars in thousands)	2023	2024	2025	2026	2027	Thereafter
Purchased water payments - fixed	$ 24,083	$ 24,390	$ 24,555	$ 24,465	$ 24,858	$ 463,250
Acre feet purchased - fixed	42,507	42,507	41,907	41,307	41,307	834,698
Purchased water payments - variable	$ 16,715	$ 16,995	$ 16,817	$ 16,617	$ 9,717	$ 30,537
Acre feet purchased - variable	13,756	13,532	12,955	12,380	6,876	13,739

In October 2014, the City Council adopted an ordinance, approving the execution of a Water Transmission and Purchase Agreement (Agreement) between the City, acting by and through SAWS, and Vista Ridge LLC (Project Company), pursuant to which the Project Company has committed to make available to SAWS, and SAWS has agreed to pay for, up to 50,000 acre-feet of potable water (Project Water) per year for an initial period of 30 years plus a limited extension period (up to 20 years) under certain circumstances (hereinafter referred to as the operational phase). The execution of the Agreement represents a significant diversification of the City's water sources, as SAWS projects that Project Water, if delivered at the maximum contractual amount, will account for approximately 20% of SAWS' current annual usage.

Pursuant to the terms of the Agreement, SAWS will pay costs arising under the Agreement, as a maintenance and operating expense of SAWS from a flow of funds perspective (see Note B), only for Project Water made available at the connection point (which payment will also include the costs of operating and maintaining the Vista Ridge Pipeline Project as described below. SAWS will have no obligation to pay for any debt issued by the Project Company, and any such debt will be non-recourse to SAWS.

On May 17, 2016, SAWS exercised its contractual right to fix the Capital and Raw Groundwater Unit Price under the Agreement based on the methodology provided for therein. This action served to lock in the price of the Project Water component of SAWS annual payment requirement at $1,606 per acre foot for the entire 30-year term (and any extension of that term) of the Agreement.

In addition to the Capital and Raw Groundwater Unit Price, SAWS will pay operations and maintenance costs deemed to be compensable by an independent budget panel as a direct pass through under the Agreement as well as electricity costs. Finally, SAWS is responsible for compensating the Project Company for any major repairs and replacement costs, which may arise and are deemed to be compensable by the budget panel.

Delivery of Project Water commenced April 15, 2020. The start of water delivery initiated the 30-year operational phase, during which period SAWS is obligated to pay for Project Water (up to 50,000 acre-feet annually) made available by the Project Company. A total of $102.1 million was spent in 2022 to make contractually required payments for water made available, provide for the operations and maintenance of the pipeline, support the operation of the treatment plant, which receives the water made available and provide for the utility expenses associated with the pipeline and the treatment process.

During early 2020, SAWS paid for approximately 9,000 acre-feet of water that it was not able to receive. Consistent with the terms of the Agreement, SAWS recorded a prepaid asset, which as of December 31, 2022 totaled $3.4 million. Given the priority of water deliveries and payments, it is currently estimated it will take a number of years to fully amortize the prepaid Project Water.

At the end of the operational phase, ownership of the Project will be transferred to SAWS at no cost. SAWS has also entered into a separate agreement with Blue Water Vista Ridge, LLC, the lessee of the Project Water, to continue to acquire up to 50,000 acre-feet annually of untreated groundwater, for an additional 30-year period upon the termination of the Agreement and transfer of the Project to SAWS. The cost of such water at the end of the Agreement will be tied to prevailing Edwards Aquifer agreements.

Because all Project assets will transfer to SAWS at the end of the Agreement, SAWS recorded the capital assets and a contract payable equal to the acquisition value of the Project Company infrastructure of approximately $929.3 million in 2020. During 2022, SAWS recorded depreciation of $24.0 million associated with these assets, while reducing the contract payable through the debt service portion of payments to be made under the contract to $887.8 million as of December 31, 2022. The following table is a schedule of interest and principal payments for each of the next five years and then in five-year increments thereafter.

Year Ended December 31,	Principal	Interest *(Amounts in thousands)*	Total
2023	$ 17,033	$ 44,426	$ 61,459
2024	17,788	43,839	61,627
2025	18,479	42,980	61,459
2026	19,251	42,208	61,459
2027	20,059	41,400	61,459
2028-2032	114,004	193,628	307,632
2033-2037	141,388	166,075	307,463
2038-2042	178,199	129,264	307,463
2043-2047	230,888	76,575	307,463
2048-2050	130,743	10,192	140,935
Total	$ 887,832	$ 790,587	$ 1,678,419

SAWS has the right to terminate the Agreement at any time by purchasing the Project for the aggregate amount of the outstanding Project Company debt, contract breakage costs and return of and return on equity contributions. SAWS also has the obligation to purchase the Project assets in similar fashion in the event of a SAWS default under the Agreement. The termination payment as of December 31, 2022, was estimated to be approximately $1.1 billion. SAWS also maintains the option to assume rather than pay off the outstanding Project Company debt. Under either scenario, SAWS purchasing of the Project would result in the recording of additional liabilities totaling approximately $200.0 million.

Other Contingencies and Commitments

During 2020, SAWS entered into capital lease agreements for fleet vehicles. The term of each vehicle lease is 5 years. Payments are based on the current market value of the vehicle less a residual value. A 4.5% interest rate was used to calculate the payment. A service charge of $250 per vehicle is due at the end of each lease. In 2020, SAWS recorded a $402,000 capital lease liability associated with these leases, which included the present value of all future payments and the service charge due at the end of the lease. Based on the 2022 implementation of GASB Statement No. 87, all leases were reviewed, and a $250,000 materiality threshold was established for the present value of all future payments. Since the present value of all future payments did not meet the threshold, the remaining net book value of these vehicles were retired, and the capital lease liability was removed.

SAWS is also committed under various contracts for completion of construction or acquisition of utility plant totaling approximately $784.9 million as of December 31, 2022. Funding of this amount will come from excess revenues, contributions from developers, restricted assets, and available commercial paper capacity.

In March 2007, SAWS was orally notified by Region 6 of the United States Environmental Protection Agency (EPA) of alleged failures to comply with the Clean Water Act due to the occurrence of sanitary sewer overflows (SSOs). The EPA subsequently referred the matter to the United States Department of Justice (DOJ) for enforcement action. SAWS engaged in settlement negotiations with the EPA and the DOJ to resolve the allegations. In June 2013, the Board approved a Consent Decree between SAWS and the United States of America and the State of Texas to resolve this enforcement action. During the 10 to 12-year term of the Consent Decree, SAWS estimated the cost to perform the operating and maintenance requirements of the Consent Decree to be approximately $250 million. SAWS estimates that capital expenditures associated with the requirements of the Consent Decree could range from $1.2 billion to $1.3 billion. As with any estimate, the actual amounts incurred could differ materially.

Through December 31, 2022, capital expenditures related to the Consent Decree totaled approximately $1.1 billion, which includes certain work which was previously planned prior to entry into the Consent Decree. Since entry into the Consent Decree, SAWS has performed its obligations under the terms of the Consent Decree and management believes SAWS is in material compliance with such terms, conditions and requirements. Since 2010, SAWS has seen a significant reduction in annual SSOs, from 538 in 2010 to 152 in 2020 and 174 in 2022.

SAWS operated the Mitchell Lake structural wetlands best management practice and dam spillway (Mitchell Lake) pursuant to a Texas Pollutant Discharge Elimination Permit (Permit) issued by the Texas Commission on Environmental Quality under a delegation of authority from the EPA. In October 2015, the EPA notified SAWS that SAWS violated the effluent discharge limitations provided in that Permit as a result of discharges occurring during significant rainfall events.

On August 18, 2016, SAWS received an Administrative Order from the EPA that alleged SAWS violated the Permit by failing to meet effluent limits, as required by the Permit. Mitchell Lake is not a standard brick and mortar wastewater treatment facility. Instead, Mitchell Lake is a unique and environmentally sensitive natural facility that has become a wildlife refuge and an active destination attraction within the City. Mitchell Lake and adjacent wetlands cover approximately 600 acres and provide an essential habitat where migrating birds can rest and feed. Discharges from Mitchell Lake only occur after significant rainfall events. The intermittent nature of the discharges after rainfall makes traditional treatment options impractical.

Upon receiving the Administrative Order, SAWS began working with consulting experts and conducted preliminary feasibility evaluations of a potential solution that has two major components: (a) modifications to the existing dam with the construction of a new spillway and (b) constructing treatment wetlands of approximately 83 acres below Mitchell Lake.

By letter dated February 28, 2019, the EPA delivered a second Administrative Order to SAWS that includes a Schedule of Activities, which requires completion of the wetlands project by September 30, 2024. To inform the design and operation of a full-scale constructed wetlands, SAWS commenced a pilot wetlands study in 2019 of approximately 1.3 acres. Operations began in the summer of 2019 and after a one-year operation period, a final report was produced in December of 2020. This report adequately documented the efficacy of using constructed wetlands to comply with permitted water quality requirements. On January 9, 2018, SAWS purchased a 283-acre tract of land, a portion of which is anticipated to be used to implement the water quality treatment wetlands project. On September 23, 2022, SAWS acquired an additional 234-acre tract that will be necessary for the implementation of the project as currently designed. At this time, projected costs for the constructed wetlands project are estimated to be $72.0 million. To date, no monetary penalties have been assessed, although the EPA reserves all rights to seek any appropriate remedies.

In 2020, SAWS partnered with the U.S. Army Corps of Engineers (USACE) on an Aquatic Ecosystem Restoration Feasibility Study for Mitchell Lake. The study identified potential future projects for restoring lost and/or degraded ecological functions in several areas adjacent to Mitchell Lake. SAWS cost-share portion of funding for the study was $520,000.

In 2021, engineering design commenced for the dam modifications, new spillway and constructed wetlands. At the direction of EPA, SAWS explored the conversion of Mitchell Lake from its long-held classification as a wastewater treatment facility to a new classification as a Best Management Practice in a Municipal Separate Storm Sewer System (MS4) permit held jointly by SAWS and the City of San Antonio. The new permit was issued by the Texas Commission on Environment Quality (TCEQ) on December 17, 2021.

On August 11, 2022, the EPA issued a revised schedule of activities extending the completion date to March 31, 2026, in order to allow for completion of additional historical and archaeological review and coordination with appropriate agencies for additional permitting. The project's current timeline sets design to be completed by 2024, with construction expected to be completed by 2026.

NOTE J - PENSION AND RETIREMENT PLANS

SAWS' pension program includes benefits provided by the Texas Municipal Retirement System (TMRS), the San Antonio Water System Retirement Plan (SAWSRP) and the District Special Project Retirement Income Plan (DSPRP).

Texas Municipal Retirement System

SAWS participates as one of 901 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by TMRS. TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of TMRS with a six-member Board of Trustees (TMRS Board). Although the Governor, with the advice and consent of the Senate, appoints the TMRS Board, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available comprehensive annual financial report that can be obtained at www.tmrs.com.

TMRS provides retirement benefits to eligible SAWS employees. At retirement, the benefit is calculated as if the sum of the employee's contribution, with interest, and the SAWS financed monetary credits with interest were used to purchase an annuity. Members choose to receive their benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions that have been adopted by SAWS are within the options available in the governing state statutes of TMRS. Plan provisions for SAWS for the 2021 and 2020 plan years were as follows:

Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, any/20
Updated Service Credit	100% Repeating
Annuity increase (to retirees)	70% of CPI Repeating

Total number of SAWS participants in TMRS as of the last two actuarial valuation dates is summarized below:

	December 31, 2021	December 31, 2020
Active employees	1,680	1,767
Retirees and beneficiaries currently receiving benefits	1,377	1,326
Inactive members	823	754
Total	3,880	3,847

Under the state law governing TMRS, SAWS' contribution rate is determined annually by the actuary using the Entry Age Normal (EAN) cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Eligible SAWS employees are required to contribute 3% of their annual gross earnings. The employer required contribution rates for SAWS were 3.64% and 3.74% in calendar years 2022 and 2021, respectively. SAWS' contributions to TMRS totaled $4,510,000 and $4,450,000 for the years ended December 31, 2022 and 2021, respectively. These contributions equaled the required contributions.

SAWS Net Pension Liability for the TMRS plan as of December 31, 2022 and 2021 was measured as of December 31, 2021 and 2020, respectively. The Total Pension Liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of the measurement date.

