

2023

ANNUAL COMPREHENSIVE

FINANCIAL

REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022



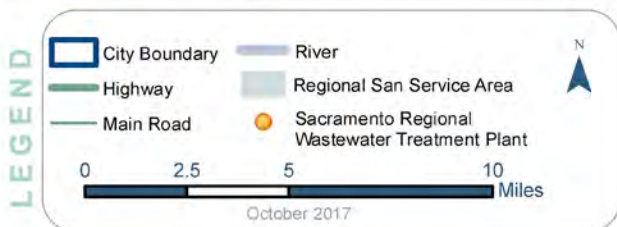
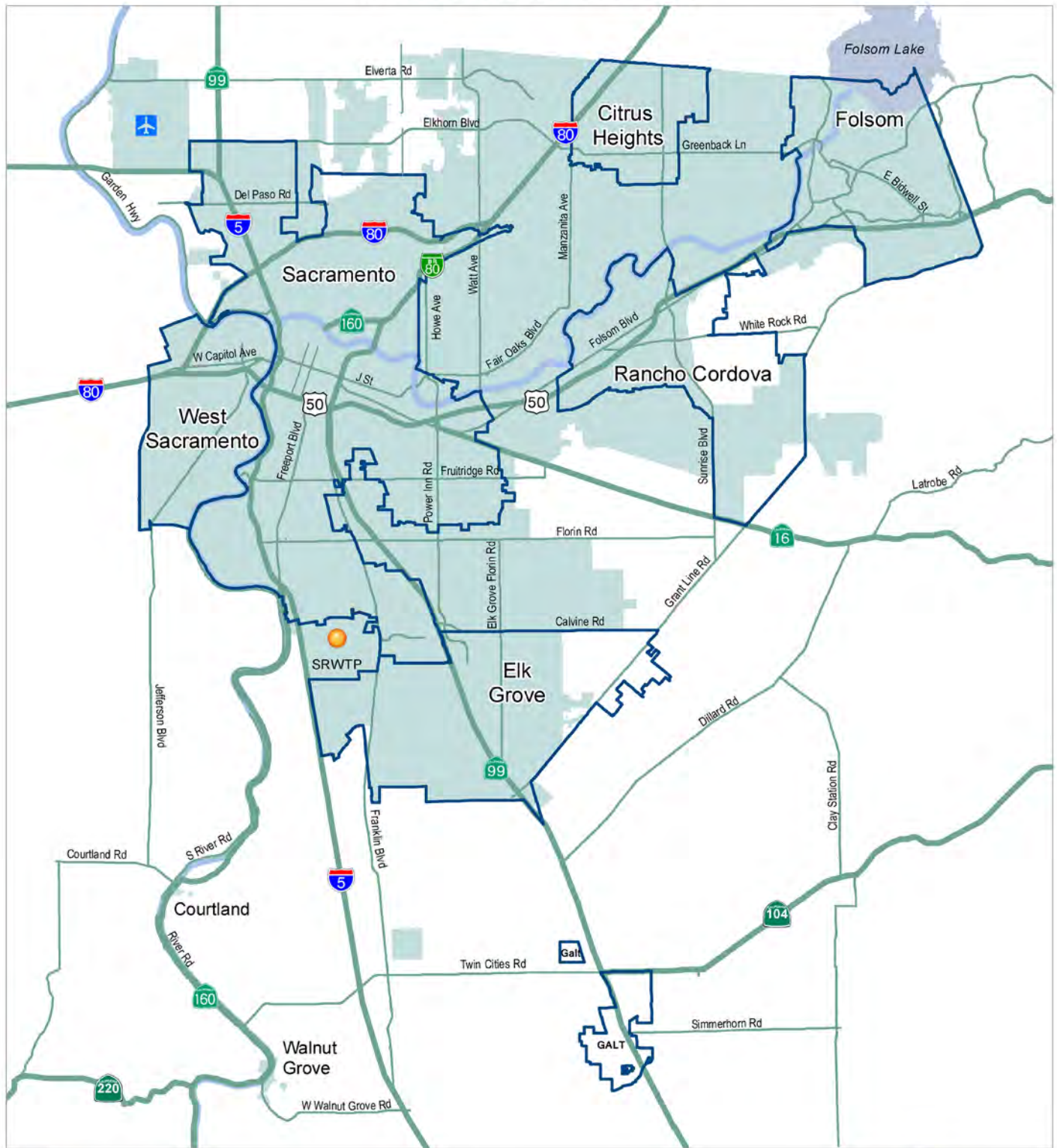
REGIONALSAN

Sacramento Regional County Sanitation District

Sacramento, California

REGIONAL SAN

SERVICE AREA



SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Sacramento, California

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Years Ended June 30, 2023 and 2022

Prepared by:

*Christoph Dobson
District Engineer*

*M. Tepa Banda
Director of Finance*

Intentionally Blank

Table of Contents

INTRODUCTORY SECTION

Transmittal Letter.....	iii
Board of Directors and Officials.....	ix
Organizational Chart.....	x
Certificate of Achievement for Excellence in Financial Reporting.....	xi

FINANCIAL SECTION

Independent Auditor's Report	1
Management's Discussion and Analysis - Required Supplementary Information (Unaudited).....	4
Basic Financial Statements:	
• Statements of Net Position.....	14
• Statements of Revenues, Expenses and Changes in Net Position.....	15
• Statements of Cash Flows	16
• Notes to the Basic Financial Statements	18
Required Supplementary Information (Unaudited)	
• Schedule of Regional San's Proportionate Share of the County's Total OPEB Liability.....	70
• Schedule of Regional San's Proportionate Share of the County's Net Pension Liability	71
• Schedule of Regional San's Pension Contributions	72

STATISTICAL SECTION

Index to statistical section	74
Tables Presented:	
• Net Position by Component	75
• Changes in Net Position.....	76
• Operating Revenues by Source	77
• Operating Expenses	78
• Nonoperating Revenues and Expenses	80
• Wastewater Treated	81
• Number of Customers by Type	82
• Ten Largest Customers	83
• Sewer Rates	84
• Net Ratios of Outstanding Debt by Type	85
• Pledged Revenue Coverage	86
• Demographic and Economic Statistics	87
• Private Sector Principal Employers	88
• Number of Employees by Identifiable Activity	89
• Operating and Capital Indicators	90

BOND DISCLOSURE SECTION

Annual Continuing Disclosures.....	92
------------------------------------	----

Intentionally Blank

December 27, 2023

Main Office

10060 Goethe Road
Sacramento, CA 95827-3553
Tel: 916.876.6000
Fax: 916.876.6160

Treatment Plant

8521 Laguna Station Road
Elk Grove, CA 95758-9550
Tel: 916.875.9000
Fax: 916.875.9068

Board of Directors

Representing:

County of Sacramento

County of Yolo

City of Citrus Heights

City of Elk Grove

City of Folsom

City of Rancho Cordova

City of Sacramento

City of West Sacramento

Christoph Dobson

District Engineer

Glenn Bielefelt

Director of Operations

Mike Huot

Director of Policy & Planning

Matthew Doyle

Director of Internal Services

Masiku Tewa Banda

Director of Finance

Nicole Coleman

Director of Communications

Sacramento Regional County Sanitation District Customers and
The Honorable Board of Directors,

The Sacramento Regional County Sanitation District (Regional San) hereby submits the Annual Comprehensive Financial Report (ACFR) for the fiscal years ended June 30, 2023 and 2022. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with Regional San. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported to present fairly the financial position and changes in financial position for Regional San. All disclosures necessary to enable the reader to gain an understanding of Regional San's financial activities have been included.

The ACFR is divided into four sections: introductory, financial, statistical, and bond disclosure. The introductory section includes this transmittal letter, a listing of Regional San's Board of Directors, a listing of officials, an organization chart, and a Certificate of Achievement for Excellence in Financial Reporting. The financial section includes the independent auditor's report, Management's Discussion and Analysis (MD&A), audited financial statements, and notes to the basic financial statements. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The bond disclosure section includes disclosures required by Securities and Exchange Commission Rule 15c2-12(b) (5) for any municipal bond issue closing after July 1, 1995.

An independent auditor audits Regional San's financial statements each year. The firm Macias Gini & O'Connell LLP (MGO) was selected to perform the independent audit for the fiscal years ended June 30, 2023 and 2022. The independent auditor's report is presented as the first component of the financial section of this report. The goal of the independent audit was to provide reasonable assurance that Regional San's basic financial statements are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Based upon the audit, the independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that Regional San's basic financial statements for the fiscal years ended June 30, 2023 and 2022 is fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP).

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of MD&A. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Regional San's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF REGIONAL SAN

Regional San is an independent special district created in 1973 under the California Health and Safety Code to provide a consolidated response to the scientific and environmental challenges of wastewater conveyance, treatment, and disposal. In November 1974, the Master Interagency Agreement (MIA) was executed by Regional San and the Sacramento County. The MIA, updated most recently in 2021, governs the relationship between Regional San and the contributing agencies: City of Folsom, City of Sacramento, and the Sacramento Area Sewer District (formerly CSD-1), and establishes the monthly service charges and sewer impact fees to be collected by the contributing agencies. Regional San's treatment facilities went online in November 1982 and continue to operate reliably and in conformance with State of California discharge requirements. In April 2004, the City of West Sacramento was annexed into Regional San's service area and sewer services were provided through a Wastewater Services Agreement until mid-2021. The City of West Sacramento became a contributing agency with the 2021 MIA update.

Regional San's Board of Directors currently has 17 members and includes the five Sacramento County Supervisors; five city councilmembers from the City of Sacramento, two from the City of Elk Grove, a member each from the Yolo County Board of Supervisors, and the cities of Folsom, Citrus Heights, Rancho Cordova, and West Sacramento.

Regional San currently provides service to a population of approximately 1.6 million people, in a service area encompassing 386-square miles. The region's wastewater travels through 169 miles of interceptor pipelines, which include 58 miles of force mains (pressurized pipes), and 11 pump stations before it reaches the EchoWater Resource Recovery Facility, (formerly known as the Sacramento Regional Wastewater Treatment Plant), near Elk Grove, where it is treated and safely discharged to the Sacramento River. Up to 131 million gallons of wastewater can be treated daily. The EchoWater Facility is the largest inland water resource recovery facility in California.

Regional San is staffed by Sacramento County employees in the Sanitation Districts Agency (SDA) (per the current Master Interagency Agreement). Regional San's Operations Department operates and maintains the facilities at the EchoWater Facility. Although Regional San is financially responsible, the Sacramento Area Sewer District (SacSewer) Operations Department and the City of Sacramento operate the interceptor system on its behalf. Regional San staff is responsible for planning, design, and construction of district capital projects. Administrative and internal support services for Regional San are provided by the Policy and Planning, Internal Services, Finance, and Communications departments. Oversight of personnel matters is provided through the Sacramento County Board of Supervisors and the County's Department of Personnel Services.

BUDGETARY CONTROLS

Regional San prepares annual operating and capital budgets that are presented to the Board of Directors for its review and approval. The budget serves as an approved plan to facilitate financial control and operational evaluation. The final budget is prepared and presented to the Board of Directors for approval in May or June and becomes effective on July 1st of the corresponding fiscal year. The final budget for fiscal year 2023-24 was approved by Regional San's Board of Directors on May 10, 2023.

FACTORS AFFECTING THE FINANCIAL CONDITION OF REGIONAL SAN

Regional San is an integral part of the Sacramento regional economy, economic conditions and trends in the County have an impact on Regional San's financial condition and outlook. The regional economy and population growth fuels Regional San's customer growth (new connections), which fuels revenue growth by adding new permanent ratepayers. In addition, new customers pay impact fees to cover the cost of added infrastructure necessary to support growth. Regional San does not rely on impact fees from growth in order to meet its debt service and capital needs. Although population growth in the Sacramento region has remained steady throughout the past decade, development activity has risen and fallen with the economy.

Despite the reduction of impact fees and an inflationary environment, Regional San has maintained a strong financial position. Regional San continues to meet its financial obligations for operating and capital needs, while maintaining healthy cash reserves.

INTERNAL CONTROLS

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

CRITICAL ISSUES AFFECTING REGIONAL SAN

While Regional San has maintained a financially stable position there are critical issues that have occurred or could occur over the next several years that may impact Regional San.

- **EchoWater Project**-On December 9, 2010, the State of California Central Valley Regional Water Quality Control Board (Regional Water Board) issued a stringent discharge permit to Regional San. This permit required Regional San to make significant upgrades to the current wastewater treatment plant. This major upgrade, called the "EchoWater Project", involves the implementation of more than 20 interrelated construction projects with an estimated cost of \$1.75 billion. Regional San initiated planning for the EchoWater Project in 2011 and moved into planning and design shortly thereafter. Construction started in 2015 and was completed in May 2023.
- **Regulatory Requirement Changes**-Future changes to the regulatory requirements that govern Regional San's operations could cause significant increases to the operational and capital costs. Potential additional treatment requirements and the associated costs are unknown at this time.
- **Natural Disasters, Climate Change, Pandemics or Other Emergencies**-The potential for natural disasters, such as earthquakes or floods, are issues that Regional San considers in its emergency planning. An increase in extreme weather events may result in the need for additional capital spending to enhance system capacity or resiliency. A general reserve of 25% of projected operating costs is funded and will continue to be maintained to cover additional costs that could be incurred during times of emergency.

- Harvest Water Project-Regional San is in the construction phase of the Harvest Water Project to provide recycled water on a large scale to agricultural water users and conservation lands in southern Sacramento County. This project is estimated to cost \$597 million. Regional San has secured \$322 million in grant funding to offset the costs of the Harvest Water Project and will continue to seek additional grants.
- Aging Infrastructure-The age of the EchoWater Facility and conveyance system assets is a critical issue. Programs are implemented to address the condition of the treatment plant and conveyance system assets through condition assessment inspections, repairs, rehabilitations, and replacements to ensure reliable and sustainable wastewater treatment systems are maintained.
- Inflation-The on-going high inflation environment will continue to pose significant cost pressures on Regional San. External cost pressures have increased dramatically in the last couple of years affecting all sectors, including labor, construction costs, chemicals, and electricity.
- BioGeneration Facility Project-Regional San is in the design planning phase for a biogas cogeneration system to utilize digester gas onsite to provide renewable and reliable utility and backup power, steam for digester heating and revenue per a commodity agreement. There is a risk of escalating construction costs and unknown additional costs for startup.
- Lawsuits and Settlements-Several bid protests and legal challenges on capital projects have had financial impacts on Regional San in the past. Protests or legal challenges in the future that relate to Regional San's capital projects could potentially cause delays and could result in additional regulatory, construction, and legal costs.

LONG-TERM PLANNING

Regional San's staff prepares a number of long-term planning documents to assist in achieving its vision and goals while carrying out its mission. Some of these planning documents include the following:

- Long-Term Financial Plan (LTFP)-The LTFP is comprised of data regarding financial performance measures, critical issues, a 10-year financial forecast and forecast assumptions, a 10-year Capital Funding Projection that serves as the strategic document to estimate Regional San's capital funding needs. The LTFP is updated annually, and the last update was presented to Regional San's Board of Directors in June 2023.
- Interceptor Sequencing Study (ISS)-The ISS is a planning document prepared to forecast Regional San's long-term interceptor pipeline capacity needs in order to provide sanitary sewer conveyance to a growing Sacramento region.
- Water Recycling Opportunities Study-This Study evaluated local recycled water opportunities for Regional San's highly treated wastewater. Recycled water is a drought-tolerant water supply that can be used for agricultural and landscape irrigation or commercial uses, improving regional water supply sustainability, and enhancing the environment.
- The EchoWater Facility's Solids Management Plan-This plan was developed to evaluate biosolids handling, storage, reuse, and disposal methods to identify the long-term need and timing of additional biosolids management facilities to meet future demand.

DEBT ADMINISTRATION

As discussed in the Management's Discussion and Analysis section of this report, Regional San has approximately \$2.1 billion in total long-term obligations, including \$851.5 million in obligations with the Clean Water State Revolving Fund (CWSRF) as of June 30, 2023.

In February 2023, Regional San amended the swap agreement to incorporate fallback provision to address the discontinuation of LIBOR. This was done prior to June 30, 2023, when LIBOR ceased to publish rates.

Bond ratings are an underlying indicator of financial strength and performance. Regional San's most recent uninsured bond ratings were Aa2, AA+, and A+ by Moody's, Standard & Poor's (S&P), and Fitch, respectively, all with stable outlooks.

MERGER

On May 10, 2023, The Regional San and SacSewer Board of Directors approved the amendment of the Master Installment Purchase Contract. In anticipation of the potential merger of Regional San and SacSewer into a single entity, the Master Installment Purchase Contract was amended to distinguish the "Sanitation District" of Regional San from those of SacSewer so that the "Obligations" under each District will continue to be secured by the "Net Revenues" of each District. Both Districts' systems will remain intact, and the revenues will continue to be pledged to the bonds they secure pursuant to the governing bond documents. Both Regional San and SacSewer have determined that the amendments to the Master Installment Purchase Contract will not materially affect the interests of the bondholders or result in any material impairment of the security given or payments of the "Obligations." The merger is expected to be completed by the beginning of 2024.

AWARDS AND ACKNOWLEDGEMENTS

Regional San's Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022 was awarded the *Certificate of Achievement for Excellence in Financial Reporting* by the Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report, the contents of which conform to program standards. Such a report must satisfy both U.S. GAAP and applicable legal requirements. A Certificate of Achievement is valid for one year. Regional San continues to conform to the Certificate of Achievement program requirements, and we will be submitting our current year ACFR to the GFOA for Certificate of Achievement.

I would like to thank Glen Iwamura, Vladimir Grechko, and Nou Her for their conscientious and timely work in preparing this ACFR. This internally generated ACFR represents an important accomplishment for Regional San, and we expect to continue to improve upon the award-winning ACFRs that Regional San has presented in past years.

Regional San would also like to recognize the unwavering support of our Board of Directors. The tangible result of this support is inherent in the high standard of professionalism and fiscal management outlined in this document.

Respectfully submitted,

M. Tepa Banda

M. Tepa Banda, CFA, CMA
Chief Financial Officer
Sacramento Regional County Sanitation District

Sacramento Regional County Sanitation District

Board of Directors

Sarah Aquino	City of Folsom
Brett Daniels	City of Citrus Heights
Rich Desmond	County of Sacramento
Sue Frost	County of Sacramento
Patrick Hume	County of Sacramento, Vice Chair
Lisa Kaplan	City of Sacramento
Patrick Kennedy	County of Sacramento
Sean Loloee	City of Sacramento
Caity Maple	City of Sacramento
Quirina Orozco	City of West Sacramento
Sergio Robles	City of Elk Grove
David Sander	City of Rancho Cordova, Chari
Phil Serna	County of Sacramento
Darren Suen	City of Elk Grove
Katie Valenzuela	City of Sacramento
Mai Vang	City of Sacramento
Oscar Villegas	Yolo County

Regional San Officials

Christoph Dobson
District Engineer

Mike Huot
Director of Policy and Planning

Glenn Bielefelt
Director of Operations

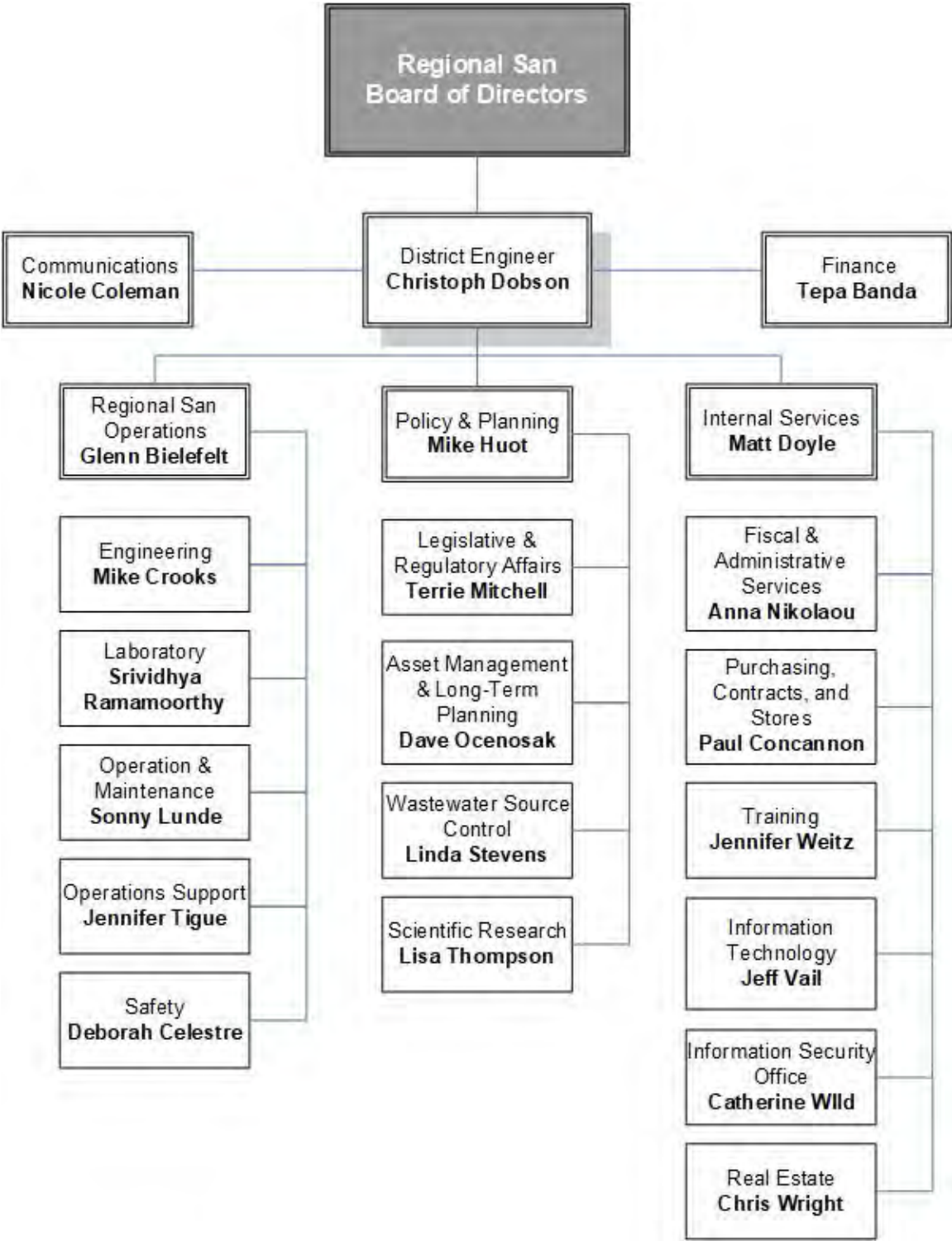
Tepa Banda
Director of Finance

Matthew Doyle
Director of Internal Services

Nicole Coleman
Director of Communications

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

ORGANIZATIONAL CHART



SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

**CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN
FINANCIAL REPORTING**



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Sacramento Regional County Sanitation District
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrell

Executive Director/CEO

Independent Auditor's Report

Board of Directors
Sacramento Regional County Sanitation District
Sacramento, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Sacramento Regional County Sanitation District (Regional San), as of and for the fiscal years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise Regional San's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Regional San, as of June 30, 2023 and 2022, and the changes in financial position and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Notes 1, 4, 5, and 13 to the basic financial statements, effective July 1, 2021, Regional San adopted the provisions of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Regional San's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of Regional San's proportionate share of the County's total OPEB liability, the schedule of Regional San's proportionate share of the County's net pension liability, and the schedule of Regional San's pension contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the

information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory section, statistical section, and bond disclosure section, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2023, on our consideration of Regional San's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Regional San's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Regional San's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

Sacramento, California
December 27, 2023

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 and 2022

This section of the Sacramento Regional County Sanitation District's (Regional San) Annual Comprehensive Financial Report (ACFR) presents a discussion and analysis of Regional San's financial performance during the fiscal years ended June 30, 2023 and 2022. Please read it in conjunction with the transmittal letter at the front of this report and Regional San's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2023, the assets and deferred outflows of resources of Regional San exceeded liabilities and deferred inflows of resources by \$1.634 billion (*net position*). Of this amount, \$312 million was unrestricted and \$1.322 billion was for net investment in capital assets. At June 30, 2022, the assets and deferred outflows of resources of Regional San exceeded liabilities and deferred inflows of resources by \$1.524 billion (*net position*). Of this amount, \$310 million was unrestricted and \$1.214 billion was for net investment in capital assets.
- Regional San's net position increased by \$110.5 million during 2022-23. The increase was the result of Regional San's normal operations and current construction projects. Regional San's net position increased by \$114.8 million during 2021-22. The increase was the result of Regional San's normal operations and current construction projects.
- Regional San's long-term debt obligations decreased by approximately \$66.7 million during the 2022-23 fiscal year. These changes were the result of scheduled debt service payments. Regional San's long-term debt obligations decreased by approximately \$67.4 million during the 2021-22 fiscal year. These changes were the result of scheduled debt service payments.
- In April 2015, the State Water Resources Control Board approved a financing program for Regional San's EchoWater Project of \$1.4 billion for eight component projects. Interest rates on the component projects range from 1.6 to 1.7 percent. The starting dates of the projects range from March 2015 to June 2018 with completion dates from August 2016 to March 2023. Repayment for each component project will begin one year after completion of construction. As of June 30, 2023, the outstanding balance was \$851.5 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Regional San's basic financial statements. Regional San's basic financial statements are comprised of two components: the basic financial statements and notes to the basic financial statements.

