

**SACRAMENTO COUNTY SANITATION  
DISTRICTS FINANCING AUTHORITY**  
(A Component Unit of the Sacramento  
Regional County Sanitation District)

Independent Auditor's Reports,  
Basic Financial Statements,  
and Required Supplementary Information

For the Fiscal Year Ended June 30, 2023



Certified  
Public  
Accountants

**SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY**  
**(A Component Unit of the Sacramento Regional County Sanitation District)**  
For the Fiscal Year Ended June 30, 2023

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## **Independent Auditor's Report**

Board of Directors  
Sacramento County Sanitation Districts Financing Authority  
Sacramento, California

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of the Sacramento County Sanitation Districts Financing Authority (Authority), a component unit of the Sacramento Regional County Sanitation District, as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority'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 the Authority as of June 30, 2023, and the changes in financial position and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*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 the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

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

### ***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 the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 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 the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 the Authority's internal control over financial reporting and compliance.

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

Sacramento, California  
December 27, 2023

# SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

### FOR THE FISCAL YEAR ENDED JUNE 30, 2023

The Sacramento County Sanitation Districts Financing Authority (the Authority), a component unit of the Sacramento Regional County Sanitation District (Regional San), was created pursuant to a Joint Exercise of Powers Agreement with Regional San and the Sacramento Area Sewer District (SacSewer), in October 1993 for the purpose of facilitating the financing of acquisition and/or constructing of real and personal property in and for the Regional San and SacSewer. This section presents a discussion and analysis of the Authority's financial performance during the fiscal year ended June 30, 2023. Please read it in conjunction with the Authority's basic financial statements following this section.

#### FINANCIAL HIGHLIGHTS

- At June 30, 2023, the assets and deferred outflows of resources of the Authority exceeded liabilities and deferred inflows of resources by \$17.5 million (*net position*), of which all was unrestricted.
- The Authority's net position decreased by \$1.9 million during fiscal year 2022-23. The main cause of the decrease was from the amortization of deferred outflows on refunding offset by the amortization of deferred inflows on loan refunding.
- The Authority's long-term debt obligations decreased by approximately \$67.5 million during the 2022-23 fiscal year. These changes were mainly the result of scheduled debt service payments.
- In April 2015, the State Water Resources Control Board approved a financing program with the Authority for the EchoWater Project in the amount of approximately \$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. Repayment for each component project will begin one year after completion of construction. As of June 30, 2023, the outstanding balance was \$845,917,415.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

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

**Basic Financial Statements** (pages 8 - 10) are designed to provide readers with a broad overview of the Authority's finances.

The *Statement of Net Position* presents information on all the Authority's assets and deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *Statement of Revenues, Expenses and Change in Net Position* presents information showing how net position changed during the year. 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 *Statement of Cash Flows* presents information about the cash receipts and cash payments of the Authority during the year. When used with related disclosures and information in the other financial statements, the information provided in these statements should help financial report users assess the Authority'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 the Authority's financial position of its cash and its noncash investing, capital, and related financing transactions during the year.

# SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

**Notes to the Basic Financial Statements** (pages 11 - 23) provide additional information that is essential to a full understanding of the data provided in the Authority'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 the Authority's financial position. As of June 30, 2023, total assets and deferred outflows exceeded total liabilities and deferred inflows by \$17.5 million. During the fiscal year ended June 30, 2023, net position decreased by \$1.8 million.

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

#### Condensed Statements of Net Position (Amounts Expressed in Thousands)

	<u>2023</u>	<u>% Change</u>	<u>2022</u>
Assets:			
Current Assets	\$ 85,197	-7.2%	\$ 91,785
Noncurrent Assets	<u>2,176,815</u>	-2.7%	<u>2,238,082</u>
Total assets	<u>2,262,012</u>	-2.9%	<u>2,329,867</u>
Deferred Outflows	<u>18,484</u>	-9.4%	<u>20,412</u>
Liabilities:			
Current liabilities	85,197	-7.2%	91,785
Noncurrent liabilities	<u>2,176,815</u>	-2.7%	<u>2,238,082</u>
Total liabilities	<u>2,262,012</u>	-2.9%	<u>2,329,867</u>
Deferred Inflows	<u>1,009</u>	-7.2%	<u>1,087</u>
Net position:			
Unrestricted - Regional San	18,484	-9.4%	20,412
Unrestricted - SacSewer	<u>(1,009)</u>	-7.2%	<u>(1,087)</u>
Total net position	<u>\$ 17,475</u>	-9.6%	<u>\$ 19,325</u>