The Total Pension Liability in the December 31, 2021 and 2020 actuarial valuations were determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4- year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the mortality study performed in 2013, with factors based on a unisex blend of the RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment for males and females. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

For fiscal years 2022 and 2021, the long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, the valuation focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

Fiscal years 2022 and 2021 had the following target allocations and best estimates of real rates of return for each major asset class. The Long-term Expected Real Rate of Return amounts do not include inflation.

	December 31, 2022		December 31, 2021	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	35.0%	7.55%	30.0%	5.30%
Non-Core Fixed Income	20.0%	5.68%	20.0%	4.14%
Real Estate	12.0%	6.85%	10.0%	4.00%
Other Public & Private Markets	12.0%	7.22%	-	-
Private Equity	10.0%	10.00%	10.0%	7.75%
Core Fixed Income	6.0%	2.00%	10.0%	1.25%
Hedge Funds	5.0%	5.35%	-	-
Real Return	-	-	10.0%	3.85%
Absolute Return	-	-	10.0%	3.48%
Total	100.0%		100.0%	

The discount rate of 6.75% was used to measure the Total Pension Liability in the December 31, 2022 and 2021 actuarial valuations. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the TMRS pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

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The following table summarizes the changes in the TMRS Net Pension Liability for the year ended December 31, 2022 and 2021 based on the measurement date of December 31, 2021 and 2020, respectively.

Changes in Net Pension Liability - TMRS
($ in thousands)

	2021 Increase (Decrease)			2020 Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1,	$ 242,093	$ 225,619	$ 16,474	$ 230,895	$ 211,848	$ 19,047
Changes for the year:						
Service Cost	6,068	-	6,068	6,233	-	6,233
Interest	16,200	-	16,200	15,448	-	15,448
Differences between expected and actual experience	1,214	-	1,214	(189)	-	(189)
Changes in assumptions	-	-	-	-	-	-
Contributions - employer	-	4,450	(4,450)	-	4,440	(4,440)
Contributions - employee	-	3,569	(3,569)	-	3,660	(3,660)
Net investment income	-	29,401	(29,401)	-	16,073	(16,073)
Benefit payments	(10,261)	(10,261)	-	(10,294)	(10,294)	-
Administrative expense	-	(136)	136	-	(104)	104
Other charges	-	1	(1)	-	(4)	4
Net Changes	13,221	27,024	(13,803)	11,198	13,771	(2,573)
Balances at December 31, *	$ 255,314	$ 252,643	$ 2,671	$ 242,093	$ 225,619	$ 16,474

*Based on measurement date of December 31, 2021 and December 31, 2020 respectively

The following table presents the Net Pension Liability for the TMRS plan as of December 31, 2022 and December 31, 2021 calculated using the discount rate of 6.75%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

TMRS Net Pension Liability/(Asset) *($ in thousands)*

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
December 31, 2022	$ 35,408	$ 2,671	$ (24,559)
December 31, 2021	$ 47,908	$ 16,474	$ (9,657)

San Antonio Water System Retirement Plan

The San Antonio Water System Retirement Plan (SAWSRP) is a single-employer pension plan, which serves as a supplement to SAWS' other retirement benefits. The plan has both a defined benefit and a defined contribution component. SAWS has delegated to Principal Financial Group the authority to manage plan assets and administer the payment of benefits under the plan.

The financial information for SAWSRP is reported in the SAWS Fiduciary Funds financial statements. SAWSRP does not issue stand-alone financial statements. A summary of the plan's financial statements for the years ended December 31, 2022 and 2021 is presented in the following tables.

San Antonio Water System Retirement Plan
Net Position Restricted for Pension Benefits
(amounts in thousands)

	December 31, 2022			December 31, 2021		
	Defined Benefit	Defined Contribution	Total	Defined Benefit	Defined Contribution	Total
Assets						
Investments	$ 260,949	$ 16,899	$ 277,848	$ 307,118	$ 17,555	$ 324,673
Total Assets	260,949	16,899	277,848	307,118	17,555	324,673
Liabilities	-	-	-	-	-	-
Net position restricted for pension benefits	$ 260,949	$ 16,899	$ 277,848	$ 307,118	$ 17,555	$ 324,673

San Antonio Water System Retirement Plan
Changes in Net Position Restricted for Pension Benefits
(amounts in thousands)
For the years ended

	December 31, 2022			December 31, 2021		
	Defined Benefit	Defined Contribution	Total	Defined Benefit	Defined Contribution	Total
Additions						
Employer Contributions	$ 7,000	$ 2,049	$ 9,049	$ 6,136	$ 1,814	$ 7,950
Employee Contributions	2,165	1,745	3,910	2,219	1,576	3,795
Investment Income	(43,416)	(3,210)	(46,626)	34,841	2,228	37,069
Total additions/(deductions)	(34,251)	584	(33,667)	43,196	5,618	48,814
Deductions						
Pension payments/distributions	11,654	1,186	12,840	10,669	683	11,352
Administrative Expenses	264	54	318	294	52	346
	11,918	1,240	13,158	10,963	735	11,698
Increase (Decrease) in net position	(46,169)	(656)	(46,825)	32,233	4,883	37,116
Net position restricted for pension benefits - beginning	307,118	17,555	324,673	274,885	12,672	287,557
Net position restricted for pension benefits - ending	$ 260,949	$ 16,899	$ 277,848	$ 307,118	$ 17,555	$ 324,673

Defined Benefit Component: Eligible employees hired prior to June 1, 2014, participate in the defined benefit component of the plan. Eligible employees vest in this plan after the completion of five years of service.

Covered employees are eligible to retire upon attaining the normal retirement age of 65. An employee may elect early retirement, with reduced benefits, upon attainment of (i) 20 years of vesting service regardless of age or (ii) five years of vesting service and at least age 60. An employee is automatically 100% vested upon attainment of age 65 or upon becoming totally and permanently disabled.

The normal retirement benefit is based upon two factors, average compensation and years of vesting service. Average Compensation is defined as the monthly average of total compensation received for the three consecutive years ending December 31, out of the last ten compensation years prior to normal retirement date which gives the highest average. The normal retirement benefit under SAWSRP is equal to the following:

1. 1.20% of the Average Compensation, times years of credited service not in excess of 25 years, plus
2. 0.75% of the Average Compensation, times years of credited service in excess of 25 years but not in excess of 35 years, plus
3. 0.375% of the Average Compensation, times years of credited service in excess of 35 years.

Upon retirement, an employee must select from one of eight alternative payment plans. Each payment plan provides for monthly payments as long as the retired employee lives. The options available address how plan benefits are to be distributed to the designated beneficiary of the retired employee. The program also provides disability benefits.

Participants in the defined benefit component of the SAWSRP as of the last two actuarial valuation dates is summarized below:

	January 1, 2022	January 1, 2021
Active employees	895	975
Retirees and beneficiaries currently receiving benefits	1,198	1,145
Inactive members	563	558
Total	2,656	2,678

The funding policy provides for actuarially determined periodic contributions so that sufficient assets will be available to pay benefits when they are due. Contribution requirements are established and may be amended by SAWS Board of Trustees. The actuarially determined contributions for 2022 and 2021 were determined using the employer normal cost method. The actuarially determined contribution is the estimated amount necessary to finance the cost of benefits earned by participating employees during the year, with an additional amount to finance any unfunded accrued liability. Prior to 2015, active members made no contributions to the plan and all obligations with respect to the defined benefit feature of the plan were paid solely by SAWS. On January 1, 2015, active members began sharing in the cost of providing benefits under the plan by contributing 3% of their compensation.

The Net Pension Asset for the defined benefit component of the SAWSRP as of December 31, 2022 and 2021 was measured as of January 1, 2022 and 2021, respectively. The Total Pension Liability used to calculate the Net Pension Asset was determined by an actuarial valuation as of that date performed as of the measurement date.

The January 1, 2022 and 2021 valuations included the following actuarial assumptions:

Annual Inflation	2.25%
Rate of Return on Investments	6.25%

Expected salary increases are composed of salary inflation, real wage growth and merit increases reflecting SAWS' salary increase philosophies along with more recent experience of plan participants.

Mortality rates for the January 1, 2022 and January 1, 2021 valuation were based on PubG-2010 General base rate mortality table projected to future years with historical and assumed mortality improvement (MI) rates that were issued by the Society of Actuaries (SOA). PubG-2010 is the baseline mortality rate table underlying the SOA Pub-2010 experience study published in January 2019. The January 1, 2022 valuation was based on MP-2021, the most recent MI scale published in October 2021. The January 1, 2021 valuation was based on MP-2020 published in October 2020.

For the 2022 and 2021 valuations, the expected long-term return on plan assets assumption was developed as a weighted average rate based on target asset allocation of the plan and the Long-Term Capital Market Assumptions (CMA) May 2020. The capital market assumptions were developed with a primary focus on forward-looking valuation models, interest rates, risk-premium, and long-term performance patterns of the applicable asset classes. Due to the long-term nature of pension obligations, the investment horizon for the CMA 2020 is 20 years. Some of the economic assumptions rely on the Long-Term CMA May 2021, which was an interim update to the CMA 2020 to help ensure that the results are consistent with the current economic situation and outlook.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table. The Long-term Expected Real Rate of Return amounts do not include inflation.

The target investment allocations in effect at January 1, 2022 and January 1, 2021 were:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Total Return	34.0%	2.9%
US Equity - Large Cap	19.0%	5.1%
International Equity	10.0%	3.9%
US Mid Cap Equity	10.0%	7.4%
International Small/Mid Equity	7.0%	6.4%
US Small Cap Equity	7.0%	5.8%
Real Estate	7.0%	6.8%
High Yield Bond	6.0%	4.7%
Total	100.0%	

The discount rate used to measure the Total Pension Liability at December 31, 2022 and December 31, 2021 was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions will be made based on actuarial determined amounts. Based on that assumption, the SAWSRP defined benefit component's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

The following table summarizes the changes in the SAWSRP Net Pension Asset for the year ended December 31, 2022 and 2021 based on the measurement date of January 1, 2022 and January 1, 2021, respectively.

Changes in Net Pension Asset - SAWSRP
($ in thousands)

	2022 Increase (Decrease)			2021 Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances at January 1,	$ 272,187	$ 274,885	$ (2,698)	$ 261,816	$ 242,461	$ 19,355
Changes for the year:						
Service Cost	5,036	-	5,036	5,187	-	5,187
Interest	17,026	-	17,026	16,403	-	16,403
Differences between expected and actual experience	2,224	-	2,224	(66)	-	(66)
Changes in assumptions	413	-	413	(1,063)	-	(1,063)
Contributions - employer	-	6,136	(6,136)	-	9,131	(9,131)
Contributions - employee	-	2,219	(2,219)	-	2,095	(2,095)
Net investment income	-	34,840	(34,840)	-	31,582	(31,582)
Benefit payments	(10,669)	(10,669)	-	(10,090)	(10,090)	-
Administrative expense	-	(293)	293	-	(294)	294
Net Changes	14,030	32,233	(18,203)	10,371	32,424	(22,053)
Balances at December 31,*	$ 286,217	$ 307,118	$ (20,901)	$ 272,187	$ 274,885	$ (2,698)

*Based on measurement date of January 1, 2022 and January 1, 2021 respectively

The following table presents the Net Pension Liability/(Asset) associated with the defined benefit component of the SAWSRP calculated at December 31, 2022 and December 31, 2021 using the discount rate of 6.25%, as well as what the Net Pension Liability/(Asset) would be if it were calculated using a discount rate of one percentage point lower (5.25%) or one percentage point higher (7.25%) than the current rate.

SAWSRP Net Pension Liability/(Asset) *($ in thousands)*

	1% Decrease 5.25%	Current Discount Rate 6.25%	1% Increase 7.25%
December 31, 2022	$ 15,602	$ (20,901)	$ (51,259)
December 31, 2021	$ 32,580	$ (2,698)	$ (31,986)

Defined Contribution Component: Eligible employees hired on or after June 1, 2014 participate in the defined contribution component of the SAWSRP. SAWS contributes 4% of participant's compensation into an individual retirement account. Participants are required to contribute 3% of their compensation into their individual retirement account. Contributions under the defined contribution feature of the plan are made to participants' individual retirement accounts on a bi-weekly basis based on the participants' compensation during the period. An eligible employee totally vests in SAWS contributions to the individual retirement account after one year of service and immediately vests in the employee's contributions to the plan. The employee directs the investments in their individual retirement account. SAWS has no liability for losses under the defined contribution component of the SAWSRP but does have the usual fiduciary responsibilities of a plan sponsor.

