

**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, 2021



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, 2021**

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## Independent Auditor's 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 (Authority), a component unit of the Sacramento Regional County Sanitation District, as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic 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.

### *Auditor's 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, 2021, and the changes in financial position and cash flows for the fiscal 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 3-6 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 10, 2021 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.



Sacramento, California  
December 13, 2021

# SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

### FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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 (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 Regional San and SASD. This section presents a discussion and analysis of the Authority's financial performance during the fiscal year ended June 30, 2021. Please read it in conjunction with the Authority's basic financial statements following this section.

#### FINANCIAL HIGHLIGHTS

- 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, 2021, the outstanding balance was \$862,070,122.
- In November 2015, The State Water Resources Control Board approved construction financing for the construction of the Water Recycling Pipeline Project providing recycled water to the southern portions of the City of Sacramento. Interest on the project is 1.0% and is to be paid back over a 20 year period once the project is complete. As of June 30, 2021, the outstanding balance is \$6,276,677.

#### 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 7 - 9) 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.

**Notes to the Basic Financial Statements** (pages 10 - 23) provide additional information that is essential to a full understanding of the data provided in the Authority's basic financial statements. The notes are included immediately following the basic financial statements within this report.

# SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

### 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, 2021, total assets and deferred outflows exceeded total liabilities and deferred inflows by \$21.3 million. During the fiscal year ended June 30, 2021, net position decreased by \$6.5 million.

The following table summarizes the changes between assets, deferred outflows, liabilities, deferred inflows, and net position as of June 30, 2021, and 2020:

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

	2021	% Change	2020
<b>Assets:</b>			
Current Assets	\$ 92,348	62.1%	\$ 56,978
Noncurrent Assets	2,311,534	5.7%	2,187,491
Total assets	2,403,882	7.1%	2,244,469
Deferred Outflows	22,501	-22.7%	29,126
<b>Liabilities:</b>			
Current liabilities	92,348	62.1%	56,978
Noncurrent liabilities	2,311,534	5.7%	2,187,491
Total liabilities	2,403,882	7.1%	2,244,469
Deferred Inflows	1,164	-6.3%	1,242
<b>Net position:</b>			
Unrestricted - Regional San	22,501	-22.7%	29,126
Unrestricted - SASD	(1,164)	-6.3%	(1,242)
Total net position	\$ 21,337	-23.5%	\$ 27,884

In fiscal year ended 2021, the total assets increased by \$159.4 million mainly due to the net change in long term receivables. Long term receivables from Regional San increased by \$744.6 million due to additional draws from the State Revolving Loan and the issuance of the 2020 Series and 2021 Series bonds. The increase was offset by \$592.1 million due to the refunding/early payoff of the 2000C, 2007B and 2011A Series Bonds along with scheduled debt payments received from Regional San. Long term receivables from SASD decreased by \$1.4 million due to scheduled debt payments. Deferred outflows decreased by \$6.6 million due to the amortization of deferred charges and the refunding of the 2007B and 2011A Bonds. This was offset by an increase of deferred outflows from the issuance of the 2020B and 2021 Series Bonds. Deferred inflows decreased by \$78 thousand due to the amortization of deferred credits. Total liabilities increased by \$159.4 million due to the net increase in long term obligations.

**SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

The following table summarizes the changes in net position for the fiscal years ended June 30, 2021, and 2020:

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

	<u>2021</u>	<u>% Change</u>	<u>2020</u>
Operating revenues	\$ 37,087	-19.6%	\$ 46,146
Nonoperating revenues (expenses):			
Interest expense	<u>(43,634)</u>	-9.4%	<u>(48,182)</u>
Change in net position	(6,547)	-221.6%	(2,036)
Net position, beginning of year	<u>27,884</u>		<u>29,920</u>
Net position, end of year	<u>\$ 21,337</u>		<u>\$ 27,884</u>

Total operating income decreased by approximately \$9.0 million. This is due to the decrease of interest expense by Regional San for the outstanding bonds. Total nonoperating revenues and expenses decreased by approximately \$4.5 million for the year ending June 30, 2021. The change is attributable to lower interest payments when compared to the prior year.

**LONG-TERM DEBT ACTIVITY**

**Long-term obligations** totaled \$2.4 billion and \$2.2 billion at June 30, 2021 and 2020, respectively. These amounts were comprised of SASD and Regional San's revenue bonds, and the State Revolving Loan. The following table summarizes the amount of long-term obligations for the fiscal years ended June 30, 2021 and 2020.

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

	<u>2021</u>	<u>2020</u>
SASD Revenue Bonds, Net	\$ 167,880	\$ 169,356
Regional San Revenue Bonds and Loans, Net	<u>2,219,706</u>	<u>2,067,183</u>
Total Long-term obligations	<u>\$ 2,387,586</u>	<u>\$ 2,236,539</u>

Revenue bonds and loans related to the Regional San have increased by approximately \$152.5 million. The increase was a result of a \$744.6 million increase in the Authority's loan balance from the State Revolving Loan and the issuance of the 2020 Series and 2021 Series bonds. This was offset by the refunding/early payoff of the 2000C, 2007B and the 2011A Series Bonds. In addition, the scheduled debt payments and bond premium amortization also offset the increase of the loan balance during the year. Revenue bonds related to SASD have decreased by approximately \$1.5 million during the 2020-21 fiscal year. These changes were the result of scheduled debt service payments of \$1.1 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, 2021

**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 Glen Iwamura, Interim Chief Financial Officer; Sacramento Regional County Sanitation Regional San, 10060 Goethe Road, Sacramento California 95827, or phone (916) 876-6552.