Regional San has one blended component unit. Regional San entered into a Joint Exercise of Powers Agreement with the Sacramento Area Sewer District (SacSewer) to form the Sacramento County Sanitation Districts Financing Authority (Authority) which is determined to be a blended component unit of Regional San.

Basic Financial Statements (starting on page 14) are designed to provide readers with a broad overview of Regional San's finances.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

The *Statements of Net Position* present information on all Regional San assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between these amounts reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Regional San is improving or deteriorating.

The *Statements of Revenues, Expenses and Changes in Net Position* present information showing how net position changed during the most recent two fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected service charges).

The *Statements of Cash Flows* present information about the cash receipts and cash payments of Regional San during the two most recent fiscal years. When used with related disclosures and information in the other financial statements, the information provided in these statements should help financial report users assess Regional San's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its need for external financing. It also provides insight into the reasons for differences between operating income and associated cash receipts and payments; and the effects on Regional San's financial position of its cash and its noncash investing, capital, and related financing transactions during the year.

Notes to the basic Financial Statements (starting on page 18) provide additional information that is essential to a full understanding of the data provided in Regional San's basic financial statements. The notes are included immediately following the basic financial statements within this report.

FINANCIAL ANALYSIS

As previously noted, net position may serve over time as a useful indicator of Regional San's financial position. As of June 30, 2023 and 2022, total assets and deferred outflows exceeded total liabilities and deferred inflows by \$1.634 billion and \$1.524 billion, respectively. During the fiscal years ended June 30, 2023 and 2022, the net position increased by approximately \$110.5 million and increased by approximately \$114.8 million, respectively.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

The following table summarizes the changes between assets, deferred outflows of resources, liabilities and deferred inflows of resources, and net position as of June 30, 2023, 2022, and 2021:

Condensed Statements of Net Position (Amounts Expressed in Thousands)

	2023	% Change	2022 ⁽¹⁾ (as restated)	% Change	2021
Assets:					
Current assets	\$ 394,891	-2.1%	\$ 403,211	-11.1%	\$ 474,756
Restricted and other noncurrent assets	242,644	-2.5%	248,924	2.5%	226,510
Capital assets, net	3,346,700	0.6%	3,326,461	5.0%	3,240,398
Total assets	<u>3,984,235</u>	0.1%	<u>3,978,596</u>	2.6%	<u>3,941,664</u>
 Deferred Outflows of Resources	<u>36,303</u>	-6.8%	<u>38,937</u>	-76.9%	<u>47,474</u>
Liabilities:					
Current liabilities	109,642	-23.2%	142,738	32.7%	122,772
Long-term obligations	2,014,577	-2.9%	2,075,610	6.1%	2,148,765
Other noncurrent liabilities	248,577	15.7%	214,893	-33.1%	304,174
Total liabilities	<u>2,372,796</u>	-2.5%	<u>2,433,241</u>	0.1%	<u>2,575,711</u>
 Deferred Inflows of Resources	<u>13,031</u>	-78.3%	<u>60,117</u>	-68.8%	<u>4,235</u>
Net Position:					
Net investment in capital assets	1,322,637	8.9%	1,214,583	0.4%	1,080,223
Unrestricted	312,074	0.8%	309,592	-14.3%	329,179
Total net position	<u>\$ 1,634,711</u>	7.3%	<u>\$ 1,524,175</u>	-3.5%	<u>\$ 1,409,402</u>

(1) Fiscal Year 2022 has been revised in accordance with the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Prior years have not been restated as permitted by the Standard.

As of June 30, 2023, the current assets decreased by approximately \$8.3 million. Of those current assets, cash and investments decreased by \$16.1 million, due to ongoing operating costs and planned construction activity. As of June 30, 2022, the current assets decreased by approximately \$71.5 million. Of those current assets, cash and investments decreased by \$69.3 million due to a delay in submitting reimbursement requests for the Tertiary Treatment Facility from the SRF loan, and was offset by an increase in restricted cash and investments of \$24 million.

In the fiscal year ended June 30, 2023, restricted and other noncurrent assets decreased by \$6.3 million. The majority of the balance in restricted and other noncurrent assets is restricted cash and investments (\$71.7 million) and the long-term portion due from the Financing Authority (\$163.1 million). In the fiscal year ended June 30, 2022, restricted and other noncurrent assets increased by \$22.4 million. The majority of the balance in restricted and other noncurrent assets is restricted cash and investments (\$76.8 million) and long-term portion due from the Financing Authority (\$164.8 million). The change was mainly due to restricted cash and investments increasing by \$23.9 million for the State Revolving Fund (SRF) Reserve account

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

For the fiscal years ended 2023 and 2022, deferred outflows of resources decreased by \$2.6 million and \$8.5 million, respectively. For the fiscal year ended June 30, 2023 and 2022, the decrease was mainly due to changes in deferred outflows relating to pension and OPEB, and a decrease of the deferred outflows on loan refunding due to the amortization of the loss on refunding.

In the fiscal year ended June 30, 2023, the current liabilities decreased by \$33.0 million mainly due to a \$20 million settlement agreement relating to the Biological Nutrient Removal component of the EchoWater Project that was recorded in the prior year. In the fiscal year ended June 30, 2022, the current liabilities increased by \$20 million mainly due to the settlement agreement related to the Biological Nutrient Removal component of the EchoWater Project.

For the fiscal year ended June 30, 2023, long-term obligations decreased by \$61.0 million. This was primarily due to scheduled debt service payments and offset by \$15.1 million in SRF funding relating to the EchoWater Project. For the fiscal year ended June 30, 2022, long-term obligations decreased by \$73.2 million. This was primarily due to scheduled debt service payments.

For the fiscal year ended June 30, 2023, other noncurrent liabilities increased by \$33.7 million. These changes are due primarily from the increase in Net Pension Liability of \$37.4 million and offset by a decrease of \$4.4 in the Derivative Instruments – fair value amount. For the fiscal year ended June 30, 2022, other noncurrent liabilities decreased by \$89.3 million. These changes are due primarily from the decrease in Net Pension Liability of \$72.4 million. The majority of the balance in other noncurrent liabilities is long-term obligations – Finance Authority (\$164.8 million), Derivative instruments – fair value (\$19.0 million), net pension liability (\$4.0 million) and landfill closure and postclosure care costs (\$14.3 million).

The largest portion of Regional San's net position (81% and 80% at June 30, 2023 and 2022, respectively) reflects its investment in capital assets (e.g., land, easement, right-to-use assets, software, structure and improvements, equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. Regional San uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Although Regional San's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining amount (19% and 20% at June 30, 2023 and 2022, respectively) is unrestricted and may be used to meet Regional San's ongoing obligations to customers and creditors.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

The following table summarizes the changes in net position for the fiscal years ended June 30, 2023, 2022, and 2021:

Condensed Statements of Changes in Net Position (Amounts Expressed in Thousands)					
	2023	% Change	2022 ⁽¹⁾ (as restated)	% Change	2021
Operating revenues:					
Sewer service fees	\$ 297,031	3.5%	\$ 287,105	5.2%	\$ 272,884
Other	8,084	-6.3%	8,630	-21.7%	11,022
Nonoperating revenues:					
Interest revenue	11,258	280.1%	2,962	-19.9%	3,699
Interest revenue from - Financing Authority	8,865	-0.5%	8,914	-0.5%	8,962
Derivative instruments - fair value	4,476	100.0%	15,551	0.0%	-
Total revenues	<u>329,714</u>	2.0%	<u>323,162</u>	9.0%	<u>296,567</u>
Operating expenses:					
County labor - SDA	61,113	13.2%	53,966	-26.6%	73,490
Depreciation and amortization	53,655	-1.7%	54,593	0.7%	54,215
Chemicals	23,960	59.7%	15,003	-7.9%	16,294
Electricity	15,780	15.1%	13,705	-2.8%	14,099
Other	34,563	6.1%	32,579	-0.6%	32,791
Nonoperating expenses:					
Interest expense	50,326	-3.2%	51,998	-8.9%	57,058
Interest expense - Financing Authority	8,788	-0.6%	8,837	-0.5%	8,885
Derivative instruments - fair value	-	0.0%	-	-100.0%	110,715
Other expenses	3,062	-6.6%	3,280	-63.3%	8,946
Total expenses	<u>251,247</u>	7.4%	<u>233,961</u>	-37.9%	<u>376,493</u>
Income (loss) before capital contributions	78,467	-12.0%	89,201	-211.6%	(79,926)
Capital contributions:					
Grant revenue	10,980	208.8%	3,556	1113.7%	293
Sewer impact fees	21,089	-4.2%	22,016	-24.0%	28,985
Total capital contributions	32,069	25.4%	25,572	-12.7%	29,278
Change in net position	110,536	-3.7%	114,773	-326.6%	(50,648)
Net position, beginning of year	1,524,175		1,409,402		1,460,050
Net position, end of year	<u>\$ 1,634,711</u>	7.3%	<u>\$ 1,524,175</u>	8.1%	<u>\$ 1,409,402</u>

(1) Fiscal Year 2022 has been revised in accordance with the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Prior years have not been restated as permitted by the Standard.

Total operating revenues, which consist of sewer service fees and other revenues, increased by \$9.4 million in fiscal year 2022-23 and increased by \$11.8 million in fiscal year 2021-22. For fiscal year 2022-23, sewer service fees revenue increased by 3.5% over the prior year due to growth in the number of customers. For fiscal years 2022-23 and 2021-22, the sewer service fee was \$37.00 per month per ESD. This rate became effective July 1, 2018.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

Other operating revenues decreased by approximately \$546 thousand for fiscal year 2022-23 over the prior year. Other operating revenues decreased by approximately \$2.4 million for fiscal year 2021-22 over the prior year. These changes for FY 2022-23 and FY 2021-22 are mainly attributable to the fluctuations in capital labor costs reimbursements from the Sacramento Area Sewer District to Regional San.

Total expenses increased by approximately \$17.2 million in 2022-23. The main factor was due to higher costs relating to labor, chemicals and electricity over the prior year. Total expenses decreased by approximately \$142.5 million in 2021-22. The main factor was due to the derivative instruments – fair value.

For fiscal year ended June 30, 2023, nonoperating revenues decreased by approximately \$2.8 million. This was mainly due to the derivative instruments – fair value decreasing by \$11.1 million over the prior year offset by an increase in interest revenue of \$8.3 million over the prior year. For fiscal year ended June 30, 2022, nonoperating revenues increased by approximately \$14.8 million, mainly due to the derivative instruments – fair value.

The tables below shows the Sewer impact fees in effect for the 2022-23 and 2021-22 years.

Table 1. Sewer Impact Fees for Residential and Commercial Users

Area	Effective July 1, 2021	Effective July 1, 2022
Infill	\$3,602	\$3,602
New	\$6,479	\$6,479

Table 2. Sewer Impact Fees for Industrial Users

Area	Flow ^a	BOD ^b	TSS ^b	TKN ^b	Pathogen ^c	Effective Period
Infill	\$96	\$47,921	\$15,459	\$107,978	\$23	Effective July 1, 2021
New	\$227					
Infill	\$96	\$47,921	\$15,459	\$107,978	\$23	Effective July 1, 2022
New	\$227					

^a Cost for flow is per 1,000 gallons per month

^b Cost for BOD, TSS, and TKN is per 1,000 pounds per month

^c Cost for Pathogens is per 1,000 gallons of domestic wastewater flow per month

The fee structure for impact fees is tiered based on the location of new development within Regional San. Effective July 1, 2019 Sewer impact fees for new residential and new commercial users increased from \$6,146 to \$6,479 per ESD and fees for the “infill” tier increased from \$3,359 to \$3,602 per ESD. The rate did not change for the FY 2022-23. Sewer impact fee revenue decreased by 4.2% and decreased by 24.0% in 2022-23 and 2021-22, respectively, due mostly to changes in construction activity. These fees are generated by development and thus remain sensitive to construction trends.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

Capital Assets, net of accumulated depreciation, totaled \$3.34 billion and \$3.32 billion at June 30, 2023 and 2022, respectively. This corresponded to an increase in total capital assets of \$20.4 million and an increase of \$85.6 million during those fiscal years, respectively. The following table summarizes the changes in capital assets for the fiscal years ended June 30, 2023, 2022, and 2021:

Regional San's Changes in Capital Assets (Amounts Expressed in Thousands)

	2023	% Change	2022 ⁽¹⁾ (as restated)	% Change	2021
Permanent easements	\$ 1,412	0.0%	\$ 1,412	0.0%	\$ 1,412
Land	45,511	0.0%	45,511	0.1%	45,460
Construction in progress	684,179	-47.3%	1,297,915	9.8%	1,181,837
Structures, improvements and equipment	3,755,258	22.3%	3,070,827	0.7%	3,050,050
Software	6,621	0.0%	6,621	0.0%	6,621
Right-to-use assets	1,384	66.5%	831	100.0%	293
Less accumulated depreciation	<u>(1,147,665)</u>	4.7%	<u>(1,096,656)</u>	4.9%	<u>(1,045,065)</u>
	<u>\$ 3,346,700</u>	0.6%	<u>\$ 3,326,461</u>	2.6%	<u>\$ 3,240,608</u>

(1) Fiscal Year 2022 has been revised in accordance with the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Prior years have not been restated as permitted by the Standard.

From July 1, 2022 to June 30, 2023, construction in progress decreased by \$613.7 million. Construction projects started but not completed at year-end added \$71.0 million to construction in progress and was offset by \$684.8 million that was transferred out to structures and equipment during the year. Of that amount, \$681 million related to the Biological Nutrient Removal component of the Echo Water Project. From July 1, 2021 to June 30, 2022, construction in progress increased by \$116.1 million. Construction projects started but not completed at year-end added \$136.7 million to construction in progress and was offset by \$20.6 million that was transferred out to structures and equipment during the year.

Additional information on Regional San's capital assets can be found in Note 4 of the notes to the basic financial statements.

Long-Term Obligations totaled \$2.28 billion and \$2.34 billion at June 30, 2023 and 2022, respectively. These amounts were comprised of Regional San's revenue bonds, State Revolving Fund Loans, finance purchase, lease and SBITAs liability, landfill closure and postclosure liability, compensated absences and the Financing Authority's long-term obligations. The following table summarizes the amount of long-term obligations for the fiscal years ended June 30, 2023, 2022, and 2021.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

Regional San's Outstanding Long-term Obligations (Amounts Expressed in Thousands)

	2023	2022	2021
Financing Authority Revenue Bonds, Net	\$ 164,780	\$ 166,355	\$ 167,880
Regional San's Revenue Bonds, Net	1,036,427	1,096,709	1,151,359
Regional San's Direct Borrowings, Net	200,000	200,000	200,000
State Revolving Loans	851,509	857,189	868,347
Finance Purchase	2,072	3,467	4,817
Lease and SBITA Liability	599	435	210
Compensated Absences	7,934	7,405	7,506
Landfill Closure and postclosure liability	15,769	14,253	13,175
Total Long-term obligations	<u>\$ 2,279,090</u>	<u>\$ 2,345,813</u>	<u>\$ 2,413,294</u>

Regional San's revenue bonds, loans, finance purchase and lease liability have decreased by approximately \$68.7 million during the 2022-23 fiscal year. Regional San's revenue bonds, loans, and finance purchase decreased by approximately \$67.4 million during the 2021-22 fiscal year. For FY 2022-23, the decrease in long-term obligations was the result of scheduled debt service payments, offset by \$15.1 million in SRF Funding relating to the Biological Nutrient Removal component of the EchoWater Project. For FY 2021-22, the decrease in long-term obligations was the result of scheduled debt service payments.

The Financing Authority is a blended component unit, thus all of the Financing Authority's long-term obligations have been presented, including the long-term obligations issued on behalf of the Sacramento Area Sewer District.

Additional information on Regional San's long-term debt obligations can be found in Note 5 of the notes to the basic financial statements.

ADDITIONAL INFORMATION

This financial report is designed to provide a general overview of Regional San's finances for all those with an interest. Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to Tapa Banda, Director of Finance; Sacramento Regional County Sanitation District, 10060 Goethe Road, Sacramento California 95827, or phone (916) 876-6116.

Intentionally Blank

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Sacramento, California

Basic Financial Statements

For the Fiscal Years Ended June 30, 2023 and 2022

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

STATEMENTS OF NET POSITION
JUNE 30, 2023 AND 2022

	2023	2022 (as restated)
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 177,086,368	\$ 358,317,368
Investments	165,117,701	-
Sewer services fees receivable	28,120,142	28,288,909
Due from other local governments:		
Accrued interest receivable - Financing Authority	3,835,941	3,856,441
Current portion loan due - Financing Authority	1,620,155	1,575,155
Interest	4,686,165	1,404,042
Other accounts receivable	10,512,481	6,171,649
Inventories	3,912,550	3,597,243
TOTAL CURRENT ASSETS	394,891,503	403,210,807
NONCURRENT ASSETS:		
Cash and cash equivalents - restricted	29,595,812	76,782,568
Investments - restricted	42,162,752	-
Deposits with others	4,769,302	5,034,264
Long-term receivables:		
Long-term portion loan due - Financing Authority	163,159,904	164,780,059
Due from other local governments	2,955,969	2,326,873
Capital assets:		
Permanent easements	1,411,683	1,411,683
Land	45,510,872	45,510,872
Construction in progress	684,178,662	1,297,914,837
Software	6,621,398	6,621,398
Right-to-use assets	1,384,531	830,906
Equipment	147,816,766	148,013,983
Structures and improvements	3,607,441,837	2,922,813,453
Total capital assets	4,494,365,749	4,423,117,132
Less accumulated depreciation	(1,147,665,572)	(1,096,655,930)
Total capital assets, net of accumulated depreciation	3,346,700,177	3,326,461,202
TOTAL NONCURRENT ASSETS	3,589,343,916	3,575,384,966
TOTAL ASSETS	3,984,235,419	3,978,595,773
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows related to pension	17,341,618	17,995,064
Deferred outflows related to OPEB	476,746	530,049
Deferred amounts on refunding	18,484,265	20,412,280
TOTAL DEFERRED OUTFLOWS OF RESOURCES	36,302,629	38,937,393
LIABILITIES:		
CURRENT LIABILITIES:		
Warrants payable	808,688	2,543,867
Accounts payable and accrued expenses	20,690,379	45,704,127
Accrued interest payable	5,466,683	5,757,214
Accrued interest payable - Financing Authority	3,835,941	3,856,441
Compensated absences	1,190,045	1,110,642
Current portion of long-term obligations - Financing Authority	1,620,155	1,575,155
Current portion of long-term obligations	76,030,257	82,190,099
TOTAL CURRENT LIABILITIES	109,642,148	142,737,545
NONCURRENT LIABILITIES:		
Long-term obligations	2,014,577,838	2,075,609,901
Long-term obligations - Financing Authority	163,159,904	164,780,059
Derivative instruments - fair value	14,487,766	18,964,234
Compensated absences	6,743,586	6,293,641
Net pension liability	41,504,546	4,038,218
OPEB liability	3,956,314	4,237,193
Unearned revenue	2,955,969	2,326,873
Accrued landfill closure and postclosure care costs	15,768,392	14,253,481
TOTAL NONCURRENT LIABILITIES	2,263,154,315	2,290,503,600
TOTAL LIABILITIES	2,372,796,463	2,433,241,145
DEFERRED INFLOWS OF RESOURCES:		
Deferred amounts on refunding - Financing Authority	1,009,179	1,086,808
Deferred inflows related to pension	9,508,795	56,363,191
Deferred inflows related to OPEB	2,513,012	2,666,661
TOTAL DEFERRED INFLOWS OF RESOURCES	13,030,986	60,116,660
NET POSITION:		
Net investment in capital assets	1,322,636,810	1,214,583,421
Unrestricted	312,073,789	309,591,940
TOTAL NET POSITION	\$ 1,634,710,599	\$ 1,524,175,361

See accompanying notes to the basic financial statements.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022 (as restated)
OPERATING REVENUES:		
Sewer service fees	\$ 297,031,023	\$ 287,104,582
Other revenue	8,084,071	8,630,581
Total operating revenues	<u>305,115,094</u>	<u>295,735,163</u>
OPERATING EXPENSES:		
Office equipment	390,773	563,284
Depreciation and amortization	53,654,754	54,593,046
Data processing	4,391,472	3,794,719
Laboratory	635,954	559,683
County labor - SDA	61,112,758	53,966,210
Services and supplies	3,739,180	2,736,069
Consultants	6,664,333	7,391,764
County labor - other	226,523	121,769
Chemicals	23,959,834	15,002,591
Landfill closure and postclosure care	1,514,761	1,075,686
Insurance	1,355,824	1,209,483
Other utilities	6,788,405	7,773,662
Electricity	15,779,895	13,704,810
Plant and interceptor maintenance	8,857,294	7,353,683
Total operating expenses	<u>189,071,760</u>	<u>169,846,459</u>
Operating income	<u>116,043,334</u>	<u>125,888,704</u>
NONOPERATING REVENUES (EXPENSES):		
Interest revenue	11,258,366	2,962,267
Interest revenue - Financing Authority	8,865,204	8,914,237
Interest expense - Financing Authority	(8,787,575)	(8,836,608)
Interest expense	(50,326,308)	(51,997,637)
Sewer incentive program	(1,633,252)	(1,779,767)
Derivative instruments - fair value and termination fees	4,476,468	15,550,956
Other expense	(1,429,905)	(1,500,068)
Total nonoperating revenues (expenses)	<u>(37,577,002)</u>	<u>(36,686,620)</u>
Income before capital contributions	<u>78,466,332</u>	<u>89,202,084</u>
CAPITAL CONTRIBUTIONS:		
Sewer impact fees	21,088,810	22,015,809
Grant revenue	10,980,096	3,555,962
Total capital contributions	<u>32,068,906</u>	<u>25,571,771</u>
Changes in net position	110,535,238	114,773,855
Net position, beginning of year	<u>1,524,175,361</u>	<u>1,409,401,506</u>
Net position, end of year	<u><u>\$ 1,634,710,599</u></u>	<u><u>\$ 1,524,175,361</u></u>

See accompanying notes to the basic financial statements.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 292,858,958	\$ 289,845,915
Receipts from others	8,084,071	8,630,581
Payments to County for labor force	(74,317,252)	(69,211,653)
Payments to suppliers for goods and services	(69,956,866)	(56,810,442)
Payments to others	(3,063,157)	(3,279,835)
Net cash provided by operating activities	<u>153,605,754</u>	<u>169,174,566</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(96,425,837)	(116,944,242)
Lease and SBITA payments	(389,535)	(90,735)
Principal received on loan due - SacSewer	1,230,000	1,180,000
Interest received on loan due - SacSewer	9,230,859	9,279,059
Proceeds from issuance of long-term obligations	12,779,432	-
Principal payments on long-term obligations	(72,828,202)	(66,419,702)
Interest payments on long-term obligations	(57,924,064)	(59,399,203)
Principal payments on loan due - SacSewer	(1,230,000)	(1,180,000)
Interest payments on loan due - SacSewer	(9,230,859)	(9,279,059)
Sewer impact fees collected	21,088,810	22,015,809
Cash receipts from grantors	10,980,096	3,555,962
Net cash used by capital and related financing activities	<u>(182,719,300)</u>	<u>(217,282,111)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Redemption of investments	96,268,041	-
Acquisition of investments	(303,548,494)	-
Interest received	7,976,243	2,822,820
Net cash used by investing activities	<u>(199,304,210)</u>	<u>2,822,820</u>
Net decrease in cash and cash equivalents	(228,417,756)	(45,284,725)
Cash and cash equivalents, beginning of year	<u>435,099,936</u>	<u>480,384,661</u>
Cash and cash equivalents, end of year	<u>\$ 206,682,180</u>	<u>\$ 435,099,936</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:		
Cash and cash equivalents	\$ 177,086,368	358,317,368
Restricted cash and cash equivalents	29,595,812	76,782,568
Total cash and cash equivalents	<u>\$ 206,682,180</u>	<u>\$ 435,099,936</u>

See accompanying notes to the basic financial statements.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

STATEMENTS OF CASH FLOWS (Continued)
FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 116,043,334	\$ 125,702,386
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	51,461,777	52,202,631
Amortization of loss on refunding	2,192,977	2,354,283
Payments for excess sewer capacity and incentive	(1,633,252)	(1,779,767)
Other expense	(1,429,905)	(1,500,068)
Net effect of changes in:		
Sewer service fees receivable	168,767	8,596,427
Other accounts receivable	(4,340,832)	(5,855,094)
Inventories	(315,307)	(304,828)
Deposits with others	264,962	264,962
Warrants payable	(1,735,179)	(478,127)
Compensated absences	529,348	(101,400)
Accrued landfill closure and postclosure care costs	1,514,911	1,078,266
Net pension liability and related deferred outflows and inflows	(8,734,622)	(10,688,599)
OPEB liability and related deferred outflows and inflows	(381,225)	(316,506)
Net cash provided by operating activities	<u>\$ 153,605,754</u>	<u>\$ 169,174,566</u>
NONCASH CAPITAL AND FINANCING ACTIVITIES:		
Purchase of capital assets on account	\$ 13,996,137	\$ 40,270,308
Net decrease in fair value of derivative instruments	(4,476,468)	(15,550,956)
Accrued interest on principle balance on SRF Loan	2,329,518	8,858,490
Acquisition of right-to-use leased assets	553,625	315,820
Amortization of bond premium	(9,636,744)	(9,565,034)
Amortization of bond premium - Financing Authority	(345,155)	(345,155)

See accompanying notes to the basic financial statements.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The accompanying basic financial statements, with comparative information, of the Sacramento Regional County Sanitation District (Regional San) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of Regional San's accounting policies are described below.