During the year ended December 31, 2022, SAWS made contributions to participants' individual retirement accounts totaling $2,049,000, net of forfeitures of $38,000 and employees contributed $1,745,000. During the year ended December 31, 2021, SAWS made contributions to participants' individual retirement accounts totaling $1,814,000, net of forfeitures of $21,000 and employees contributed $1,576,000.

District Special Project Retirement Income Plan

District Special Project Retirement Income Plan (DSPRP) is a single-employer defined benefit pension plan that covers all eligible employees. The plan was originally established by Bexar Metropolitan Water District (BexarMet) to provide pension benefits to its employees. In 2008, the BexarMet Board elected to freeze pension benefits and entry into the plan effective September 30, 2008. In 2012, BexarMet was dissolved and all its assets and liabilities were transferred to the San Antonio Water System District Special Project (DSP). The plan was renamed District Special Project Retirement Income Plan. In 2016, DSP was merged into SAWS and DSPRP is now governed by SAWS, which is authorized to establish and amend all plan provisions. SAWS has delegated the authority to manage plan assets and administer the payment of benefits under the plan to Standard Insurance Company.

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The financial information for DSPRP is reported in the SAWS Fiduciary Funds financial statements. DSPRP does not issue stand-alone financial statements. A summary of the plan's financial statements for the years ended December 31, 2022 and 2021 is presented in the following tables.

District Special Project Retirement Income Plan
Net Position Restricted for Pension Benefits
(amounts in thousands)

	December 31, 2022	December 31, 2021
Assets		
Investments	$ 7,203	$ 8,475
Total Assets	7,203	8,475
Liabilities	-	-
Net position restricted for pension benefits	$ 7,203	$ 8,475

District Special Project Retirement Income Plan
Changes in Net Position Restricted for Pension Benefits
(amounts in thousands)

	December 31, 2022	December 31, 2021
Additions		
Employer Contributions	$ 138	$ 175
Investment Income (Loss)	(1,034)	1,049
Total additions/(deductions)	(896)	1,224
Deductions		
Pension payments/distributions	370	378
Administrative Expenses	6	7
	376	385
Increase/(Decrease) in net position	(1,272)	839
Net position restricted for pension benefits - beginning	8,475	7,636
Net position restricted for pension benefits - ending	$ 7,203	$ 8,475

Prior to freezing entry into the plan, employees were eligible to enter on May 1st or November 1st following the completion of 12 months of employment and attaining age 21. Participating employees accrued benefits if they worked at least 1,000 hours per plan year. Eligible employees vested in this plan after the completion of five years of service. Employees are 100% vested in any benefits derived from employee contributions regardless of years of service. A terminating participant who has completed five years of service is entitled to receive a vested benefit starting on his/her normal retirement date.

The normal retirement benefit upon retirement is a percentage of average monthly earnings. Prior to March 1, 1996, the monthly benefit was 60% of average monthly earnings reduced proportionately for less than 15 years of service. Effective March 1, 1996, the monthly benefit was 40% of average monthly earnings reduced proportionately for less than 20 years of service. Prior to March 1, 1996, average monthly earnings were based on the monthly earnings during the five consecutive and complete calendar years that produced the highest average. After March 1, 1996, average monthly earnings are determined by the ten consecutive and complete calendar years after December 31, 1990, which produce the highest average. Upon retirement, retirees may choose from 3 different types of annuities or receive a single lump sum distribution.

Participants in DSPRP as of the last two actuarial valuation dates is summarized below:

	January 1, 2022	January 1, 2021
Active employees	84	90
Retirees and beneficiaries currently receiving benefits	13	12
Inactive members	40	38
Total	137	140

The plan's funding policy provides for actuarially determined periodic contributions so that sufficient assets will be available to pay benefits as they come due. Contribution requirements are established and may be amended by the Board. The unit credit method was used to calculate the actuarial determined contribution for 2022 and 2021. Under this method, the actual or expected accrued benefit of each participant is allocated to the year in which it accrues. The normal cost is the present value of benefits expected to accrue in the current year.

The Net Pension Asset for DSPRP as of December 31, 2022 and 2021 was measured as of January 1, 2022 and 2021, respectively. The Total Pension Liability used to calculate the Net Pension Asset was determined by an actuarial valuation as of that date performed as of the measurement date.

The January 1, 2022 and 2021 valuations included the following actuarial assumptions:

Annual Inflation	2.25%
Rate of Return on Investments	6.25%

For 2022 and 2021, mortality rates are based on the SOA RP-2014 table projected on a fully generational basis using mortality improvement scale MP-2018. Due to the limited size of this plan and the frozen nature of benefits under the plan, an experience study has not been done.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class for the January 1, 2022 and January 1, 2021 valuations are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	36.0%	4.85%
Fixed Income	40.0%	1.40%
International Equity	17.0%	5.05%
Real Estate	7.0%	4.05%

The discount rate used to measure the total pension liability at December 31, 2022 and December 31, 2021 was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions will be made equal to the actuarially determined contributions. Based on those assumptions, the defined benefit component's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the defined benefit component's investments was applied to all periods of projected benefit payments to determine the total pension liability.

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The following table summarizes the changes in the DSPRP Net Pension Asset for the year ended December 31, 2022 and 2021 based on the measurement date of January 1, 2022 and 2021 respectively.

Changes in Net Pension Asset - DSPRP
($ in thousands)

	2022 Increase (Decrease)			2021 Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) - (b)
Balances at January 1,	$ 6,766	$ 7,636	$ (870)	$ 6,149	$ 6,652	$ (503)
Changes for the year:						
Service Cost	209	-	209	241	-	241
Interest	420	-	420	409	-	409
Differences between expected and actual experience	(62)	-	(62)	375	-	375
Changes in assumptions	-	-	-	-	-	-
Contributions - employer	-	175	(175)	-	400	(400)
Net investment income	-	1,049	(1,049)	-	998	(998)
Benefit payments	(378)	(378)	-	(408)	(408)	-
Administrative expense	-	(7)	7	-	(6)	6
Net Changes	189	839	(650)	617	984	(367)
Balances at December 31,*	$ 6,955	$ 8,475	$ (1,520)	$ 6,766	$ 7,636	$ (870)

*Based on measurement date of January 1, 2022 and January 1, 2021 respectively

The following table presents the DSPRP Net Pension Asset calculated at December 31, 2022 and December 31, 2021 using the discount rate of 6.25%, as well as what the Net Pension Asset would be if it were calculated using a discount rate that is one percentage point lower (5.25%) or one percentage point higher (7.25%) than the current rate.

DSPRP Net Pension Asset *($ in thousands)*

	1% Decrease 5.25%	Current Discount Rate 6.25%	1% Increase 7.25%
December 31, 2022	$ (1,046)	$ (1,520)	$ (1,927)
December 31, 2021	$ (372)	$ (870)	$ (1,296)

Other Pension Disclosures

For the years ended December 31, 2022 and December 31, 2021, SAWS recognized pension expense under the TMRS, SAWSRP and DSPRP plans as follows:

($ in thousands)
Year-ended December 31,

	2022	2021
TMRS	$ (1,037)	$ 1,766
SAWSRP - defined benefit	(6,565)	(476)
SAWSRP - defined contribution	2,049	1,814
DSPRP	(253)	(39)
	$ (5,806)	$ 3,065

Amounts payable to the pension plans by SAWS for contributions totaled $209,000 at December 31, 2022 and $225,000 at December 31, 2021.

The following table summarizes the Deferred Outflows of Resources, Net Pension Liability/(Asset) and Deferred Inflows of Resources for each of the plans as reported in the Statement of Net Position for December 31, 2022 and 2021.

($ in thousands)	December 31, 2022			December 31, 2021		
Plan	Deferred Outflows of Resources	Net Pension Liability / (Asset)	Deferred Inflows of Resources	Deferred Outflows of Resources	Net Pension Liability / (Asset)	Deferred Inflows of Resources
TMRS	$ 5,724	$ 2,671	$ 15,201	$ 4,933	$ 16,474	$ 6,153
SAWSRP	8,515	(20,901)	30,153	7,870	(2,698)	24,872
DSPRP	689	(1,520)	1,767	869	(870)	1,687
Total - All Plans	$ 14,928	$ (19,750)	$ 47,121	$ 13,672	$ 12,906	$ 32,712

At December 31, 2022, Deferred Outflows of Resources and Deferred Inflows of Resources associated with SAWS pension plans related to the following sources:

December 31, 2022

	TMRS		SAWSRP		DSPRP		All Plans	
($ in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after the measurement date	$ 4,510	$	$ 7,000	$	$ 138	$	$ 11,648	$
Differences between expected and actual experience	1,144	106	1,278	15	339	768	2,761	889
Effects of changes in assumption	70	-	237	232	212	-	519	232
Net Difference between projected and actual earnings on pension plan investments	-	15,095	-	29,906	-	999	-	46,000
	$ 5,724	$ 15,201	$ 8,515	$ 30,153	$ 689	$ 1,767	$ 14,928	$ 47,121

At December 31, 2021, Deferred Outflows of Resources and Deferred Inflows of Resources associated with SAWS pension plans related to the following sources:

	TMRS		SAWSRP		DSPRP		All Plans	
($ in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after the measurement date	$ 4,450	$ -	$ 6,136	$ -	$ 175	$ -	$ 10,761	$ -
Differences between expected and actual experience	366	148	850	58	424	899	1,640	1,105
Effects of changes in assumption	117	-	884	1,090	270		1,271	1,090
Net Difference between projected and actual earnings on pension plan investments	-	6,005	-	23,724	-	788	-	30,517
	$ 4,933	$ 6,153	$ 7,870	$ 24,872	$ 869	$ 1,687	$ 13,672	$ 32,712

Contributions made after the measurement date of $11,648,000 will be recognized as a reduction of the Net Pension Liability for the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	*($ in thousands)*			
December 31,	SAWSRP	TMRS	DSPRP	Combined
2023	$ (6,769)	$ (2,246)	$ (332)	$ (9,347)
2024	(11,525)	(6,114)	(423)	(18,062)
2025	(6,810)	(2,947)	(299)	(10,056)
2026	(3,534)	(2,680)	(172)	(6,386)
2027	-	-	13	13
Thereafter	-	-	(3)	(3)

The following table summarizes the components of the Net Pension Liability/(Asset) at December 31, 2022 and 2021 for the pension plans included in SAWS Fiduciary Fund Statements in accordance with *GASB 67, Financial Reporting for Pension Plans – An Amendment of GASB Statement 25.*

	December 31, 2022 (a)		December 31, 2021	
($ in thousands)	SAWSRP	DSPRP	SAWSRP	DSPRP
Total pension liability	$ 295,649	$ 7,052	$ 286,217	$ 6,955
Plan fiduciary net position	260,949	7,202	307,118	8,475
Net pension liability / (asset)	$ 34,700	$ (150)	$ (20,901)	$ (1,520)
Plan fiduciary net position as a percentage of the total pension liability	88.3%	102.1%	107.3%	121.9%

(a) Actuarial valuation performed at January 1, 2022 was rolled forward to December 31, 2022

Deferred Compensation Plans

In November 2019, SAWS consolidated its prior deferred compensation plans into one plan with Empower Retirement, who acts as an independent administrator of the plan. The plan complies with Section 457(b) of the Internal Revenue Code (Deferred Compensation Plans with Respect to Service for State and Local Governments) and is classified as an other employee benefit plan for accounting and financial reporting basis. Employee participation is voluntary, and SAWS makes no contributions to this plan. Empower Retirement issues a publicly available financial report that includes financial information relating to participating entities. The report may be obtained at: https://www.empower-retirement.com/about/financial-strength.

NOTE K – OTHER POST EMPLOYMENT BENEFITS (OPEB)

In addition to providing pension benefits described in Note J, SAWS provides certain health care and life insurance benefits for eligible retirees, their spouses, and their dependents through San Antonio Water System Retiree Health Trust (SAWS OPEB Plan), a single-employer defined benefit plan administered by SAWS. The authority to establish and amend the SAWS OPEB Plan provisions is vested in the Board.

The financial information for SAWS OPEB Plan is reported in the fiduciary funds statements. SAWS OPEB Plan does not issue stand-alone financial statements. A summary of the plan's financial statements for the years ended December 31, 2022 and 2021 is presented in the following tables.