In fiscal year ended 2023, the total assets decreased by \$67.8 million mainly due to the net change in long-term receivables. Long-term receivables from Regional San decreased by \$59.6 million. This decrease was mostly due to the scheduled debt payments received from Regional San. Long-term receivables from SacSewer decreased by \$1.6 million due to scheduled debt payments. Deferred outflows decreased by \$1.9 million due to the amortization of deferred charges. Deferred inflows decreased by \$78 thousand due to the amortization of deferred credits. Total liabilities decreased by \$67.8 million due to the net decrease in long-term obligations as a result of the scheduled debt service payments.

# SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

### FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

#### Condensed Statements of Changes in Net Position (Amounts Expressed in Thousands)

	2023	% Change	2022
Operating revenues	\$ 55,843	-10.5%	\$ 62,410
Nonoperating revenues (expenses):			
Interest expense	(57,693)	-10.4%	(64,422)
Change in net position	(1,850)	8.1%	(2,012)
Net position, beginning of year	19,325		21,337
Net position, end of year	<u>\$ 17,475</u>		<u>\$ 19,325</u>

Total operating revenues decreased by approximately \$6.6 million. This is due to the decrease of interest expense by Regional San for the outstanding bonds and State Revolving Funds (SRF) loans. The operating revenues reflect the activity of expenses associated with repayment of the long-term debt. Net position decreased by approximately \$1.8 million during the 2023 fiscal year. The decrease is attributable to the amortization of the gain and loss on bond refunding.

#### LONG-TERM DEBT ACTIVITY

**Long-term obligations** totaled \$2.2 billion and \$2.3 billion at June 30, 2023, and 2022, respectively. These amounts were comprised of SacSewer and Regional San's revenue bonds, and the SRF loans. The following table summarizes the amount of long-term obligations for the fiscal years ended June 30, 2023, and 2022.

#### Authority's Outstanding Long-term Obligations (Amounts Expressed in Thousands)

	2023	2022
SacSewer Revenue Bonds, Net	\$ 164,780	\$ 166,355
Regional San Revenue Bonds and Loans, Net	2,087,937	2,153,898
Total Long-term obligations	<u>\$ 2,252,717</u>	<u>\$ 2,320,253</u>

Revenue bonds and loans related to the Regional San have decreased by approximately \$81.0 million. The decrease was a result of the scheduled debt payments and bond premium amortization. The decrease was offset by an increase in the SRF Loan due to an additional draw of \$12.8 million and \$2.3 million of interest expense that was capitalized and added to the principal balance. Revenue bonds related to SacSewer have decreased by approximately \$1.6 million during the 2022-23 fiscal year. These changes were the result of scheduled debt service payments of \$1.2 million and bond premium amortization of \$345 thousand.

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



# **SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

### **ADDITIONAL INFORMATION**

This financial report is designed to provide a general overview of the Authority'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 Regional San, 10060 Goethe Road, Sacramento California 95827, or phone (916) 876-6116.

**SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY**  
**(A Component Unit of the Sacramento Regional Sanitation District)**

STATEMENT OF NET POSITION  
JUNE 30, 2023

**ASSETS:**

CURRENT ASSETS:

Loans receivable from Regional San	\$ 74,281,919
Accrued interest receivable from Regional San	5,458,811
Loans receivable from SacSewer	1,620,155
Accrued interest receivable from SacSewer	3,835,941
TOTAL CURRENT ASSETS	<u>85,196,826</u>

NONCURRENT ASSETS:

Long-term loans receivable from Regional San	2,013,654,650
Long-term loans receivable from SacSewer	163,159,904
TOTAL NONCURRENT ASSETS	<u>2,176,814,554</u>

TOTAL ASSETS	<u>2,262,011,380</u>
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**DEFERRED OUTFLOWS OF RESOURCES:**

Deferred amounts on refunding - Regional San	<u>18,484,265</u>
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**LIABILITIES:**

CURRENT LIABILITIES:

Interest payable - Regional San	5,458,811
Current portion of long-term obligations - Regional San	74,281,919
Bond interest payable - SacSewer	3,835,941
Current portion of long-term obligations - SacSewer	1,620,155
TOTAL CURRENT LIABILITIES	<u>85,196,826</u>

NONCURRENT LIABILITIES:

Long-term obligations - Regional San	2,013,654,650
Long-term bond obligations - SacSewer	163,159,904
TOTAL NONCURRENT LIABILITIES	<u>2,176,814,554</u>
TOTAL LIABILITIES	<u>2,262,011,380</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows on loan refunding - SacSewer	<u>1,009,179</u>
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**NET POSITION:**

Unrestricted - Regional San	18,484,265
Unrestricted - SacSewer	(1,009,179)
TOTAL NET POSITION	<u><u>\$ 17,475,086</u></u>

See accompanying notes to the basic financial statements.

**SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY**  
**(A Component Unit of the Sacramento Regional County Sanitation District)**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**OPERATING REVENUES:**

Base payment from Regional San	\$ 46,977,523
Base payment from SacSewer	<u>8,865,205</u>
Total operating revenues	<u>55,842,728</u>
Operating income	<u>55,842,728</u>

**NONOPERATING EXPENSES:**

Interest expense - Regional San	(48,905,539)
Interest expense - SacSewer	<u>(8,787,575)</u>
Total nonoperating expenses	<u>(57,693,114)</u>

Change in net position (1,850,386)

Net position, beginning of year 19,325,472

Net position, end of year \$ 17,475,086

See accompanying notes to the basic financial statements.

**SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY**  
**(A Component Unit of the Sacramento Regional County Sanitation District)**

**STATEMENT OF CASH FLOWS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from Regional San, principal portion	\$ 71,433,725
Cash received from Regional San, interest portion	54,583,152
Cash paid to Regional San for long-term debt issuance	(12,779,432)
Cash received from SacSewer, principal portion	1,230,000
Cash received from SacSewer, interest portion	9,230,860
Net cash provided by operating activities	<u>123,698,305</u>

**CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:**

Regional San principal payments on long-term debt	(71,433,725)
Regional San interest payments on long-term debt	(54,583,152)
Regional San proceeds from issuance of long-term obligations	12,779,432
SacSewer principal payments on long-term debt	(1,230,000)
SacSewer interest payments on long-term debt	(9,230,860)
Net cash used in non-capital financing activities	<u>(123,698,305)</u>

Net change in cash	-
Cash, beginning of year	<u>-</u>
Cash, end of year	<u><u>\$ -</u></u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES:**

Operating income	\$ 55,842,728
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Interest receivable from Regional San	298,403
Loans receivable from Regional San	65,961,519
Interest receivable from SacSewer	20,500
Loans receivable from SacSewer	1,575,155
Net cash provided by operating activities	<u><u>\$ 123,698,305</u></u>

**NONCASH NON-CAPITAL FINANCING ACTIVITIES:**

Amortization of deferred loss on refunding - Regional San	\$ 1,928,015
Amortization of bond premium - Regional San	9,636,744
Amortization of deferred gain on refunding - SacSewer	77,629
Amortization of bond premium - SacSewer	345,155

See accompanying notes to the basic financial statements.

# **SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

### **1. REPORTING ENTITY**

The Sacramento County Sanitation Districts Financing Authority (the Authority), a component unit of the Sacramento Regional County Sanitation District (Regional San), was created pursuant to a Joint Exercise of Powers Agreement with the Regional San and the Sacramento Area Sewer District (SacSewer), in October 1993 for the purpose of facilitating the financing of acquisition and/or constructing of real and personal property in and for the Regional San and SacSewer.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Presentation**

The fiscal agent, as trustee for the bondholders, is required to maintain separate funds for specified activities. The accompanying basic financial statements of the Authority 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.

#### **Basis of Accounting**

The Authority uses the accounting principles applicable to enterprise funds. The Authority 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.

The Authority 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 the Authority's operations. The principal operating revenues of the Authority are base payments from Regional San and SacSewer.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

#### **Statement of Cash Flow**

For purposes of the statement of cash flows, the Authority considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash. As of June 30, 2023, the Authority did not own or report cash or investments.

#### **Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### **Deferred Outflows of Resources**

Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and thus, will not be recognized as an outflow of resources until that time. Deferred amounts on refunding were \$18,484,265 for Regional San. Amortization of deferred amounts on refunding is computed using the straight-line method over the remaining life of the old debt, or the life of the new debt, whichever is shorter, as a component of interest expense.

# SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY

## NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and thus, will not be recognized as an inflow of resources until that time. Deferred amounts on refunding were \$1,009,179 for SacSewer. Amortization of deferred amounts on refunding is computed using the straight-line method over the remaining life of the old debt, or the life of the new debt, whichever is shorter, as a component of interest expense.

