

**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, 2022



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, 2022**

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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, 2022, 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, 2022, 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. 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 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 14, 2022, 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.

Macias Gini & O'Connell LLP

Sacramento, California

December 14, 2022

SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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, 2022. Please read it in conjunction with the Authority's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2022, the assets and deferred outflows of resources of the Authority exceeded liabilities and deferred inflows of resources by \$19.3 million (*net position*), of which all was unrestricted.
- The Authority's net position decreased by \$2.0 million during fiscal year 2021-22. 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 \$67.3 million during the 2021-22 fiscal year. These changes were the result of scheduled debt service payments.
- In April 2015, the State Water Resources Control Board approved a financing program 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, 2022, the outstanding balance was \$851,253,222.

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 (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Notes to the Basic Financial Statements (pages 11 - 24) 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, 2022, total assets and deferred outflows exceeded total liabilities and deferred inflows by \$19.3 million. During the fiscal year ended June 30, 2022, net position decreased by \$2.0 million.

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

Condensed Statements of Net Position (Amounts Expressed in Thousands)

	2022	% Change	2021
Assets:			
Current Assets	\$ 91,785	-0.6%	\$ 92,348
Noncurrent Assets	2,238,082	-3.2%	2,311,534
Total assets	2,329,867	-3.1%	2,403,882
Deferred Outflows	20,412	-9.3%	22,501
Liabilities:			
Current liabilities	91,785	-0.6%	92,348
Noncurrent liabilities	2,238,082	-3.2%	2,311,534
Total liabilities	2,329,867	-3.1%	2,403,882
Deferred Inflows	1,087	-6.6%	1,164
Net position:			
Unrestricted - Regional San	20,412	-9.3%	22,501
Unrestricted - SacSewer	(1,087)	-6.6%	(1,164)
Total net position	\$ 19,325	-9.4%	\$ 21,337

In fiscal year ended 2022, the total assets decreased by \$74 million mainly due to the net change in long-term receivables. Long-term receivables from Regional San decreased by \$72 million 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 \$2 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 \$74 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 (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

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

	2022	% Change	2021
Operating revenues	\$ 62,410	68.3%	\$ 37,087
Nonoperating revenues (expenses):			
Interest expense	(64,422)	47.6%	(43,634)
Change in net position	(2,012)	69.3%	(6,547)
Net position, beginning of year	21,337		27,884
Net position, end of year	\$ 19,325		\$ 21,337

Total operating revenues increased by approximately \$25.3 million. This is due to the increase 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. The change in net position decreased by approximately \$4.5 million when compared to the prior year. The change is attributable to the bond refunding activity in the prior year.

LONG-TERM DEBT ACTIVITY

Long-term obligations totaled \$2.3 billion and \$2.4 billion at June 30, 2022 and 2021, 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, 2022 and 2021.

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

	2022	2021
SacSewer Revenue Bonds, Net	\$ 166,355	\$ 167,880
Regional San Revenue Bonds and Loans, Net	2,153,898	2,219,706
Total Long-term obligations	\$ 2,320,253	\$ 2,387,586

Revenue bonds and loans related to the Regional San have decreased by approximately \$65.8 million. The decrease was a result of the scheduled debt payments and bond premium amortization. Revenue bonds related to SacSewer have decreased by approximately \$1.5 million during the 2021-22 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 (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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 County Sanitation District)

STATEMENT OF NET POSITION
JUNE 30, 2022

ASSETS:

CURRENT ASSETS:

Loans receivable from Regional San	\$ 80,596,540
Accrued interest receivable from Regional San	5,757,214
Loans receivable from SacSewer	1,575,155
Accrued interest receivable from SacSewer	3,856,441
TOTAL CURRENT ASSETS	91,785,350

NONCURRENT ASSETS:

Long-term loans receivable from Regional San	2,073,301,548
Long-term loans receivable from SacSewer	164,780,059
TOTAL NONCURRENT ASSETS	2,238,081,607

TOTAL ASSETS	2,329,866,957
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DEFERRED OUTFLOWS OF RESOURCES:

Deferred amounts on refunding - Regional San	20,412,280
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LIABILITIES:

CURRENT LIABILITIES:

Bond interest payable - Regional San	5,757,214
Current portion of long-term obligations - Regional San	80,596,540
Bond interest payable - SacSewer	3,856,441
Current portion of long-term obligations - SacSewer	1,575,155
TOTAL CURRENT LIABILITIES	91,785,350

NONCURRENT LIABILITIES:

Long-term obligations - Regional San	2,073,301,548
Long-term bond obligations - SacSewer	164,780,059
TOTAL NONCURRENT LIABILITIES	2,238,081,607
TOTAL LIABILITIES	2,329,866,957

DEFERRED INFLOWS OF RESOURCES

Deferred inflows on loan refunding - SacSewer	1,086,808
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NET POSITION:

Unrestricted - Regional San	20,412,280
Unrestricted - SacSewer	(1,086,808)
TOTAL NET POSITION	\$ 19,325,472

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, 2022

OPERATING REVENUES:

Base payment from Regional San	\$	53,495,880
Base payment from SacSewer		8,914,238
Total operating revenues		<u>62,410,118</u>
Operating income		<u>62,410,118</u>

NONOPERATING REVENUES (EXPENSES):

Interest expense - Regional San		(55,585,201)
Interest expense - SacSewer		(8,836,609)
Total nonoperating revenues (expenses)		<u>(64,421,810)</u>

Change in net position		(2,011,692)
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Net position, beginning of year		<u>21,337,164</u>
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Net position, end of year	\$	<u><u>19,325,472</u></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, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from Regional San, principal portion	\$ 65,069,315
Cash received from Regional San, interest portion	60,897,448
Cash received from SacSewer, principal portion	1,180,000
Cash received from SacSewer, interest portion	9,279,060
Net cash provided by operating activities	136,425,823

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:

Regional San principal payments on long-term debt	(65,069,315)
Regional San interest payments on long-term debt	(60,897,448)
SacSewer principal payments on long-term debt	(1,180,000)
SacSewer interest payments on long-term debt	(9,279,060)
Net cash used in non-capital financing activities	(136,425,823)

Net change in cash	-
Cash, beginning of year	-
Cash, end of year	\$ -

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

Operating income	\$ 62,410,118
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Interest receivable from Regional San	6,663,390
Loans receivable from Regional San	65,807,493
Interest receivable from SacSewer	19,667
Loans receivable from SacSewer	1,525,155
Net cash provided by operating activities	\$ 136,425,823

NONCASH NON-CAPITAL FINANCING ACTIVITIES:

Amortization of deferred loss on refunding - Regional San	\$ (1,745,495)
Amortization of bond premium- Regional San	(9,565,034)
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, 2022

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.

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 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 \$20,412,280 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, 2022

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 \$1,086,808 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 and discount 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, 2022, is \$2,153,898,088 and \$166,355,214 for Regional San and SacSewer, respectively.

	Balance June 30, 2021	Increase	Decrease	Balance June 30, 2022
Loan receivable - Regional San	\$ 2,219,705,580	\$ -	\$ (65,807,493)	\$ 2,153,898,087
Interest accrual - Regional San	12,420,604	5,757,214	(12,420,604)	5,757,214
Subtotal - Regional San	<u>2,232,126,184</u>	<u>5,757,214</u>	<u>(78,228,097)</u>	<u>2,159,655,301</u>
Loan receivable - SacSewer	167,880,369	-	(1,525,155)	166,355,214
Interest accrual - SacSewer	3,876,108	3,856,441	(3,876,108)	3,856,441
Subtotal - SacSewer	<u>171,756,477</u>	<u>3,856,441</u>	<u>(5,401,263)</u>	<u>170,211,655</u>
Total	<u>\$ 2,403,882,661</u>	<u>\$ 9,613,655</u>	<u>\$ (83,629,360)</u>	<u>\$ 2,329,866,956</u>

4. NET POSITION

The net position as reported in the Authority's financial reports consists of \$20,412,280, which is unrestricted for Regional San and \$(1,086,808), 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, 2022

5. LONG-TERM DEBT

The Authority's long-term debt at June 30, 2022 consisted of the following:

Regional San Long-Term Debt:

Revenue Bonds:

2021 Series Refunding Bonds	\$ 336,223,884
2020B Series Taxable Refunding Bonds	74,175,000
2020A Series Revenue Bonds	272,795,581
2014B Series Taxable Refunding Bonds	17,875,000
2014A Series Refunding Bonds	369,994,281
2007A/B Series Refunding Bonds	25,645,000

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>857,189,342</u>
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Total long-term debt - Regional San 2,153,898,088

Less current portion - Regional San (80,596,540)

Long-term portion - Regional San 2,073,301,548

SacSewer Revenue Bonds:

2010A/B Series Revenue Bonds	116,626,405
2015 Series Revenue Bonds	<u>49,728,809</u>

Total long-term debt - SacSewer 166,355,214

Less current portion (1,575,155)

Long-term portion - SacSewer 164,780,059

Total long-term portion \$ 2,238,081,607

SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

5. LONG-TERM DEBT (Continued)

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

In April 2015, the California State Water Resources Control 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. Construction is expected to be completed by early 2023. The total cost of the project is estimated at approximately \$1.7 billion, of which \$1.4 billion will be financed through the CWSRF program. Pursuant to CWSRF Policy, the interest rate for a construction financing agreement is established by the earlier of the date that the Division of Financial Assistance (Division) initiates preparation of the financing agreement or the date the financing is approved by the State Water Board.