Regional San is a political subdivision of the State of California. Regional San is governed by a Board of Directors (Board) comprised of the five members of the Sacramento County (the County) Board of Supervisors, five representatives from the Sacramento City Council, two representatives from Elk Grove and one representative each from Folsom, Citrus Heights, Rancho Cordova and West Sacramento City Councils, and a representative from the Board of Supervisors of Yolo County. Each city representative is selected by their respective city councils to serve on the Regional San Board. The length of the appointment is subject to the discretion of each city council, but can be no longer than the individual's term of office. Regional San has four Contributing Agencies: City of Folsom, City of Sacramento, Sacramento Area Sewer District (SacSewer) and City of West Sacramento. Each Contributing Agency is responsible for contributing wastewater from its local collection system to Regional San as well as for billing monthly service charges and sewer impact fees.

In October 1993, Regional San entered into a Joint Exercise of Powers Agreement organized under Section 6500 et seq. of the California Government Code with SacSewer to form the Sacramento County Sanitation Districts Financing Authority (Financing Authority) for the purpose of facilitating the financing of acquisition and/or constructing of real and personal property in and for Regional San and SacSewer. The Board of Directors of Regional San serves as the Financing Authority's governing board. For financial reporting purposes, the Financing Authority and Regional San have a financial and operational relationship which requires that the Financing Authority's financial statements to be blended into Regional San's financial statements. Separate financial statements for the Financing Authority are available from Regional San at 10060 Goethe Road, Sacramento Ca, 95827, upon request.

In June 1992, Regional San's Board approved a Joint Powers Agreement with the Sacramento Municipal Utility District (SMUD), which formed the Central Valley Financing Authority (CV Authority). The CV Authority was formed for the purpose of obtaining financing for the SMUD cogeneration project at the EchoWater Resource Recovery Facility (EWRRF). The EWRRF was formally known as the Sacramento Regional Wastewater Treatment Plant. SMUD and the CV Authority are responsible for all project costs except for modifications within EWRRF facilities. The CV Authority governing board is composed of the seven members of SMUD's governing board and a non-voting representative of Regional San. The CV Authority has been excluded from Regional San's reporting entity, as there is no financial relationship between them. Regional San is staffed by the Sacramento County's Sanitation District Agency. The Sanitation District Agency operates and maintains Regional San's facilities as well as a large wastewater collection system in the County's unincorporated area operated by SacSewer.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

Regional San uses the accounting principles applicable to enterprise funds. Regional San uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows.

Regional San distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with Regional San's operations. The principal operating revenues of Regional San are customer sanitation service charges. The principal operating expenses of Regional San are related to its labor force, depreciation, utilities, services and supplies and chemicals. Nonoperating revenues and expenses consist of those revenues and expenses that are related to the Financing Authority and SacSewer transactions related to long-term debt activities and financing and investing activities and result from non-exchange transactions or ancillary activities. When both restricted and unrestricted resources are available for use, it is Regional San's policy to use restricted resources first.

Cash Equivalents and Investments

Investments with original maturities of three months or less when purchased, money market mutual funds, and external investment pools that can be withdrawn on demand are considered to be cash equivalents.

Investments are stated at fair value (the price that would be received to sell an asset in an orderly transaction between market participants acting in their economic best interest at the measurement date). Changes in fair value that occur during the fiscal year are reported as part of investment and interest income. Investment and interest income include interest earnings and realized and unrealized gains or losses in fair value. Investment and interest income are recorded as revenues and receivables when declared and realized gains or losses are recorded when the investment is sold.

Receivables

Contributing Agencies bill sewer service fees to customers and are responsible for remitting to Regional San on a monthly basis the full amount of billed sewer service fees. The Contributing Agencies remit to Regional San amounts that have been billed. For this reason, Regional San has no allowance for uncollectible accounts. At June 30, 2023 and 2022, there was \$28,120,142 and \$28,288,909, respectively, in sewer service fee receivables from Contributing Agencies.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Federal and State Grants

Federal and state grant funding is accounted for on a reimbursement basis whereby costs are incurred prior to actual cash receipt of the grant. Federal and state grants receivable on the statement of net position represent claims to various federal and state granting agencies for costs incurred but not reimbursed at year-end under various programs. Claims are filed with the appropriate agencies.

Regional San is required by the grant agreements made with federal and state governmental agencies to maintain books, records, documents, other evidence, and accounting procedures and practices sufficient to reflect properly all costs incurred and claimed. These records are subject to audit by the appropriate government agency and 2 CFR 200 (Uniform Guidance). Any amounts disallowed will reduce future claims or be directly recovered from Regional San, which are not expected to be material to the financial statements.

Inventories

Inventories are maintained to meet the operating and maintenance requirements of Regional San and are valued at cost.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then. Regional San reports deferred outflows related to pensions, OPEB and deferred amounts on refunding.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Regional San reports deferred inflows related to pensions, OPEB and deferred amounts on refunding.

Capital Assets

Capital assets are stated at historical cost or estimated historical cost if purchased or constructed. Right-to-use leases and Subscription-Based Infrastructure-Technology Arrangements (SBITA) are initially measured at the initial amount of the lease or IT subscription liability, adjusted for payments made at or before the lease or IT subscription commencement date, plus certain initial direct costs. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from the basic financial statements. Any resulting gain or loss from the retirement or disposal of an asset is reflected in the statement of revenues, expenses and changes in net position for the period.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Right-to-use assets, intangible assets, software, equipment, and structures and improvements assets are depreciated and amortized using the straight-line method over the following estimated useful lives or the lease terms:

Right-to-use assets	1 to 5 years
Software	5 years
Equipment	5 to 40 years
Structures and improvements	15 to 100 years

Regional San's policy is to capitalize all land and permanent easements; computer hardware and light vehicles with a value equal to or greater than \$20,000; other equipment, including leased equipment, with a value equal to or greater than \$35,000; and computer software, structures and improvements with a value equal to or greater than \$100,000, and a useful life of more than one year. Lease and subscription right-to-use assets are defined as assets with an initial, individual cost of more than \$100,000 and an estimated useful life of at least one year. Such assets are recorded at the present value of the lease or subscription liability and are amortized using the straight-line method over the term which range from 1 to 5 years.

Maintenance and repairs are charged to expense as incurred. Significant renewals or betterments are capitalized and depreciated or amortized over their estimated useful lives. Costs incurred for major improvements or construction of capital assets are carried in construction in progress until the project is completed, at which time costs related to the project are capitalized as structures and improvements and equipment.

The Master Interagency Agreement provided that Contributing Agencies transfer property, plant and equipment to Regional San. In return, Regional San would assume certain long-term debt of the Contributing Agencies. For financial statement purposes, the assets acquired by Regional San from the Contributing Agencies have been valued based upon the consideration given, which approximated the acquisition value that consisted of the long-term debt assumed. These assets have been included in capital assets. Capital contributions received is recorded at acquisition value.

Compensated Absences

Regional San's labor force are employees of the County. Employees accrue vacation in varying amounts based on classification and length of service. Additionally, certain employees are allowed compensated time off in lieu of overtime compensation and/or working on holidays. Sick leave is earned by regular, full-time employees. Any sick leave hours not used during the period are carried forward to following years, with no limit to the number of hours that can be accumulated. Any sick leave hours unused at the time of an employee's retirement are added to the actual period of service when computing retirement benefits. Upon retirement, management employees have the option of receiving payment for one-half of accrued sick leave with the balance included in the calculation of retirement benefits. It is the policy of the County not to pay accumulated sick leave to employees who terminate prior to retirement. The liability for compensated absences earned through year-end, but not yet taken, is accrued in the accompanying financial statements. Compensated absences for the fiscal years ended June 30, 2023 and 2022 was \$7,933,631 and \$7,404,283 respectively (see Note 5).

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risk Management

Regional San participates in the County's self-insurance program. Annual premiums are based primarily on claims experience and are charged to expense when paid. During the past three fiscal years, there were no instances of settlements which exceeded insurance coverage and no significant reductions in insurance coverage. The following is a summary of Regional San's coverages:

- General and automobile liability - \$25 million limit - per occurrence
- Workers' Compensation and Employer's Liability - \$5 million
- Property (All Risk) - \$1.5 billion limit – per occurrence
- Property (Flood) - \$900 million limit – per occurrence
- Earthquake - \$25 million limit - per occurrence
- Boiler and machinery - \$100 million limit - per occurrence
- Pollution liability - \$10 million limit - per occurrence
- Crime/Dishonesty/Forgery - \$15 million limit - per occurrence
- Cyber Liability - \$12 million limit - per occurrence

Pensions

Regional San participates in the County of Sacramento's Cost-Sharing Defined Benefit Pension Plan. For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Sacramento County Employees' Retirement System (SCERS) and additions to/deductions from the SCERS's fiduciary net position have been determined on the same basis as they are reported by SCERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits (OPEB)

Regional San's labor force are employees of the County of Sacramento (County). The County established a Retiree Healthcare Plan (HC Plan) and Regional San participates in the single-employer plan. For purposes of measuring the OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense have been determined on the accrual basis of accounting. The OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The effective date of this Statement was postponed to fiscal years beginning after December 15, 2021 with the issuance of GASB Statement No. 95. The Statement did not have a material effect on the financial statements.

GASB Statement No. 94 – In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. The Statement did not have a material effect on the financial statements.

GASB Statement No. 96 – In May 2020, GASB issued 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 (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. The effect of the implementation of this Statement is disclosed in Note 14.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

2. CASH AND INVESTMENTS

Summary of Cash and Investments

Cash and investments as of June 30, 2023 and 2022, are classified within the accompanying Statement of Net Position as follows:

	2023	2022
Current assets:		
Cash and cash equivalents	\$ 177,086,368	\$ 358,317,368
Investments	165,117,701	-
Non current assets, restricted:		
Cash and cash equivalents	29,595,812	76,782,568
Investments	42,162,752	-
Total Cash and Investments	<u>\$ 413,962,633</u>	<u>\$ 435,099,936</u>

Regional San maintains specific cash deposits and investments with the County and participates in the Sacramento County Pooled Investment Fund, which is not rated by credit rating agencies. At June 30, 2023 and 2022, the carrying amount of Regional San's cash held by the Sacramento County Pooled Investment Fund was \$202,271,405 and \$358,317,368, respectively. The weighted average maturity of the Treasurer's cash and investments' pool was 267 and 278 days at June 30, 2023 and 2022, respectively.

Policies and Practices

Regional San is authorized under California Government Code and Regional San's investment policy to make direct investments in U.S. Treasuries, Federal Agencies, Supranational Obligations, Municipal Securities (CA, Other States), Corporate Medium Term Notes, Asset-Backed, Mortgage-Backed, Mortgage Pass-Through Securities, and Collateralized Mortgage Obligations, Negotiable Certificates of Deposit (NCD), Certificate of Deposit Placement Service (CDARS), Time Deposits (Non-negotiable CD/TD), Collateralized Bank Deposits, Banker's Acceptances, Commercial Paper, Money Market Mutual Funds, Mutual Funds, Local Agency Investment Fund (LAIF), Local Government Investment Pools and Repurchase Agreements. Investment purchases and sales are coordinated by Regional San's Treasurer and Investment Advisor.

In July 2021, Regional San established an Investment Policy for its cash reserves. The investment program became operational in September 2022 enabling Regional San to invest the reserves outside of the Sacramento County Pooled Investment Fund to better align with the investment objectives and liquidity needs of Regional San. As of June 30, 2023, Regional San's managed portfolio of investments held outside of the County pool was \$210,227,297.

At June 30, 2023 and 2022, all cash was covered by federal depository insurance or by collateral held in Regional San's name.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

2. CASH AND INVESTMENTS (Continued)

Restricted cash and investments consisted of the following at June 30, 2023 and 2022:

	2023	2022
Cash in banks (held for retentions)	\$ 1,454,297	\$ 1,454,297
Restricted proceeds from debt issues held by:		
Cash held by County Treasurer (as Treasury Pool)	27,949,301	75,327,133
Restricted Investment Held by Trustee:		
Investments held by County Fiscal Agent	9,634	1,138
Investments held outside County	42,345,332	-
Total Restricted Investments held by Trustee	42,354,966	1,138
Total Restricted Cash and Investments	\$ 71,758,564	\$ 76,782,568

General Authorization

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are governed by the general provisions of the California Government Code or Regional San's investment policy. Investments of debt proceeds held by the bond trustee is governed by provisions of the debt agreements. The table below identifies the investment types that are authorized for investments held by the trustee. The table also identifies certain provisions that address interest rate risk, credit risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment In One Issuer	Maximum Credit Quality
U.S. Treasuries	5 years	No limit	100%	N/A
Federal Agencies	5 years	20%-30%	100%	N/A
Supranational Obligations	5 years	30%	10%	AA
Municipal Securities (CA, Other States)	5 years	30%	5%	A
Corporate Medium Term Notes	5 years	30%	5%	A
Asset-Backed, Mortgage-Backed, Mortgage Pass-Through Securities, and Collateralized Mortgage Obligations	5 years	20%	5%	AA
Negotiable Certificates of Deposit (NCD)	5 years	30%	5%	A-1
Certificate of Deposit Placement Service (CDARS)	5 years	30%	30%	N/A
Time Deposits (Non-negotiable CD/TD)	5 years	20%	20%	N/A
Collateralized Bank Deposits	5 years	No limit	100%	N/A
Banker's Acceptances	180 Days	40% max	5%	A-1
Commercial Paper	270 Days	25% - 40%	5%	A
Money Market Mutual Funds	N/A	20%	20%	N/A
Mutual Funds	N/A	20%	10%	N/A
Local Agency Investment Fund (LAIF)	N/A	No limit	100%	N/A
Local Government Investment Pools	N/A	No limit	100%	N/A
Repurchase Agreements	1 year	No limit	100%	N/A

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

2. CASH AND INVESTMENTS (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value is to changes in market interest rates. Regional San's investments held by bond trustees are monitored for interest rate risk by measuring the weighted average maturity. Under Regional San's Investment Policy the dollar-weighted average maturity on all securities shall be equal to or less than five years. As of June 30, 2023, of Regional San's \$210.2 million in investments held by fiscal agents had an average maturity of 2.8 years. As of June 30, 2022, of Regional San's \$1,138 in investments held by fiscal agents had an average maturity of 0.08 years

Credit Risk

This is the risk that an issuer or other counterparty to a debt instrument will not fulfill its obligations. Regional San and the Financing Authority are permitted to hold investments with a short-term rating of superior capacity and a minimum long-term rating of upper medium grade by the top two nationally recognized statistical rating organizations (rating agencies). Regional San's investments are governed by California Government Code, Sections 53600 et seq. Within the investments permitted by the Code, the Districts further restrict eligible investments as stated within Regional San's investment policy.

The following schedule indicates the credit and interest rate risk as of June 30, 2023. For purposes of this schedule, NR is defined as not rated. The credit ratings listed are for Moody's.

Investment Type	Credit Ratings	Maturity				Amount
		Under 30 Days	31-180 Days	181-365 Days	1-5 Years	
Cash in banks						\$ 1,454,297
Cash held by County Treasurer						202,271,405
Investments held by County Trustee						
Money Market Funds	Aaa	\$ 9,634				9,634
Investments held by Trustee outside of County						
Asset Backed Securities	Aaa				\$ 9,694,003	9,694,003
Asset Backed Securities	NR				10,101,821	10,101,821
Government Agencies	Aaa			\$ 10,714,443	25,312,877	36,027,320
Commercial Mortgage Backed Securities	Aaa				4,063,750	4,063,750
Commercial Mortgage Backed Securities	NR				13,490,704	13,490,704
Commercial Paper	P-1		\$ 195,898			195,898
Corporate Bonds	A1				21,075,374	21,075,374
Corporate Bonds	A2				9,079,873	9,079,873
Corporate Bonds	A3				5,980,187	5,980,187
Corporate Bonds	Aa1				1,671,929	1,671,929
Corporate Bonds	Aa2				75,149	75,149
Corporate Bonds	Aa3				5,154,171	5,154,171
Corporate Bonds	Aaa				3,434,114	3,434,114
Money Market Funds	Aaa	449,987				449,987
Negotiable CD's	P-1	999,506	1,497,351	174,434		2,671,291
Governmental Bonds	Aaa			2,246,133	84,815,590	87,061,723
Total Investments held outside of County		1,449,493	1,693,249	13,135,010	193,949,545	210,227,297
Total cash and investments		\$ 1,459,127	\$ 1,693,249	\$ 13,135,010	\$ 193,949,545	\$ 413,962,633

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

2. CASH AND INVESTMENTS (Continued)

For the fiscal year ended June 30, 2022, credit and interest rate risk were as follows:

Investment Type	Credit Ratings	Maturity				Amount
		Under 30 Days	31-180 Days	181-365 Days	1-5 Years	
Cash in banks						\$ 1,454,297
Cash held by County Treasurer						433,644,501
Investments held by County Trustee Money Market Funds	Aaa	\$ 1,138				1,138
Total cash and investments		\$ 1,138	\$ -	\$ -	\$ -	\$ 435,099,936

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer that represents at least five percent of total investments. Mutual funds and external investment pools are excluded from this disclosure. The table below identifies the investment that represents five percent or more of total investments held outside of the County as of June 30, 2023 and 2022.

Issuer	Investment Type	2023	2022
Federal Home Loan Bank	Government Securities	\$ 18,293,961	\$ -
Federal Farm Credit Bank	Government Securities	16,750,899	-
Federal Home Loan Mortgage Corp	Government Securities	15,913,696	-

Custodial Credit Risk

This is the risk that in the event a financial institution or counterparty fails, Regional San would not be able to recover the value of its deposits and investments. Regional San's investment policy addresses custodial credit risk and ways to mitigate potential losses in the event a financial institution or counterparty fails.

The California Government Code has provisions for financial institutions that limit custodial credit risk for deposits. Financial institutions are required to secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

2. CASH AND INVESTMENTS (Continued)

Fair Value Measurements

Regional San categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Regional San has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect Regional Sans' own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Regional San's own data.

The asset's level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Deposits and withdrawals in governmental investment pools, such as the County's Investment Pool are made on the basis of \$1 and not fair value. Accordingly, Regional San's proportionate share in this type of investment is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

The following is a description of the valuation methods and assumptions used by Regional San to estimate the fair value of its investments. There have been no changes in the methods and assumptions used at June 30, 2023. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Regional San management believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

2. CASH AND INVESTMENTS (Continued)

Regional San's custodians generally use a multi-dimensional relational model. Inputs to their pricing models are based on observable market inputs in active markets. The inputs to the pricing models are typically benchmark yields, reported trades, broker-dealer quotes, issuer spreads and benchmark securities, among others. Regional San's Level 2 investments primarily consist of investments in the U.S. government that did not trade on the Regional San's fiscal year end date. These investments are valued on the basis of prices provided by SunGard pricing services. In determining the value of a particular investment at bid, pricing services may use certain information with respect to transactions in such investments, quotations from dealers, pricing matrices and market transactions in comparable investments and various relationships between investments.

Regional San has investments that are not subject to the fair value hierarchy which includes funds with the County of Sacramento's treasury pool and money market mutual funds.

Regional San does not have level 3 investments. The inputs or methodology used for valuing those assets are not necessarily an indication of the risks associated with investing in those assets. Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy.

Regional San did not have Level 1 and Level 3 investments as of June 30, 2023. The following table shows investments measured at fair value or subject to the fair value hierarchy at June 30, 2023:

Investments by Fair Value Level	Significant Other Observable Inputs (Level 2)	Total
Asset Backed Securities	\$ 19,795,825	\$ 19,795,825
Commercial Mortgage Backed Securities	17,554,455	17,554,455
Commercial Paper	195,898	195,898
Corporate Bonds	46,470,798	46,470,798
Government Agencies	36,027,320	36,027,320
Governmental Bonds	87,061,723	87,061,723
Negotiable CD's	2,671,291	2,671,291
	<u>\$ 209,777,309</u>	<u>\$ 209,777,309</u>
Investments Not Measured at Fair Value or Subject to Fair Value Hierarchy		
Money Market Mutual Funds		\$ 459,622
County Treasury Pool		202,271,405
Total Investments		<u>\$ 412,508,336</u>

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

2. CASH AND INVESTMENTS (Continued)

Regional San did not have investments that were subject to the fair value hierarchy as of June 30, 2022. The following table shows investments not measured at fair value or subject to the fair value hierarchy at June 30, 2022:

Investments Not Measured at Fair Value or Subject to Fair Value Hierarchy at June 30, 2022

Money Market Mutual Funds	\$ 1,138
County Treasury Pool	433,644,501
Total Investments	<u>\$ 433,645,639</u>

Refer to Note 3 for derivative instruments valuations.