### 3. LOAN TO PARTICIPATING AGENCIES

As stated in Note 1, the Authority was created pursuant to a Joint Exercise of Powers Agreement (JPA) with Regional San and SacSewer, in October 1993 for the purpose of facilitating the financing of acquisition and/or constructing of real and personal property in and for Regional San and SacSewer.

In return, Regional San and SacSewer and the JPA have entered into master installment agreements to repay these funds and interest, as well as repay the Authority for any costs incurred such as bond issuance costs. Such repayments, net of any interest earned by the Authority, are required to be sufficient to cover the Authority's debt service requirements on the bonds. As such, the set repayment schedules are consistent with the long-term liabilities repayment schedules. The balance of the loans as of June 30, 2023, is \$2,087,936,569 and \$164,780,059 for Regional San and SacSewer, respectively.

	Balance June 30, 2022	Increase	Decrease	Balance June 30, 2023
Loan receivable - Regional San	\$ 2,153,898,087	\$ 15,108,950	\$ (81,070,468)	\$ 2,087,936,569
Interest accrual - Regional San	5,757,214	5,458,811	(5,757,214)	5,458,811
Subtotal - Regional San	2,159,655,301	20,567,761	(86,827,682)	2,093,395,380
Loan receivable - SacSewer	166,355,214	-	(1,575,155)	164,780,059
Interest accrual - SacSewer	3,856,441	3,835,941	(3,856,441)	3,835,941
Subtotal - SacSewer	170,211,655	3,835,941	(5,431,596)	168,616,000
Total	<u>\$ 2,329,866,956</u>	<u>\$ 24,403,702</u>	<u>\$ (92,259,278)</u>	<u>\$ 2,262,011,380</u>

### 4. NET POSITION

The net position as reported in the Authority's financial reports consists of \$18,484,265, which is unrestricted for Regional San and \$(1,009,179), which is unrestricted for SacSewer.

# SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY

## NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

### 5. LONG-TERM DEBT

The Authority's long-term debt at June 30, 2023 consisted of the following:

#### **Regional San Long-Term Debt:**

##### **Revenue Bonds:**

2021 Series Refunding Bonds	\$ 319,690,442
2020B Series Taxable Refunding Bonds	67,560,000
2020A Series Revenue Bonds	270,621,595
2014B Series Taxable Refunding Bonds	7,045,000
2014A Series Refunding Bonds	358,349,965
2007A/B Series Refunding Bonds	13,160,000

##### **Direct Purchase Arrangements**

2013D Series Subordinate Refunding Bonds	50,000,000
2013C Series Subordinate Refunding Bonds	50,000,000
2013B Series Subordinate Refunding Bonds	50,000,000
2012A Series Subordinate Refunding Bonds	50,000,000

##### **Direct Borrowing**

Clean Water State Revolving Fund	<u>851,509,567</u>
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Total long-term debt - Regional San	2,087,936,569
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Less current portion - Regional San	<u>(74,281,919)</u>
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Long-term portion - Regional San	<u>2,013,654,650</u>
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#### **SacSewer Revenue Bonds:**

2010A/B Series Revenue Bonds	115,357,950
2015 Series Revenue Bonds	<u>49,422,109</u>

Total long-term debt - SacSewer	164,780,059
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Less current portion	<u>(1,620,155)</u>
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Long-term portion - SacSewer	<u>163,159,904</u>
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Total long-term portion	<u><u>\$ 2,176,814,554</u></u>
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# SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY

## NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

### 5. LONG-TERM DEBT (Continued)

#### 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 was approved to 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 an 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 vary in their start dates from March 2015 to June 2018 and completion dates from August 2016 to early 2023.

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. 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. As of June 30, 2023, \$854,719,091 in draws have been processed relating to the various 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, the loan balance for the EchoWater Project component of the CWSRF loan is \$845,917,415.

The table below shows the maximum loan amount and loan balance related to each of the eight EchoWater Project components at June 30, 2023.

<b>Echo Water Project Component</b>	<b>CWSRF Number</b>	<b>Estimated Cost/Maximum Loan Amount</b>	<b>Loan balance at 6/30/2023</b>	<b>Interest rate</b>
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-06-8025-130	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%
EchoWater CWSRF Loan		<u>\$ 1,394,515,724</u>	<u>\$ 845,917,416</u>	



# SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY

## NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

### 5. LONG-TERM DEBT (Continued)

In November 2015, the State Water Board approved construction financing for the phased construction of a transmission pipeline that will provide recycled water to the southern portions of the City of Sacramento. The Water Recycling Pipeline Project conveys 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. This project is complete and was accepted by the State Water Board in March 2019.