San Antonio Water System Retiree Health Plan
Net Position Restricted for Post Employment Benefits
(amounts in thousands)

	December 31, 2022	December 31, 2021
Assets		
Cash and cash equivalents	$ 217	$ 146
Investments	107,363	121,374
Total assets	107,580	121,520
Liabilities	-	-
Net position restricted for other post employment benefits	$ 107,580	$ 121,520

Changes in Net Position Restricted for Post Employment Benefits
For the year ended December 31,
(amounts in thousands)

	2022	2021
Additions		
Employer contributions	$ 9,300	$ 10,442
Investment income/(loss)	(18,871)	12,260
Total additions/(deductions)	(9,571)	22,702
Deductions		
Benefit payments	4,200	5,342
Administrative expenses	169	177
Total deductions	4,369	5,519
Increase in net position	(13,940)	17,183
Net position restricted for other post employment benefits - beginning	121,520	104,337
Net position restricted for other post employment benefits - ending	$ 107,580	$ 121,520

By state law, any employee that retires under a SAWS retirement plan is eligible, at the time of retirement, to obtain health insurance benefits similar to those offered to active SAWS employees. Retirees may also purchase coverage for their spouse and qualifying dependents at group rates partially subsidized by SAWS. Any plan participant eligible for Medicare is required to enroll in a Medicare Advantage Plan. No supplemental health benefits are provided to those participants enrolled in Medicare Advantage Plans. Employees hired after December 31, 2013 will not be eligible for any subsidized medical benefits upon retirement from SAWS.

Participants in the SAWS OPEB Plan as of January 1, 2022 and 2021 consisted of the following:

	January 1, 2022	January 1, 2021
Active Employees	878	957
Retired Employees	771	801
Total	1,649	1,758

The contribution requirements of plan participants are established and may be amended by the Board. Contributions made by retirees for health insurance benefits vary based on retirement date, years of service and the health care options selected. Plan participants made contributions toward plan benefits totaling $1,747,000 in 2022 and 1,840,000 in 2021.

SAWS contributions to the plan are also established by the Board. Prior to 2012, SAWS only funded the shortfall between annual benefit payments and retiree contributions ("current benefit payments"). In March 2012, SAWS established a trust for the purpose of prefunding future benefit payments for eligible retirees and their dependents. In addition to making contributions to the trust, SAWS has continued to fund current benefit payments outside of the trust. SAWS intends to fund current benefit payments as well as make annual contributions to the trust in accordance with a plan that, at a minimum, fully funds the actuarially determined annual required contributions for these benefits thereby improving the funded status of the SAWS OPEB Plan over a period of time.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between SAWS and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The following table summarizes the actuarial methods and assumptions used in the most recent actuarial valuations for the SAWS OPEB Plan.

Actuarial Valuation Date	January 1, 2022	January 1, 2021
Actuarial Value of Assets	Market Value	Market Value
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Remaining Amortization Method	12 Years - Closed	13 Years - Closed
Actuarial Assumptions		
Investment Rate of Return	6.25%	6.25%
Inflation Rate	2.50%	2.50%
Healthcare Cost Trend:		
Initial	6.00%	6.00%/-2.00%*
Ultimate	3.94%	4.04%

*Pre-65 initial trend is 6.00%. Post 65 trend is -2.00%.

Mortality rates for the January 1, 2022 valuation were based Pub-2010 General base rate mortality table projected to future years with historical and assumed mortality improvement rates that were issued by the SOA. PubG-2010 is the baseline mortality rate table underlying the SOA Pub-2010 experience study published in January 2019. The mortality improvement scale is based on MP-2021 published in October 2021.

Mortality rates for the January 1, 2021 valuation were based Pub-2010 General base rate mortality table projected to future years with historical and assumed mortality improvement rates that were issued by the SOA. PubG-2010 is the baseline mortality rate table underlying the SOA Pub-2010 experience study published in January 2019. The mortality improvement scale is based on MP-2020 published in October 2020.

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The following table summarizes the changes in Net OPEB Liability/(Asset) at December 31, 2022 and December 31, 2021

Changes in Net OPEB Liability/(Asset) - SAWS OPEB Plan
($ in thousands)

	2022 Increase (Decrease)			2021 Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at January 1,	$ 120,795	$ 104,337	$ 16,458	$ 124,276	$ 83,277	$ 40,999
Changes for the year:						
Service Cost	1,712	-	1,712	1,750	-	1,750
Interest	7,491	-	7,491	7,688	-	7,688
Differences between expected and actual experience	(5,859)	-	(5,859)	(8,867)	-	(8,867)
Changes in assumptions	(3,799)	-	(3,799)	2,089	-	2,089
Changes in terms	(32,517)	-	(32,517)	-	-	-
Contributions - employer	-	10,442	(10,442)	-	13,641	(13,641)
Net investment income	-	12,260	(12,260)	-	13,747	(13,747)
Benefit payments	(5,342)	(5,342)	-	(6,141)	(6,141)	-
Administrative expense	-	(177)	177	-	(187)	187
Net Changes	(38,314)	17,183	(55,497)	(3,481)	21,060	(24,541)
Balances at December 31,*	$ 82,481	$ 121,520	$ (39,039)	$ 120,795	$ 104,337	$ 16,458

*Based on measurement date of January 1, 2022 and January 1, 2021 respectively

The following table presents the change in the SAWS OPEB Plan Net OPEB Liability/(Asset) calculated at December 31, 2022 and 2021 assuming healthcare cost trends decrease or increase by one percentage point from the assumptions used in Total OPEB liability.

($ in thousands)

	1% Decrease	Current Assumptions	1% Increase
December 31, 2022	$ (41,841)	$ (39,039)	$ (35,941)
December 31, 2021	$ 7,630	$ 16,458	$ 27,032

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The target allocation and best estimates of arithmetic real rates of return for each major asset class for January 1, 2022 and January 1, 2021 are summarized in the following table. The Long-term Expected Real Rate of Return amounts do not include inflation.

	January 1, 2022		January 1, 2021	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income - Core Bond	37.0%	1.42%	37.0%	1.46%
Domestic Equity - Large Cap	30.4%	6.54%	30.4%	6.54%
Foreign Equity - Developed International	11.3%	5.93%	11.3%	5.93%
Domestic Equity - Small Cap	6.4%	8.06%	6.4%	8.06%
Domestic Equity - Mid Cap	6.3%	7.36%	6.3%	7.36%
Foreign Equity - Emerging Markets	3.1%	8.28%	3.1%	8.28%
Fixed Income - High Yield	3.0%	4.14%	3.0%	4.46%
Real Estate	2.5%	6.14%	2.5%	6.14%
Total	100.0%		100.0%	

The discount rate used to measure the Total OPEB Liability at December 31, 2022 and December 31, 2021 was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions will be made equal to the actuarially determined contributions. Based on those assumptions, the defined benefit component's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the defined benefit component's investments was applied to all periods of projected benefit payments to determine the Total OPEB Liability.

The following table presents the SAWS OPEB Plan Net OPEB Liability/(Asset) calculated at December 31, 2022 and December 31, 2021 using the current discount rate of 6.25%, as well as what the Net OPEB Liability/(Asset) would be if it were calculated using a discount rate that is one percentage point lower (5.25%) or one percentage point higher (7.25%) than the current rate.

($ in thousands)

	1% Decrease 5.25%	Current Discount Rate 6.25%	1% Increase 7.25%
December 31, 2022	$ (30,819)	$ (39,039)	$ (45,989)
December 31, 2021	$ 30,909	$ 16,458	$ 4,443

SAWS recognized ($44,318,000) in OPEB expense for the fiscal year ended December 31, 2022 based on a measurement date of December 31, 2021 and ($7,521,000) in OPEB expense for the fiscal year ended December 31, 2021 based on a measurement date of December 31, 2020.

The following table summarizes Deferred Outflows of Resources and Deferred Inflows of Resources associated with the SAWS OPEB Plan at December 31, 2022 and December 31, 2021 from the following sources.

($ in thousands)	2022 Deferred Outflows of Resources	2022 Deferred Inflows of Resources	2021 Deferred Outflows of Resources	2021 Deferred Inflows of Resources
Contributions made after the measurement date	$ 9,300	$ -	$ 10,442	$ -
Differences between expected and actual experience	-	17,147	-	21,371
Effects of changes in assumption	1,254	4,145	2,376	1,957
Net Difference between projected and actual earnings on OPEB plan investments	-	11,601	-	9,951
	$ 10,554	$ 32,893	$ 12,818	$ 33,279

Contributions made after the measurement date of $9,300,000 will be recognized as a reduction of the Net OPEB Liability for the year ending December 31, 2023. Other amounts reported as deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ended December 31,	*($ in thousands)*
2023	$ (11,265)
2024	(12,706)
2025	(6,551)
2026	(1,117)
Thereafter	-

The components of the Net OPEB Asset for the SAWS OPEB Plan at December 31, 2022 and 2021 were as follows:

($ in thousands)	December 31, 2022(a)	December 31, 2021
Total OPEB liability	$ 81,162	$ 82,481
Plan fiduciary net position	107,580	121,520
Net OPEB asset	$ (26,418)	$ (39,039)
Plan fiduciary net position as a percentage of the total OPEB liability	132.5%	147.3%

(a) Actuarial valuation performed at January 1, 2022 was rolled forward to December 31, 2022

NOTE L – ASSET RETIREMENT OBLIGATIONS (AROs)

SAWS adopted GASB Statement No. 83, *Certain Asset Retirement Obligations,* effective January 1, 2019. SAWS accounts for Asset Retirement Obligations (AROs) by recognizing the total obligation as a liability based on the best estimate of the current value of expenditures expected to be incurred once the assets are retired. The statement requires the effects of inflation or deflation on the ARO liability be adjusted annually. In addition to the ARO liability, SAWS has recorded associated outflows of resources that are being amortized over the remaining useful life of the respective asset groups. The total liability for AROs was $40,305,000 at December 31, 2022 and $36,191,000 at December 31, 2021. The following asset groups have been included in the ARO liability reflected in the Statements of Net Position.

Wastewater Treatment Plants (WTPs) – SAWS operates three WTPs in its service area, while also maintains Mitchell Lake, which was previously classified as a WTP. Due to the environmentally sensitive nature and ongoing wetlands project at the plant, the remaining life and the cost to decommission this site are not reasonably estimable and are not included in the ARO liability. The average remaining useful life of the other WTPs is 47 years. TCEQ requires that a WTP be decommissioned once no longer in service. The cost for decommissioning the other three plants was $38,920,000 at December 31, 2022 and $34,778,000 at December 31, 2021. The cost was determined using data from various 2006 contracts relating to the decommissioning of the Salado Creek WTP. The cost included a 10% design allowance. The data from the contracts was inflated to 2022 and 2021 dollars, respectively.

Underground Storage Tanks (USTs) – SAWS maintains 10 USTs across its service area for servicing fleet vehicles. Texas State Law, 30 Texas Administrative Code Chapter 334, requires that USTs be removed from the ground when they are no longer in use. The cost to remove these USTs from the ground is estimated to be $868,000 at December 31, 2022 and $917,000 at December 31, 2021. The cost was determined using data from a 2020 contract to remove two USTs at the Van Dyke Service Center. The cost includes a 10% design allowance. There was one UST removed in 2022 and two USTs were removed in 2021.

Desalination Injection Wells – SAWS currently has two injection wells in use with the desalination process. In connection with desalination injection well permits obtained by SAWS from TCEQ, SAWS has an obligation to plug the injection wells once the wells are no longer in service. These wells became operational in 2016 and have a remaining useful life of 43 years based on SAWS experience with other wells throughout the system. The cost to plug these wells was estimated to be $517,000 at December 31, 2022 and $496,000 at December 31, 2021. Data from past contracts for well plugging from 2012 to 2018 was used to determine the costs to plug the various wells currently in service. The contract data was inflated to 2022 and 2021 dollars, respectively. The cost includes a 10% design allowance.

The following table summarizes the ARO activity for 2022 and 2021.

	(amounts in thousands)				
	AROs Beginning of Year	Increases to AROs	AROs Retired	AROs at End of Year	AROs Due Within One Year
Year Ended December 31, 2022	$ 36,191	$ 4,255	$ 141	$ 40,305	$ -
Year Ended December 31, 2021	$ 35,942	$ 490	$ 241	$ 36,191	$ -

NOTE M – LEASES

For the year ended December 31, 2022, the financial statements include the adoption of GASB Statement No. 87, *Leases*. This Statement covers leases where the entity is the lessee and the lessor. SAWS has agreements for each type. SAWS reviewed all the leases where SAWS is the lessee and determined these leases are not material to the financials. As a result, SAWS did not record any lease liabilities or Deferred outflows – leases on the Statements of Net Position. SAWS examined all agreements where SAWS is the lessor and recorded seven leases that are material to the financials and have been included in the Statements of Net Position.

