

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

Independent Auditors' Reports,
Basic Financial Statements,
and Required Supplementary Information

For the Year Ended June 30, 2015

**SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Sacramento County Sanitation Districts Financing Authority (the Authority), a component unit of the Sacramento Regional County Sanitation District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement...

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2015, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Vavrinik, Trine, Day & Co. LLP

Sacramento, California
December 2, 2015

SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

The Sacramento County Sanitation Districts Financing Authority (the Authority), a component unit of the Sacramento Regional County Sanitation District (the District), was created pursuant to a Joint Exercise of Powers Agreement with the District and the Sacramento Area Sewer District (SASD), in October 1993 for the purpose of facilitating the financing of acquisition and/or constructing of real and personal property in and for the District and SASD. This section presents a discussion and analysis of the Authority's financial performance during the fiscal years ended June 30, 2015. Please read it in conjunction with the Authority's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- In July 2014, the Sacramento County Sanitation Districts Financing Authority issued the 2014 A Series Revenue Bonds in the amount of \$378,510,000. The bond proceeds were then loaned to the District. The bonds mature serially from December 2016 through December 2044. Interest rates for the Series 2014 A range 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 provide \$150,000,000 to finance a portion of the Echo Water Project.
- In November 2014, the Sacramento County Sanitation Districts Financing Authority issued the 2014 B Series Revenue Bonds taxable senior lien bonds in the amount of \$61,895,000. The bond proceeds were then loaned to the District. The bonds mature serially from December 2015 through December 2023. Interest rates for the Series 2014 B range 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.
- In May 2015, the Sacramento County Sanitation Districts Financing Authority issued \$45,435,000 2015 Series Revenue Bonds. The bonds proceeds were then loaned to SASD. The bonds mature serially from August 2025 through August 2035. Interest rates for the Series 2015 range from 3.000% to 5.000%, principal payments range from \$3,260,000 to \$5,115,000 with the first payment starting in August 2025 and ending in August 2035. Proceeds were used to refund the Series 2005 Revenue Bonds
- November 2014, the Authority executed an escrow liquidation of the Series 1993 defeased Revenue Bonds. The amount of the early liquidation was \$8,375,000 saving approximately \$4.8 million.
- In April 2015, the State Water Resources Control Board approved a financing program for the Authority's Eco Water Project in the amount of approximately \$1.6 billion for eight component projects. Interest rates on the component projects ranges from 1.6 to 2.3 percent. Start dates from March 2015 to January 2018 with completion dates from August 2016 to March 2022. Repayment for each component project to begin one year after completion of construction.

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 (page 7) 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, deferred outflow of resources, and liabilities, with the difference between the two 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.

SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

The *Statement of Revenues, Expenses and Changes 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.

Notes to the basic Financial Statements (page 10) 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, 2015, total assets and deferred outflows exceeded total liabilities by \$41.4 million. During the fiscal year ended June 30, 2015, net position increased by \$13.5 million.

The following table summarizes the changes between assets, deferred outflows, liabilities, and net position as of June 30, 2015, and 2014:

Condensed Statements of Net Position

(Amounts Expressed in Thousands)

	<u>2015</u>	<u>% Change</u>	<u>2014</u>
Assets:			
Current Assets	\$ 43,129	4.5%	\$ 41,271
Noncurrent Assets	<u>1,624,598</u>	3.0%	<u>1,578,034</u>
Total assets	<u>1,667,727</u>	3.0%	<u>1,619,305</u>
Deferred Outflows	<u>41,485</u>	48.4%	<u>27,951</u>
Liabilities:			
Current liabilities	43,129	4.5%	41,271
Noncurrent liabilities	<u>1,624,598</u>	3.0%	<u>1,578,034</u>
Total liabilities	<u>1,667,727</u>	3.0%	<u>1,619,305</u>
Net position:			
Restricted net position	<u>41,485</u>	48.4%	<u>27,951</u>
Total net position	<u>\$ 41,485</u>	48.4%	<u>\$ 27,951</u>

SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

In fiscal year ended 2015, the total assets increased by \$48.4 million mainly due to the net change in long term receivables. Deferred outflows increased by \$13.5 million due to the amortization of deferred charges. Total liabilities increased by \$48.4 million due to a net increase in long term obligations. The following table summarizes the changes in net position for the fiscal years ended June 30, 2015, and 2014:

Authority's Changes in Net Position

(Amounts Expressed in Thousands)

	<u>2015</u>	%	<u>2014</u>
		<u>Change</u>	
Operating revenues	\$ 78,870	30.1%	\$ 60,636
Operating expenses	<u>(3,350)</u>	100.0%	<u>0</u>
Operating income	75,520		60,636
Nonoperating revenues (expenses):			
Interest expense	<u>(61,986)</u>	-1.1%	<u>(62,658)</u>
Total revenues (expenses)	<u>(61,986)</u>	-1.1%	<u>(62,658)</u>
Change in net position	13,534	769.4%	(2,022)
Net position, beginning of year	<u>27,951</u>		<u>29,973</u>
Net position, end of year	<u>\$ 41,485</u>		<u>\$ 27,951</u>

Total operating income increased by approximately \$14.8 million and total non-operating revenues and expenses decreased by approximately \$7 hundred thousand in the year ending June 30, 2015.