The table below shows the maximum loan amount, loan balance, interest rate and loan balance at June 30, 2023, for the Water Recycling Pipeline Project.

Water Recycling Pipeline Project	CWSRF Number	Estimated Cost/Maximum Loan Amount	Loan balance at 6/30/2023	Interest rate
Phase 1B	C-06-8082-110	\$ 8,182,200	\$ 5,592,151	1.0%

### Regional San - Direct Purchase 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 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 Authority, on behalf of Regional San, extended the agreement. The terms are for three years using the Securities Industry and Financial Markets Association (SIFMA) rate plus 0.38%. The extensions eliminated the exposure to the LIBOR index for these bonds.

BofA 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 and remarketing costs for the duration of the agreement.

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 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.

# **SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

### **5. LONG-TERM DEBT (Continued)**

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 Wells Fargo Bank (WFB). Under the current direct purchase agreement with the Series 2013 B Bonds dated June 11, 2022, 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 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.

#### **2021 Series Refunding Bonds**

In March 2021, the 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.

The Authority 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.

#### **2020B Series Taxable Refunding Bonds**

In July 2020, the 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.

The Authority 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 at June 30, 2023.

#### **2020A Series Revenue Bonds**

In July 2020, the Authority issued the 2020A Series Taxable 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 was used to pay for a portion of the EchoWater Project construction costs and \$100 million went towards refunding the 2000C Series Bond.

# **SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

### **5. LONG-TERM DEBT (Continued)**

#### **2020A Series Revenue Bonds (Continued)**

The Authority 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 at June 30, 2023.

#### **Regional San – 2014B Series Refunding Bonds**

In November 2014, the 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 at June 30, 2023.

#### **Regional San – 2014A Series Revenue Bonds**

In July 2014, the 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.

#### **Regional San - 2013D Series Refunding Bonds**

In November 2013, the 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 plus 38 basis points. Unamortized deferred amount on refunding was \$253,913 at June 30, 2023. Proceeds on the Series 2013 D Bonds were used for the refunding of the 2008 A Series Bonds.

#### **Regional San - 2013C Series Refunding Bonds**

In November 2013, the 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 of SIFMA plus 38 basis points. Unamortized deferred amount on refunding was \$253,913 at June 30, 2023. Proceeds on the Series 2013 C Bonds were used for the refunding of the 2008 B Series Bonds.

# **SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

### **5. LONG-TERM DEBT (Continued)**

#### **Regional San - 2013B Series Refunding Bonds**

In May 2013, the 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 at June 30, 2023. Proceeds on the Series 2013 B Bonds were used for the refunding of the 2008 A Series Bonds.

#### **Regional San - 2012A Series Refunding Bonds**

In July 2012, the 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 at June 30, 2023. Proceeds on the Series 2012 A Bonds were used for the refunding of the 2008 C Series Bonds.

#### **Regional San - 2007A and 2007B Series Refunding Bonds**

In February 2007, the 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.

The Series 2007 A Refunding Bonds mature serially commencing in fiscal year 2016 through 2036. 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 of such defeased bonds were outstanding as of June 30, 2023.

#### **Regional San - 2000 Series Revenue Bonds**

In June 2000, the Authority issued the Series 2000 C Subordinate Lien Variable Rate Revenue Bonds in the amount of \$100,000,000. Interest rates for the Series 2000 C rates are set by Bank of America Securities LLC on a weekly basis according to market trends. The variable rate was 0.08% at June 30, 2020. Proceeds from these debt issues were used to finance the acquisition and construction of new facilities. The Series 2000 C Variable Rate Revenue Bonds are secured by a pledge of and lien on the net revenues of Regional San subordinate to the claims of any additional parity revenue bonds subsequently issued by Regional San. On July 14, 2020, the Series 2000 C Bonds were redeemed early with the issuance of the 2020 A Series Bond.

# SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY

## NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

### 5. LONG-TERM DEBT (Continued)

#### Regional San - 2000 Series Revenue Bonds (Continued)

In June 2000, the Authority issued the Series 2000 A Revenue Bonds in the amount of \$390,563,095 and the Series 2000 B Refunding bonds in the amount of \$12,973,543. Proceeds from these 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. Final payment on the Series 2000 B Revenue bonds was made in December of 2003. The Series 2000A was refunded in 2010 with the issuance of the 2010 A and 2010 B Series Revenue Bonds.