Six of these leases are for rental of space on various water towers which allow cell phone providers to attach transmitter equipment and may include space on the ground for the installation of support equipment. The seventh lease is for acreage at one of SAWS' water treatment plants for the installation of solar panel equipment for the production of electricity. Once a lease is complete, the lessee is responsible for removing all equipment. The remaining terms of the leases range from 5 to 22 years inclusive of any anticipated renewal options. These leases were recorded at the net present value of all future payments. None of the lessor agreements are a principal part of SAWS' ongoing operations nor are they subject to paragraph 58 of GASB Statement No. 87.

During 2022, SAWS recognized $288,000 as lease revenue and $132,000 in interest revenue. For 2021, SAWS recognized $406,000 as lease revenue. SAWS did not recognize interest revenue related to leases as it was considered immaterial to the financial statements.

NOTE N – RESTATED NET POSITION

Effective January 1, 2022, SAWS implemented GASB Statement No. 87, *Leases*. GASB Statement No. 87 requires the effects of accounting change to be applied retroactively by restating the financial statements. SAWS adopted GASB Statement No. 87 in 2022 and accordingly, has restated amounts of the affected balances within the financial statements for the fiscal year ending December 31, 2021 as follows:

($ in thousands)	As Originally Reported	As Restated	Effects of Change
Statement of Net Assets			
Unrestricted Current Assets			
Accounts Receivable, net of allowances for uncollectible accounts	$ 85,303	$ 85,591	$ 288
Total current assets	85,303	85,591	288
Noncurrent Assets			
Lease receivables, greater than one year	-	4,264	4,264
Total noncurrent liabilities	-	4,264	4,264
Deferred Inflows of Resources			
Deferred Inflows - leases	-	4,552	4,552
Total Deferred Inflows - leases	-	4,552	4,552
Total Net Position	$ 4,062,684	$ 4,062,684	$ -

NOTE O – SPECIAL ITEM

As discussed previously in Note I, SAWS has a commitment to purchase 19,974-acre feet of untreated water annually from Medina Lake. In order to treat this water, SAWS maintains a surface water treatment plant. Due to ongoing water quality concerns, this plant has been idle since 2015. In connection with its ongoing Water Management Plan update, it was determined that, current available water supplies are expected to be sufficient to meet customers' demand in the foreseeable future without utilizing the Medina supplies. Based upon this information, the projected costs to rehabilitate the facility and ongoing concerns about the source water availability, the plant was deemed permanently impaired as of December 31, 2022. The $7.2 million remaining book value of the plant was written off and the loss has been recorded as a special item in the Statements of Revenues, Expenses and Changes in Net Position.

NOTE P – SUBSEQUENT EVENTS

On March 10, 2023, SAWS extended the Revolving Credit Agreements with JPMorgan Chase supporting $400 million in Commercial Paper Notes, Series A through October 4, 2026. The existing Revolving Credit Agreement with Wells Fargo Bank, N.A. supporting $100 million in Commercial Paper Notes, Series B expires January 5, 2024.

REQUIRED SUPPLEMENTAL INFORMATION

Texas Municipal Retirement System - San Antonio Water System
Schedule of Changes in Net Pension Liability and Related Ratios (Unaudited)
($ in thousands)

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability								
Service Cost	$ 6,068	$ 6,233	$ 5,733	$ 5,551	$ 5,332	$ 4,979	$ 4,810	$ 4,379
Interest	16,200	15,448	14,670	13,952	13,268	12,623	12,480	11,960
Differences between expected and actual	1,214	(189)	499	240	54	29	(1,311)	(1,717)
Changes of assumptions	-	-	211	-	-	-	433	-
Benefit payments	(10,261)	(10,294)	(9,392)	(8,960)	(8,332)	(8,186)	(7,337)	(7,461)
Net change in pension liability	13,221	11,198	11,721	10,783	10,322	9,445	9,075	7,161
Total pension liability at beginning of year	242,093	230,895	219,174	208,391	198,069	188,624	179,549	172,388
Total pension liability at end of year (a)	$ 255,314	$ 242,093	$ 230,895	$ 219,174	$ 208,391	$ 198,069	$ 188,624	$ 179,549
Plan fiduciary net position								
Contributions - Employer	$ 4,450	$ 4,440	$ 4,095	$ 4,059	$ 3,852	$ 3,609	$ 3,953	$ 3,721
Contributions - Employee	3,569	3,660	3,412	3,291	3,149	2,935	2,892	2,722
Net investment income	29,401	16,073	28,632	(5,773)	23,639	10,909	239	8,818
Benefit payments	(10,261)	(10,294)	(9,392)	(8,960)	(8,332)	(8,186)	(7,337)	(7,461)
Administrative expenses	(136)	(104)	(162)	(111)	(123)	(123)	(146)	(92)
Other	1	(4)	(5)	(6)	(6)	(7)	(7)	(8)
Net change in plan fiduciary net position	27,024	13,771	26,580	(7,500)	22,179	9,137	(406)	7,700
Plan fiduciary net position at beginning of year	225,619	211,848	185,268	192,768	170,589	161,452	161,858	154,158
Plan fiduciary net position at end of year (b)	$ 252,643	$ 225,619	$ 211,848	$ 185,268	$ 192,768	$ 170,589	$ 161,452	$ 161,858
Net pension liability (a) - (b)	$ 2,671	$ 16,474	$ 19,047	$ 33,906	$ 15,623	$ 27,480	$ 27,172	$ 17,691
Plan fiduciary net position as a percentage of the total pension liability	99.0%	93.2%	91.8%	84.5%	92.5%	86.1%	85.6%	90.1%
Covered payroll	$ 118,981	$ 121,984	$ 113,750	$ 109,703	$ 104,960	$ 97,818	$ 96,389	$ 90,721
Net pension liability as a percentage of total Covered payroll	2.2%	13.5%	16.7%	30.9%	14.9%	28.1%	28.2%	19.5%

Notes to Schedule:

Changes of assumptions: In 2015, the long term rate of return was reduced from 7% to 6.75%. In 2015, mortality rates were updated to reflect updated historical data.

Other: GASB 68 requires 10 years of data to be provided in the Schedule of Contributions. As SAWS adopted GASB 68 in 2014, only 8 years of data is available. A full 10 years of data will be presented by 2024.

Texas Municipal Retirement System - San Antonio Water System
Schedule of Contributions (Unaudited)
($ in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 4,510	$ 4,450	$ 4,440	$ 4,095	$ 4,059	$ 3,852	$ 3,609	$ 3,672	$ 3,721
Contributions in relation to the actuarially determined contribution	4,510	4,450	4,440	4,095	4,059	3,852	3,609	3,953	3,721
Contribution deficiency/(excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (281)	$ -
Covered payroll	$ 123,902	$ 118,981	$ 121,984	$ 113,750	$ 109,703	$ 104,960	$ 97,818	$ 96,389	$ 90,721
Contributions as a percentage of covered payroll	3.64%	3.74%	3.64%	3.60%	3.70%	3.67%	3.69%	4.10%	4.10%

Notes to Schedule:

Valuation date: Actuarially determined contributions are calculated as of December 31st and become effective 12 months later on January 1st.

Methods and assumptions used to determine contributions:

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	For 2022, the remaining amortization period is 24 years. In 2015, the remaining amortization period was adjusted to 30 years from 23 years in 2014.
Asset valuation method	10 year smoothed market; 12% soft corridor
Inflation	In 2015, the inflation rate was changed to 2.5% from 3.0% in 2014.
Salary increases	The assumption was 3.5% to 11.5% for 2020 to 2022, 3.5% to 10.5% for 2015 to 2019 and 3.5% to 12.0% in 2014. All percentages include inflation.
Investment rate of return	In 2015, the investment rate of return was lowered from 7.0% to 6.75%.
Retirement age	Experience-based table of rates that are specific to SAWS' plan of benefits. Last updated for the 2019 valuation puruant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other: GASB 68 requires 10 years of data to be provided in the Schedule of Contributions. As SAWS adopted GASB 68 in 2014, only 9 years of data is available. A full 10 years of data will be presented by 2023.

San Antonio Water System Retirement Plan - Defined Benefit Component

Schedule of Changes in Net Pension Liability and Related Ratios (Unaudited)

($ in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service Cost	$ 4,933	$ 5,036	$ 5,187	$ 5,464	$ 5,629	$ 5,859	$ 5,724	$ 5,004	$ 5,204
Interest	17,869	17,026	16,403	16,282	15,101	14,354	13,680	12,596	11,709
Changes of benefit terms	-	-		-	-		-	4,339	
Differences between expected and actual experience	(1,716)	2,224	(66)	1,700	1,926	(1,394)	712	555	(622)
Changes of assumptions	-	413	(1,063)	(1,534)	4,653	1,152	5,532	(405)	2,771
Benefit payments	(11,654)	(10,669)	(10,090)	(9,358)	(8,615)	(7,974)	(7,283)	(6,318)	(5,796)
Net change in pension liability	9,432	14,030	10,371	12,554	18,694	11,997	18,365	15,771	13,266
Total pension liability at beginning of year	286,217	272,187	261,816	249,262	230,568	218,571	200,206	184,435	171,169
Total pension liability at end of year (a)	$ 295,649	$ 286,217	$ 272,187	$ 261,816	$ 249,262	$ 230,568	$ 218,571	$ 200,206	$ 184,435
Plan fiduciary net position									
Contributions - Employer	$ 7,000	$ 6,136	$ 9,131	$ 9,131	$ 7,923	$ 7,982	$ 7,367	$ 7,890	$ 10,339
Contributions - Employee	2,165	2,219	2,095	2,528	2,434	2,484	2,533	2,357	
Net investment income / (loss)	(43,416)	34,840	31,582	38,722	(7,767)	30,741	6,971	1,215	15,695
Benefit payments	(11,654)	(10,669)	(10,090)	(9,358)	(8,615)	(7,974)	(7,283)	(6,318)	(5,796)
Administrative expenses	(264)	(293)	(294)	(309)	(360)	(380)	(195)	(17)	
Net change in plan fiduciary net position	(46,169)	32,233	32,424	40,714	(6,385)	32,853	9,393	5,127	20,238
Plan fiduciary net position at beginning of year	307,118	274,885	242,461	201,747	208,132	175,279	165,886	160,759	140,521
Plan fiduciary net position at end of year (b)	$ 260,949	$ 307,118	$ 274,885	$ 242,461	$ 201,747	$ 208,132	$ 175,279	$ 165,886	$ 160,759
Net pension liability/(asset) (a) - (b)	$ 34,700	$ (20,901)	$ (2,698)	$ 19,355	$ 47,515	$ 22,436	$ 43,292	$ 34,320	$ 23,676
Plan fiduciary net position as a percentage of the total pension liability	88.3%	107.3%	101.0%	92.6%	80.9%	90.3%	80.2%	82.9%	87.2%
Covered payroll	$ 68,883	$ 75,822	$ 74,643	$ 76,320	$ 78,348	$ 79,417	$ 83,493	$ 85,299	$ 83,812
Net pension liability as a percentage of total covered payroll	50.4%	-27.6%	-3.6%	25.4%	60.6%	28.3%	51.9%	40.2%	28.2%

Notes to Schedule:

Current year calculation: Total pension liability at December 31, 2022 is based on a rollforward of the January 1, 2022 actuarial valuation.

Benefit Changes: In 2015, the normal form of distribution changed and a mandatory employee contribution of 3% was instituted. Effective June 1, 2014, the defined benefit plan was frozen to new entrants.

Changes of assumptions: In 2020, retirement age assumptions were changed to reflect more recent experience. In 2019, the mortality assumption was updated to the public retirement plans mortality tables published by the SOA. In 2017 through 2022, the mortality assumption was updated for the latest improvement scale. In 2020, the long term rate of return was adjusted to 6.25%. In 2016, the long term rate of return was reduced to 6.5%. In 2015, mortality rates were updated to reflect historical data. In 2014, the long term rate of return was reduced to 6.75%.

Other: No changes to plan or assumptions for 2022. GASB 68 requires 10 years of data to be provided. As SAWS adopted GASB 68 in 2014, only 9 years of data is available. A full 10 years of data will be available by 2023.