LONG-TERM DEBT ACTIVITY

Long-term obligations totaled \$1,659 and \$1,608 million at June 30, 2015 and 2014, respectively. These amounts were comprised of SASD and the District's revenue bonds. The following table summarizes the amount of long-term obligations for the fiscal years ended June 30, 2015, and 2014.

Authority's Outstanding Long-term Obligations

(Amounts Expressed in Thousands)

	<u>2015</u>	<u>2014</u>
SASD Revenue Bonds, Net	\$ 176,056	\$ 267,480
District Revenue Bonds, Net	1,483,190	1,341,262
Total Long-term obligations	<u>\$ 1,659,246</u>	<u>\$ 1,608,742</u>

Revenue bonds related to the District have increased by approximately \$141.9 million and revenue bonds related to SASD have decreased by approximately \$91.4 million during the 2014-15 fiscal year. These changes were the result of scheduled debt service payments and the early repayment of approximately \$72 million of SASD debt.

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 (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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 Joseph T. Maestretti, Chief Financial Officer; Sacramento Regional County Sanitation District, 10060 Goethe Road, Sacramento California 95827, or phone (916) 876-6116.

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

STATEMENT OF NET POSITION
JUNE 30, 2015

ASSETS:	
CURRENT ASSETS:	
Loans receivable from District	\$ 33,383,154
Accrued interest receivable from District	4,947,603
Loans receivable from SASD	1,265,155
Accrued interest receivable from SASD	3,533,080
TOTAL CURRENT ASSETS	43,128,992
NONCURRENT ASSETS:	
Long-term loans receivable from District	1,449,806,784
Long-term loans receivable from SASD	174,791,145
TOTAL NONCURRENT ASSETS	1,624,597,929
TOTAL ASSETS	1,667,726,921
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred amounts on refunding - District	41,484,824
TOTAL DEFERRED OUTFLOWS OF RESOURCES	41,484,824
LIABILITIES:	
CURRENT LIABILITIES:	
Bond interest payable - District	4,947,603
Current portion of long-term obligations - District	33,383,154
Bond interest payable - SASD	3,533,080
Current portion of long-term obligations - SASD	1,265,155
TOTAL CURRENT LIABILITIES	43,128,992
NONCURRENT LIABILITIES:	
Long-term bond obligations - District	1,449,806,784
Long-term bond obligations - SASD	174,791,145
TOTAL NONCURRENT LIABILITIES	1,624,597,929
TOTAL LIABILITIES	1,667,726,921
NET POSITION:	
Restricted for debt service - District	41,484,824
TOTAL NET POSITION	\$ 41,484,824

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
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

OPERATING REVENUES:	
Other revenue from District	\$ 19,486,695
Base payment from District	44,431,697
Base payment from SASD	14,951,737
Total operating revenues	<u>78,870,129</u>
OPERATING EXPENSES:	
Amortization SASD	3,350,093
Total operating expenses	<u>3,350,093</u>
Operating income	<u>75,520,036</u>
NONOPERATING REVENUES (EXPENSES):	
Interest expense - District	(47,034,138)
Interest expense - SASD	(14,951,737)
Total nonoperating revenues (expenses)	<u>(61,985,875)</u>
Change in net position	13,534,161
Net position, beginning of year	<u>27,950,663</u>
Net position, end of year	<u>\$ 41,484,824</u>

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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, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from District, principal portion	\$ 23,090,000
Cash received from District, interest portion	47,482,862
Cash paid to the District for bond issuance	(148,900,820)
Cash received from SASD, principal portion	91,423,972
Cash received from SASD, interest portion	17,352,981
Net cash provided by operating activities	30,448,995

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:

District Principal payments on long-term debt	(23,090,000)
District Interest payments on long-term debt	(66,969,557)
District Proceeds from issuance of long-term obligations	440,405,000
District Premium from long-term obligations	47,312,515
District Payment to escrow agent for refunded debt	(319,330,000)
SASD Principal payments on long-term debt	(4,820,000)
SASD Interest payments on long-term debt	(17,352,981)
SASD Early Series 2005 bond payoff	(130,555,000)
SASD Premium from long-term obligation	(1,483,972)
SASD Proceeds from issuance of long-term-bonds	45,435,000
Net cash used by non-capital financing activities	(30,448,995)