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 earned 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 the Authority's financial statements. In December 2017, the final payment of the 1995 defeased Revenue Bonds were paid. As of June 30, 2023, \$5,690,000 of the Series 1993 defeased Revenue Bonds remain outstanding.

#### Regional San - Maturity Schedule

Future debt service requirements on the Authority's revenue bonds at June 30, 2023 are as follows:

Year Ending June 30,	Revenue Bonds			Notes from Direct Borrowings 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
Plus net unamortized discounts and premiums	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 0.57%, and the Series 2012A and 2013B Subordinate Lien Variable Rate Refunding Bonds are based on the rate of 0.62% and 0.79%, respectively.

# SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY

## NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

### 5. LONG-TERM DEBT (Continued)

#### SacSewer - 2015 Series Revenue Bonds

In May 2015, the Authority issued \$45,435,000 2015 Series Revenue Bonds. The bonds proceeds were placed in an irrevocable trust to completely defeased 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 as of June 30, 2023. Deferred amount on refunding was \$1,009,179 at June 30, 2023.

#### SacSewer - 2010 Series Revenue Bonds

In August 2010, the 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 the Authority. Unamortized premium was \$672,950 as of June 30, 2023.

#### SacSewer - Maturity Schedule

Future debt service requirements on the Authority's SacSewer revenue bonds as of June 30, 2023, are as follows:

<b>Fiscal years ending June 30:</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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 premiums	4,660,059	-	4,660,059
	<u>\$ 164,780,059</u>	<u>\$ 111,744,778</u>	<u>\$ 276,524,837</u>

# **SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

### **5. LONG-TERM DEBT (Continued)**

#### **Bond Covenants**

Pursuant to various agreements and resolutions entered into by SacSewer, Regional San and the Authority related to its Revenue Bonds, SacSewer and Regional San are 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 the SacSewer and 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, SacSewer and the Regional San were in compliance with the preceding covenants.

The debt issued by the Authority are not secured by a legal or equitable pledge, or charge or lien upon, any property of the Authority or any of its income or receipts except the 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 Authority or any member of the Authority 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.

#### **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 SacSewer and Regional San's long-term obligations through June 30, 2023, was \$0. 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.

# SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY

## NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

### 5. LONG-TERM DEBT (Continued)

#### Changes in Long-Term Obligations

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

	July 1, 2022	Increase	Decrease	June 30, 2023	Due Within One year
<b>SacSewer</b>					
Revenue Bonds	\$ 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 - SacSewer	166,355,214	-	(1,575,155)	164,780,059	1,620,155
<b>Regional San</b>					
State revolving loan	857,189,342	15,108,950	(20,788,725)	851,509,567	24,730,175
Revenue bonds	920,070,000	-	(50,645,000)	869,425,000	39,915,000
Notes from direct borrowings	200,000,000	-	-	200,000,000	-
Plus:					
Premium	176,638,746	-	(9,636,744)	167,002,002	9,636,744
Total - Regional San	2,153,898,088	15,108,950	(81,070,469)	2,087,936,569	74,281,919
<b>Total</b>	<u>\$ 2,320,253,302</u>	<u>\$ 15,108,950</u>	<u>\$ (82,645,624)</u>	<u>\$ 2,252,716,628</u>	<u>\$ 75,902,074</u>

Premiums, which are recorded as part of long-term bond obligation, are amortized over the remaining life of the old debt or over the life of the new debt, whichever is shorter, using the straight line method.

The Authority'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 the Authority is unable to make payment. The Authority's outstanding notes from direct borrowings, bonds and the state revolving loan are secured by a pledge of and charge and lien of the Authority's revenues.

### 6. FUTURE ACCOUNTING 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 of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. 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. This Authority is currently evaluating the effect of this standard on the financial statements.



# **SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

### **6. FUTURE ACCOUNTING PRONOUNCEMENTS (Continued)**

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. The Authority 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. The Authority has not determined the effect, if any, on the financial statements.

## OTHER REPORT

**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Board of Directors  
Sacramento County Sanitation Districts Financing Authority  
Sacramento, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Sacramento County Sanitation Districts Financing Authority (Authority), a component unit of the Sacramento Regional County Sanitation District, as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 27, 2023.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Macias Gini & O'Connell LLP*

Sacramento, California

December 27, 2023