Investment Derivative Instruments

Regional San is a party to contracts for various investment derivative instruments related to its bond issuance, as discussed in the following table and in Note 3.

The following table displays Regional San's investment derivative instruments outstanding at June 30, 2023 and 2022, reported in the Derivative instruments – fair value balance in the statement of net position, along with the credit rating of the associated counterparty:

Type	Notional Amount	Fair Value	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Year ended June 30, 2023						
Series 2008A (2013 B)						
Pay-fixed interest rate swap	\$50,000,000	(\$7,243,883)	12/1/2008	12/1/2036	Pay 3.75%; receive 63.61% of five year USD-ICE Swap Index	A+ (S&P) Aa3 (Moody's)
Series 2008C (2012 A)						
Pay-fixed interest rate swap	\$50,000,000	(\$7,243,883)	12/1/2008	12/1/2036	Pay 3.75%; receive 63.61% of five year USD-ICE Swap Index	A+ (S&P) Aa3 (Moody's)
Total Investment Derivative Instruments		<u>(\$14,487,766)</u>				
Year ended June 30, 2022						
Series 2008A (2013 B)						
Pay-fixed interest rate swap	\$50,000,000	(\$9,482,117)	12/1/2008	12/1/2036	Pay 3.75%; receive 63.61% of five year USD-ICE Swap Index	A+ (S&P) Aa3 (Moody's)
Series 2008C (2012 A)						
Pay-fixed interest rate swap	\$50,000,000	(\$9,482,117)	12/1/2008	12/1/2036	Pay 3.75%; receive 63.61% of five year USD-ICE Swap Index	A+ (S&P) Aa3 (Moody's)
Total Investment Derivative Instruments		<u>(\$18,964,234)</u>				

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

2. CASH AND INVESTMENTS (Continued)

FAIR VALUE: Investment derivative instruments are categorized as Level 2 and are valued using a discounted cash flow technique, which calculates the future net settlement payments, assuming that current forward rates implied by the yield curve correctly anticipates future spot interest rates (Securities Industry and Financial Markets Association (SIFMA)). The payments are then discounted using the spot rates (SIFMA) implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

2008 Series A (2013 B) and 2008 Series C (2012 A) Variable Rate Revenue Bonds Interest Rate Swap

OBJECTIVE OF THE INTEREST RATE SWAP: To reduce its interest rate risk, Regional San entered into interest rate swaps effective December 1, 2008 in connection with its \$51,305,000 Series 2008 A Variable Rate Revenue Bonds (refunded by 2013 B Variable Rate Revenue Bonds) and with its \$50,000,000 Series 2008 C Variable Rate Revenue Bonds (refunded by 2012 A Variable Rate Revenue Bonds). Regional San pays the counterparty a fixed payment of 3.750% and Regional San receives a variable payment computed at 63.61% of the USD-ICE 5 year swap rate, which effectively changes Regional San's rate on the 2012 A and 2013 B bonds to a combined rate of 1.71% and 1.88%, respectively, at June 30, 2023.

This swap is not deemed an effective hedge derivative; therefore the changes in fair value are recorded in the Statement of Revenues, Expenses and Changes in Net Position.

INTEREST RATE RISK: The Series 2008 A (Series 2013 B Bonds) mature on December 1, 2036 and the Series 2008 C (Series 2012 A Bonds) matures on December 1, 2038 and the related swaps mature on December 1, 2036. The swaps each have a notional amount of \$50,000,000. Under the terms of the swaps, Regional San pays the counterparty a fixed payment of 3.750% and receives a variable payment computed at 63.61% of the USD-ICE 5 year swap.

At June 30, 2023, the Series 2012 A (previously the Series 2008 C) bonds' rate was 0.62% and the Series 2013 B (previously the Series 2008 A) bonds' rate was 0.79%.

Schedule of Outstanding Notional Amounts

2024 - 2036	\$ 100,000,000
December 1, 2036	Termination Date

CREDIT RISK: As of June 30, 2023 and 2022, Regional San was not exposed to credit risk because the swaps had a negative fair value. However, should interest rates change and the fair value of the swap's become positive, Regional San would be exposed to a credit risk in the amount of the derivative's fair value if there was an early termination. The swap counterparty was rated A+ by S&P and Aa3 by Moody's as of June 30, 2023 and 2022.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

2. CASH AND INVESTMENTS (Continued)

At June 30, 2023, the maturity of Regional San's 2008A and 2008C Interest Rate Swaps were as follows:

Investment Derivative Instruments	Fair Value	Investment Maturities (in years)	
		Less than one year	More than 10 years
Pay-fixed interest rate swap	\$ (14,487,766)	\$ -	\$ (14,487,766)

At June 30, 2022, the maturity of Regional San's 2008A and 2008C Interest Rate Swaps were as follows:

Investment Derivative Instruments	Fair Value	Investment Maturities (in years)	
		Less than one year	More than 10 years
Pay-fixed interest rate swap	\$ (18,964,234)	\$ -	\$ (18,964,234)

3. DERIVATIVES – INTEREST RATE SWAPS

Derivative instruments classified by type, with the notional amounts, changes in fair value, and fair value balances set forth by level, within the fair value hierarchy of derivative instruments outstanding at June 30, 2023 and 2022, and for the fiscal years then ended as reported in the June 30, 2023 and 2022 financial statements on the following page (debit (credit)) (see Note 2):

Derivative Instruments at June 30, 2023					
	Notional Amount	Classification	Changes in Fair Value	Fair Value	
				Classi- fication	Level 2
<i>Investment Derivatives:</i>					
Series 2008A Swap (2013 B)					
Pay-fixed interest rate sw ap	\$50,000,000	Investment income	\$ (2,238,234)	Investment	\$ (7,243,883)
Series 2008C Swap (2012 A)					
Pay-fixed interest rate sw ap	\$50,000,000	Investment income	\$ (2,238,234)	Investment	\$ (7,243,883)
<i>Total change in fair value - investment income</i>			<u>\$ (4,476,468)</u>	<i>Total</i>	<u>\$ (14,487,766)</u>

Derivative Instruments at June 30, 2022					
	Notional Amount	Classification	Changes in Fair Value	Fair Value	
				Classi- fication	Level 2
<i>Investment Derivatives:</i>					
Series 2008A Swap (2013 B)					
Pay-fixed interest rate sw ap	\$50,000,000	Investment income	\$ (7,775,478)	Investment	\$ (9,482,117)
Series 2008C Swap (2012 A)					
Pay-fixed interest rate sw ap	\$50,000,000	Investment income	\$ (7,775,478)	Investment	\$ (9,482,117)
<i>Total change in fair value - investment income</i>			<u>\$ (15,550,956)</u>	<i>Total</i>	<u>\$ (18,964,234)</u>

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

4. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2023 were as follows:

	July 1, 2022 (as restated)	Increase	Decrease	June 30, 2023
Capital assets not being depreciated:				
Permanent easements	\$ 1,411,683	\$ -	\$ -	\$ 1,411,683
Land	45,510,872	-	-	45,510,872
Construction in progress	1,297,914,837	71,014,644	(684,750,819)	684,178,662
Total capital assets not being depreciated	1,344,837,392	71,014,644	(684,750,819)	731,101,217
Capital assets being depreciated/amortized:				
Equipment	148,013,983	255,060	(452,277)	147,816,766
Structures and improvements	2,922,813,453	684,628,384	-	3,607,441,837
Intangible - computer software	6,621,398	-	-	6,621,398
Intangible right-to-use equipment	608,456	-	-	608,456
Intangible right-to-use SBITAs	222,450	553,625	-	776,075
Total capital assets being depreciated/amortized	3,078,279,740	685,437,069	(452,277)	3,763,264,532
Less accumulated depreciation/amortization:				
Equipment	(143,871,343)	(491,269)	452,135	(143,910,477)
Structures and improvements	(945,925,595)	(50,530,192)	-	(996,455,787)
Intangible - computer software	(6,577,867)	(43,531)	-	(6,621,398)
Intangible right-to-use equipment	(244,993)	(195,315)	-	(440,308)
Intangible right-to-use SBITAs	(36,132)	(201,470)	-	(237,602)
Total accumulated depreciation/amortization	(1,096,655,930)	(51,461,777)	452,135	(1,147,665,572)
Total capital assets, being depreciated/amortized, net	1,981,623,810	633,975,292	(142)	2,615,598,960
Net capital assets	\$ 3,326,461,202	\$ 704,989,936	\$ (684,750,961)	\$ 3,346,700,177

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

4. CAPITAL ASSETS (Continued)

Capital assets activity for the fiscal year ended June 30, 2022 were as follows:

	July 1, 2021	Increase	Decrease	June 30, 2022 (as restated)
Capital assets not being depreciated:				
Permanent easements	\$ 1,411,683	\$ -	\$ -	\$ 1,411,683
Land	45,460,871	50,001	-	45,510,872
Construction in progress	1,181,836,624	136,711,824	(20,633,611)	1,297,914,837
Total capital assets not being depreciated	1,228,709,178	136,761,825	(20,633,611)	1,344,837,392
Capital assets being depreciated/amortized:				
Equipment	6,621,398	-	-	6,621,398
Structures and improvements	147,180,324	1,481,860	(648,201)	148,013,983
Intangible - computer software	2,902,869,565	19,943,888	-	2,922,813,453
Intangible right-to-use equipment	292,636	315,820	-	608,456
Intangible right-to-use SBITAs ⁽¹⁾	-	222,450	-	222,450
Total capital assets being depreciated/amortized	3,056,963,923	21,964,018	(648,201)	3,078,279,740
Less accumulated depreciation/amortization:				
Equipment	(6,467,722)	(110,145)	-	(6,577,867)
Structures and improvements	(144,077,093)	(442,451)	648,201	(143,871,343)
Intangible - computer software	(894,438,090)	(51,487,505)	-	(945,925,595)
Intangible right-to-use equipment	(82,463)	(162,530)	-	(244,993)
Intangible right-to-use SBITAs	-	(36,132)	-	(36,132)
Total accumulated depreciation/amortization	(1,045,065,368)	(52,238,763)	648,201	(1,096,655,930)
Total capital assets, being depreciated/amortized, net	2,011,898,555	(30,274,745)	-	1,981,623,810
Net capital assets	\$ 3,240,607,733	\$ 106,487,080	\$ (20,633,611)	\$ 3,326,461,202

⁽¹⁾ Right-to-use SBITAs have been revised in accordance with the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Refer to Note 1 for description of the accounting standard and Note 13 for effect of the implementation.

Depreciation and amortization expense included in the Statement of Revenues, Expenses and Changes in Net Position for the fiscal years ended June 30, 2023 and 2022 totaled \$51,461,777 and \$52,238,763, respectively.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

5. LONG-TERM DEBT

Long-term debt at June 30, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Regional San's Revenue Bonds		
2021 Series Refunding Bonds	\$ 319,690,442	336,223,884
2020B Series Taxable Refunding Bonds	67,560,000	74,175,000
2020A Series Revenue Bonds	270,621,595	272,795,581
2014 B Series Taxable Refunding Bonds	7,045,000	17,875,000
2014A Series Refunding Bonds	358,349,965	369,994,281
2007A/B Series Refunding Bonds	13,160,000	25,645,000
Direct Placement Notes		
2013D Series Subordinate Refunding Bonds	50,000,000	50,000,000
2013C Series Subordinate Refunding Bonds	50,000,000	50,000,000
2013B Series Subordinate Refunding Bonds	50,000,000	50,000,000
2012A Series Subordinate Refunding Bonds	50,000,000	50,000,000
Clean Water State Revolving Fund Loan	851,509,567	857,189,342
Financed Purchased Obligation (Note 9)	2,072,176	3,466,654
Lease Liability (Note 14)	236,177	435,258
SBITAs Liability (Note 14)	363,173	-
Regional San's Total long-term debt	2,090,608,095	2,157,800,000
Less current portion	(76,030,257)	(82,190,099)
Regional San's Long-term portion	<u>2,014,577,838</u>	<u>2,075,609,901</u>
Financing Authority Revenue Bonds:		
2010A/B Series Revenue Bonds	115,357,951	116,626,405
2015 Series Revenue Bonds	49,422,109	49,728,809
Total long-term debt - Financing Authority	164,780,059	166,355,214
Less current portion	(1,620,155)	(1,575,155)
Long-term portion - Financing Authority	<u>163,159,904</u>	<u>164,780,059</u>
Total Long-term portion	<u>\$ 2,177,737,743</u>	<u>\$ 2,240,389,960</u>

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

5. LONG-TERM DEBT (Continued)

Direct Placement Notes

The \$50 million Series 2013 C and \$50 million Series 2013 D Subordinate Lien Variable Rate Refunding Revenue Bonds (the "Series 2013 C and D Bonds") refunded the Series 2008 B and D Variable Rate Revenue Bonds on November 14, 2013. The Series 2008 B and D Variable Rate Revenue Bonds were previously secured by an irrevocable direct pay Letter of Credit (LOC). The Series 2013 C and D Bonds were purchased directly by Banc of America Preferred Funding Corporation (BofA). Pursuant to its direct purchase of the Series 2013 C and D Bonds, BofA will hold the Financing Authority Bonds. The original agreement was for three years ended in November of 2016. The direct purchase agreement was renewed at that time for an additional three-year term ended in November 2019. On April 4, 2019, the agreement was renewed until April 4, 2022. On March 22, 2022, the Financing Authority, on behalf of Regional San, extended the agreement. The terms are for 3 years using SIFMA rate plus 0.38%. Thus, the extensions eliminated the exposure to the LIBOR index for these bonds.

The \$50 million Series 2012 A Subordinate Lien Variable Rate Refunding Revenue Bonds (the "Series 2012 A Bonds") refunded the Series 2008 C Variable Rate Revenue Bonds in July 2012. The 2008 C Variable Rate Revenue Bonds were previously secured by an irrevocable direct pay LOC. The Series 2012 A Bonds were purchased directly by Wells Fargo Bank (WFB). Under the current direct purchase agreement with the Series 2012 A Bonds dated June 11, 2021, WFB will hold the Bonds for three years through July 2, 2024.

WFB cannot put the bonds back to the Financing Authority or Regional San during the term of the agreement. This eliminates the need for a bank liquidity facility such as a LOC; and eliminates bank risks, remarketing risks and remarketing costs for the three year term of the agreement. Per the direct purchase agreement, the rate is 0.62% for the duration of agreement.

The \$50 million Series 2013 B Subordinate Lien Variable Rate Refunding Revenue Bonds (the "Series 2013 B Bonds") refunded the 2008 A Variable Rate Revenue Bonds on May 30, 2013. The Series 2008 A Variable Rate Revenue Bonds were previously secured by an irrevocable direct pay LOC. The Series 2013 B Bonds were purchased directly by WFB. Under the current direct purchase agreement with the Series 2013 B Bonds dated June 11, 2021, WFB will hold the Bonds through May 22, 2025.

WFB cannot put the bonds back to the Financing Authority or Regional San during the term of the agreement. This eliminates the need for a bank liquidity facility such as a LOC; and eliminates bank risks, remarketing risks and remarketing costs for the three year term of the agreement. Per the direct purchase agreement, the rate is 0.79% for the duration of agreement.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

5. LONG-TERM DEBT (Continued)

2021 Series Refunding Bonds

In March 2021, the Financing Authority issued the 2021 Series Taxable Refunding Bonds senior lien bonds in the amount of \$269,810,000 and a premium of \$79,288,186 with interest rates ranging from 3.0% to 5.0%, principal payments ranging from \$1,465,000 to \$44,870,000 with the first payment starting in 2021 and ending in 2034. Proceeds from this debt issue, with a cash contribution of \$100,000,000, were used to terminate the 2007B SWAP and to refund \$353,450,000 of the tax-exempt Series 2007B Revenue Bonds.

Regional San completed the refunding to reduce its future total debt service payments by approximately \$19.6 million and obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$698 thousand. Unamortized premium was \$66,545,442 and deferred amount on refunding was \$3,220,498 at June 30, 2023. Unamortized premium was \$72,208,884 and deferred amount on refunding was \$3,494,583 at June 30, 2022.

2020B Series Taxable Refunding Bonds

In July 2020, the Financing Authority issued the 2020B Series Taxable Refunding Bonds senior lien bonds in the amount of \$75,710,000 with interest rates ranging from 0.5% to 1.3%, principal payments ranging from \$855,000 to \$22,025,000 with the first payment starting in 2020 and ending in 2026. Proceeds from this debt issue were used to advance refund the tax-exempt Series 2011A Revenue Bonds and to pay a portion of the 2000C SWAP termination fee.

Regional San completed the refunding to reduce its future total debt service payments by approximately \$17.1 million and obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$5.6 million. Deferred amount on refunding was \$1,542,474 and \$1,928,092 at June 30, 2023 and 2022, respectively.

2020A Series Revenue Bonds

In July 2020, the Financing Authority issued the 2020A Series Refunding Bonds senior lien bonds in the amount of \$209,750,000 and a premium of \$67,393,552 with interest rates at 5.0%, principal payments ranging from \$4,565,000 to \$19,590,000 with the first payment starting in 2024 and ending in 2050. From this debt issue, \$150 million of the proceeds was used to pay for a portion of the Echo Water Project construction costs and \$100 million of the proceeds was used to refund the 2000C Series Bond.

Regional San completed the refunding to reduce its future total debt service payments by approximately \$6.8 million and obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$5.8 million. Unamortized premium was \$60,871,595 and \$63,045,581 at June 30, 2023 and 2022, respectively.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

5. LONG-TERM DEBT (Continued)

2014B Series Taxable Refunding Bonds

In November 2014, the Financing Authority issued the 2014 B Series Taxable Refunding Bonds senior lien bonds in the amount of \$61,895,000 with interest rates ranging from 0.5% to 3.2%, principal payments ranging from \$1,105,000 to \$10,830,000 with the first payment starting in 2015 and ending in 2023. Proceeds from this debt issue were used to advance refund \$58,730,000 of the tax-exempt Series 2005 Revenue Bonds. Regional San completed the advance refunding to reduce its future total debt service payments by approximately \$4.3 million and obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$3.8 million. Unamortized deferred amount on refunding was \$664,565 and \$1,329,130 at June 30, 2023 and 2022, respectively.

2014A Series Refunding Revenue Bonds

In July 2014, Regional San (through the Financing Authority) issued the 2014 A Series Revenue Bonds in the amount of \$378,510,000 with interest rates ranging from 3.0% to 5.0%, principal payments ranging from \$7,400,000 to \$36,250,000 with the first payment starting in 2016 and ending in 2044, net of premium of \$55,778,814. Proceeds from this debt issue were used to advance refund \$260,600,000 of the Series 2006 Revenue Bonds and to pay certain costs of preliminary planning design, construction and related activities in connection with the implementation of facilities and upgrades to the Sanitation System. Regional San completed the advance refunding to reduce its future total debt service payments by approximately \$29.9 million and obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$21.6 million. Unamortized premium was \$39,584,965 and deferred amount on refunding was \$12,041,077 at June 30, 2023. Unamortized premium was \$41,384,281 and deferred amount on refunding was \$12,588,399 at June 30, 2022.

2013D Series Subordinate Refunding Bonds

In November 2013, Regional San (through the Financing Authority) refunded \$50,000,000 of the Subordinate Lien Variable Rate 2008 D Bonds by issuing \$50,000,000 Series 2013 D Subordinate Lien Variable Rate Tax Exempt Revenue Bonds. The Series 2013 D Subordinate Lien Variable Rate Tax Exempt Revenue Bonds carry a variable interest rate of SIFMA us 38 basis points. Unamortized deferred amount on refunding was \$253,913 and \$268,019 at June 30, 2023 and 2022, respectively. Proceeds on the Series 2013 D Bonds were used for the refunding of the 2008 A Series Bonds.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

5. LONG-TERM DEBT (Continued)

2013C Series Subordinate Refunding Bonds

In November 2013, Regional San (through the Financing Authority) refunded \$50,000,000 of the Subordinate Lien Variable Rate 2008 B Bonds by issuing \$50,000,000 Series 2013 C Subordinate Lien Variable Rate Tax Exempt Revenue Bonds. The Series 2013 C Subordinate Lien Variable Rate Tax Exempt Revenue Bonds carry a variable interest rate of SIFMA plus 38 basis points. Unamortized deferred amount on refunding was \$253,913 and \$268,019 at June 30, 2023 and 2022, respectively. Proceeds on the Series 2013 C Bonds were used for the refunding of the 2008 B Series Bonds.

2013B Series Subordinate Refunding Bonds

In May 2013, Regional San (through the Financing Authority) refunded \$50,000,000 of the Subordinate Lien Variable Rate 2008 A Bonds by issuing \$50,000,000 Series 2013 B Subordinate Lien Variable Rate Tax Exempt Revenue Bonds. The Series 2013 B Subordinate Lien Tax Exempt Revenue Bonds carry a fixed interest rate of 0.79% until May 22, 2025. Unamortized deferred amount on refunding was \$253,913 and \$268,019 at June 30, 2023 and 2022, respectively. Proceeds on the Series 2013 B Bonds were used for the refunding of the 2008 A Series Bonds.

2012A Series Subordinate Refunding Bonds

In July 2012, Regional San (through the Financing Authority) refunded \$50,000,000 of the Subordinate Lien Variable Rate 2008 C Bonds by issuing \$50,000,000 Series 2012 A Subordinate Lien Variable Rate Tax Exempt Revenue Bonds. The Series 2012 A Subordinate Lien Tax Exempt Revenue Bonds carry a fixed interest rate of 0.62% until July 2, 2024. Unamortized deferred amount on refunding was \$253,913 and \$268,019 at June 30, 2023 and 2022, respectively. Proceeds on the Series 2012 A Bonds were used for the refunding of the 2008 C Series Bonds.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

5. LONG-TERM DEBT (Continued)

2007A and 2007B Series Refunding Bonds

In February 2007, Regional San (through the Financing Authority) issued Series 2007 A Refunding Bonds in the amount of \$89,915,000 and Series 2007 B Refunding Bonds in the amount of \$353,450,000. The Series 2007 A Refunding Bonds carry fixed interest rates ranging from 4.00% to 5.25%. On March 10, 2021, the 2007 B Refunding Bonds were early redeemed and the related interest rate swap was terminated with the issuance of the Series 2021 Refunding Revenue Bonds.

Proceeds of the Series 2007 A and B Refunding Bonds were used to: i) advance refund \$456,865,000 of the outstanding principal of Series 2004 A Revenue Bonds (the refunded bonds); ii) pay certain bond issuance costs; and iii) fund the reserve requirements for the bonds.

The bonds were issued at a premium and \$485,933,906 of the proceeds, including reserve fund and available debt service monies related to the refunded bonds, was deposited in an irrevocable trust to retire the Series 2004 A refunded bonds as they come due in fiscal year 2016 through 2036; \$379,010,000 and \$391,560,000 of such defeased bonds were outstanding as of June 30, 2023 and 2022, respectively.

2001 Series Refunding Revenue Bonds

In June 2001, Regional San (through the Financing Authority) issued the Series 2001 Refunding Revenue Bonds. These bonds funded an escrow sufficient to solely provide for the payment of interest on the Series 2001 Refunding Bonds as it became due on and prior to December 1, 2005 (also known as the "Crossover Date") and a portion of the principal of the Series 2000 A Revenue Bonds. On the Crossover Date, the escrow deposit of \$121,953,020 was used to refund \$120,145,000 of Series 2000 A Revenue Bonds. Principal payments are due serially commencing on December 1, 2006 through 2027 with interest rates ranging from 4.00% to 5.50%.