San Antonio Water System Retirement Plan - Defined Benefit Component
Schedule of Contributions (Unaudited)
($ in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 4,428	$ 6,136	$ 7,723	$ 9,131	$ 7,923	$ 7,982	$ 7,367	$ 7,890	$ 10,339
Contributions in relation to the actuarially determined contribution	7,000	6,136	9,131	9,131	7,923	7,982	7,367	7,890	10,339
Contribution deficiency/(excess)	$ (2,572)	$ -	$ (1,408)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 68,883	$ 75,822	$ 74,643	$ 76,320	$ 78,348	$ 79,417	$ 83,493	$ 85,299	$ 83,812
Contributions as a percentage of covered payroll	10.2%	8.1%	12.2%	12.0%	10.1%	10.1%	8.8%	9.2%	12.3%

Notes to Schedule:

Valuation date: Actuarially determined contributions are determined as of January 1st of the year in which the contributions are made.

Methods and assumptions used to determine contributions:

Actuarial cost method	Entry Age Normal
Remaining amortization period	Unfunded Liability at December 31, 2013 of $40,551,000 is being amortized over a 15 fixed year period. The annual impact of experience gains/losses, plan amendments and changes in plan assumptions are amortized over 10 years.
Amortization Method	Equal annual installments
Asset valuation method	4 year smoothed market
Inflation	In 2019, rate was changed to 2.25%. In 2017, the rate was changed to 2%, previously it was 2.25%
Salary increases	In 2021, changed to a new table based on management philosophies and more recent experience of plan participants. Previously, scale based on 2011-2013 SAWS' experience.
Retirement age - active	In 2020, changed to a table of rates starting at age 45 and ending at age 70. In 2015, expected retirement ages were adjusted to reflect actual experience from 2011-2013. Previously, the retirement age was based on experience from 2011-2012.
Retirement age - inactive	In 2020, changed from 100% at age 62 to a table of rates starting at age 60 and ending at age 65.
Investment rate of return	In 2020, the rate was changed to 6.25%. In 2017, the rate was changed from 6.75% to 6.5%, net of pension expense, including inflation. In 2014, the rate was changed from 7.0% to 6.75%.
Mortality Table	In 2022, the improvement scale was changed to MP-2021. In 2021, the improvement scale was changed to MP-2020. In 2020, the improvement scale was changed to MP-2019. In 2019, the mortality assumption was updated to the public retirement plans mortality tables published by the SOA. In 2018 and 2017, the mortality assumption was updated for the latest improvement scale. In 2016, the mortality table was changed to use adjusted RP-2014 mortality with scale MP-2016 based on data published by the SOA in 2015. Previously, the IRS Prescribed Generational Mortality table was used.

Other: No changes to methods or assumptions for 2022. GASB 68 requires 10 years of data to be provided. As SAWS adopted GASB 68 in 2014, only 9 years of data is available. A full 10 years of data will be available by 2023.

San Antonio Water System Retirement Plan - Defined Benefit Component
Schedule of Investment Returns (Unaudited)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	14.17%	12.68%	12.98%	19.10%	-3.71%	17.37%	4.21%	0.76%	11.34%

District Special Project Retirement Income Plan
Schedule of Changes in Net Pension Liability and Related Ratios (Unaudited)
($ in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service cost	$ 201	$ 209	$ 241	$ 245	$ 257	$ 108	$ 71	$ 124	$ 123
Interest	426	420	409	371	388	424	418	446	424
Benefit payments	(371)	(378)	(408)	(330)	(485)	(776)	(324)	(261)	(230)
Changes in assumptions		-	-	219	6	15	224		
Difference between expected and actual experience	(159)	(62)	375	(466)	(622)	101	(381)	18	153
Net change in Total Pension Liability	97	189	617	39	(456)	(128)	8	327	470
Total Pension Liability - beginning	6,955	6,766	6,149	6,110	6,566	6,694	6,686	6,359	5,889
Total Pension Liability - ending (a)	$ 7,052	$ 6,955	$ 6,766	$ 6,149	$ 6,110	$ 6,566	$ 6,694	$ 6,686	$ 6,359
Fiduciary Net Position									
Employer contributions	$ 138	$ 175	$ 400	$ 400	$ 400	$ 315	$ 280	$ 308	$ 414
Net investment income / (loss)	(1,034)	1,049	998	1,049	(75)	764	306	18	394
Benefit payments	(370)	(378)	(408)	(330)	(485)	(776)	(324)	(261)	(230)
Administrative expenses	(6)	(7)	(6)	(6)	(7)	(7)	(8)	(6)	(11)
Net change in Fiduciary Net Position	(1,272)	839	984	1,113	(167)	296	254	59	567
Fiduciary Net Position - beginning	8,475	7,636	6,652	5,539	5,706	5,410	5,156	5,097	4,530
Fiduciary Net Position - ending (b)	$ 7,203	$ 8,475	$ 7,636	$ 6,652	$ 5,539	$ 5,706	$ 5,410	$ 5,156	$ 5,097
Net Pension Liability (Asset) (a) - (b)	$ (151)	$ (1,520)	$ (870)	$ (503)	$ 571	$ 860	$ 1,284	$ 1,530	$ 1,262
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	102.1%	121.9%	112.9%	108.2%	90.7%	86.9%	80.8%	77.1%	80.2%
Covered payroll (frozen plan)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Net Pension Liability as a percentage of covered payroll	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Notes to schedule:

The plan was frozen in 2008. Therefore, current & future wages have no impact on Net Pension Liability.

Total pension liability at December 31, 2022 is based on a rollforward of the January 1, 2022 actuarial valuation.

Changes in assumptions: In 2020, the interest rate was changed to 6.25%. In 2022, the mortality improvement scale was updated to MP-2020. In 2019, the mortality improvement scale was updated to MP-2018. In 2018, the mortality improvement scale was based on MP-2017. In 2017, the mortality table was changed from 1994 GAR projected to 2002 to the RP-2014 table using the MP 2016 improvement scale. In 2017, the interest rate of return was modified from 7% to 6.5%.

Other: No changes to the plan or assumptions for 2022. GASB 68 requires 10 years of data to be provided in the Schedule of Contributions. As SAWS adopted GASB 68 in 2014, only 9 years of data is available. A full 10 years of data will be presented by 2023.

District Special Project Retirement Income Plan
Schedule of Contributions (Unaudited)
($ in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	$ -	$ 138	$ 290	$ 388	$ 247	$ 315	$ 279	$ 274	$ 307
Contributions in relation to the actuarially determined contribution	138	175	400	400	400	315	280	308	414
Contribution deficiency/(excess)	$ (138)	$ (37)	$ (110)	$ (12)	$ (153)	$ -	$ (1)	$ (34)	$ (107)
Covered payroll (frozen plan)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Contributions as a percentage of covered payroll	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Notes to Schedule:

Valuation date: Actuarially determined contributions are determined as of January 1 of the year in which the contributions are made.

Methods and assumptions used to determine contributions:

Actuarial cost method	Unit Credit
Amortization method	Rolling level amortization over a declining period
Remaining amortization period	5 years (2022), 6 years (2021), 7 years (2020), 8 years (2019), 9 years (2018), 10 years(2017), 11 years(2016), 12 years(2015), 13 years (2014)
Asset valuation method	Fair value with smoothing
Inflation	In 2020, the inflation rate was changed to 2.25%. In 2019, the inflation rate was changed to 2.5%. In 2015, the inflation rate was changed to 2.75%. Previously, 2% was used.
Salary increase	Earned benefits frozen in 2008
Investment rate of return	In 2020, the rate was changed to 6.25%. In 2017, the rate was changed to 6.5%. Previously, 7.0%, net of pension plan investment expense, including inflation was used.
Retirement age	Normal retirement age - the earlier of (a) age 65 or (b) the "rule of 90" where the participant's age and years of service added together equal 90 or greater.
Mortality	In 2022, the improvement scale was updated to MP 2020. In 2019, the mortality projection scale was updated to MP 2018. In 2018, the mortality projection scale was based on MP-2017. In 2017, the table was changed to the RP-2014 table using mortality improvement scale MP-2016. Previously,1994 GAR projected to 2002 was used.

Other: No changes to the plan or assumptions for 2022. GASB 68 requires 10 years of data to be provided in the Schedule of Contributions. As SAWS adopted GASB 68 in 2014, only 9 years of data is available. A full 10 years of data will be presented by 2023.

District Special Project Retirement Income Plan
Schedule of Investment Returns (Unaudited)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual money weighted rate of return, net of investment expense	-12.37%	13.93%	15.03%	18.83%	-1.32%	14.76%	5.98%	0.29%	8.55%

San Antonio Water System Other Post Employment Benefit Plan
Schedule of Changes in Net OPEB Liability and Related Ratios (Unaudited)

($ in thousands)

	2022	2021	2020	2019	2018	2017
Total OPEB liability						
Service Cost	$ 1,171	$ 1,712	$ 1,750	$ 1,913	$ 2,220	$ 2,428
Interest	5,099	7,491	7,688	9,112	9,429	9,221
Changes of benefit terms	-	(32,517)	-	-	-	-
Differences between expected and actual experience	(3,389)	(5,859)	(8,867)	(18,580)	(11,970)	(3,358)
Changes of assumptions	-	(3,799)	2,089	(3,237)	2,817	(351)
Benefit payments	(4,200)	(5,342)	(6,141)	(6,311)	(7,808)	(6,209)
Net change in OPEB liability	(1,319)	(38,314)	(3,481)	(17,103)	(5,312)	1,731
Total OPEB liability at beginning of year	82,481	120,795	124,276	141,379	146,691	144,960
Total OPEB liability at end of year (a)	$ 81,162	$ 82,481	$ 120,795	$ 124,276	$ 141,379	$ 146,691
Plan fiduciary net position						
Contributions - Employer	$ 9,300	$ 10,442	$ 13,641	$ 13,811	$ 15,308	$ 13,709
Net investment income / (loss)	(18,871)	12,260	13,747	13,264	(3,164)	7,127
Benefit payments	(4,200)	(5,342)	(6,141)	(6,311)	(7,808)	(6,209)
Administrative expenses	(169)	(177)	(187)	(175)	(159)	(144)
Net change in plan fiduciary net position	(13,940)	17,183	21,060	20,589	4,177	14,483
Plan fiduciary net position at beginning of year	121,520	104,337	83,277	62,688	58,511	44,028
Plan fiduciary net position at end of year (b)	$ 107,580	$ 121,520	$ 104,337	$ 83,277	$ 62,688	$ 58,511
Net OPEB liability (a) - (b)	$ (26,418)	$ (39,039)	$ 16,458	$ 40,999	$ 78,691	$ 88,180
Plan fiduciary net position as a percentage of the total OPEB liability	132.5%	147.3%	86.4%	67.0%	44.3%	39.9%
Covered employee payroll	$ 98,904	$ 65,898	$ 67,557	$ 68,894	$ 78,348	$ 79,417
Net OPEB liability as a percentage of total covered payroll	-26.7%	-59.2%	24.4%	59.5%	100.4%	111.0%

Notes to Schedule:

(a) Total OPEB liability at December 31, 2022 is based on a rollforward of the January 1, 2022 actuarial valuation.

Changes of benefit terms: SAWS changed Medicare Advantage providers in 2022. The new contract provides coverage at no charge to the employer or employee for three years. After three years, the cost is expected to be nominal. Covered employee payroll was expanded to include retirees not eligible for subsidies, using the new no cost benefit.

Changes in assumptions: In 2021, the mortality table was updated to MP-2020. Healthcare trend rate assumption updated to 2021 SOA Long-Run Medical Trend model and the post-65 initial trend rate set to -2.0%. In 2020, the investment rate of return was changed from 6.5% to 6.25%. In 2019, health care cost trends ultimate rate was changed to 3.94% in 2075. In 2018, health care cost trends ultimate rate was changed to 3.84% in 2075. In 2019, the mortality table was changed to the public retirement plans mortality tables published by the SOA. The mortality table was updated for 2018 & 2017.

Other: GASB 74 requires 10 years of data to be provided in the Schedule of Contributions. As SAWS adopted GASB 74 in 2017, only 6 years of data is available. A full 10 years of data will be presented by 2026.

San Antonio Water System Other Post Employment Benefit Plan
Schedule of Contributions (Unaudited)
($ in thousands)

	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	$ -	$ 3,706	$ 6,339	$ 10,407	$ 11,392	$ 11,416
Contributions in relation to the actuarially determined contribution	9,300	10,442	13,641	13,811	15,308	13,709
Contribution deficiency/(excess)	$ (9,300)	$ (6,736)	$ (7,302)	$ (3,404)	$ (3,916)	$ (2,293)
Covered employee payroll	$ 98,904	$ 65,898	$ 67,557	$ 68,894	$ 78,348	$ 79,417
Contributions as a percentage of covered payroll	9.4%	15.8%	20.2%	20.0%	19.5%	17.3%

Notes to Schedule:

Valuation date: Actuarially determined contributions are determined as of January 1 of the year in which the contributions are made.