Net increase in cash and cash equivalents	-
Cash and cash equivalents, beginning of year	-
Cash and cash equivalents, end of year	-

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

Operating income	\$ 75,520,037
Adjustments to reconcile operating income to net cash provided by operating activities:	
Amortization from SASD	3,350,092
Change in assets and liabilities:	
Interest receivable from District	(7,908,871)
Loans receivable from District	(134,337,479)
Interest receivable from SASD	2,401,244
Loans receivable from SASD	91,423,972
Net cash provided by operating activities	\$ 30,448,995

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, 2015

1. REPORTING ENTITY

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

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 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 non-operating 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 the District and SASD.

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 flow, 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 equivalents.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompany notes. Actual results could differ from those estimates.

SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows

Deferred outflows of resources represent a consumption of net position 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 \$41,484,824 and \$0 for the District and SASD, respectively. Amortization of deferred amounts on refunding is computed using the straight-line method over the life of the related obligation.

3. LOAN TO PARTICIPATING AGENCIES

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

In return, the District and SASD 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 and discounts 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 schedule. The balance of the loans as of June 30, 2015, is \$1,488,137,541 and \$179,589,379 for the District and SASD respectively.

	Balance June 30, 2014	Increase	Decrease	Balance June 30, 2015
Loan receivable - District	\$ 1,341,262,495	\$ 496,183,814	\$ (354,256,371)	\$ 1,483,189,938
Interest accrual - District	4,628,696	4,947,603	(4,628,696)	4,947,603
Subtotal - District	<u>1,345,891,191</u>	<u>501,131,417</u>	<u>(358,885,067)</u>	<u>1,488,137,541</u>
Loan receivable - SASD	267,480,272	51,875,714	(143,299,687)	176,056,299
Interest accrual - SASD	5,934,324	3,533,080	(5,934,324)	3,533,080
Subtotal - SASD	<u>273,414,596</u>	<u>55,408,794</u>	<u>(149,234,011)</u>	<u>179,589,379</u>
Total	<u>\$ 1,619,305,787</u>	<u>\$ 556,540,211</u>	<u>\$ (508,119,078)</u>	<u>\$ 1,667,726,920</u>

4. NET POSITION

The net position as reported on the Authority's financial reports consists of \$41,484,824 and \$0 for the District and SASD respectively, and is restricted for debt service.

SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

5. LONG-TERM DEBT

The Authority's long-term debt at June 30, 2015 consisted of the following:

	<u>2015</u>
District Revenue Bonds:	
2014 B Series Taxable Refunding Bonds	\$ 61,895,000
2014A Series Refunding Bonds	432,489,497
2013D Series Subordinate Refunding Bonds	50,000,000
2013C Series Subordinate Refunding Bonds	50,000,000
2013B Series Subordinate Refunding Bonds	50,000,000
2013A Series Subordinate Refunding Bonds	50,000,000
2012A Series Subordinate Refunding Bonds	50,000,000
2011 Series Refunding Bonds	84,108,327
2010 Series Refunding Bonds	37,576,535
2007 Series Refunding Bonds	451,518,352
2006 Series Revenue Bonds	29,240,404
2001 Series Refunding Bonds	36,361,823
2000 Series C Subordinate Lien Revenue Bonds	100,000,000
Total long-term debt - District	<u>1,483,189,938</u>
Less current portion - District	(33,383,154)
Long-term portion - District	<u>1,449,806,784</u>
SASD Revenue Bonds:	
2010A/B Series Revenue Bonds	124,180,586
2015 Series Revenue Bonds	51,875,714
Total long-term debt - SASD	<u>176,056,300</u>
Less current portion	(1,265,155)
Long-term portion - SASD	<u>174,791,145</u>
Total Long-term portion	<u>\$ 1,624,597,929</u>

SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

5. LONG-TERM DEBT (Continued)

**State Water Resources Control Board
Division of Financial Assistance**

On April 7, 2015 at the State Water Resources Control Board (State Water Board) meeting the State Water Board approved the Deputy Director of the Division of Financial Assistance to provide Clean Water State Revolving Fund (CWSRF) program financing to the Sacramento County Sanitation Districts Financing Authority (Authority) for the Eco Water Project. The Eco Water Project is estimated to be in eight construction phases and is estimated to take place over the next several years, starting in March 2015 and ending in February 2022. The total cost of the project is estimated at approximately \$1.6 billion. 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 \$1.6 billion with thirty year terms and rates estimated to be from 1.6 percent to 2.3 percent not to exceed 2.3 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 prepared. These component projects vary in their start dates from March 2015 to January 2018 and completion dates from August 2016 to March 2022.