In August 2011, Regional San (through the Financing Authority) refunded approximately \$85,420,000 of the 2001 bonds by issuing \$77,180,000 Series 2011A Tax Exempt Revenue Bonds. Proceeds were used for a current refunding, as a result a portion of the 2001 bonds were considered to be refunded and the liability for those bonds were removed from Regional San's financial statements. The Series 2001 Revenue bonds are considered defeased with final payment made in December 2021.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

5. LONG-TERM DEBT (Continued)

2000 Series Revenue Bonds

In June 2000, Regional San (through the Financing Authority) issued the Series 2000 A Revenue Bonds in the amount of \$390,563,095, the Series 2000 B Refunding Bonds in the amount of \$12,973,543, and the Series 2000 C Subordinate Lien Variable Rate Revenue Bonds in the amount of \$100,000,000.

Proceeds from the 2000 A and 2000 B debt issues were used to; i) advance refund all of the outstanding amounts of the Series 1993 and Series 1995 Revenue Bonds; and ii) finance the acquisition and construction of new facilities. The portion of the proceeds of the Series 2000 A and Series 2000 B Revenue Bonds used to refund the Series 1993 and Series 1995 Revenue Bonds were irrevocably deposited with an escrow agent and applied to purchase certain investments permitted by the escrow agreement. The principal and interest on which will be sufficient to pay principal, interest and redemption premium, if any, when due with respect to the Series 1993 and Series 1995 Revenue Bonds. As a result, the Series 1993 and Series 1995 Revenue Bonds are considered to be in-substance defeased and the liability for those bonds has been removed from Regional San's financial statements.

The final payment of the 1995 defeased Revenue Bonds were paid in December 2017. The Series 2000 A Bonds were refunded and defeased in 2010 with the issuance of the 2010 A and 2010 B Series Revenue Bonds. The 2000 B Bonds were paid off and defeased in December 2003. The 2000 C Bonds were redeemed early and defeased with the issuance of the 2020 A Series Bond in July 2020. As of June 30, 2023 and 2022, \$5,690,000 and \$13,765,000, respectively, of the Series 1993 defeased Revenue Bonds remain outstanding.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

5. LONG-TERM DEBT (Continued)

Maturity Schedule

Future debt service requirements on Regional San revenue bonds, and the State Revolving Fund Loan, at June 30, 2023 are as follows:

Year Ending June 30,	Bonds			Direct Borrowings Notes and SRF Loan		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 39,915,000	\$ 39,003,706	\$ 78,918,706	\$ 24,730,175	\$ 19,309,834	\$ 44,040,009
2025	41,275,000	37,642,921	78,917,921	25,141,065	18,898,944	44,040,009
2026	42,545,000	36,372,288	78,917,288	25,558,803	18,481,207	44,040,010
2027	43,955,000	34,962,079	78,917,079	25,983,502	18,056,507	44,040,009
2028	45,815,000	33,099,850	78,914,850	26,415,279	17,624,730	44,040,009
2029-2033	266,775,000	127,805,556	394,580,556	138,809,172	81,390,876	220,200,048
2034-2038	139,230,000	69,494,506	208,724,506	250,735,644	67,558,569	318,294,213
2039-2043	89,425,000	57,415,125	146,840,125	261,632,568	34,314,593	295,947,161
2044-2048	122,570,000	19,787,150	142,357,150	173,703,762	17,109,903	190,813,665
2049-2053	37,920,000	2,907,000	40,827,000	98,799,597	3,726,172	102,525,769
	869,425,000	458,490,181	1,327,915,181	1,051,509,567	296,471,335	1,347,980,902
Unamortized discounts and premiums (net)	167,002,002	-	167,002,002	-	-	-
	<u>\$ 1,036,427,002</u>	<u>\$ 458,490,181</u>	<u>\$ 1,494,917,183</u>	<u>\$ 1,051,509,567</u>	<u>\$ 296,471,335</u>	<u>\$ 1,347,980,902</u>

The interest requirements, for the purpose of the maturity schedule above, for Regional San's Variable rate debt, related to the Series 2013 C Subordinate Lien Variable Rate Refunding Revenue Bonds are based on the estimated rate of 4.39%, the Series 2013 D Subordinate Lien Variable Rate Refunding Revenue Bonds are based on the estimated rate of 4.39%, and the Series 2012A and 2013B Subordinate Lien Variable Rate Refunding Bonds are based on the rate of 0.62% and 0.79%, respectively.

Financing Authority 2015 Series Revenue Bonds

In May 2015, the Financing Authority issued \$45,435,000 2015 Series Revenue Bonds on behalf of the Sacramento Area Sewer District (SacSewer). The bonds proceeds were placed in an irrevocable trust to completely defease the 2005 Series Revenue Bonds. The bonds mature serially from August 2025 through August 2035. Interest rates for the Series 2015 range from 3.00% to 5.00%, principal payments range from \$3,260,000 to \$5,115,000 with the first payment starting in August 2025 and ending in August 2035. SacSewer paid \$70.3 million toward the refunding. The refunding resulted in an economic gain of \$6.2 million. Unamortized premium was \$3,987,109 and \$4,293,809 as of June 30, 2023 and 2022, respectively. Deferred amount on refunding was \$1,009,179 and \$1,086,808 at June 30, 2023 and 2022, respectively.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

5. LONG-TERM DEBT (Continued)

Financing Authority 2010A/B Series Revenue Bonds

In August 2010, the Financing Authority issued \$110,690,000 Revenue Bonds, Series 2010A Federally Taxable Direct Subsidy Build America Bonds and \$15,930,000 Revenue Bonds, Series 2010B. The bond proceeds were then loaned to SacSewer. The bonds mature serially from August 2011 through August 2040. Interest rates for the Series A Bonds range from 6.125% to 6.325%, principal payments ranging from \$1,440,000 to \$16,175,000 with the first payment starting in 2026 and ending in 2040. Interest rates for the Series B Bonds range from 2.5% to 5.0%, principal payments ranging from \$820,000 to \$1,180,000 with the first payment starting in 2011 and ending in 2021. The proceeds were used to finance improvements to the collection system to reduce or eliminate potential sewer overflows, serve new growth, and to purchase capital improvements completed by Regional San. Unamortized premium was \$672,951 and \$711,405 as of June 30, 2023 and 2022, respectively.

Financing Authority Maturity Schedule

Future debt service requirements on Financing Authority bonds as of June 30, 2023 are as follows:

Fiscal years ending June 30:	Principal	Interest	Total
2024	\$ 1,275,000	\$ 9,180,759	\$ 10,455,759
2025	1,335,000	9,128,559	10,463,559
2026	4,645,000	8,996,122	13,641,122
2027	4,865,000	8,760,659	13,625,659
2028	5,095,000	8,495,149	13,590,149
2029-2033	35,955,000	38,085,984	74,040,984
2034-2038	60,360,000	24,596,360	84,956,360
2039-2041	46,590,000	4,501,186	51,091,186
	<u>160,120,000</u>	<u>111,744,778</u>	<u>271,864,778</u>
Plus net unamortized discounts, and premiums	4,660,059	-	4,660,059
	<u>\$ 164,780,059</u>	<u>\$ 111,744,778</u>	<u>\$ 276,524,837</u>

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

5. LONG-TERM DEBT (Continued)

Bond Covenants

Pursuant to various agreements and resolutions entered into by Regional San and the Financing Authority related to its Revenue Bonds, Regional San is required to abide by the following provisions:

- Punctual payment of interest and principal will be made when due.
- Proceeds of the Revenue Bonds will be used by Regional San to pay the costs of financing or refinancing the acquisition and construction (together with the incidental costs and expenses related thereto) of the Projects approved by the Board of Directors.
- Rates, fees, and charges will be fixed and collected at an amount sufficient to yield adjusted annual net revenues, as defined, equal to at least the amount required by the coverage requirement, as defined by the Master Installment Purchase Contract, for the fiscal year.

For the fiscal year ended June 30, 2023 and 2022, Regional San was in compliance with the preceding covenants.

The debt issued by the Financing Authority are not secured by a legal or equitable pledge, or charge or lien upon, any property of the Financing Authority or any of its income or receipts except the Financing Authority's revenues. Neither the payment of the interest on or principal of or redemption premiums, if any, constitutes a debt, liability or obligation of the Financing Authority or any member of the Financing Authority (including Regional San) for which any such entity is obligated to levy or pledge any form of taxation or for which any such entity has levied or pledged any form of taxation.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

5. LONG-TERM DEBT (Continued)

Changes in Long-Term Obligations

Changes in long-term obligations for the fiscal years ended June 30, 2023 and 2022 were as follows:

	July 1, 2022	Increase	Decrease	June 30, 2023	Due Within One year
Revenue Bonds - Financing Authority	\$ 161,350,000	\$ -	\$ (1,230,000)	\$ 160,120,000	\$ 1,275,000
Plus premium	5,005,214	-	(345,155)	4,660,059	345,155
Total - Financing Authority	<u>166,355,214</u>	<u>-</u>	<u>(1,575,155)</u>	<u>164,780,059</u>	<u>1,620,155</u>
Regional San's - Revenue bonds	920,070,000	-	(50,645,000)	869,425,000	39,915,000
Regional San's - Notes from direct borrowings	200,000,000	-	-	200,000,000	-
Plus (less):					
Premium (discounts)	176,638,747	-	(9,636,744)	167,002,002	9,636,744
State revolving loan	857,189,342	15,108,950	(20,788,725)	851,509,567	24,730,175
Loan with contributing agency	-	-	-	-	-
Finance Purchase	3,466,654	-	(1,394,478)	2,072,176	1,440,008
Lease Liability	435,258	-	(199,081)	236,177	129,637
SBITAs	-	553,625	(190,452)	363,173	178,693
Compensated Absences	7,404,283	5,141,714	(4,612,366)	7,933,631	1,190,045
Landfill closure and postclosure liability	14,253,481	1,514,911	-	15,768,392	-
Total - Regional San's	<u>2,179,457,764</u>	<u>22,319,200</u>	<u>(87,466,846)</u>	<u>2,114,310,118</u>	<u>77,220,302</u>
Total	<u>\$ 2,345,812,978</u>	<u>\$ 22,319,200</u>	<u>\$ (89,042,001)</u>	<u>\$ 2,279,090,177</u>	<u>\$ 78,840,457</u>

	July 1, 2021	Increase	Decrease	June 30, 2022	Due Within One year
Revenue Bonds - Financing Authority	\$ 162,530,000	\$ -	\$ (1,180,000)	\$ 161,350,000	\$ 1,230,000
Plus premium	5,350,369	-	(345,155)	5,005,214	345,155
Total - Financing Authority	<u>167,880,369</u>	<u>-</u>	<u>(1,525,155)</u>	<u>166,355,214</u>	<u>1,575,155</u>
Regional San's - Revenue bonds	965,155,000	-	(45,085,000)	920,070,000	50,645,000
Regional San's - Notes from direct borrowings	200,000,000	-	-	200,000,000	-
Plus (less):					
Premium (discounts)	186,203,780	-	(9,565,033)	176,638,747	9,636,744
State revolving loan	868,346,800	8,826,857	(19,984,315)	857,189,342	20,314,796
Loan with contributing agency	-	-	-	-	-
Finance Purchase	4,817,040	-	(1,350,386)	3,466,654	1,394,477
Lease Liability	210,173	315,820	(90,735)	435,258	199,082
Compensated Absences	7,505,683	4,398,054	(4,499,454)	7,404,283	1,110,642
Landfill closure and postclosure liability	13,175,215	1,088,278	(10,012)	14,253,481	-
Total - Regional San's	<u>2,245,413,691</u>	<u>14,629,009</u>	<u>(80,584,936)</u>	<u>2,179,457,764</u>	<u>83,300,741</u>
Total	<u>\$ 2,413,294,060</u>	<u>\$ 14,629,009</u>	<u>\$ (82,110,091)</u>	<u>\$ 2,345,812,978</u>	<u>\$ 84,875,896</u>

Premiums and discounts, which are recorded as part of the long-term obligation, are amortized over the life of the related debt, using the straight-line method.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

5. LONG-TERM DEBT (Continued)

Regional San's outstanding notes from direct borrowings, revenue bonds and the state revolving loan contain a provision that in an event of default, outstanding amounts become immediately due if Regional San is unable to make payment. Regional San's outstanding notes from direct borrowings, bonds and the state revolving loan are secured by a pledge of and charge and lien of Regional San's revenues.

Arbitrage

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury of investment income received at yields that exceed the issuer's tax-exempt borrowing rates. The U.S. Treasury requires payment every five years. The estimated amount payable to the U.S. Treasury for excess investment income related to Regional San's long-term obligations was \$0 for the fiscal years ended June 30, 2023 and 2022. The ultimate liability to be paid to the U.S. Treasury will fluctuate based upon the timing of construction draw-downs and changing investment yields.

State Water Resources Control Board Division of Financial Assistance

In April 2015, the California State Water Resources Control Board (State Water Board) approved the Clean Water State Revolving Fund (CWSRF) program financing to Regional San for the EchoWater Project. The financing was broken into eight components based on the major construction phases of the EchoWater project. As of June 30, 2023, minor punch list work and activation work remains. However, all facilities that were constructed or upgraded by EchoWater are in operation. The total cost of the project is estimated at approximately \$1.7 billion, of which \$1.4 billion will be financed through the CWSRF program. Pursuant to CWSRF Policy, the interest rate for a construction financing agreement is established by the earlier of the date that the Division of Financial Assistance (Division) initiates preparation of the financing agreement or the date the financing is approved by the State Water Board.

Repayment of the associated financing agreement begins one year after completion of construction of each phase as established in the associated financing agreement for each phase of construction. The combined financing agreements of approximately \$1.4 billion have thirty year terms and rates estimated to be from 1.6 percent to 1.7 percent. The interest rate for the associated financing agreements for each component would be the rate otherwise in effect at the time that each financing agreement is approved. These component projects varied in their start dates from March 2015 to June 2018 and completion dates ranged from August 2016 to early 2023.

The amount of existing debt will be on parity with the CWSRF debt and the Master Installment Purchase Contract because it provides adequate security for financing. It allows parity debt if the net revenues equal at least 1.2 times the total debt service. A separate reserve fund shall be maintained for the full term of the financing agreements equal to one year's debt service on all associated financing agreements by completion of construction.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

5. LONG-TERM DEBT (Continued)

The State Water Board reserves the right to add new or modify existing conditions to the commitment in the future, as required by state or federal law or agreements. All eight components of the EchoWater Project is financed at an interest rate ranging from 1.6% to 1.7% over a 30 year life. As of June 30, 2023, a total of \$867,498,523 in draws have been processed relating to the different components of the EchoWater Project. This amount does not reflect the accrued interest that has been added to the loan balances for projects that have not been completed. As of June 30, 2023 and 2022, the loan balance for the EchoWater Project component of the CWSRF loan is \$845,917,415 and \$851,253,225, respectively. As of June 30, 2023, Regional San has an outstanding draw claim balance of \$50,019,253 relating to the Tertiary Treatment Facility. Regional San is expected to receive the funds in January of 2024.

In November 2015, the California State Water Resources Control Board approved construction financing for the Water Recycling Pipeline Project. The purpose of the project is to construct a transmission pipeline that will provide recycled water to the southern portions of the City of Sacramento. The pipeline will convey recycled water from the existing Sacramento Regional Wastewater Treatment Plant Water Reclamation Facility to the Sacramento Power Authority Cogeneration Facility for use at its cooling towers.

The table below shows the estimated costs and maximum loan amounts, interest rate and loan balance at June 30, 2023 related to each of the eight EchoWater Project components and the Water Recycling Pipeline Project.

Component	CWSRF Number	Estimated Cost/Maximum Loan Amount	Loan balance June 30, 2023	Interest rate
EchoWater Project				
Site Preparation	C-06-8025-110	\$ 43,949,856	\$ 35,118,610	1.6%
Flow Equalization	C-06-8025-120	138,672,372	117,866,457	1.6%
Main Electrical Substation				
Expansion	C-06-0825-130	3,439,831	2,396,773	1.6%
Disinfection Chemical Storage	C-06-8025-140	21,465,759	18,816,853	1.6%
Nitrifying Sidestream Treatment	C-06-8025-150	53,490,845	47,484,505	1.6%
Biological Nutrient Removal Facility	C-06-8025-160	533,142,603	449,862,995	1.7%
RAS Pumping Station	C-06-8025-170	35,696,952	29,860,458	1.7%
Tertiary Treatment Facility	C-06-8025-180	564,657,506	144,510,765	1.7%
Total EchoWater		<u>1,394,515,724</u>	<u>845,917,416</u>	
Water Recycling Pipeline Project				
Phase 1B	C-06-8082-110	8,182,200	5,592,151	1.0%
Total CWSRF Loan		<u>\$ 1,402,697,924</u>	<u>\$ 851,509,567</u>	

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

6. CONDENSED COMPONENT UNIT INFORMATION

Presented is condensed component unit information for the Sacramento County Sanitation Districts Financing Authority (Financing Authority), for the fiscal years ended June 30, 2023 and 2022. The Financing Authority is a blended component unit of Regional San.

Condensed Statements of Net Position

ASSETS	2023	2022
Current assets		
Loan receivable - Regional San	\$ 79,740,730	\$ 86,353,754
Loan receivable - SacSewer	5,456,096	5,431,596
TOTAL CURRENT ASSETS	<u>85,196,826</u>	<u>91,785,350</u>
Noncurrent assets		
Long term loan - Regional San	2,013,654,650	2,073,301,548
Long term loan - SacSewer	163,159,904	164,780,059
TOTAL NONCURRENT ASSETS	<u>2,176,814,554</u>	<u>2,238,081,607</u>
TOTAL ASSETS	<u>2,262,011,380</u>	<u>2,329,866,957</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts on refunding - Regional San	<u>18,484,265</u>	<u>20,412,280</u>
LIABILITIES		
Current liabilities		
Current liabilities - Regional San	79,740,730	86,353,754
Current liabilities - SacSewer	5,456,096	5,431,596
TOTAL CURRENT LIABILITIES	<u>85,196,826</u>	<u>91,785,350</u>
Noncurrent liabilities		
Long term obligation - Regional San	2,013,654,650	2,073,301,548
Long term obligation - SacSewer	163,159,904	164,780,059
TOTAL NONCURRENT LIABILITIES	<u>2,176,814,554</u>	<u>2,238,081,607</u>
TOTAL LIABILITIES	<u>2,262,011,380</u>	<u>2,329,866,957</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts on refunding - SacSewer	<u>1,009,179</u>	<u>1,086,808</u>
NET POSITION		
Unrestricted for Regional San debt service	18,484,265	20,412,280
Unrestricted - SacSewer	(1,009,179)	(1,086,808)
TOTAL NET POSITION	<u>\$ 17,475,086</u>	<u>\$ 19,325,472</u>

(1) The loan receivable between Regional San and the Financing Authority is eliminated for financial reporting.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

6. CONDENSED COMPONENT UNIT INFORMATION (Continued)

Condensed Statement of Revenue, Expenses, and Change in Net Position

NONOPERATING REVENUES (EXPENSES)	2023	2022
Base payments - Regional San	\$ 46,977,523	\$ 53,495,880
Nonoperating expenses - Regional San	(48,905,538)	(55,585,201)
Other operating expense - Regional San	-	-
Base payments - SacSewer	8,865,204	8,914,238
Nonoperating expenses - SacSewer	(8,787,575)	(8,836,609)
Change in net position	(1,850,386)	(2,011,692)
NET POSITION, Beginning of year	19,325,472	21,337,164
NET POSITION, End of year	<u>\$ 17,475,086</u>	<u>\$ 19,325,472</u>

Condensed Statement of Cash Flows

NET CASH PROVIDED (USED) BY:		
Operating activities - Regional San	\$ 113,237,445	\$ 125,966,763
Non-capital financing activities - Regional San	(113,237,445)	(125,966,763)
Operating activities - SacSewer	10,460,860	10,459,060
Non-capital financing activities - SacSewer	<u>(10,460,860)</u>	<u>(10,459,060)</u>
Net increase (decrease) in cash and cash equivalents	-	-
CASH AND CASH EQUIVALENTS, beginning of year	-	-
CASH AND CASH EQUIVALENTS, end of year	<u>\$ -</u>	<u>\$ -</u>

7. LINE OF CREDIT

On December 27, 2016, WFB issued an Irrevocable Standby Letter of Credit to Regional San for \$505,770, with an expiration date of June 15, 2018. The letter of credit was established for the benefit of the Department of Fish and Wildlife for environmental mitigation on the South River Pump Station Flood Protection Project. On September 14, 2017, the Letter of Credit was extended to January 1, 2023 and the credit balance limit reduced to \$32,370. The reduction was due to the project being nearly complete at the time of the amendment. The letter of credit has been canceled as of February 23, 2023.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

8. RELATED PARTY TRANSACTIONS

Regional San employees are County employees and Regional San is contractually obligated to reimburse the County for all employee costs. Regional San has contracted with the City of Sacramento and the County of Sacramento to manage and operate wastewater treatment facilities. In addition, Regional San authorized the various departments within the County of Sacramento to provide administrative, management and engineering services for the wastewater treatment construction program. Regional San also obtains services, such as computer support, from the County. In fiscal years 2022-23 and 2021-22, Regional San paid approximately \$76.9 and \$59.8 million, respectively, for these services. These amounts have been charged to operating expenses.

Under the terms of a cost-sharing agreement with the City of Sacramento (City), a Contributing Agency of Regional San, Regional San agreed to reimburse the City for certain improvements made to the City's and Regional San's sewer delivery network (Sump 2A). During fiscal year 2001-02, Regional San paid a lump-sum amount of \$1,504,934 to the City and incurred a long-term obligation of \$9,093,532 under this agreement. These amounts were capitalized as deferred charges and are amortized over the twenty year useful life of the underlying improvement (Sump 2A). At June 30, 2023 and 2022, respectively, deferred charges related to this asset were \$4,769,302 and \$5,034,264, which are net of accumulated amortization of \$5,564,202 and \$5,299,240 and is included in deposits with others on the Statement of Net Position.

The long-term obligation to finance the contribution was paid over a twenty-year period in the amount of \$581,606 per year. The last payment was made in fiscal year 2020-21.

9. FINANCE PURCHASE OBLIGATION

In July 2002, Regional San entered into a service contract agreement for the design, construction, financing, and operation of Regional San's Biosolids Facility (Facility) with Synagro-WWT, Inc. Regional San leased the site to Synagro for \$1 per year to use the facility site to construct the Facility. The Facility was completed in January 2005. Regional San paid a service fee to Synagro at an imputed interest rate of 5.71% from July 2002 through December 2014. In December 2014 Synagro refinanced the debt related to the Facility which adjusted the imputed interest rate to 3.265% saving Regional San approximately \$2 million over the balance of the 20 year agreement. At the end of the 20 year contract term, Synagro will surrender the Facility to Regional San and ownership of the Facility will revert to Regional San at no cost to Regional San.

The assets acquired through this finance purchase were as follows at June 30, 2023 and 2022:

	2023	2022
Structures and improvements	\$ 20,080,339	\$ 20,080,339
Less accumulated depreciation	(18,574,314)	(17,570,297)
Total	<u>\$ 1,506,025</u>	<u>\$ 2,510,042</u>

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

9. FINANCE PURCHASE OBLIGATION (Continued)

The future minimum obligations as of June 30, 2023 are as follows:

Years Ending June 30	Present Value of Minimum Payments	Imputed Interest	Total Payments
2024	\$ 1,440,008	\$ 67,657	\$ 1,507,665
2025	632,170	20,640	652,810
Future minimum obligations	<u>\$ 2,072,178</u>	<u>\$ 88,297</u>	<u>\$ 2,160,475</u>

10. LANDFILL CLOSURE AND POSTCLOSURE CARE

State and federal laws and regulations place specific requirements on Regional San regarding closure and postclosure maintenance and monitoring functions for its grit and screening landfill site, solid storage basins (SSBs) and dedicated land disposal sites (DLDs) for 30 years after closure. The California Regional Water Quality Control Board has oversight responsibility for Regional San's adherence to the laws and regulations. Although closure and postclosure care costs will be paid only near or after the date that the site is closed, Regional San reports a portion of these closure and postclosure care costs as an operating expense in each period.