Methods and assumptions used to determine contributions:

Actuarial cost method	Entry Age Normal
Salary increases	Varies by age, ranging from 3.75% to 9.0%
Mortality Assumptions:	In 2022, the improvement table was changed to MP-2021. In 2021, the improvement table was changed to MP-2020. In 2020, the improvement table was changed to MP-2019. In 2019, the mortality tables were changed to the public retirement plans mortality tables published by the SOA. Previously, the RP 2014 mortality tables for Healthy Employee/Annuitant updated annually were used.
Inflation	2.5% for 2020 through 2022, 2.4% for 2019, 2.5% for 2017 and 2018
Salary increases	3.75% to 9.00%, varies by age.
Healthcare cost trend rates:	
Current Year	6.0% - Pre-65
Ultimate trend rate	2022 - 3.94%, 2020 & 2021 - 4.04%, 2019 - 3.94%, 2018 - 3.84%, 2017 - 4.14%
Ultimate year	2018, 2019, 2020, 2021 & 2022 (2075), 2017 (2074)
Investment rate of return	In 2020, the investment rate of return was changed to 6.25% from 6.50%
Remaining amortization period	12 years

GASB 74 requires 10 years of data to be provided in the Schedule of Contributions. Since SAWS implemented GASB 74 in 2017, only 6 years of data is available. A full 10 years of data will be presented by 2026.

San Antonio Water System Other Post Employment Benefit Plan
Schedule of Investment Returns (Unaudited)

	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	-15.24%	11.51%	15.88%	19.96%	-5.11%	14.69%

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SUPPLEMENTAL SCHEDULES

San Antonio Water System
SCHEDULE OF REVENUES AND OTHER
FINANCIAL SOURCES AND THEIR DISPOSITION
(amounts in thousands)
For the years ended December 31,

		2022		2021		Variance
SOURCES OF FUNDS						
OPERATING REVENUES						
Water delivery system	$	244,748	$	215,484	$	29,264
Water supply system		325,485		273,008		52,477
Wastewater system		295,162		280,014		15,148
Chilled water system		11,712		10,826		886
Total operating revenues		877,107		779,332		97,775
NONOPERATING REVENUES						
Interest earned and miscellaneous		17,271		8,024		9,247
Total nonoperating revenues		17,271		8,024		9,247
CAPITAL CONTRIBUTIONS						
Capital Recovery Fees		129,788		136,963		(7,175)
Contributions in Aid of Construction		12,747		1,441		11,306
Total capital contributions		142,535		138,404		4,131
TOTAL SOURCES OF FUNDS	$	1,036,913	$	925,760	$	111,153
USES OF FUNDS						
OPERATION AND MAINTENANCE						
Salaries and fringe benefits	$	171,935	$	167,649	$	(4,286)
Contractual services		277,407		264,472		(12,935)
Materials and supplies		34,638		27,707		(6,931)
Other charges		5,973		7,492		1,519
Less: Costs capitalized to Construction in Progress		(30,647)		(31,244)		(597)
Total operation and maintenance		459,306		436,076		(23,230)
OPERATING RESERVE REQUIREMENT		2,879		3,011		132
DEBT REQUIREMENTS						
Interest costs		120,847		117,970		(2,877)
Retirement of bonds		80,137		87,408		7,271
Other debt expense		2,089		1,319		(770)
Total debt requirements		203,073		206,697		3,624
TRANSFER TO THE CITY'S GENERAL FUND		34,262		30,162		(4,100)
AMOUNT AVAILABLE FOR TRANSFER TO THE RENEWAL AND REPLACEMENT FUND:						
RESTRICTED		145,958		138,837		7,121
UNRESTRICTED		191,435		110,977		80,458
Total amount available for Renewal and Replacement Funds		337,393		249,814		87,579
TOTAL USES OF FUNDS	$	1,036,913	$	925,760	$	111,153

The accompanying notes to the supplemental schedules is an integral part of this schedule.

San Antonio Water System
SCHEDULE OF REVENUES AND THEIR DISPOSITION
COMPARED TO ANNUAL BUDGET
(amounts in thousands)
For the year ended December 31, 2022

	Actual	Budget	Variance
SOURCES OF FUNDS			
OPERATING REVENUES			
Water delivery system	$ 244,748	$ 234,252	$ 10,496
Water supply system	325,485	303,217	22,268
Wastewater system	295,162	284,836	10,326
Chilled water system	11,712	11,467	245
Total operating revenues	877,107	833,772	43,335
NONOPERATING REVENUES			
Interest earned and miscellaneous	17,271	6,823	10,448
Total nonoperating revenues	17,271	6,823	10,448
CAPITAL CONTRIBUTIONS			
Capital Recovery Fees	129,788	100,074	29,714
Contributions in Aid of Construction	12,747	-	12,747
Total capital contributions	142,535	100,074	42,461
TOTAL SOURCES OF FUNDS	$ 1,036,913	$ 940,669	$ 96,244
USES OF FUNDS			
OPERATION AND MAINTENANCE			
Salaries and fringe benefits	$ 171,935	$ 175,093	$ 3,158
Contractual services	277,407	291,140	13,733
Materials and supplies	34,638	27,274	(7,364)
Other charges	5,973	9,914	3,941
Less: Costs capitalized to Construction in Progress	(30,647)	(32,100)	(1,453)
Total operation and maintenance	459,306	471,321	12,015
OPERATING RESERVE REQUIREMENT	2,879	1,154	(1,725)
DEBT REQUIREMENTS			
Interest costs	120,847	134,013	13,166
Retirement of bonds	80,137	90,906	10,769
Other debt expense	2,089	2,376	287
Total debt requirements	203,073	227,295	24,222
TRANSFER TO THE CITY'S GENERAL FUND	34,262	32,245	(2,017)
AMOUNT AVAILABLE FOR TRANSFER TO THE RENEWAL AND REPLACEMENT FUND:			
RESTRICTED	145,958	100,314	45,644
UNRESTRICTED	191,435	108,340	83,095
Total amount available for Renewal and Replacement Funds	337,393	208,654	128,739
TOTAL USES OF FUNDS	$ 1,036,913	$ 940,669	$ 96,244

The accompanying notes to the supplemental schedules is an integral part of this schedule.

San Antonio Water System
SCHEDULE OF OPERATION AND MAINTENANCE EXPENSE BY ACCOUNT (SYSTEM FUND)
For the year ended December 31, 2022

Account Code	Classification	Actual	Budget	Variance (Over)/Under	%
		(amounts in thousands)			
	SALARIES AND FRINGE BENEFITS				
511100	Salaries	$ 112,529	$ 115,437	$ 2,908	2.5%
511140	Overtime Pay	9,283	6,525	(2,758)	-42.3%
511150	On-Call Pay	946	765	(181)	-23.7%
511160	Employee Insurance	16,682	21,183	4,501	21.3%
511162	Retirement	22,789	22,913	124	0.5%
511164	Unused Sick Leave Buyback	23	70	47	67.1%
511166	Personal Leave Buyback	1,386	950	(436)	-45.9%
511168	Accrued Vacation Leave	3,076	2,000	(1,076)	-53.8%
511170	Incentive Pay	121	150	29	19.3%
511175	Other Post Employment Benefits	5,100	5,100	-	0.0%
	Total Salaries and Fringe Benefits	171,935	175,093	3,158	1.8%
	CONTRACTUAL SERVICES				
511210	Operating Expense	1,596	1,436	(160)	-11.1%
511211	Rental of Facilities	190	246	56	22.8%
511212	Alarm and Security	1,693	2,189	496	22.7%
511213	Collection Expense	1	-	(1)	0.0%
511214	Uniforms and Shoe Allowance	504	451	(53)	-11.8%
511216	Catering Services	100	119	19	16.0%
511218	Project Agua Assistance	454	400	(54)	-13.5%
511219	Conservation Programs	2,504	3,625	1,121	30.9%
511220	Maintenance Expense	24,248	26,042	1,794	6.9%
511221	Street Cut Permit Admin Fee	599	841	242	28.8%
511222	Street Pavement Repair Fees	3,045	1,801	(1,244)	-69.1%
511224	Auto and Equip. Maintenance Parts	2,298	1,563	(735)	-47.0%
511225	Damage Repair	236	125	(111)	-88.8%
511230	Equipment Rental Charges	582	433	(149)	-34.4%
511240	Travel	59	207	148	71.5%
511245	Training	526	518	(8)	-1.5%
511247	Conferences	37	108	71	65.7%
511250	Memberships and Subscriptions	436	509	73	14.3%
511260	Utilities	44,763	43,260	(1,503)	-3.5%
511261	Water Options	31,818	43,665	11,847	27.1%
511262	Water Options - Vista Ridge	90,649	91,831	1,182	1.3%
511265	Groundwater District Payments	22,750	23,297	547	2.4%
511270	Mail and Parcel Post	2,601	2,513	(88)	-3.5%
511280	Telemetering Charges	3	2	(1)	-50.0%
511310	Educational Assistance	78	77	(1)	-1.3%
511312	Contractual Professional Services	29,469	28,432	(1,037)	-3.7%
511313	Inspection and Assessment Fees	2,328	2,525	197	7.8%
511315	Temporary Employees	1,007	593	(414)	-69.8%
511316	Medical Services	146	136	(10)	-7.4%
511317	Medical Testing-Covid 19	24	-	(24)	0.0%
511320	Legal Services	1,930	1,970	40	2.0%
511370	Communications	1,581	1,550	(31)	-2.0%
511381	Software and Hardware Maintenance	9,152	10,676	1,524	14.3%
	Total Contractual Services	277,407	291,140	13,733	4.7%

San Antonio Water System
SCHEDULE OF OPERATION AND MAINTENANCE EXPENSE BY ACCOUNT (SYSTEM FUND)
For the year ended December 31, 2022

Account Code	Classification	Actual	Budget	Variance (Over)/Under	%
		(amounts in thousands)			
	MATERIALS AND SUPPLIES				
511410	Small Tools	833	764	(69)	-9.0%
511417	Copy and Printing Expense	28	242	214	88.4%
511420	Operating Materials	2,174	2,476	302	12.2%
511421	Heating Fuel	25	15	(10)	-66.7%
511422	Chemicals	12,543	9,387	(3,156)	-33.6%
511425	Education of School Children	25	30	5	16.7%
511426	Public Awareness - WQEE	-	1	1	100.0%
511427	Enforcement	-	5	5	100.0%
511430	Maintenance Materials	12,927	9,940	(2,987)	-30.1%
511435	Safety Materials and Supplies-Covid	31	-	(31)	0.0%
511440	Safety Materials and Supplies	1,482	1,542	60	3.9%
511441	Inventory Variances	(83)	-	83	0.0%
511450	Tires and Tubes	686	550	(136)	-24.7%
511451	Motor Fuel and Lubricants	3,967	2,322	(1,645)	-70.8%
	Total Materials and Supplies	34,638	27,274	(7,364)	-27.0%
	OTHER CHARGES				
511510	Judgments and Claim Settlements	(455)	650	1,105	170.0%
511511	AL/GL Claims - Cont. Liab.	216	330	114	34.6%
511520	Bank Charges	122	448	326	72.8%
511525	Cash Short/(Over)	4	-	(4)	0.0%
511530	Employee Relations	129	188	59	31.4%
511540	Retiree Insurance	3,729	5,578	1,849	33.2%
511570	Casualty Insurance	1,815	1,640	(175)	-10.7%
511580	Unemployment Compensation	47	80	33	41.3%
511590	Workers Comp Medical	366	1,000	634	63.4%
	Total Other Charges	5,973	9,914	3,941	39.8%
	Subtotal before Transfers	489,953	503,421	13,468	2.7%
511720	Capitalized Costs	(30,647)	(32,100)	(1,453)	4.5%
	Total Capitalized Costs	(30,647)	(32,100)	(1,453)	4.5%
	Total Operation and Maintenance	$ 459,306	$ 471,321	$ 12,015	2.5%

The accompanying notes to the supplemental schedules is an integral part of this schedule.