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. 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.

The first four components of the EchoWater Project have been approved at an interest rate of 1.6% over a 30 year life. As of June 30, 2015 no draws have been processed related to any component of the EchoWater Project.

The table below shows the estimated costs related to each of the eight EchoWater Projects components.

EchoWater Project Component	CWSRF Number	Estimated Cost	Construction Start Date	Construction Completion Date
Site Preparation	C-06-8025-110	\$65,426,778	Mar-15	Aug-16
Flow Equalization	C-06-8025-120	\$174,380,875	Mar-15	Feb-18
Main Electrical Substation Expansion	C-06-8025-130	\$11,381,965	Aug-15	May-16
Disinfection Chemical Storage	C-06-8025-140	\$30,746,434	Sep-15	Aug-16
Nitrifying Sidestream Treatment	C-06-8025-150	\$59,408,652	Jan-16	Jan-19
Biological Nutrient Removal Facility	C-06-8025-160	\$711,032,393	Apr-16	Dec-20
RAS Pumping Station	C-06-8025-170	\$40,015,742	Jul-16	Mar-19
Tertiary Treatment Facility	C-06-8025-180	\$484,585,422	Jun-18	Mar-22
Total EchoWater CWSRF Loan		\$1,576,978,261		

SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

5. LONG-TERM DEBT (Continued)

District - Letter of Credit

The Series 2000 C Subordinate Lien Variable Rate Revenue Bonds (the Series 2000C Bonds”) are secured by an irrevocable direct pay Letter of Credit (LOC). The current LOC provider for the Series 2000C Bonds is Bank of America, N.A. The LOC is drawn down by the amount necessary to pay the bondholders the principal and interest due on each interest and principal payment date. The funds received by the Trustee from the District are used to reimburse Bank of America for the amount of the LOC draw plus the draw fee of \$250.00 per draw. The LOC maintains a constant balance of \$100,000,000. The LOC current value committed remains constant at \$100,000,000 through March 25, 2018.

5. LONG-TERM DEBT (Continued)

District - Direct Purchase Arrangements

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 13, 2013. The Series 2008 B and D Variable Rate Revenue Bonds were previously secured by an irrevocable direct pay LOC. The Series 2013 C and D Bonds were purchased directly by Bank of America Preferred Funding Corporation (BofA). Pursuant to its direct purchase of the Series 2013 C and D Bonds, BofA will hold the Bonds for three years through November 13, 2016. BofA cannot put the bonds back to the Authority or the District 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. The Series 2013 C and D Bonds will bear interest at a floating rate equal to [SIFMA plus 52.5 bps per annum] for the duration of the three year direct purchase arrangement. On or before November 13, 2016 the District and Authority intends to renegotiate another direct purchase arrangement, obtain an LOC or otherwise refinance the Series 2013 C and D Bonds. The District estimates that the direct purchase arrangement with BofA will result in a savings to the District of approximately \$1,140,000 over the three year period, compared with the cost of the LOC that supported the 2008 B and D 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). Pursuant to its direct purchase of the Series 2012 A Bonds, WFB will hold the Bonds for three years through July 2018. WFB cannot put the bonds back to the Authority or the District 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. The Series 2012 A Bonds will bear interest at a floating rate equal to [SIFMA times 70% plus 45 bps per annum] for the duration of the three year direct purchase arrangement. On or before July 2018 the District and Authority intends to renegotiate another direct purchase arrangement, obtain an LOC or otherwise refinance the Series 2012 A Bonds. The District estimates that the direct purchase arrangement with WFB will result in a savings to the District of approximately \$870,000 over the three year period, compared with the cost of the LOC that supported the 2008 C Bonds.

SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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 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). Pursuant to its direct purchase of the Series 2012 A Bonds, WFB will hold the Bonds for three years through May 30, 2016. WFB cannot put the bonds back to the Authority or the District 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. The Series 2013 B Bonds will bear interest at a floating rate equal to [SIFMA times 70% plus 50 bps per annum] for the duration of the three year direct purchase arrangement. On or before May 30, 2016, the District and Authority intends to renegotiate another direct purchase arrangement, obtain an LOC or otherwise refinance the Series 2013 B Bonds. The District estimates that the direct purchase arrangement with WFB will result in a savings to the District of approximately \$862,500 over the three year period, compared with the cost of the LOC that supported the 2008 A Bonds.