The entire amount of the estimated liability for the grit and screening landfill site was recognized June 30, 1994, as it reached its capacity and was closed. The engineers report for SSBs and DLDs was updated in 2008 for recognizing closure and postclosure care costs, these costs will be amortized over the estimated useful lives of 50 years for both the SSBs and DLDs. The SSB's will accept waste through the year 2041 and the DLDs through the year 2053. The prior engineers report had a useful life for the amortization of 15 years for the SSBs and 60 years for the DLDs.

Regional San has reported the following as its closure and postclosure care liability at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Landfill	\$ 46,802	\$ 46,652
SSBs and DLDs	<u>15,721,590</u>	<u>14,206,829</u>
	<u>\$ 15,768,392</u>	<u>\$ 14,253,481</u>

Regional San will recognize estimated costs for closure and postclosure care of \$15,768,392 over the remaining useful life of up to 18 years of the SSBs and 30 years for DLDs. This amount is based on the estimated cost to perform all closure and postclosure care in 2023. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. As of June 30, 2023, the percentage of landfill capacity used to date for SSBs was 64% and DLDs was 40%. As of June 30, 2022, the percentage of landfill capacity used to date for SSBs was 62% and DLDs was 38%.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

10. LANDFILL CLOSURE AND POSTCLOSURE CARE (Continued)

Regional San is required by state and federal laws and regulations to provide financial assurance that appropriate resources will be available to finance closure and postclosure costs in the future. This amount will be increased each year as Regional San approaches closure of the SSBs and DLDs. Regional San was in compliance with applicable laws and regulations. Regional San expects that any changes to future closure and postclosure costs (e.g. due to changes in technology or applicable laws or regulations) will be paid from charges to future users or from future tax revenues.

11. COMMITMENTS AND CONTINGENCIES

Regional San has entered into contracts for the construction of certain projects and other operational activities. At June 30, 2023 and 2022, the unexpended balance of the contract commitments was \$753,271 and \$33,291,541, respectively. The decrease is mainly due to less activity with the EchoWater project over the prior year.

Regional San is a defendant in various matters of litigation. Of these matters, management and Regional San's legal counsel do not anticipate any material effect on the June 30, 2023 and 2022 financial statements.

12. NET POSITION

Net Position is the excess of all Regional San's assets and deferred outflows of resources over all its liabilities and deferred inflows of resources. Net Position is divided into three captions as described below:

Net Investment in Capital Assets, describes the portion of Net Position which is represented by the current net book value of Regional San's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which Regional San cannot unilaterally alter.

Unrestricted describes the portion of Net Position which is not restricted to use and includes designations which are described below.

Designations of unrestricted net position are imposed by the Board of Directors (Board) to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended or removed by Board action.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

12. NET POSITION (Continued)

At June 30, 2023 and 2022, the details of designations of unrestricted net position are for the following:

	2023	2022
General reserve	\$ 36,421,000	\$ 36,352,000
Rate stabilization	23,200,000	23,200,000
Facilities Closure	13,902,751	13,153,845
Equipment replacement	1,218,402	1,188,685
Expansion	20,908,124	20,908,124
Replacement	91,337,512	89,109,768
Confluence program	15,000,000	10,000,000
Undesignated	110,086,000	115,679,518
Total Unrestricted Net Position	<u>\$ 312,073,789</u>	<u>\$ 309,591,940</u>

(a) General Reserve

Designated for general reserve is established to provide for unexpected expenses not covered or foreseen in the annual budget. The target amount of this reserve is equal to 25 percent of Regional San's total operating budget based net of depreciation on industry practices and historical standards of Regional San.

(b) Rate Stabilization

Designated for rate stabilization represents the amount set aside for the unlikely event Regional San is unable to achieve the specified amount of "coverage" that the bond documents require. If this event occurs, rate stabilization funds will be transferred to revenue accounts to achieve the required 120% coverage.

(c) Facilities Closure

Designated to finance closure and postclosure costs of the solids storage basin and the dedicated lined disposal sites at the EchoWater Resource Recovery Facility.

(d) Equipment Replacement

Designated for equipment replacement represents the amount set aside to purchase equipment.

(e) Expansion

Designated for expansion was established to fund expansions to Regional San's system beyond the original Wastewater Management Program. This reserve will be used to cover any shortfalls in budgeted sewer impact fees due to a slowdown in growth.

(f) Replacement

Designated for replacement are maintained to pay for a portion of Regional San's future rehabilitation and replacement costs of existing treatment and conveyance system facilities. The goal is to smooth and minimize the monthly service charge adjustments required to fund significant future costs.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

12. NET POSITION (Continued)

(g) Confluence Program

Designated to support programs for economic incentives, educational programs, the Sewer Lifeline Rate Assistance Program, and other community partnership programs. These programs are supported by non-rate/non-fee activity.

(h) Undesignated

The remaining balance in the unrestricted net position is undesignated by the Board of Directors.

13. CHANGE IN ACCOUNTING PRINCIPLES

Effective July 1, 2022, Regional San adopted Governmental Accounting Standards Board (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 (governments). For additional information, refer to Note 14 below.

	June 30, 2022 as Previously Reported	Restatement	July 1, 2022 as Restated
Right-to-use SBITA	\$ -	\$ 222,450	\$ 222,450
Accumulated Amortization - SBITA		(36,132)	(36,132)
Net Position - Beginning of year	1,523,989,043	186,318	1,524,175,361

14. LEASES AND SBITAs

Leases

As of July 1, 2020, Regional San entered into a 38 month lease as a Lessee for the use of Xerox copiers. An initial lease liability was recorded in the amount of \$292,636. Regional San is required to make monthly fixed payments of \$8,209. The lease has an interest rate of 4.6010%. The Equipment estimated useful life was 38 months at contract commencement. The lease liability at June 30, 2023 and 2022 was \$24,439 and \$119,438, respectively. The accumulated amortization at June 30, 2023 and 2022 was \$270,126 and \$180,084, respectively.

On November 20, 2021, Regional San entered into a 36 month lease as a Lessee for the use of Motorola radios. An initial lease liability was recorded in the amount of \$315,820. Regional San is required to make annual fixed payments of \$112,538. The lease has an interest rate of 1.2750%. The Equipment estimated useful life was 36 months at contract commencement. The lease liability at June 30, 2023 and 2022 was \$211,737 and \$315,820, respectively. The accumulated amortization at June 30, 2023 and 2022 was \$ 170,182 and \$64,909, respectively.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

14. LEASES AND SBITAs (Continued)

The amount of lease assets by major classes of underlying assets at June 30, 2023 and 2022:

<u>June 30</u>	<u>Asset Class</u>	<u>Lease Asset</u>	<u>Accumulated Amortization</u>
2023	Equipment	\$ 608,456	\$ 440,308
2022	Equipment	608,456	244,993

The future principal and interest lease payments at June 30, 2023, are as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
2024	\$ 129,637	\$ 2,887	\$ 132,524
2025	106,540	1,358	107,898
	<u>\$ 236,177</u>	<u>\$ 4,245</u>	<u>\$ 240,422</u>

SBITAs

Regional San entered into various Subscription-Based Information Technology Arrangements (SBITAs). Most of the contracts have initial three-year terms. Some contracts contain renewal options. Regional San included these renewal periods in the SBITA term when it is reasonably certain that the renewal option(s) will be exercised. Many of Regional San's SBITA contracts also include options to extend contract terms upon mutual agreement with the vendor, and some contracts contain termination options where either party may terminate the contract at any time for any reason. As the interest rate implicit in Regional San SBITAs is not readily determinable, Regional San utilizes its incremental borrowing rate to discount the SBITA payments, ranging from 0.328% to 3.238% depending on SBITA maturity dates, to measure the present value of the SBITA payments expected to be paid during the lease term period.

On October 31, 2022, the Regional San entered into a 36 month subscription for the use of Microsoft EA. An initial subscription liability was recorded in the amount of \$553,625. As of June 30, 2023, the value of the subscription liability was \$363,172. Regional San is required to make annual fixed payments of \$190,453. The subscription has an interest rate of 3.2380%. The value of the right-to-use asset as of June 30, 2023 of \$553,625 with accumulated amortization of \$126,949 is included with Software on the Subscription Class activities table found below.

On March 25, 2022, Regional San entered into a 36 month subscription for the use of AutoCAD. An initial subscription liability was recorded in the amount of \$119,153. As of June 30, 2023 and 2022, the value of the subscription liability was \$0. Regional San is required to make annual fixed payments of \$119,153. The subscription has an interest rate of 0.426%. The value of the right-to-use asset as of June 30, 2023 and 2022 was \$119,153 and \$119,153, respectively, with accumulated amortization of \$50,779 and \$10,690, respectively, and is included with Software on the Subscription Class activities table found below.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

14. LEASES AND SBITAs (Continued)

On October 5, 2021, Regional San entered into a 36 month subscription for the use of Presidio Networked - Commvault backup & recovery. An initial subscription liability was recorded in the amount of \$103,297. As of June 30, 2023 and 2022, the value of the subscription liability was \$0. Regional San is required to make annual fixed payments of \$103,297. The subscription has an interest rate of 0.328%. The value of the right-to-use asset as of June 30, 2023 and 2022 was \$103,297 and \$103,297, respectively, with accumulated amortization of \$59,874 and \$25,442, respectively, and is included with Software on the Subscription Class activities table found below.

The amount of SBITA assets by major classes of underlying assets at June 30, 2023 and 2022:

<u>June 30</u>	<u>Asset Class</u>	<u>SBITA Asset</u>	<u>Accumulated Amortization</u>
2023	Software	\$ 776,075	\$ 237,602
2022	Software	222,450	36,132

The future principal and interest SBITA payments at June 30, 2023, are as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
2024	\$ 178,693	\$ 11,760	\$ 190,453
2025	184,478	5,974	190,452
	<u>\$ 363,172</u>	<u>\$ 17,734</u>	<u>\$ 380,905</u>

15. OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS (OPEB)

Plan Description

Regional San's labor force are employees of the County, which provides medical and dental insurance, and subsidy/offset payments as authorized by the Board of Supervisors on an annual basis. The County has established a Retiree Healthcare Plan (HC Plan), and participates in a single-employer plan and it does not issue a publicly available report. In September 2022 and September 2021, the Board of Supervisors approved the Retiree Medical and Dental Insurance Program Administrative Policy for calendar years 2023 and 2022, respectively.

The County provides access to group medical insurance and dental insurance, medical and dental offset payments to a specific group of eligible retirees as a result of a settlement. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. For financial reporting purposes, Regional San reports a proportionate share of the County's collective total Other Postemployment Benefits (OPEB) liability, OPEB expense, and deferred inflows and outflows of resources. Accordingly, the disclosures and required supplementary information have been reported for Regional San as a cost sharing participant.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

15. OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS (OPEB) (Continued)

Benefits Provided

All annuitants are eligible to enroll in a retiree medical and/or dental insurance plan in a given calendar year if (1) they began receiving a continuing retirement allowance from SCERS during that calendar year, or (2) they were enrolled in the annual plan previously approved by the County (continuous coverage), or (3) they previously waived coverage but elected to enroll during the County authorized enrollment period with a coverage date effective January of the given calendar year. Total benefits paid by Regional San during the fiscal years ended June 30, 2023 and 2022 is \$196,111 and \$183,860, respectively.

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Regional San reported a liability of \$3,956,314 and \$4,237,193 for its proportionate share of the total OPEB liability as of June 30, 2023 and 2022, respectively. At June 30, 2023 and 2022, the total OPEB liability was measured as of June 30, 2022 and June 30, 2021, respectively, and the OPEB liability was determined by actuarial valuations as of the same dates. Regional San's proportion of the total OPEB liability was based on the total full-time equivalents (FTE) of Regional San relative to the total FTEs of the County. At June 30, 2023 and 2022, Regional San's proportion was 3.52 and 3.60 percent, respectively.

For the fiscal years ended June 30, 2023 and 2022, Regional San recognized OPEB income of \$381,225 and \$316,506, respectively.

At June 30, 2023, Regional San reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 270,343	\$ 1,342,003
Differences between projected and actual earnings	-	840,296
Changes in proportion	10,292	330,713
Contributions subsequent to the measurement date	196,111	-
Total	<u>\$ 476,746</u>	<u>\$ 2,513,012</u>

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

15. OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS (OPEB) (Continued)

At June 30, 2022, Regional San reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 333,754	\$ 1,286,659
Differences between projected and actual earnings	-	1,021,807
Changes in proportion	12,435	358,195
Contributions subsequent to the measurement date	183,860	-
Total	<u>\$ 530,049</u>	<u>\$ 2,666,661</u>

For the fiscal year ended June 30, 2023, \$196,111 was reported as deferred outflows of resources related to OPEB resulting from amounts paid by Regional San subsequent to the measurement date which will be recognized as a reduction of the total OPEB liability during the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending June 30	
2024	\$ (487,180)
2025	(487,180)
2026	(487,180)
2027	(487,181)
2028	(487,181)
2029 - 2030	203,525
Total	<u>\$ (2,232,377)</u>

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

15. OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS (OPEB) (Continued)

Actuarial Assumptions

The total OPEB liability in the June 30, 2022 and 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry-Age Normal Cost
Actuarial Assumptions:	
Valuation Date	June 30, 2022 and 2021
Discount Rate	3.54% at June 30, 2022 (Bond Buyer 20-Bond GO Index) 2.16% at June 30, 2021 (Bond Buyer 20-Bond GO Index)
Inflation	2.50% annually
Medical Trend	6.50%, decreasing to an ultimate rate of 3.75% in 2076 (June 30, 2022 and 2021)
Mortality Improvement	Post-retirement mortality projected fully generational with Scale MP-2019 for June 30, 2022 and 2021 valuation
Salary Increase	2.75%
Healthcare Participation	45%

Discount Rate

The discount rate used to measure the total OPEB liability was 3.54 and 2.16 percent for the June 30, 2022 and 2021 valuation dates, respectively, and was based on the Bond Buyer 20-Bond GO Index.

Sensitivity of Regional San's Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate

The following presents Regional San's proportionate share of the total OPEB liability as of June 30, 2023, as well as what Regional San's proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.54 percent) or 1-percentage-point higher (4.54 percent) than the discount rate at June 30, 2023:

	1% Decrease (2.54%)	Discount Rate (3.54%)	1% Increase (4.54%)
Total OPEB Liability	\$ 4,259,023	\$ 3,956,314	\$ 3,674,316

The following presents Regional San's proportionate share of the total OPEB liability as of June 30, 2022, as well as what Regional San's proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16 percent) or 1-percentage-point higher (3.16 percent) than the discount rate at June 30, 2022:

	1% Decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB Liability	\$ 4,561,018	\$ 4,237,193	\$ 3,933,592

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

15. OTHER POST-EMPLOYMENT HEALTH CARE BENEFITS (OPEB) (Continued)

Sensitivity of Regional San's Proportionate Share of the Total OPEB liability to Changes in the Healthcare Cost Trend Rates

The following presents Regional San's proportionate share of the total OPEB liability as of June 30, 2023, as well as what Regional San's proportionate share of the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (5.5% decreasing to 2.75% in 2076)	Current Rate (6.5% decreasing to 3.75% in 2076)	1% Increase (7.5% decreasing to 4.75% in 2076)
Total OPEB Liability	\$ 3,522,364	\$ 3,956,314	\$ 4,463,304

The following presents Regional San's proportionate share of the total OPEB liability as of June 30, 2022, as well as what Regional San's proportionate share of the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (5.5% decreasing to 2.75% in 2076)	Current Rate (6.5% decreasing to 3.75% in 2076)	1% Increase (7.5% decreasing to 4.75% in 2076)
Total OPEB Liability	\$ 3,783,841	\$ 4,237,193	\$ 4,766,933

16. NET PENSION LIABILITY

Plan Descriptions

Employees of Regional San participate in the County's cost-sharing multiple-employer defined benefit retirement plan (the Plan) administered by the Sacramento County Employees Retirement System (SCERS). The Plan is governed by the Sacramento Board of Retirement (SCERS Board) under the California County Employees' Retirement Law of 1937 (CERL) and the California Public Employees' Pension Reform Act of 2013 (PEPRA). The Plan's authority to establish and amend the benefit terms are set by the CERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the County of Sacramento Board of Supervisors and/or the SCERS Board. SCERS issues a stand-alone financial report, which may be obtained by contacting Sacramento County Employees' Retirement System, 980 9th Street, Suite 1900 Sacramento, CA 95814.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

16. NET PENSION LIABILITY (Continued)

Benefits Provided

SCERS provides service retirement, disability, death and survivor benefits to eligible employees. All permanent full-time or part-time employees of the County of Sacramento or contracting districts become members of SCERS upon employment. There are separate retirement cost pools for Safety and Miscellaneous member employees. Safety membership is extended to those involved in active law enforcement, fire suppression, and certain other classifications. All other employees, including Regional San's employees, are classified as Miscellaneous members. There are five tiers applicable to Miscellaneous members. Those hired prior to September 27, 1981 are included in Tier 1. Those hired after September 27, 1981, but prior to January 1, 2012, are included in Tier 2 or Tier 3 depending on date of hire and bargaining unit. County members hired after January 1, 2012, but prior to January 1, 2013 are included in Tier 4. New members hired on or after January 1, 2013, are designated as PEPRM Miscellaneous (Tier 5) and are subject to the provisions of California Government Code 7522 et seq. and AB 197.

Miscellaneous members hired prior to January 1, 2013, are eligible to retire once they attain the age of 50 and have acquired 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. Miscellaneous members who are first hired on or after January 1, 2013, are eligible to retire once they have attained the age of 52, and have acquired five years of retirement service credit.

The retirement benefit the member will receive is based upon age at retirement, final average compensation, years of retirement service credit and retirement plan and tier.

Miscellaneous member benefits for Tier 1, Tier 2 and Tier 3 are calculated pursuant to the provisions of California Government Code Section 31676.14. Miscellaneous member benefits for Tier 4 are calculated pursuant to the provisions of California Government Code Section 31676.1. The monthly allowance is equal to 1/90th of the first \$350 of final compensation, plus 1/60th of the excess final compensation times years of accrued retirement service credit times age factor from either Section 31676.14 (Tier 1, Tier 2 and Tier 3) or Section 31676.1 (Tier 4). Miscellaneous member benefits for those who are first hired on or after January 1, 2013, are calculated pursuant to the provision of California Government Code Section 7522.25(d). The monthly allowance is equal to the final compensation multiplied by years of accrued retirement credit multiplied by the age factor from Section 7522.20(a).

For members with membership dates before January 1, 2013, the maximum monthly retirement allowance is 100% of final compensation. There is no maximum for members with membership dates on or after January 1, 2013. Final average compensation consists of the highest 12 consecutive months for a Tier 1 Safety or Tier 1 Miscellaneous member and the highest 36 consecutive months for a Tier 2, Tier 3, Tier 4 or Tier 5 member.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

16. NET PENSION LIABILITY (Continued)

The member may elect an unmodified retirement allowance, or choose an optional retirement allowance. The unmodified retirement allowance provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse. An eligible surviving spouse is one married to the member one year prior to the effective retirement date. There are four optional retirement allowances the member may choose. Each of the optional retirement allowances requires a reduction in the unmodified retirement allowance in order to allow the member the ability to provide certain benefits to a surviving spouse or named beneficiary having an insurable interest in the life of the member.

SCERS provides an annual cost-of-living benefit to Safety Tier 1, Tier 2, Tier 3 and Tier 4 member retirees and Miscellaneous Tier 1, Tier 3, Tier 4 and Tier 5 member retirees. The cost-of-living adjustment, based upon the Consumer Price Index for the San Francisco-Oakland-San Jose area, is capped at 4% for Tier 1 members and 2% for all other members eligible for a cost-of-living adjustment.

Contributions

Participating employers and active members (i.e County), including Regional San, are required by statute to contribute a percentage of covered salary to the Plan. Contributions to the Plan are made pursuant to Section 31584 of the County Employees Retirement Law of 1937. The Plan's funding policy provides for periodic contributions at actuarially-determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate adequate assets to pay benefits when legally due. Each employer of the Plan is obligated by state law to make all required contributions to the plan and depending on the participating employer and their employees' tiers. The average contribution rate was 24.88% of covered payroll for the fiscal year ended June 30, 2023 and 22.82% of covered payroll for the fiscal year ended June 30, 2022. Regional San's proportionate share of the County's contribution to the Plan was \$9,657,276 and \$8,703,049 for the fiscal years ended June 30, 2023 and June 30, 2022, respectively.

Pension Liability, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

Regional San reported a liability of \$41,504,546 and \$4,038,218 for its proportionate share of the County's net pension liability at June 30, 2023 and June 30, 2022, respectively. The net pension liability was measured as of June 30, 2022 and June 30, 2021, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. Regional San's proportion of the County's net pension liability was based on Regional San's fiscal year 2022 and 2021 actual contributions to the County's pension plan relative to the total contributions of the County as a whole. At June 30, 2023, Regional San's proportion was 2.37%, which was an increase of 1.41% from its proportionate share measured as of June 30, 2022. At June 30, 2022, Regional San's proportion was 0.96%, which was a decrease of 1.86% from its proportionate share measured as of June 30, 2021.

Regional San recognized pension income for the fiscal years ended June 30, 2023 and June 30, 2022 in the amount of \$8,734,622 and \$10,688,599, respectively.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

16. NET PENSION LIABILITY (Continued)

At June 30, 2023, Regional San reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 3,500,160	\$ -
Changes in assumptions	3,128,811	5,450,382
Net differences between projected and actual earnings on plan investments	269,336	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	786,035	4,058,413
Employer contributions paid by Regional San to County subsequent to the measurement date	9,657,276	-
Total	<u>\$ 17,341,618</u>	<u>\$ 9,508,795</u>

The \$9,657,276 reported as deferred outflows of resources related to pension, resulting from Regional San's contributions to the County's plan subsequent to the measurement date and before the end of the fiscal year, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to Regional San's proportion of the County's pension plan will be recognized in pension expense as follows:

<u>Fiscal years ending June 30</u>	
2024	\$ (487,822)
2025	(487,822)
2026	(487,822)
2027	(360,987)
Total	<u>\$ (1,824,453)</u>

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

16. NET PENSION LIABILITY (Continued)

At June 30, 2022, Regional San reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 3,393,322	\$ -
Changes in assumptions	5,004,031	7,598,925
Net differences between projected and actual earnings on plan investments	-	44,747,358
Changes in proportion and differences between employer contributions and proportionate share of contributions	894,662	4,016,908
Employer contributions paid by Regional San to County subsequent to the measurement date	8,703,049	-
Total	<u>\$ 17,995,064</u>	<u>\$ 56,363,191</u>

Actuarial Assumptions

Regional San's proportion of the County's total pension liability in the June 30, 2023 and June 30, 2022 actuarial valuations were determined using the following actuarial assumptions applied in the measurement:

June 30, 2023	
Actuarial valuation date	June 30, 2022
Actuarial cost method	Entry-Age actuarial cost method
Actuarial Assumptions:	
Investment Rate of Return	6.75%
Inflation	2.75%
Projected Salary increases	Miscellaneous: 4.25% to 10.50%.
Cost of Living Adjustments	See below
June 30, 2022	
Actuarial valuation date	June 30, 2021
Actuarial cost method	Entry-Age actuarial cost method
Actuarial Assumptions:	
Investment Rate of Return	6.75%
Inflation	2.75%
Projected Salary increases	Miscellaneous: 4.25% to 10.50%.
Cost of Living Adjustments	See below

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

16. NET PENSION LIABILITY (Continued)

Cost of living adjustments for Miscellaneous Tier 1 benefits are assumed to increase at 3.00% per year, Miscellaneous Tier 3, Tier 4, and Tier 5 benefits are assumed to increase at 2% per year and Miscellaneous Tier 2 receives no COLA increase for the actuarial valuation dated June 30, 2022 and 2021.