Repayment of 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, 2022, \$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, 2022 the loan balance for the EchoWater Project component of the CWSRF loan is \$851,253,225.

The table below shows the maximum loan amount and loan balance related to each of the eight EchoWater Project components at June 30, 2022.

Echo Water Project Component	CWSRF Number	Estimated Cost/Maximum Loan Amount	Loan balance at 6/30/2022	Interest rate	Construction Start Date
Site Preparation	C-06-8025-110	\$ 43,949,856	\$ 36,311,324	1.6%	March 2015
Flow Equalization	C-06-8025-120	138,672,372	121,499,568	1.6%	March 2015
Main Electrical Substation					
Expansion	C-06-8025-130	3,439,831	2,478,173	1.6%	August 2015
Disinfection Chemical Storage	C-06-8025-140	21,465,759	19,425,194	1.6%	September 2015
Nitrifying Sidestream Treatment	C-06-8025-150	53,490,845	48,948,165	1.6%	January 2016
Biological Nutrient Removal Facility	C-06-8025-160	533,142,603	449,683,128	1.7%	April 2016
RAS Pumping Station	C-06-8025-170	35,696,952	30,726,427	1.7%	July 2016
Tertiary Treatment Facility	C-06-8025-180	564,657,506	142,181,246	1.7%	June 2018
EchoWater CWSRF Loan		<u>\$ 1,394,515,724</u>	<u>\$ 851,253,225</u>		

SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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, 2022, for the Water Recycling Pipeline Project.

Water Recycling Pipeline Project	CWSRF Number	Estimated Cost/Maximum Loan Amount	Loan balance at 6/30/2022	Interest rate
Phase 1B	C-06-8082-110	\$ 8,182,200	\$ 5,936,117	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, remarketing 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, remarketing risks and remarketing costs for the three year term of the agreement. Per the direct purchase agreement, the rate is 0.62% for the duration of agreement.

SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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, remarketing risks and remarketing costs for the three year term of the agreement. Per the direct purchase agreement, the rate is 0.79% for the duration of agreement.

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 \$72,208,884 and deferred amount on refunding was \$3,494,583 at June 30, 2022.

2020B Series Taxable Refunding Bonds

In July 2020, the 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 \$1,928,092 at June 30, 2022.

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.

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 \$63,045,581 at June 30, 2022.

SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

5. LONG-TERM DEBT (Continued)

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 \$1,329,130 at June 30, 2022.

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 \$41,384,281 and deferred amount on refunding was \$12,588,399 at June 30, 2022.

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 \$268,019 at June 30, 2022. 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 \$268,019 at June 30, 2022. Proceeds on the Series 2013 C Bonds were used for the refunding of the 2008 B Series Bonds.

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 \$268,019 at June 30, 2022. 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, 2022

5. LONG-TERM DEBT (Continued)

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 \$268,019 at June 30, 2022. 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; \$391,560,000 of such defeased bonds were outstanding as of June 30, 2022.

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

In August 2011, 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 Authority's financial statements. The Series 2001 Revenue bonds are considered defeased with final payment made in December 2021. Unamortized discount was \$0 and unamortized deferred amount on refunding was \$0 at June 30, 2022.

SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

5. LONG-TERM DEBT (Continued)

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.

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, 2022 \$13,765,000 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, 2022 are as follows:

Year Ending June 30,	Revenue Bonds			Notes from Direct Borrowings and SRF Loan		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 50,645,000	\$ 40,816,235	\$ 91,461,235	\$ 20,314,796	\$ 13,784,922	\$ 34,099,718
2024	39,915,000	39,003,706	78,918,706	24,323,197	15,866,039	40,189,236
2025	41,275,000	37,642,921	78,917,921	24,727,168	15,462,067	40,189,235
2026	42,545,000	36,372,288	78,917,288	25,137,870	15,051,366	40,189,236
2027	43,955,000	34,962,079	78,917,079	25,555,413	14,633,823	40,189,236
2028-2032	253,775,000	140,805,219	394,580,219	134,287,796	66,658,384	200,946,180
2033-2037	198,045,000	77,106,844	275,151,844	195,820,672	54,895,090	250,715,762
2038-2042	47,720,000	60,843,750	108,563,750	306,709,403	35,255,551	341,964,954
2043-2047	152,845,000	26,664,625	179,509,625	169,811,856	19,617,688	189,429,544
2048-2052	49,350,000	5,088,750	54,438,750	124,513,445	5,747,104	130,260,549
2053	-	-	-	5,987,726	101,792	6,089,518
	920,070,000	499,306,417	1,419,376,417	1,057,189,342	257,073,826	1,314,263,168
Plus net unamortized discounts and premiums	176,638,746	-	176,638,746	-	-	-
	<u>\$ 1,096,708,746</u>	<u>\$ 499,306,417</u>	<u>\$ 1,596,015,163</u>	<u>\$ 1,057,189,342</u>	<u>\$ 257,073,826</u>	<u>\$ 1,314,263,168</u>

SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

5. LONG-TERM DEBT (Continued)

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 0.57%, 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.

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 \$4,293,809 as of June 30, 2022. Deferred amount on refunding was \$1,086,808 at June 30, 2022.

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 \$711,405 as of June 30, 2022.

SacSewer - Maturity Schedule

Future debt service requirements on the Authority's SacSewer revenue bonds as of June 30, 2022 are as follows:

<u>Fiscal years ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,230,000	\$ 9,230,859	\$ 10,460,859
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
2028-2032	31,180,000	39,777,298	70,957,298
2033-2037	55,935,000	28,001,298	83,936,298
2038-2041	60,885,000	7,900,083	68,785,083
	<u>161,350,000</u>	<u>120,975,637</u>	<u>282,325,637</u>
Plus net unamortized discounts, and premiums,	5,005,214	-	5,005,214
	<u>\$ 166,355,214</u>	<u>\$ 120,975,637</u>	<u>\$ 287,330,851</u>

SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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, 2022, 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, 2022 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, 2022

5. LONG-TERM DEBT (Continued)

Changes in Long-Term Obligations

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

	<u>July 1, 2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2022</u>	<u>Due Within One year</u>
SacSewer					
Revenue Bonds	\$ 162,530,000	\$ -	\$ (1,180,000)	\$ 161,350,000	\$ 1,230,000
Plus premium	5,350,369	-	(345,155)	5,005,214	345,155
Total - SacSewer	<u>167,880,369</u>	<u>-</u>	<u>(1,525,155)</u>	<u>166,355,214</u>	<u>1,575,155</u>
Regional San					
State revolving loan	868,346,800	8,826,857	(19,984,315)	857,189,342	20,314,796
Revenue bonds	965,155,000	-	(45,085,000)	920,070,000	50,645,000
Notes from direct borrowings	200,000,000	-	-	200,000,000	-
Plus (less):					
Premium (discounts)	186,203,780	-	(9,565,034)	176,638,746	9,636,744
Total - Regional San	<u>2,219,705,580</u>	<u>8,826,857</u>	<u>(74,634,349)</u>	<u>2,153,898,088</u>	<u>80,596,540</u>
Total	<u>\$ 2,387,585,949</u>	<u>\$ 8,826,857</u>	<u>\$ (76,159,504)</u>	<u>\$ 2,320,253,302</u>	<u>\$ 82,171,695</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

Future standards which may impact the Authority include the following:

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The effective date of this Statement was postponed to fiscal years beginning after December 15, 2021 with the issuance of GASB Statement No. 95. The 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, 2022

6. FUTURE ACCOUNTING PRONOUNCEMENTS (Continued)

GASB Statement No. 94 – In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. The Authority is currently evaluating the effect of this standard on the financial statements.

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. The Authority is currently evaluating the effect of this standard on the financial statements.

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 extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in GASB Statement No. 34, as amended, and terminology updates related to GASB Statement No. 53 and GASB Statement No. 63 are effective upon issuance. Application related to the extension of the use of LIBOR effected the Authority by allowing the Authority to continue using LIBOR related financial instruments until June 30, 2023, when LIBOR tenors will cease to be published. The Authority plans to replace all remaining LIBOR related financial instruments before June 30, 2023. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of GASB Statement No. 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. This Authority is currently evaluating the effect of this standard on the financial statements.

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

SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

6. FUTURE ACCOUNTING PRONOUNCEMENTS (Continued)

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, 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, 2022, 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 14, 2022.

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 14, 2022