District - Limited Offering Transaction

The \$50 million Series 2013 A Subordinate Lien Variable Rate Refunding Revenue Bonds (the "Series 2013 A Bonds") refunded the Series 2008 E Variable Rate Revenue Bonds on May 30, 2013. The 2008 E Variable Rate Revenue Bonds were previously secured by an irrevocable direct pay LOC. The Series 2013 A Bonds were purchased by RBC Capital Markets, LLC which sold them pursuant to a Limited Offering Transaction to Royal Bank of Canada (RBC). Pursuant to its direct purchase of the Series 2013 A Bonds, RBC will hold the Bonds for three years through May 30, 2016. RBC cannot put the bonds back to the Authority or the District 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. The Series 2013 A Bonds will bear interest at a floating rate equal to [SIFMA plus 50 bps per annum] for the duration of the three year direct purchase arrangement. On or before May 30, 2016, the District and Authority intends to renegotiate another direct purchase arrangement, obtain an LOC or otherwise refinance the Series 2013 A Bonds. The District estimates that the direct purchase arrangement with RBC will result in a savings to the District of approximately \$862,500 over the three year period, compared with the cost of the LOC that supported the 2008 E Bonds.

District – 2014B Series Refunding Bonds

In November 2014, the Sacramento County Sanitation Districts Financing Authority (Authority) issued the 2014 B Series Taxable Refunding Bonds senior lien bonds in the amount of \$61,895,000 with interest 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. The Authority 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 \$5,981,082 at June 30, 2015.

SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

5. LONG-TERM DEBT (Continued)

District – 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. The Authority 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 \$53,979,497 and deferred amount on refunding was \$16,419,651 at June 30, 2015.

District - 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 the weekly SIFMA rate plus 52.5 basis points. Unamortized deferred amount on refunding was \$366,763 at June 30, 2015. Proceeds on the Series 2013 D Bonds were used for the refunding of the 2008 A Series Bonds.

District - 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 rate of the weekly SIFMA rate plus 52.5 basis points. Unamortized deferred amount on refunding was \$366,763 at June 30, 2015. Proceeds on the Series 2013 C Bonds were used for the refunding of the 2008 B Series Bonds.

District - 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 Variable Rate Tax Exempt Revenue Bonds carry a variable interest rate of 1 month LIBOR times 70% plus 50 basis points. Unamortized deferred amount on refunding was \$366,763 at June 30, 2015. Proceeds on the Series 2013 B Bonds were used for the refunding of the 2008 A Series Bonds.

SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

5. LONG-TERM DEBT (Continued)

District - 2013A Series Refunding Bonds

In May 2013, the Authority refunded \$50,000,000 of the Subordinate Lien Variable Rate 2008 E Bonds by issuing \$50,000,000 Series 2013 A Subordinate Lien Variable Rate Tax Exempt Revenue Bonds. The Series 2013 A Subordinate Lien Variable Rate Tax Exempt Revenue Bonds carry a variable interest rate of the weekly SIFMA rate plus 50 basis points. Unamortized deferred amount on refunding was \$366,763 at June 30, 2015. Proceeds on the Series 2013 A Bonds were used for the refunding of the 2008 E Series Bonds.

District - 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 Variable Rate Tax Exempt Revenue Bonds carry a variable interest rate of 1 month LIBOR times 70% plus 45 basis points. Unamortized deferred amount on refunding was \$366,763 at June 30, 2015. Proceeds on the Series 2012 A Bonds were used for the refunding of the 2008 C Series Bonds.

District - 2011A Series Refunding Bonds

In August 2011, the Authority refunded approximately \$85,420,000 of the 2001 Bonds by issuing \$77,180,000 Series 2011 A Refunding Bonds. The Series 2011 A Refunding Bonds carry a fixed interest rate ranging from 4.000% to 5.000% and mature serially commencing in fiscal year 2022 through 2027. Proceeds of these bonds were used to partially refund the Series 2001 Refunding Bonds. Unamortized premium was \$6,928,327 and deferred amount on refunding was \$2,297,464 at June 30, 2015.

District - 2010A and 2010B Series Revenue Bonds

In October 2010, the Authority issued Series 2010 A Tax Exempt Revenue Bonds in the amount of \$49,450,000 and Series 2010 B Taxable Revenue Bonds in the amount of \$50,495,000. The Series 2010 A Tax Exempt Revenue Bonds carry a fixed interest rate ranging from 0.400% to 5.000% and Series 2010 B Taxable Revenue Bonds carry a fixed interest rate ranging from 1.030% to 3.389%. The Series 2010 A bonds mature serially commencing in fiscal year 2011 through 2015 and the Series 2010 B Bonds mature serially commencing in fiscal year 2011 through 2017. Proceeds of these bonds were used to refund the remaining balance of the Series 2000 A Bonds. The related swap was terminated February 2013. Unamortized premium was \$1,706,535 and deferred amount on refunding was \$1,424,900 at June 30, 2015.

SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

5. LONG-TERM DEBT (Continued)

District - 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%. The Series 2007 B Refunding Bonds bear interest at a variable interest rate which is established at each quarterly interest payment date based on 67% of the Three-Month LIBOR Rate plus a per annum spread of 0.53%, providing the resulting interest rate never exceed 12%. The variable rate at June 30, 2013 was 0.714%. Concurrently with the issuance of the bonds, the District entered into an interest rate swap in the notional amount of the Series 2007 B Refunding Bonds whereby the District pays the swap counterparty the fixed rate of 4.152% and receives a floating amount equal to the debt service requirements. The Series 2007 A Refunding Bonds mature serially commencing in fiscal year 2016 through 2036. The 2007 B Series Refunding Bonds mature serially commencing in fiscal year 2025 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; \$456,635,000 of such defeased bonds are outstanding as of June 30, 2015. Unamortized premium related to the Series 2007 A and B Refunding Bonds was \$8,153,352 at June 30, 2015; unamortized deferred amount on refunding was \$13,228,343 at June 30, 2015.

District - 2006 Series Revenue Bonds

In July 2006, the Authority issued Series 2006 Revenue Bonds in the amount of \$338,960,000. Interest rates range from 4.00% to 5.00%. The bonds mature serially from December 2007 through December 2031. Proceeds of these bonds were to be used to: i) finance improvements to the wastewater conveyance, treatment and disposal system; ii) pay certain bond issuance costs; and iii) fund the reserve requirements for the bonds. Unamortized premium was \$650,404 at June 30, 2015.

During the year ended June 30, 2014, \$260,600,000 of the Series 2006 Revenue Bonds were advanced refunded by the escrow deposit funded by the 2014 A Series Revenue Bonds. The principal balance after the advanced refunding was \$30,830,000. The escrow is sufficient to provide for the payment of principal and interest on the advanced refunded portion of the Series 2006 Revenue Bonds. As a result, a portion of the Series 2006 Revenue Bonds are considered defeased and the liability has been removed from the Authority's financial statements.

SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

5. LONG-TERM DEBT (Continued)

District - 2005 Series Refunding Bonds

In September 2005, the Authority issued Series 2005 Refunding Bonds in the amount of \$61,220,000. Interest rates range from 3.00% to 5.00%. The bonds mature serially through 2024. Proceeds of these bonds were to be used to: i) advance refund \$56,470,000 of the outstanding principal of Series 2000A Revenue Bonds as they come due in fiscal year 2019 through 2024; (ii) pay certain bond issuance costs; and (iii) fund the reserve requirements for the bonds. Due to the advanced refunding unamortized premium and unamortized deferred amount on refunding was zero at June 30, 2015.

During the year ended June 30, 2015, \$58,730,000 of the Series 2005 Revenue Bonds were advanced refunded by the escrow deposit funded by the 2014 B Series Revenue Bonds. The escrow is sufficient to provide for the payment of principal and interest on the Series 2005 Revenue Bonds as it becomes due. As a result, the Series 2005 Revenue Bonds are considered to be defeased and the liability for the Series 2005 Revenue Bonds has been removed from the Authority's financial statements. As of June 30, 2015 the Bonds were paid in full.

District - 2004A Series Revenue Bonds

In November 2004, the Authority issued Series 2004 A Revenue bonds for \$470,160,000 to fund its 2004 Projects. Interest rates for Series 2004 A Revenue bonds range from 2.0% to 5.0%. Series 2004 A Revenue Bonds mature serially commencing in 2006 through 2015. Proceeds from this these debt issues were used to; i) pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements of the District's sanitation system; ii) pay for the costs of issuance of the bonds, and (iii) fund the reserve requirements for the bonds. The balance of unamortized premium was zero at June 30, 2015. \$456,865,000 of the Series 2004 A Revenue Bonds were advance refunded by the Series 2007 A and B Refunding 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. As of June 30, 2015 the Bonds were paid in full.

SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

5. LONG-TERM DEBT (Continued)

District - 2001 Series Refunding Revenue Bonds

In June 2001, the 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. Principal payments are due serially commencing on December 1, 2006 through 2027 with interest rates ranging from 4.00% to 5.50%. On the Crossover Date, the escrow deposit of \$121,953,020 was used to refund \$120,145,000 of Series 2000 A Revenue Bonds.

In August 2011, the 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 are considered to be refunded and the liability for those bonds has been removed from the District's financial statements. Unamortized discount was \$133,177 and unamortized deferred amount on refunding was \$299,568 at June 30, 2015.