In the actuarial valuations dated June 30, 2022 and 2021, the post-retirement mortality rates for the healthy Miscellaneous members were based on Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates increased by 10%, projected generationally with the two-dimensional mortality improvement scale MP-2019 and the post-retirement mortality rates for the disabled Miscellaneous members were based on Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2019. In the actuarial valuation dated June 30, 2022, the pre-retirement mortality rate was based on the June 30, 2022 Actuarial Experience Study. In the actuarial valuation dated June 30, 2021, the pre-retirement mortality rate was based on the June 30, 2020 Actuarial Experience Study.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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 and subtracting expected investment expenses and a risk margin.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

16. NET PENSION LIABILITY (Continued)

The target allocation and projected arithmetic real rates of return for each major asset class used in the derivation of the long-term expected investment rate of return assumption as of June 30, 2022, are summarized in the table below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
U.S. Large Cap Equity	18.0%	5.4%
U.S. Small Cap Equity	2.0%	6.2%
International Developed Equity	16.0%	6.5%
Emerging Markets Equity	4.0%	8.8%
Core Plus Bonds	10.0%	1.1%
High Yield Bonds	1.0%	3.4%
Global Bonds	3.0%	-0.4%
Bank Loans	1.0%	3.9%
U.S. Treasury	5.0%	0.3%
Private Real Estate	5.0%	4.6%
Cash	1.0%	-0.3%
Liquid Real Return	2.0%	4.5%
Hedge Fund Growth	3.0%	2.4%
Hedge Fund Diversifying	7.0%	2.4%
Value Added Real Estate	2.0%	8.1%
Private Equity	9.0%	9.4%
Real Assets	7.0%	8.1%
Private Credit	4.0%	5.6%
Total	100.00%	

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

16. NET PENSION LIABILITY (Continued)

Discount Rate

The discount rates used to measure the Total Pension Liability (TPL) was 6.75% for the measurement periods ended June 30, 2022 and 2021. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, SCERS' fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL as of June 30, 2022 and June 30, 2021.

Sensitivity of Regional San's Proportionate Share of the County's Net Pension Liability to Changes in the Discount Rate

The following table presents Regional San's proportionate share of the County's net pension liability calculated using the discount rate of 6.75% for the fiscal years ended June 30, 2023 and 2022, as well as what Regional San's proportionate share of the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate at June 30, 2023 and 2022.

Year Ending June 30	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
2023	\$85,415,983	\$41,504,546	\$ 5,558,433
Year Ending June 30	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
2022	\$21,105,118	\$4,038,218	\$ 9,937,631

Pension Plan Fiduciary Net Position

Detailed information about the County's collective net pension liability is available in the County's separately issued Annual Comprehensive Financial Report (ACFR). The County of Sacramento's financial statements may be obtained on the internet at:

<http://www.finance.saccounty.net/AuditorController/Pages/AcctGeneral.aspx>.

Detailed information about the SCERS's fiduciary net position is available in a separately issued SCERS' ACFR. That report may be obtained on the Internet at:

<http://www.retirement.saccounty.net/Pages/FinancialInformation.aspx>.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

17. FUTURE GASB PRONOUNCEMENTS

GASB Statement No. 99 – In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in GASB Statement No. 34, as amended, and terminology updates related to GASB Statement No. 53 and GASB Statement No. 63 are effective upon issuance. The impact of these requirements for Regional San are discussed in Note 1. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of GASB Statement No. 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Regional San has not determined the effect, if any, on the financial statements.

GASB Statement No. 100 – In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. The primary objective of this Statement is to enhance 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. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Regional San has not determined the effect, if any, on the financial statements.

GASB Statement No. 101 – In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Regional San has not determined the effect, if any, on the financial statements.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Sacramento, California

Required Supplementary Information

For the Fiscal Years Ended June 30, 2023 and 2022

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

Schedule of the Regional San's Proportionate Share of the County's Net OPEB Liability

Last Ten Years ^(1,2)

	Fiscal Year					
	2023	2022	2021	2020	2019	2018
Regional San's proportion of the County's OPEB liability	3.52%	3.60%	3.86%	3.84%	3.88%	4.02%
Regional San's proportionate share of the County's OPEB liability	\$ 3,956,314	\$ 4,237,193	\$ 5,272,879	\$ 4,435,867	\$ 6,201,921	\$ 6,086,246
Regional San's covered employee payroll	\$ 34,325,163	\$34,308,579	\$36,451,596	\$34,647,000	\$39,330,009	\$38,885,860
Regional San's proportionate share of the OPEB liability as a percentage of its covered employee payroll	11.53%	12.35%	14.47%	12.80%	15.77%	15.65%
Measurement date	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017

Notes to Schedule:

(1) Fiscal year 2018 was the first year of implementation; therefore, only six years are shown.

(2) Regional San has no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the pension/OPEB plan.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

Schedule of the Regional San's Proportionate Share of the County's Net Pension Liability

Last Ten Years ^(1,2)

	Fiscal Year								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Regional San's proportion of the County's net pension liability	2.37%	0.96%	2.82%	2.59%	2.71%	2.83%	3.16%	2.97%	2.68%
Regional San's proportionate share of the County's net pension liability	\$ 41,504,546	\$ 4,038,218	\$ 76,413,851	\$ 53,667,521	\$ 53,111,998	\$ 59,402,515	\$ 51,209,450	\$ 31,876,088	\$ 19,434,740
Regional San's covered payroll	38,134,358	38,772,021	41,289,381	39,415,257	38,474,050	37,517,249	36,769,665	35,980,289	34,753,345
Regional San's proportionate share of the net pension liability as a percentage of its covered employee payroll	108.84%	10.42%	185.07%	136.16%	138.05%	158.33%	139.27%	88.59%	55.92%
Plan's fiduciary net position as a percentage of the total pension liability	87.12%	96.76%	78.62%	82.57%	82.51%	80.37%	81.40%	87.26%	91.02%
Measurement date	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014

Notes to Schedule:

(1) Fiscal year 2015 was the first year of implementation; therefore, only nine years are shown.

(2) Changes in assumptions: In the measurement period ended June 30, 2017, the discount rate changed from 7.5% to 7.0%. In the measurement period ended June 30, 2020, the discount rate changed from 7.0% to 6.75%.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

Schedule of Regional San's Pension Contributions

Last Ten Years ⁽¹⁾

	Fiscal Year								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contributions	\$ 9,657,276	\$ 8,703,049	\$ 8,184,913	\$ 7,984,333	\$ 6,894,244	\$ 5,783,687	\$ 6,080,054	\$ 6,469,853	\$ 7,541,083
Contributions in relation to the actuarially determined contribution	(9,657,276)	(8,703,049)	(8,184,913)	(7,984,333)	(6,894,244)	(5,783,687)	(6,080,054)	(6,469,853)	(7,541,083)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Regional San's covered payroll	\$ 38,822,281	\$ 38,134,358	\$ 38,772,021	\$ 41,289,381	\$ 39,415,257	\$ 38,474,050	\$ 38,255,528	\$ 36,769,665	\$ 35,980,289
Contributions as a percentage of covered payroll	24.88%	22.82%	21.11%	19.34%	17.49%	15.03%	15.89%	17.60%	20.96%

Notes to Schedule:

(1) Fiscal year 2015 was the first year of implementation; therefore, only nine years are shown.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Sacramento, California

Statistical Section

For the Fiscal Years Ended June 30, 2023 and 2022

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Index to Statistical Section

This part of the Sacramento Regional County Sanitation District (Regional San) annual comprehensive 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 Regional San's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how Regional San's financial performance has changed over time:

- Net Position by Component – Fiscal Years 2013-14 through 2022-23
- Changes in Net Position - Fiscal Years 2013-14 through 2022-23
- Operating Revenues by Source - Fiscal Years 2013-14 through 2022-23
- Operating Expenses - Fiscal Years 2013-14 through 2022-23
- Nonoperating Revenues and Expenses - Fiscal Years 2013-14 through 2022-23

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting Regional San's ability to generate its sewer service fees:

- Wastewater Treated - Fiscal Years 2013-14 through 2022-23
- Number of Customers by Type - Fiscal Years 2013-14 through 2022-23
- Ten Largest Customers – Fiscal Years 2023 and 2014
- Sewer Rates - Fiscal Years 2013-14 through 2022-23

Debt Capacity

These schedules present information to help the reader assess the affordability of Regional San's current level of outstanding debt and its ability to issue additional debt in the future:

- Net Ratios of Outstanding Debt by Type - Fiscal Years 2013-14 through 2022-23
- Pledged Revenue Coverage - Fiscal Years 2013-14 through 2022-23

Demographic and Economic Information

These schedules present demographic and economic indicators to help the reader understand the environment within which Regional San's financial activities take place:

- Demographic and Economic Statistics - Fiscal Years 2013-14 through 2022-23
- Private Sector Principal Employers – Fiscal Years 2023 and 2014

Operating Information

These schedules contain service and infrastructure information to help the reader understand how the information in Regional San's financial report relates to the services Regional San provides and the activities it performs:

- Number of Employees by Identifiable Activity - Fiscal Years 2013-14 through 2022-23
- Operating and Capital Indicators - Fiscal Years 2013-14 through 2022-23

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Net Position by Component

Fiscal Years 2013-2014 through 2022-2023 Schedule 1

Fiscal Year	Net investment in capital assets	Restricted				Unrestricted	Total Net Position
		Capital Construction	Financing Authority Debt Service	Debt Service	Facility Closure		
2023	\$ 1,322,636,810	\$ -	\$ -	\$ -	\$ -	\$ 312,073,789	\$ 1,634,710,599
2022 ⁴	1,214,583,421	-	-	-	-	309,591,940	1,524,175,361
2021 ³	1,080,222,869	-	-	-	-	329,178,637	1,409,401,506
2020	1,076,093,422	-	-	-	-	383,956,937	1,460,050,359
2019	1,004,562,692	-	-	-	-	391,276,662	1,395,839,354
2018 ²	893,810,285	13,234,120	-	45,504,646	11,224,882	342,059,637	1,305,833,570
2017	839,106,137	7,304,756	-	62,505,045	11,224,882	292,755,351	1,212,896,171
2016	801,739,262	-	-	77,229,103	10,857,424	215,651,098	1,105,476,887
2015 ¹	679,594,579	-	-	96,859,933	10,543,592	270,611,532	1,057,609,636
2014	753,174,791	-	3,350,093	35,081,214	10,543,592	255,887,708	1,058,037,398

Note ¹: Fiscal year 2015 has been revised in accordance with the implementation of GASB Statement No. 68 *Financial Reporting for Pensions*. Prior years have not been restated as permitted by the standard.

Note ²: Fiscal year 2018 has been revised in accordance with the implementation GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Prior years have not been restated as permitted by the standard.

Note ³: Fiscal year 2021 has been revised in accordance with the implementation GASB Statement No. 87, *Leases*. Prior years have not been restated as permitted by the standard.

Note ⁴: Fiscal year 2022 has been revised in accordance with the implementation GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Prior years have not been restated as permitted by the standard.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Changes in Net Position

Fiscal Years 2013-2014 through 2022-2023 Schedule 2

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income	Non operating Revenues (Expenses)	Capital Contributions	Change in Net Position	Beginning Net Position	Ending Net Position
2023	\$ 305,115,094	\$ (189,071,760)	\$ 116,043,334	\$ (37,577,002)	\$ 32,068,906	\$ 110,535,238	\$ 1,524,175,361	\$ 1,634,710,599
2022 ⁴	295,735,163	(169,846,459)	125,888,704	(36,686,620)	25,571,771	114,773,855	1,409,401,506	1,524,175,361
2021 ³	283,905,814	(190,889,341)	93,016,473	(172,943,067)	29,277,741	(50,648,853)	1,460,050,359	1,409,401,506
2020	297,075,655	(187,164,569)	109,911,086	(69,364,536)	23,664,455	64,211,005	1,395,839,354	1,460,050,359
2019	298,376,696	(180,201,417)	118,175,279	(59,325,819)	31,156,324	90,005,784	1,305,833,570	1,395,839,354
2018 ²	286,549,128	(169,886,279)	116,662,849	(47,811,048)	27,640,122	96,491,923	1,209,341,647	1,305,833,570
2017	276,132,785	(161,076,897)	115,055,888	(29,576,402)	21,935,800	107,415,286	1,105,476,887	1,212,896,171
2016	252,415,620	(153,042,081)	99,373,539	(67,303,498)	15,797,210	47,867,251	1,057,609,636	1,105,476,887
2015 ¹	231,361,832	(149,908,566)	81,453,266	(55,368,627)	10,739,885	36,824,524	1,020,785,112	1,057,609,636
2014	202,454,271	(147,926,717)	54,527,554	(58,583,851)	7,404,598	3,348,301	1,054,689,097	1,058,037,398

Note ¹: Fiscal year 2015 beginning net position has been revised in accordance with the implementation guidance in GASB Statement No. 68 *Financial Reporting for Pensions*. Prior years have not been restated as permitted by the standard.

Note ²: Fiscal year 2018 beginning net position has been revised in accordance with the implementation guidance in GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Prior years have not been restated as permitted by the standard.

Note ³: Fiscal year 2021 has been revised in accordance with the implementation GASB Statement No. 87, *Leases*. Prior years have not been restated as permitted by the standard.

Note ⁴: Fiscal year 2022 has been revised in accordance with the implementation GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Prior years have not been restated as permitted by the standard.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Operating Revenues by Source

**Fiscal Years 2013-2014 through 2022-2023
Schedule 3**

Fiscal Year	Sewer Service Fees	Other Revenue	Total Operating Revenues
2023	\$ 297,031,023	\$ 8,084,071	\$ 305,115,094
2022	287,104,582	8,630,581	295,735,163
2021	272,884,057	11,021,756	283,905,813
2020	280,223,946	16,851,709	297,075,655
2019	282,337,704	16,038,992	298,376,696
2018	271,617,413	14,931,715	286,549,128
2017	261,072,833	15,059,952	276,132,785
2016	237,034,177	15,381,443	252,415,620
2015	216,875,848	14,485,984	231,361,832
2014	191,127,721	11,326,550	202,454,271

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Operating Expenses

Fiscal Years 2012-2013 through 2021-2022 Schedule 4

Fiscal Year	County Labor			Depreciation and Amortization	Utilities			Services and Supplies
	SDA	Other	Total		Electricity	Other	Total	
2023	\$ 61,112,758	\$ 226,523	\$ 61,339,281	\$ 53,654,754	\$ 15,779,895	\$ 6,788,405	\$ 22,568,300	\$ 3,739,180
2022 ²	53,966,210	121,769	54,087,979	54,593,046	13,704,810	7,773,662	21,478,472	2,736,069
2021 ¹	73,489,784	154,109	73,643,893	54,214,943	14,098,931	6,439,640	20,538,571	2,086,061
2020	74,018,268	142,392	74,160,660	51,602,456	12,471,973	6,049,597	18,521,570	1,789,213
2019	67,705,494	164,162	67,869,656	50,899,506	12,925,661	6,131,475	19,057,136	1,764,466
2018	66,015,300	165,220	66,180,520	50,021,285	12,202,211	4,939,625	17,141,836	2,326,953
2017	62,772,157	195,307	62,967,464	49,488,494	13,013,548	5,514,619	18,528,167	2,131,884
2016	54,850,665	239,908	55,090,573	49,211,734	11,728,932	5,528,863	17,257,795	1,603,874
2015	52,844,294	215,324	53,059,618	48,847,967	11,487,675	5,150,124	16,637,799	1,675,281
2014	54,218,370	333,013	54,551,383	47,323,205	11,801,544	5,307,767	17,109,311	2,103,032

Note ¹: Fiscal year 2021 has been revised in accordance with the implementation GASB Statement No. 87, *Leases*. Prior years have not been restated as permitted by the standard.

Note ²: Fiscal year 2022 has been revised in accordance with the implementation GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Prior years have not been restated as permitted by the standard.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Operating Expenses (Continued)

Fiscal Years 2013-2014 through 2022-2023
Schedule 4

Chemicals	Plant and Interceptor Maintenance	Consultants	Landfill Closure and Postclosure Care	Insurance	Data Processing	Laboratory	Office Equipment	Total Operating Expenses
\$ 23,959,834	\$ 8,857,294	\$ 6,664,333	\$ 1,514,761	\$ 1,355,824	\$ 4,391,472	\$ 635,954	\$ 390,773	\$ 189,071,760
15,002,591	7,353,683	7,391,764	1,075,686	1,209,483	3,794,719	559,683	563,284	169,846,459
16,294,285	7,921,536	10,652,274	229,324	1,019,805	3,240,738	621,396	426,515	190,889,341
17,529,122	9,442,424	8,426,999	550,907	1,105,651	2,956,421	590,617	488,529	187,164,569
18,985,657	7,626,102	8,171,261	34,069	1,085,764	3,550,235	481,040	676,525	180,201,417
14,074,988	7,634,695	7,086,144	588,308	747,355	3,266,886	423,002	394,307	169,886,279
8,837,116	6,953,135	7,864,848	438,363	988,772	2,079,457	467,183	328,016	161,072,899
8,331,568	7,526,655	9,320,883	166,254	1,051,303	2,164,153	542,620	774,669	153,042,081
8,502,099	7,148,056	9,258,070	389,036	1,247,381	1,996,139	537,469	609,651	149,908,566
7,891,074	6,857,555	7,693,665	175,626	1,392,073	1,901,203	553,463	375,127	147,926,717

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Nonoperating Revenues and Expenses

Fiscal Years 2013-2014 through 2022-2023 Schedule 5

Fiscal Year	Interest Expense	Authority Interest Expense	SASD Base Payment	Authority Other Expense	Interest Revenue	Sewer Incentive Program ¹	Derivative Investments	Other Revenue (Expenses)	Total Non-operating Revenues (Expenses)
2023	\$ (50,326,308)	\$ (8,787,575)	\$ 8,865,204	\$ -	\$ 11,258,366	\$ (1,633,252)	\$ 4,476,468	\$ (1,429,905)	\$ (37,577,002)
2022 ²	(51,997,637)	(8,836,608)	8,914,237	-	2,962,267	(1,779,767)	15,550,956	(1,500,068)	(36,686,620)
2021 ¹	(57,057,781)	(8,884,583)	8,962,213	-	3,698,535	(1,872,835)	(110,714,908)	(7,073,708)	(172,943,067)
2020	(59,748,785)	(8,939,993)	9,017,622	-	9,313,246	(1,849,203)	(15,019,332)	(2,138,091)	(69,364,536)
2019	(58,740,098)	(8,984,067)	9,061,695	-	10,880,222	(1,879,707)	(8,187,856)	(1,476,008)	(59,325,819)
2018	(58,760,283)	(9,034,575)	9,112,204	-	7,441,734	(1,921,244)	6,543,193	(1,192,077)	(47,811,048)
2017	(44,154,951)	(9,074,042)	9,151,671	-	4,544,181	(1,941,797)	12,674,697	(776,161)	(29,576,402)
2016	(51,147,853)	(9,101,995)	7,549,413	-	1,214,076	(1,352,945)	(17,805,522)	3,341,328	(67,303,498)
2015	(49,895,919)	(14,951,737)	14,951,737	(3,350,093)	1,552,401	(1,457,841)	(4,355,048)	2,137,873	(55,368,627)
2014	(54,181,398)	(14,254,750)	14,254,750	(197,064)	1,552,541	(1,441,252)	(188,802)	(4,127,876)	(58,583,851)

Note ¹: Fiscal year 2021 have been revised in accordance with the implementation GASB Statement No. 87, *Leases*. Prior years have not been restated as permitted by the standard.

Note ²: Fiscal year 2022 has been revised in accordance with the implementation GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Prior years have not been restated as permitted by the standard.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Wastewater Treated

**Fiscal Years 2013-2014 through 2022-2023
Schedule 6**

Fiscal Year	Equivalent Single-Family Dwellings (ESD)	Sewer Rate per ESD
2023	617,323	\$ 37.00
2022	616,770	37.00
2021	599,024	37.00
2020	600,203	37.00
2019	598,217	37.00
2018	592,857	36.00
2017	588,054	35.00
2016	586,351	32.00
2015	586,519	29.00
2014	579,940	26.00

Source: ESD - Director of Finance's Billing Report
Regional San Sewer Rate Ordinances

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Number of Customers by Type

Fiscal Years 2013-2014 through 2022-2023
Schedule 7

Fiscal Year	Residential ESDs	Commercial ESDs	Total ESDs ¹	Industrial Flow Customers	Total
2023	507,806	109,517	617,323	148	617,471
2022	503,802	112,968	616,770	150	616,920
2021	499,041	99,983	599,024	139	599,163
2020	495,662	104,541	600,203	127	600,330
2019	492,877	105,340	598,217	131	598,348
2018	485,263	107,593	592,857	130	592,987
2017	481,314	106,739	588,053	130	588,183
2016	490,140	96,211	586,351	127	586,478
2015	483,219	103,300	586,519	144	586,663
2014	479,189	100,751	579,940	155	580,095

Source: Customer billing records

Note 1: Total ESDs for Residential and Commercial is not the total number of customers by type since many customers have multiple types of ESDs

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Ten Largest Customers

Current Year and Nine Years Ago Schedule 8

Fiscal Year 2023

<u>Customer</u>	<u>Amount ¹</u>	<u>%</u>
Proctor and Gamble Manufacturing	\$ 2,967,733	1.03%
H.P. Hood, LLC	2,347,031	0.82%
Nor-Cal Beverage Company, Inc.	620,323	0.22%
Mission Linen Supply	408,191	0.14%
The American Bottling Company	440,302	0.15%
Folsom State Prison	329,796	0.11%
Sacramento International Airport	312,524	0.11%
Huhtamaki, Inc.	292,121	0.10%
Bottling Group, LLC dba Pepsi Beverages	306,888	0.11%
Aramark Uniform Services (National)	262,096	0.09%
Subtotal (10 largest)	8,287,005	2.89%
Balance from other customers	278,817,577	97.11%
Grand totals	\$ 287,104,582	100.00%

Fiscal Year 2014

<u>Customer</u>	<u>Amount ¹</u>	<u>%</u>
Proctor & Gamble Manufacturing	\$ 1,319,193	0.69%
Campbell Soup Company	671,051	0.35%
Nor-Cal Beverage Company, Inc.	224,821	0.12%
Seven-up Bottling Co., Inc.	223,957	0.12%
Sacramento County Airport System - SIA	193,641	0.10%
Folsom State Prison	191,467	0.10%
Mission Industries	179,337	0.09%
Aramark Services, Inc.	157,237	0.08%
Huhtamaki Food Services, Inc.	155,810	0.08%
Blue Diamond Growers	151,906	0.08%
Subtotal (10 largest)	3,468,420	1.81%
Balance from other customers	187,659,301	98.19%
Grand totals	\$ 191,127,721	100.00%

Source: Annual customer billing records from Wastewater Source Control

Note ¹: Amount includes base rate charges as well as multiple meters on various accounts.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Sewer Rates

Fiscal Years 2013-2014 through 2022-2023 Schedule 9

	Fiscal Year									
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Residential Rates ¹ :										
Operations and										
Maintenance	\$17.39	\$17.76	\$12.00	\$12.00	\$12.00	\$14.00	\$13.00	\$14.00	\$13.54	\$13.65
Capital Improvement										
Program	19.61	19.24	25.00	25.00	25.00	22.00	22.00	18.00	15.46	12.35
Total	<u>\$37.00</u>	<u>\$37.00</u>	<u>\$37.00</u>	<u>\$37.00</u>	<u>\$37.00</u>	<u>\$36.00</u>	<u>\$35.00</u>	<u>\$32.00</u>	<u>\$29.00</u>	<u>\$26.00</u>
Industrial Rates ³ :										
Per Million Gallons	\$783.00	\$783.00	\$783.00	\$783.00	\$783.00	\$783.00	\$779.00	\$741.00	\$318.46	\$318.46
Per Thousand Lbs BOD ²	378.00	378.00	378.00	378.00	378.00	378.00	363.00	362.00	191.89	191.89
Per Thousand Lbs SS ²	255.00	255.00	255.00	255.00	255.00	255.00	215.00	215.00	110.87	110.87
TKN	1,158.00	1,158.00	1,014.00	835.00	835.00	783.00	778.00	605.00	431.90	0.00
Pathogens	399.00	399.00	399.00	226.00	226.00	216.00	215.00	167.00	119.42	0.00

Source: Regional San Sewer Rate Ordinances

Note ¹: Monthly rate at June 30 per equivalent single-family dwelling (ESD).