San Antonio Water System
Notes to Supplemental Schedules
For the years ended December 31, 2022 and 2021

Note 1 - Basis for Presentation

The Schedule of Revenues and Other Financial Sources and Their Disposition, the Schedule of Revenues and Their Disposition Compared to Annual Budget and the Schedule of Operations and Maintenance Expense by Account (Supplemental Schedules) have all been prepared in accordance with City Ordinance No. 75686. City Ordinance No. 75686 requires that gross revenues of SAWS be applied in sequence to: (1) System Fund for payment of current maintenance and operating expenses including a two-month reserve amount based upon the budgeted amount of maintenance and operating expenses for the current Fiscal year; (2) Interest and Sinking Fund requirements of Senior Lien Obligations; (3) Reserve Fund requirements of Senior Lien Obligations; (4) Interest and Sinking Fund and Reserve Fund requirements of Junior Lien Obligations; (5) Interest and Sinking Fund and Reserve Fund requirements of Subordinate Lien Obligations; (6) Payment of amounts required on Inferior Lien Obligations, and (7) Transfers to the City's General Fund and to the Renewal and Replacement Fund. Further, City Ordinance No. 75686 stipulates that the annual budget shall reflect an estimate of Gross Revenues and an estimate of the disposition of these revenues in accordance with the funds flow requirements.

Note 2 – Reconciliation to Basic Financial Statements

City Ordinance No. 75686 defines operations and maintenance expenses as consisting of:

- the cost of all salaries, labor, material, repairs, and extensions necessary to maintain operation of the system,
- payments to pension, retirement, health, and other employee benefit plans,
- payments under contracts for the purchase of water supply, treatment of sewage, or other materials, goods or services for the system,
- payments to auditors, attorneys, and other consultants incurred in complying with the obligations of the system,
- payments made on or respect of obtaining and maintaining any credit facility, and
- any legal liability of the system arising out of the operation, maintenance, or condition of the system, but excluding any allowance for depreciation, property retirement, depletion, obsolescence, and any other not requiring an outlay of cash and any interest on any debt.

With regard to the following items, the requirements of City Ordinance No. 75686 are not consistent with generally accepted accounting principles and result in differences between amounts reported in the Basic Financial Statements for operations and maintenance costs and the amounts reported in the Supplemental Schedules.

San Antonio Water System
Notes to Supplemental Schedules
For the years ended December 31, 2022 and 2021

- For rate-making purposes and Sources & Uses reporting, the Vista Ridge Capital and Raw Groundwater unit price payment is recorded as an operating expense under water options. However, to comply with GAAP, the financial statements reflect the Vista Ridge infrastructure payment portion of this amount as a financed purchase and the water agreement portion of this amount as an operating expense.

- SAWS provides certain pension, health care and life insurance benefits for employees upon retirement. The amounts reported for these benefits in the Supplemental Schedules are based on actual payments made for these benefits, including any contributions to trusts established to pre-fund these benefits. Expenses reported in the Basic Financial Statements related to these benefits are determined in accordance with generally accepted accounting principles as prescribed by GASB and may be greater or less than actual payments made by SAWS for these benefits in a given year.

- Periodically SAWS reviews its capital assets for possible impairment. Impaired assets are written down to their estimated fair value. As these write-offs do not require the outlay of cash, they do not meet the definition of operations and maintenance costs of SAWS in accordance with the City Ordinance No. 75686. As a result, this expense has been excluded from the Supplemental Schedules.

The operations and maintenance cost reported in the Supplemental Schedules reconciles to the Basic Financial Statements as follows:

	(amounts in thousands) Year Ended December 31, 2022	2021
Operating and maintenance costs per Supplemental Schedules	$ 459,306	$ 436,077
Vista Ridge infrastructure payment	(60,989)	(60,815)
Non-cash benefit expense reduction	(73,121)	(27,474)
Non-cash write-off of asset impairments	2,887	1,407
Operating expenses before depreciation per Statement of Revenues, Expenses and Changes in Net Position	$ 328,083	$ 349,195

San Antonio Water System
COMBINING STATEMENT OF FIDUCIARY NET POSITION
December 31, 2022
(amounts in thousands)

	San Antonio Water System Retirement Plan	San Antonio Water System Retiree Health Trust	District Special Project Retirement Income Plan	Combined Total
ASSETS				
Cash and cash equivalents	$ -	$ 217	$ -	$ 217
Investments, at fair value				
Mutual funds - stock	136,079	65,095	4,631	205,805
Mutual funds - bonds	104,767	42,268	439	147,474
Other Investments	37,002	-	2,133	39,135
Total Investments	277,848	107,363	7,203	392,414
TOTAL ASSETS	277,848	107,580	7,203	392,631
LIABILITIES	-	-	-	-
NET POSITION RESTRICTED FOR POST EMPLOYMENT BENEFITS	$ 277,848	$ 107,580	$ 7,203	$ 392,631

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the year ended December 31, 2022
(amounts in thousands)

	San Antonio Water System Retirement Plan	San Antonio Water System Retiree Health Trust	District Special Project Retirement Income Plan	Combined Total
ADDITIONS				
Employer contributions	$ 9,049	$ 9,300	$ 138	$ 18,487
Participant contributions	3,910	-	-	3,910
Investment income/(loss)	(46,626)	(18,871)	(1,034)	(66,531)
Total additions	(33,667)	(9,571)	(896)	(44,134)
DEDUCTIONS				
Benefit payments	12,840	4,200	370	17,410
Administrative expenses	318	169	6	493
Total deductions	13,158	4,369	376	17,903
NET INCREASE/(DECREASE) IN NET POSITION	(46,825)	(13,940)	(1,272)	(62,037)
NET POSITION RESTRICTED FOR POST EMPLOYMENT BENEFITS - BEGINNING	324,673	121,520	8,475	454,668
NET POSITION RESTRICTED FOR POST EMPLOYMENT BENEFITS - ENDING	$ 277,848	$ 107,580	$ 7,203	$ 392,631

STATISTICAL SECTION

San Antonio Water System
Statistical Section
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This part of the SAWS comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about SAWS' overall financial health.

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These schedules contain information about SAWS' operations and resources to help the reader understand how SAWS' financial information relates to the services provided by SAWS and the activities it performs.		
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Sources: Unless otherwise noted, information presented in these schedules was obtained from SAWS' comprehensive annual financial reports or internal information systems.

San Antonio Water System
Schedule 1 - Net Position
(accrual basis of accounting)
(amounts in thousands)

	Fiscal Year									
	2022	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015 (a)**	**2014**	**2013**
Net Position										
Net investment in capital assets	$ 3,521,405	$ 3,182,373	$ 2,966,647	$ 2,758,354	$ 2,353,841	$ 2,217,283	$ 2,106,957	$ 1,939,292	$ 1,730,265	$ 1,661,644
Restricted for operating reserve	78,553	75,675	72,664	58,408	56,642	54,143	52,279	45,801	43,385	40,656
Restricted for debt service	63,465	66,283	74,095	67,380	64,086	59,719	60,396	56,775	47,123	39,710
Restricted for debt service reserve	12,275	16,984	17,938	23,122	54,702	56,364	56,016	62,716	66,665	62,560
Restricted for construction	192,883	243,927	211,917	163,313	209,204	188,227	150,198	168,968	140,937	101,212
Restricted for pension benefits	61,460	3,568	503	-	-	-	-	-	-	-
Unrestricted	549,562	473,874	419,457	359,938	367,220	278,542	187,503	126,352	137,207	118,285
Total Net Position	$ 4,479,603	$ 4,062,684	$ 3,763,221	$ 3,430,515	$ 3,105,695	$ 2,854,278	$ 2,613,349	$ 2,399,904	$ 2,165,582	$ 2,024,067

(a) Increase in amounts from 2014 to 2015 is partially due to the merger of SAWS and SAWS District Special Project effective January 1, 2015.

San Antonio Water System
Schedule 2 - Change in Net Position
(accrual basis of accounting)
(amounts in thousands)

	Fiscal Year									
	2022 (a)	2021	2020 (b)	2019	2018	2017	2016	2015 (c)	2014	2013
Operating revenues:										
Water delivery system	$ 244,748	$ 215,484	$ 223,076	$ 229,203	$ 218,399	$ 202,264	$ 190,913	$ 168,338	$ 127,708	$ 119,767
Water supply system	325,485	273,008	295,682	218,842	202,674	202,143	185,037	163,759	150,079	134,367
Wastewater system	295,162	280,014	266,265	274,519	259,124	250,977	234,966	213,833	210,704	195,584
Chilled water & steam system	11,712	10,826	9,894	10,615	10,849	11,368	11,541	11,102	11,152	12,621
	877,107	779,332	794,917	733,179	691,046	666,752	622,457	557,032	499,643	462,339
Operating expenses before depreciation:										
Salaries and fringe benefits	149,045	154,788	163,910	162,445	149,970	148,058	142,315	133,681	115,049	125,210
Contractual services	216,418	203,658	184,517	173,187	171,032	168,350	170,845	163,768	127,685	107,194
Materials and supplies	34,638	27,707	25,836	26,469	23,485	23,159	21,959	23,490	20,930	23,355
Other charges	(41,371)	(5,714)	(2,402)	6,726	11,718	11,150	12,702	8,129	12,355	20,423
Less: Costs capitalized to										
Construction in Progress	(30,647)	(31,244)	(29,921)	(30,743)	(31,612)	(32,275)	(32,426)	(37,822)	(30,964)	(31,834)
Operating expense before depreciation	328,083	349,195	341,940	338,084	324,593	318,442	315,395	291,246	245,055	244,348
Depreciation	208,462	199,332	188,872	157,225	155,549	152,072	142,856	141,259	123,111	111,375
Total operating expenses	536,545	548,527	530,812	495,309	480,142	470,514	458,251	432,505	368,166	355,723
Operating Income	340,562	230,805	264,105	237,870	210,904	196,238	164,206	124,527	131,477	106,616
Non-operating revenues/(expenses):										
Interest and miscellaneous	(24,053)	(1,654)	17,974	32,583	22,488	10,407	8,146	6,079	5,792	5,410
Interest expense on revenue bonds and commercial paper	(92,582)	(92,318)	(90,874)	(96,420)	(88,542)	(86,615)	(86,566)	(89,971)	(78,049)	(75,606)
Interest expense on contract payable	(45,116)	(45,930)	(32,947)	-	-	-	-	-	-	-
Debt issue costs/Amortization of debt issuance costs	(2,857)	(2,293)	(3,667)	(2,627)	(1,711)	(1,385)	(4,716)	(3,831)	(2,914)	(4,112)
Other finance charges	(2,089)	(1,319)	(1,814)	(2,066)	(1,957)	(2,697)	(2,121)	(2,041)	(2,726)	(2,361)
Gain/(Loss) on defeased debt and bond retirement	2,462	326	1,556	(664)	-	-	-	-	-	-
Gain on sale of capital assets	308	2,376	777	886	924	951	3,087	4,674	23	1,075
Payments to City of San Antonio	(34,262)	(30,162)	(31,043)	(21,917)	(18,287)	(17,276)	(14,228)	(12,683)	(13,089)	(11,528)
Payments to other entities	-	(23)	(93)	(99)	(101)	(108)	(109)	(106)	(114)	(130)
Total non-operating expense	(198,189)	(170,997)	(140,131)	(90,324)	(87,186)	(96,723)	(96,507)	(97,879)	(91,077)	(87,252)
Special Items	(7,200)	-	-	-	-	-	-	-	-	-
Increases (decreases) in net position, before capital contributions	135,173	59,808	123,974	147,546	123,718	99,515	67,699	26,648	40,400	19,364
Capital contributions										
Plant Contributions	139,211	101,251	85,955	73,375	59,761	60,643	73,889	71,967	49,081	32,891
Capital Recovery Fees	129,788	136,963	119,571	94,641	79,794	72,846	67,991	64,056	51,973	37,289
Contributions in aid of construction/Grant revenue	12,747	1,441	3,206	9,258	6,435	7,925	3,866	-	61	545
Total contributions	281,746	239,655	208,732	177,274	145,990	141,414	145,746	136,023	101,115	70,725
Change in net position	$ 416,919	$ 299,463	$ 332,706	$ 324,820	$ 269,708	$ 240,929	$ 213,445	$ 162,671	$ 141,515	$ 90,089

(a) Based on the permanent impairment of the Medina Treatment Plant in December 2022, the write-off of the carrying value was recorded as a Special Item.
(b) Based on the commencement of the operational phase of the Vista Ridge Pipeline Project, a contract payable and the associated interest expense were added to the financial statements in April 2020.