District - 2000 Series Revenue Bonds

In June 2000, the Authority issued the Series 2000 A Revenue Bonds in the amount of \$390,563,095, Series 2000 B Refunding bonds in the amount of \$12,973,543 and Series 2000 C Subordinate Lien Variable Rate Revenue Bonds in the amount of \$100,000,000. Interest rates for the Series 2000 A Revenue bonds range from 4.60% to 6.00% and Series 2000 C rates are set by Bank of America Securities LLC on a weekly basis according to market trends, 0.060% and 0.022% at June 30, 2013 and 2012, respectively. Final payment on the Series 2000 B Revenue bonds was made in December of 2003. 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. The Series 2000 A Revenue Bonds are payable and secured by a pledge of and lien on the net revenues of the District. The Series 2000 C Variable Rate Revenue Bonds are secured by a pledge of and lien on the net revenues of the District's subordinate to the claims of the bondholders of the Series 2000 A Revenue Bonds and any additional parity revenue bonds subsequently issued by the Authority.

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 was 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 the Authority's financial statements.

In November 2014, the Authority executed an escrow liquidation of the Series 1993 defeased Revenue Bonds. The amount of the early liquidation was \$8,375,000 saving approximately \$4.8 million. On June 30, 2015, \$87,170,000 and \$12,790,000 of the Series 1993 and Series 1995 defeased Revenue Bonds, respectively, were outstanding.

SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

5. LONG-TERM DEBT (Continued)

District - Maturity Schedule

Future debt service requirements on the Authority's District's revenue bonds at June 30, 2015 are as follows:

Fiscal years ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 30,065,000	\$ 59,632,690	\$ 89,697,690
2017	30,960,000	58,406,413	89,366,413
2018	32,295,000	57,069,236	89,364,236
2019	33,845,000	55,656,125	89,501,125
2020	35,330,000	54,164,191	89,494,191
2021-2025	213,795,000	244,655,146	458,450,146
2026-2030	254,125,000	192,217,963	446,342,963
2031-2035	356,860,000	128,744,795	485,604,795
2036-2040	239,880,000	63,977,000	303,857,000
2041-2045	184,750,000	21,308,700	206,058,700
	<u>1,411,905,000</u>	<u>935,832,259</u>	<u>2,347,737,259</u>
Plus net unamortized discounts and premiums	71,284,938	-	71,284,938
	<u>\$ 1,483,189,938</u>	<u>\$ 935,832,259</u>	<u>\$ 2,419,022,197</u>

The interest requirements, for the purpose of the maturity schedule above, for the District's Variable rate debt, related to the Series 2000 C Subordinate Lien Variable Rate Revenue Bonds are based on the estimated rate of 3.687%, the Series 2007 B Variable Rate Refunding Bonds are based on a rate of 4.152%, the Series 2013 C Subordinate Lien Variable Rate Refunding Revenue Bonds are based on the estimated rate of 3.444%, the Series 2013 D Subordinate Lien Variable Rate Refunding Revenue Bonds are based on the estimated rate of 3.439%, and the Series 2012A, 2013A and 2013B Subordinate Lien Variable Rate Refunding Bonds are based on the estimated rate of 3.290%, 3.414% and 3.340%, respectively and are included in the maturity schedule.

Financing Authority 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. The bonds mature serially from August 2025 through August 2035. Interest rates for the Series 2015 range from 3.000% to 5.000%, principal payments range from \$3,260,000 to \$5,115,000 with the first payment starting in August 2025 and ending in August 2035. SASD paid \$70.3 million toward the refunding. The refunding resulted in an economic gain of \$6.2 million.

SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

5. LONG-TERM DEBT (Continued)

SASD - 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 SASD. 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.

SASD - 2005 Series Revenue Bonds

In June 2005, the Authority issued the 2005 Series Revenue Bonds in the amount of \$165,620,000 with interest rates ranging from 2.65% to 4.25%, principal payments ranging from \$2,855,000 to \$8,750,000 with the first payment starting in 2006 and ending in 2036, net of premium of \$11,266,047. Proceeds from this debt issue were used to advance refund all outstanding 2000 Revenue Bonds and the remaining amounts were loaned to SASD to finance the acquisition and construction of new facilities. On June 30, 2015, \$37,195,000 of the 2000 defeased Revenue Bonds were outstanding. The 2005 Series Revenue Bonds were fully refunded in May 2015 by the issuance of the 2015 Series. The refunding resulted in an economic gain of \$6.2 million

SASD - Maturity Schedule

Future debt service requirements on Authority's SASD revenue bonds as of June 30, 2015 are as follows:

Fiscal years ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 920,000	\$ 9,005,526	\$ 9,925,526
2017	950,000	9,512,659	10,462,659
2018	990,000	9,473,859	10,463,859
2019	1,030,000	9,428,309	10,458,309
2020	1,085,000	9,380,859	10,465,859
2021-2025	6,150,000	46,150,146	52,300,146
2026-2030	25,505,000	42,434,901	67,939,901
2031-2035	46,155,000	33,775,103	79,930,103
2036-2040	69,675,000	16,713,923	86,388,923
2041-2041	16,175,000	511,534	16,686,534
	<u>168,635,000</u>	<u>186,386,819</u>	<u>355,021,819</u>
Plus net unamortized discounts, and premiums,	7,421,300	-	7,421,300
	<u>\$ 176,056,300</u>	<u>\$ 186,386,819</u>	<u>\$ 362,443,119</u>

SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

5. LONG-TERM DEBT (Continued)

Bond Covenants

Pursuant to various agreements and resolutions entered into by SASD, the District and the Authority related to its Revenue Bonds, SASD and the District 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 SASD and the District 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 year ended June 30, 2015 SASD and the District were in compliance with the preceding covenants.

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 SASD and the District's long-term obligations through June 30, 2015 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.

Changes in Long-Term Bond Obligations

Changes in long-term bond obligations for the fiscal years ended June 30, 2015 were as follows:

Premium and discount, 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.

	<u>June 30, 2014</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2015</u>	<u>Due Within One year</u>
SASD - Revenue Bonds	\$ 258,575,000	\$ 45,435,000	\$(135,375,000)	\$ 168,635,000	\$ 920,000
Plus premium	8,905,272	6,440,714	(7,924,686)	7,421,300	345,155
Total - SASD	<u>267,480,272</u>	<u>51,875,714</u>	<u>(143,299,686)</u>	<u>176,056,300</u>	<u>1,265,155</u>
District's - Revenue bonds	1,313,920,000	440,405,000	(342,420,000)	1,411,905,000	30,065,000
Plus (less):					
Premium (discounts)	27,342,495	55,778,814	(11,836,371)	71,284,938	3,318,154
Total - District's	<u>1,341,262,496</u>	<u>496,183,814</u>	<u>(354,256,371)</u>	<u>1,483,189,938</u>	<u>33,383,154</u>
Total	<u>\$ 1,608,742,768</u>	<u>\$ 548,059,528</u>	<u>\$ (497,556,057)</u>	<u>\$ 1,659,246,238</u>	<u>\$ 34,648,309</u>

SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

6. FUTURE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) releases new accounting and financial reporting standards which may have a significant impact on the Authority's financial reporting process. Future standards which may impact the Authority include the following:

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. The objective of this Statement is to enhance the transparency and comparability of fair value measurements and disclosures in state and local governments' financial statements. The Authority has not determined its effect on the financial statements. The Statement is effective for period beginning after June 15, 2015.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, extends the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also clarifies the application of certain provisions of Statements 67 and 68. This standard was issued in GASB Statement No. 73 - June 2015 and is effective for reporting periods beginning after June 15, 2015. This standard is not expected to have any impact on the Authority's financial statements.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, replaces Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This standard establishes new accounting and financial reporting requirements for OPEB plans. This standard was issued in June 2015 and is effective for reporting periods beginning after June 15, 2016. This standard will not have any impact on the Authority's financial statements.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. This standard establishes new accounting and financial reporting requirements for those governments whose employees are provided with OPEB, as well as for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This standard was issued in June 2015 and is effective for reporting periods beginning after June 15, 2017. Management is currently evaluating the effect of this standard on the Authority's financial statements.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This standard was issued in June 2015 and is effective for reporting periods beginning after June 15, 2015. Management is currently evaluating the effect of this standard on the Authority's financial statements.

SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

6. FUTURE ACCOUNTING PRONOUNCEMENTS (Continued)

GASB Statement No. 77, *Tax Abatement Disclosures*, requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues. This standard was issued in August 2015 and is effective for reporting periods beginning after December 15, 2015. Management is currently evaluating the effect of this standard on the Authority's financial statements.

7. SUBSEQUENT EVENTS

In October 2014, the Authority authorized a future second early escrow liquidation of the Series 1993 defeased Revenue Bonds. The amount of the early liquidation on January 6, 2016 will be \$23,670,000 saving approximately \$3.9 million.

OTHER REPORTS

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**INDEPENDENT AUDITORS' 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 the 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, the financial statements of the Sacramento County Sanitation Districts Financing Authority (the Authority), a component unit of the Sacramento Regional County Sanitation District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Authority's basic financial statements, and have issued our report thereon dated December 2, 2015.

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) to determine the audit 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 may exist that have not been identified.

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 determination of financial statement amounts. 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.

Vavrinik, Trine, Day & Co. LLP

Sacramento, California
December 2, 2015