Note ²: BOD=Biochemical Oxygen Demand, SS=Suspended Solids.

Note ³: Industrial rates are based on flow (millions of gallons) and per thousands of pounds of BOD and SS.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Net Ratios of Outstanding Debt by Type

Fiscal Years 2013-2014 through 2022-2023 Schedule 10

Fiscal Year	Outstanding Debt ¹						Regional San's Net Debt			
	Authority Net Revenue	State Revolving	Regional San Net Revenue	Finance	City of Sacramento		District	Per Equivalent	As a Share	
	Bonds ^{4,5}	Loan	Bonds ⁴	Purchase ⁶	Leases	SBITAs	Amount Outstanding	Single-Family Dwelling ²	of Personal Income ³	
2023	\$ 164,780,059	\$ 851,509,567	\$ 1,236,427,002	\$ 2,072,176	\$ 236,177	\$ 363,173	\$ -	\$ 2,090,608,095	\$ 3,387	N/A
2022 ⁸	166,355,214	857,189,342	1,296,708,746	3,466,654	435,258	-	-	\$ 2,157,800,000	3,499	2.2%
2021 ⁷	167,880,369	868,346,800	1,351,358,780	4,817,040	210,173	-	-	\$ 2,224,732,793	3,714	2.4%
2020	169,355,524	833,574,181	1,233,609,272	6,124,731	-	-	569,084	\$ 2,073,877,268	3,455	2.4%
2019	170,785,680	670,212,103	1,271,659,019	7,391,076	-	-	1,125,920	\$ 1,950,388,118	3,260	2.4%
2018	172,160,835	474,574,145	1,329,915,477	8,617,381	-	-	1,670,769	\$ 1,814,777,772	3,061	2.4%
2017	173,495,990	253,786,588	1,365,528,630	9,804,914	-	-	2,203,890	\$ 1,631,324,022	2,774	2.2%
2016	174,791,145	57,868,521	1,399,806,784	10,954,900	-	-	2,725,534	\$ 1,471,355,739	2,509	2.1%
2015	176,056,300	-	1,483,189,938	12,068,526	-	-	3,235,949	\$ 1,498,494,413	2,555	2.3%
2014	267,480,272	-	1,341,262,496	13,222,403	-	-	3,735,377	\$ 1,358,220,277	2,342	2.1%

Source: Resources Restricted to Repaying Principal from trust statement

Note ¹: Details regarding the Authority's outstanding debt can be found in the notes to the financial statements.

Note ² Equivalent single-family dwelling. Data is shown at schedule 6.

Note ³ Per Capita income data is shown on Schedule 12. Not available until April 2023.

Note ⁴ Revenue Bonds for the Authority (Regional San and SacSewer) presented Net of deferred items. See changes in long term obligations for detail.

Note ⁵ Authority Net Revenue Bonds are not included in the ratio calculation as all debt payments relating to the Authority Revenue Bonds are paid by SacSewer.

Note ⁶ In FY 2021-22 name changed from Capital Lease to Finance Purchase name.

Note ⁷ Fiscal year 2021 has been revised in accordance with the implementation GASB Statement No. 87, *Leases*. Prior years have not been restated as permitted by the standard.

Note ⁸: Fiscal year 2022 has been revised in accordance with the implementation GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Prior years have not been restated as permitted by the standard.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Pledged Revenue Coverage

Fiscal Years 2013-2014 through 2022-2023

Schedule 11

(Dollars in Thousands)

Fiscal Year	Sewer Service Fees	Sewer Impact Fees	Interest Grants and Other Operating Income	Gross Revenues	Less Operating Expenses (excluding depreciation, amortization and landfill)	Net Revenues	Revenue Bonds Principal	Debt Interest	Service Total	Coverage Ratio ¹
2023	\$297,031	\$21,089	\$ 30,322	\$ 348,442	\$ 133,901	\$ 214,541	\$50,645	\$45,911	\$96,556	2.22
2022 ³	287,105	22,016	15,149	324,270	114,178	210,092	45,085	47,019	92,104	2.28
2021 ²	272,884	28,985	15,016	316,885	136,445	180,440	37,765	44,310	82,075	2.20
2020	280,224	23,661	26,168	330,053	135,012	195,041	35,330	49,439	84,769	2.30
2019	282,338	29,510	28,565	340,413	129,267	211,146	54,975	53,387	108,362	1.95
2018	271,617	25,385	24,089	321,091	119,277	201,814	32,295	55,889	88,184	2.29
2017	261,073	21,936	19,604	302,613	111,146	191,467	30,960	57,336	88,296	2.17
2016	237,034	13,618	16,596	267,248	106,511	160,737	30,065	58,461	88,526	1.82
2015	216,876	10,740	16,038	243,654	104,838	138,816	23,090	59,972	83,062	1.67
2014	191,128	7,330	12,954	211,512	100,428	111,084	22,600	56,742	79,342	1.40

Note ¹: This schedule presents all non-general obligation long-term debt backed by pledged revenues. The coverage ratio differs from those required by specific bond indentures.

Note ²: Fiscal year 2021 has been revised in accordance with the implementation GASB Statement No. 87, *Leases*. Prior years have not been restated as permitted by the standard.

Note ³: Fiscal year 2022 has been revised in accordance with the implementation GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Prior years have not been restated as permitted by the standard.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Demographic and Economic Statistics

Fiscal Years 2013-2014 through 2022-2023 Schedule 12

Fiscal Year	County Population	Personal Income <i>(in thousands)</i>	Per Capita Personal Income	County Unemployment Rate	School Enrollment	County Labor Force
2023	1,572,453	NA	NA	3.9%	248,000	731,000
2022	1,588,921	\$ 98,241,828	\$ 61,829	7.0%	243,000	727,000
2021	1,578,680	90,908,707	58,307	9.3%	246,000	713,000
2020	1,552,058	85,775,621	55,266	3.7%	250,000	709,000
2019	1,540,975	80,969,087	52,544	3.8%	247,000	706,900
2018	1,530,615	76,832,120	50,197	4.6%	246,000	703,500
2017	1,514,460	72,878,458	48,122	5.4%	244,000	697,600
2016	1,501,335	69,870,182	46,539	6.0%	243,000	693,000
2015	1,482,000	65,126,187	43,944	7.3%	241,000	689,800
2014	1,462,000	63,512,541	43,438	8.8%	240,000	679,300

Note: NA = Not available until April 2023. Information will be updated next fiscal year.

Source: Sacramento County Comprehensive Annual Financial Report
County Labor Force from California Employment Department (amounts are for previous calendar year)

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Private Sector Principal Employers

Current Year and Nine Years Ago Schedule 13

<u>Employer</u>	<u>Number of Employees</u>	<u>Percent of County Labor Force ¹</u>
	<u>2023 ^a</u>	<u>2023 ^c</u>
UC Davis Health System	16,075	2.30%
Kaiser Permanente	10,934	1.56%
Sutter / California Health Services	9,350	1.33%
Dignity /Mercy Healthcare	7,353	1.05%
Intel Corporation	5,000	0.71%
Raley's Inc./Bel Air	2,756	0.39%
Seimens Mobility Inc	2,500	0.36%
Safeway	1,874	0.27%
Golden 1 Credit Union	1,776	0.20%
Pacific Gas and Electric Co.	1,370	0.13%
	<u>2014 ^b</u>	<u>2014 ^c</u>
Sutter/California Health Services	9,494	1.53%
Kaiser Permanente	9,109	1.47%
Dignity /Mercy Healthcare	7,397	1.19%
Raley's Inc./Bel Air	6,240	1.01%
Intel Corporation	6,000	0.97%
Wells Fargo & Co.	3,249	0.52%
Hewlett-Packard Co.	3,200	0.52%
Cache Creak Casino Resort	2,400	0.39%
HealthNet of CA	2,358	0.38%
VSP Global	2,223	0.36%

Source ^a: Sacramento Business Journal Annual Book of Lists

Source ^b: Sacramento Area Commerce and Trade Organization

Source ^c: California Employment Development Department, Labor Market Information

Note ¹: County labor force is shown in schedule 12.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Number of Employees by Identifiable Activity

Fiscal Years 2013-2014 through 2022-2023 Schedule 14

	Full-time-Equivalent Employees as of June 30									
	<u>2023</u>	<u>2022</u>	<u>2021</u> ²	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Maintenance and Operations	229	237	226	244	244	247	245	259	239	241
Engineering ³	75	68	77	87	89	85	85	88	90	89
Laboratory	33	32	30	30	30	29	28	29	29	29
Source Control	14	15	14	14	15	15	14	14	14	14
Administration ¹	89	92	85	87	97	100	108	108	108	109
Total Employees	<u>440</u>	<u>444</u>	<u>432</u>	<u>462</u>	<u>475</u>	<u>476</u>	<u>480</u>	<u>498</u>	<u>480</u>	<u>482</u>

Note: Regional San has no employees; the above reflects County employees working for Regional San.

Note ¹: Administration includes Material Support, Plant Administration, Communications & Media, MIS and Office of Finance.

Note ²: In 2021, 19 positions from Interceptor O&M was moved to SASD

Note ³: In 2013 Bufferlands and Documentation were moved under Engineering.

Source: Sacramento Regional County Sanitation District budget documents

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Operating and Capital Indicators

Fiscal Years 2013-2014 through 2022-2023 Schedule 15

	Fiscal Year									
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Miles of sewers	169	169	169	169	169	169	169	169	169	172
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Treatment capacity (MG ¹ per day)	181	181	181	181	181	181	181	181	181	181
Gallons treated annually (MG) ¹	45,853	40,967	39,420	39,785	45,990	42,340	40,545	40,383	40,515	42,351
Capacity utilized	69%	62%	60%	60%	70%	64%	61%	61%	61%	64%

Note ¹: MG = millions of gallons.

Source: Wastewater Treatment Plant

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Sacramento, California

Bond Disclosure Section

For the Fiscal Years Ended June 30, 2023 and 2022

**ANNUAL CONTINUING DISCLOSURES FOR THE SACRAMENTO COUNTY
SANITATION DISTRICT FINANCING AUTHORITY AND
SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT**

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

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

This section is provided in accordance with the requirements of the:

- Continuing Disclosure Certificate for the Sacramento County Sanitation Districts Financing Authority of its Revenue Bonds, Series 2021 (2021 Bonds)"
- Continuing Disclosure Certificate for the Sacramento County Sanitation Districts Financing Authority of its Revenue Bonds, Series 2020 B (2020 B Bonds)"
- Continuing Disclosure Certificate for the Sacramento County Sanitation Districts Financing Authority of its Revenue Bonds, Series 2020 A (2020 A Bonds)"
- Continuing Disclosure Certificate for the Sacramento County Sanitation Districts Financing Authority of its Revenue Bonds, Series 2014 B (2014 B Bonds)"
- "Continuing Disclosure Certificate for the Sacramento County Sanitation Districts Financing Authority of its Revenue Bonds, Series 2014 A (2014 A Bonds)"
- "Continuing Disclosure Certificate for the Sacramento County Sanitation Districts Financing Authority of its Subordinate Lien Variable Rate Refunding Revenue Bonds, 2012A, 2013B, 2013C and 2013D, (2012A, 2013 B, 2013C and 2013 D Bonds)"
- "Continuing Disclosure Certificate for the Sacramento County Sanitation Districts Financing Authority of its Refunding Revenue Bonds, Series 2007A (2007A Bond)"

The material provided under the Certificates is intended to meet or exceed the requirements of Securities and Exchange Commission Rule 15c2-12(b) (5) (the Rule). The data tables provided herein apply equally to the 2000, 2001, 2007, 2011, 2012, 2013 B through 2013 D, 2014 A, 2014 B, 2020 A, 2020 B and 2021 issues.

This Bond Disclosure Section included within Regional San's Annual Comprehensive Financial Report (ACFR) provides the information required by the Continuing Disclosure Certificates. The ACFR, in turn, will be filed with the MSRB's Electronic Municipal Market Access (EMMA) which transmits it to the National Repositories. The ACFR may also be found at www.regionalsan.com.

**ANNUAL CONTINUING DISCLOSURES FOR THE SACRAMENTO COUNTY
SANITATION DISTRICT FINANCING AUTHORITY AND
SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT**

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

ANNUAL REPORT

As required by the Certificates, this annual report is incorporated into the ACFR and includes, by reference, the audited financial statements of Regional San for the prior fiscal year.

The annual report also contains the following five (5) sections that are required in the Certificates:

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

REPORTING OF SIGNIFICANT EVENTS

No withdrawals were taken from the Rate Stabilization Fund in fiscal year 2022-23 or 2021-22 and Regional San does not currently project withdrawals from the rate stabilization reserve.

As of June 30, 2023, none of the Events listed in Section 5 of the Certificates have occurred for the outstanding bonds issued by the Financing Authority. As of June 30, 2023, there is no knowledge on the part of the Board of Directors, officers, or employees of the Sacramento Regional County Sanitation District of any impending Significant Event that would require disclosure under the provisions of the Certificate.

ADDITIONAL INFORMATION

In October 1993, Regional San entered into a Joint Exercise of Powers Agreement organized under Section 6500 et seq. of the California Government Code with the Sacramento Area Sewer District (SacSewer) to form the Financing Authority for the purpose of facilitating the financing of acquisition and/or constructing of real and personal property in and for Regional San and SacSewer. The Board of Directors of Regional San serves as the Financing Authority's governing board. For financial reporting purposes, the Financing Authority and Regional San have a financial and operational relationship which requires that the Financing Authority's financial statements be blended into Regional San's financial statements. Separate financial statements for the Financing Authority are available from Regional San at 10060 Goethe Road, Sacramento Ca, 95827, upon request.

**ANNUAL CONTINUING DISCLOSURES FOR THE SACRAMENTO COUNTY
SANITATION DISTRICT FINANCING AUTHORITY AND
SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT**

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

The table in section 5 represents only the Regional San portion of revenues, maintenance and operations costs, net revenues, debt service coverage, and certain fund balances of Regional San for the immediately preceding five fiscal years.

For all swaps Regional San pursues with respect to each transaction there are two main strategies which are, i) Mitigate fluctuations in variable interest rates and ii) Reduce interest expense resulting from the difference between short and long-term rates.

(i) Mitigate the effect of fluctuations in variable interest rates. This is the primary function of the swaps. Regional San pays a fixed rate, and receives a floating rate. In an interest rate environment whose level is generally higher than the rate at which Regional San is fixed, the swap would result in a positive value to Regional San. Correspondingly, a lower rate environment than the fixed rate would result in a negative value to Regional San. The value primarily depends on the overall level of interest rates on the reporting date compared to what Regional San pays. The overall level of long-term interest rates from period to period is the primary driver of changes in value recorded from the investment derivatives where Regional San pays fixed and receives a floating rate. Interest rates have trended lower since inception of the pay fixed swaps; therefore, the mark-to-market value is generally more negative to Regional San.

(ii) Reduce interest expense from expected benefit resulting from the difference between short and long-term rates. This is the function of a swap where Regional San receives floating amounts based on a longer term index with the expectation of receiving an ongoing net benefit compared to short-term rates paid on the variable bonds being hedged. Longer term interest rates, such as the 5 Year Constant Maturity Swap (CMS) Index, are generally higher than shorter term interest rates, such as a weekly rate, which Regional San pays on the variable bonds. Therefore, when shorter term interest rates came close to, or exceeded longer term rates, Regional San entered into swaps whose receipts on the receive floating leg are based on a longer term index that is expected to outperform the payments on Regional Sans variable debt.

Part of the fair value of this swap is determined by the prevailing level of short-term versus long-term rates, that is, the steepness of the yield curve. The higher the level of long-term rates compared to shorter term rates, the higher the expected benefit to Regional San, therefore, the higher the mark-to-market value of the swap. Regional San pays a fixed rate on this swap transaction, therefore the other part of the value of the swap is determined by the prevailing level of interest rates compared to when Regional San entered into the swap transaction.

Since interest rates have trended lower since inception, the mark-to-market value will be more negative to Regional San, even though Regional San may be receiving a net benefit from the receipts based on the 5 Year CMS Index. Since the long-term index is expected to out-perform the short-term variable rate, the tests under GASB Statement No. 53 deem the transactions investment instruments.

**ANNUAL CONTINUING DISCLOSURES FOR THE SACRAMENTO COUNTY
SANITATION DISTRICT FINANCING AUTHORITY AND
SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT**

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

Section (1) A table setting forth the percentage of service charge revenues received from each of the Contributing Agencies for the immediately preceding five (5) fiscal years.

Percentage of Service Charge Revenues by Contributing Agencies				
Fiscal Years Ended June 30,	SacSewer	City of Sacramento	City of Folsom	City of West Sacramento
2019	72%	20%	5%	3%
2020	71%	20%	5%	4%
2021	72%	19%	5%	4%
2022	72%	20%	5%	3%
2023	73%	19%	5%	3%

Section (2) A table indicating the number of residential/commercial customer accounts (by equivalent single-family dwellings and other appropriate measure) and industrial customer accounts and the percentage of service charge revenues by each of such customer classifications for the immediately preceding five (5) fiscal years.

**Number of Accounts and Revenues by Customer Class
for the Fiscal Years Ended June 30**

Residential/Commercial		
Fiscal Years Ended June 30,	Number of Equivalent Single-family Dwelling	Percentage of Service Charge Revenues
2019	598,217	96.1%
2020	600,203	96.4%
2021	599,024	96.2%
2022	616,770	95.3%
2023	617,323	95.4%

Industrial		
Fiscal Years Ended June 30,	Number of Customer Accounts	Percentage of Service Charge Revenues
2019	131	3.9%
2020	127	3.6%
2021	139	3.8%
2022	150	4.7%
2023	148	4.6%

**ANNUAL CONTINUING DISCLOSURES FOR THE SACRAMENTO COUNTY
SANITATION DISTRICT FINANCING AUTHORITY AND
SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT**

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

Section (3) A table listing the ten (10) largest industrial customers and the total service charge revenues received from each of such customers for the immediately preceding fiscal year.

**Largest Industrial Customers of the District
for the Fiscal Year Ended June 30, 2023**

<u>Largest Industrial Customers</u>	<u>Revenues Received</u>
Proctor and Gamble Manufacturing	\$ 2,967,733
H.P. Hood, LLC	2,347,031
Nor-Cal Beverage Company, Inc.	620,323
Mission Linen Supply	408,191
The American Bottling Company	440,302
Folsom State Prison	329,796
Sacramento International Airport	312,524
Huhtamaki, Inc.	292,121
Bottling Group, LLC dba Pepsi Beverages	306,888
Aramark Uniform Services (National)	262,096
	<u>\$ 8,287,005</u>

Section (4) A table providing a comparison of sewer service rates and impact fees for single-family residences for Regional San and the Contributing Agencies.

**Sewer Rates and Impact Fees
for the Fiscal Year Ended June 30, 2023**

<u>Monthly Service Charges</u>	<u>Regional San</u>	<u>Local</u>	<u>Total</u>
Regional San & SacSewer	\$37.00	\$19.85	\$56.85
Regional San & City of Folsom	37.00	25.43	62.43
Regional San & City of Sacramento	37.00	31.65	68.65
Regional San & City of West Sacramento	37.00	10.88	47.88
<u>Sewer Impact Fees (a)</u>	<u>Regional San</u>	<u>Local</u>	<u>Total</u>
Regional San & SacSewer (b)	\$6,479	\$3,414	\$9,893
Regional San & City of Folsom	6,479	1,073	7,552
Regional San & City of Sacramento (c)	6,479	2,183	8,662
Regional San & City of West Sacramento	6,479	7,011	13,490

(a) Regional San impact fee is based on new area fee. Infill area impact fee is \$3,602

(b) SacSewer Fee is based on expansion area. Relief area impact fee is \$748.

(c) Connection fee is based on 4" pipe at \$218.25 per foot. Assumed 10 feet from residence to sewer pipe.

**ANNUAL CONTINUING DISCLOSURES FOR THE SACRAMENTO COUNTY
SANITATION DISTRICT FINANCING AUTHORITY AND
SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT**

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

Section (5) A table showing Regional San's Revenues, Maintenance and Operations Costs, Net Revenues, Debt Service Coverage, and Certain Fund Balances of Regional San for the immediately preceding five (5) fiscal years.

Revenues, Maintenance and Operation Costs, Net Revenues, Debt Service Coverage, and Certain Fund Balances of the Regional San ¹ for the Fiscal Years Ended June 30 (in thousands)					
Revenue					
Operating	2019	2020	2021 ⁽²⁾	2022 ⁽³⁾	2023
Sewer Service fees	\$ 282,338	\$ 280,224	\$ 272,884	\$ 287,105	\$ 297,031
Sewer Impact fees	29,510	23,661	28,985	22,016	21,089
	<u>311,848</u>	<u>303,885</u>	<u>301,869</u>	<u>309,121</u>	<u>318,120</u>
Non-operating					
Interest income	10,880	9,313	3,699	2,962	11,258
Other revenue	16,039	16,852	11,022	8,631	8,084
	<u>26,919</u>	<u>26,165</u>	<u>14,721</u>	<u>11,593</u>	<u>19,342</u>
	<u>338,767</u>	<u>330,050</u>	<u>316,590</u>	<u>320,714</u>	<u>337,462</u>
M&O expense					
Total Operating	\$ 180,201	\$ 187,165	\$ 190,889	\$ 169,846	\$ 189,072
Less: Landfill Closure	(34)	(551)	(229)	(1,076)	(1,515)
Less: Depreciation and amortization	<u>(50,900)</u>	<u>(51,602)</u>	<u>(54,215)</u>	<u>(54,593)</u>	<u>(53,655)</u>
	<u>129,267</u>	<u>135,012</u>	<u>136,445</u>	<u>114,177</u>	<u>133,902</u>
Net Revenue	<u>\$ 209,500</u>	<u>\$ 195,038</u>	<u>\$ 180,145</u>	<u>\$ 206,537</u>	<u>\$ 203,560</u>
Addition/(Deduction) for Rate Stabilization Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Revenue for Coverage Test	\$ 209,500	\$ 195,038	\$ 180,145	\$ 206,537	\$ 203,560
Senior lien debt service	\$ 79,473	\$ 88,270	\$ 89,424	\$ 120,159	\$ 124,217
Total lien debt service	\$ 88,848	\$ 97,291	\$ 94,504	\$ 124,303	\$ 129,237
Senior Coverage ⁽¹⁾	2.64	2.21	2.01	1.72	1.64
Total Coverage ⁽¹⁾	2.36	2.00	1.91	1.66	1.58
Reserves, end of year	\$ 192,566	\$ 197,386	\$ 204,800	\$ 225,561	\$ 234,764

(1) As defined in the Installment Purchase Contract which may or may not be on the same basis as Generally Accepted Accounting Principles.

(2) Fiscal Year 2021 has been revised in accordance with the implementation of GASB Statement No. 87, *Leases*. Prior years have not been restated as permitted by the Standard.

(3) Fiscal Year 2022 has been revised in accordance with the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangement*. Prior years have not been restated as permitted by the Standard.

Intentionally Blank

ACKNOWLEDGEMENTS

This Annual Comprehensive Financial Report was prepared by the Regional San Finance Section.

Christoph Dobson
District Engineer
Regional San

M. Tapa Banda
Chief Financial Officer
Regional San

Glen Iwamura
Senior Accounting Manager
Regional San

Nou Her
Senior Accountant
Regional San



Sacramento Regional County Sanitation District

Sacramento, California