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

STATEMENT OF NET POSITION  
JUNE 30, 2021

ASSETS:

CURRENT ASSETS:

Loans receivable from Regional San	\$ 74,526,733
Accrued interest receivable from Regional San	12,420,604
Loans receivable from SASD	1,525,155
Accrued interest receivable from SASD	3,876,108
TOTAL CURRENT ASSETS	92,348,600

NONCURRENT ASSETS:

Long-term loans receivable from Regional San	2,145,178,847
Long-term loans receivable from SASD	166,355,214
TOTAL NONCURRENT ASSETS	2,311,534,061

TOTAL ASSETS	2,403,882,661
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DEFERRED OUTFLOWS OF RESOURCES:

Deferred amounts on refunding - Regional San	22,501,601
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LIABILITIES:

CURRENT LIABILITIES:

Bond interest payable - Regional San	12,420,604
Current portion of long-term obligations - Regional San	74,526,733
Bond interest payable - SASD	3,876,108
Current portion of long-term obligations - SASD	1,525,155
TOTAL CURRENT LIABILITIES	92,348,600

NONCURRENT LIABILITIES:

Long-term obligations - Regional San	2,145,178,847
Long-term bond obligations - SASD	166,355,214
TOTAL NONCURRENT LIABILITIES	2,311,534,061
TOTAL LIABILITIES	2,403,882,661

DEFERRED INFLOWS OF RESOURCES

Deferred inflows on loan refunding - SASD	1,164,437
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NET POSITION:

Unrestricted - Regional San	22,501,601
Unrestricted - SASD	(1,164,437)
TOTAL NET POSITION	\$ 21,337,164

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, 2021

**OPERATING REVENUES:**

Base payment from Regional San	\$	28,124,913
Base payment from SASD		8,962,212
Total operating revenues		<u>37,087,125</u>
Operating income		<u>37,087,125</u>

**NONOPERATING REVENUES (EXPENSES):**

Interest expense - Regional San		(29,870,408)
Bond Issuance Costs		(4,879,224)
Interest expense - SASD		<u>(8,884,583)</u>
Total nonoperating revenues (expenses)		<u>(43,634,215)</u>

Change in net position		(6,547,090)
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Net position, beginning of year		<u>27,884,254</u>
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Net position, end of year		<u><u>\$ 21,337,164</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, 2021**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from Regional San, principal portion	\$ 45,707,255
Cash received from Regional San, interest portion	35,542,413
Cash paid to Regional San for long-term debt issuance	(191,124,404)
Cash paid to Regional San for refunded debt	(22,912,207)
Cash received from SASD, principal portion	1,130,000
Cash received from SASD, interest portion	9,330,909
Net cash used in operating activities	<u>(122,326,034)</u>

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

Regional San principal payments on long-term debt	(45,707,255)
Regional San interest payments on long-term debt	(35,542,413)
Regional San proceeds from issuance of long-term obligations	191,124,404
Regional San receipt from escrow agent for bond issue costs	22,912,207
SASD principal payments on long-term debt	(1,130,000)
SASD interest payments on long-term debt	(9,330,909)
Net cash provided by non-capital financing activities	<u>122,326,034</u>

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

**RECONCILIATION OF NET CASH USED IN OPERATING ACTIVITIES TO OPERATING INCOME:**

Operating income	\$ 37,087,125
Adjustments to reconcile operating income to net cash used in operating activities:	
Change in assets and liabilities:	
Interest receivable from Regional San	(8,389,733)
Loans receivable from Regional San	(152,522,123)
Interest receivable from SASD	23,542
Loans receivable from SASD	1,475,155
Net cash used in operating activities	<u><u>\$ (122,326,034)</u></u>

**NONCASH NON-CAPITAL FINANCING ACTIVITIES:**

Amortization of deferred loss on refunding - Regional San	\$ (1,745,495)
Amortization of deferred gain on refunding - SASD	77,629
Bond proceeds from debt refunding	553,542,208
Payment to escrow for refunded debt	(553,542,208)

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, 2021**

### **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 (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 Regional San 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 (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 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 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 accompany notes. Actual results could differ from those estimates.

#### **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 \$22,501,601 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, 2021

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

**Deferred Inflows**

Deferred inflows of resources represent an acquisition of net position 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 was \$1,164,437 for SASD. 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 SASD, 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 SASD.

In return, Regional San 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, 2021, is \$2,219,705,580 and \$167,880,369 for Regional San and SASD respectively.

	Balance June 30, 2020	Increase	Decrease	Balance June 30, 2021
Loan receivable - Regional San	\$ 2,067,183,453	\$ 744,666,615	\$ (592,144,488)	\$ 2,219,705,580
Interest accrual - Regional San	4,030,871	12,420,604	(4,030,871)	12,420,604
Subtotal - Regional San	<u>2,071,214,324</u>	<u>757,087,219</u>	<u>(596,175,359)</u>	<u>2,232,126,184</u>
Loan receivable - SASD	169,355,524	-	(1,475,155)	167,880,369
Interest accrual - SASD	3,899,649	3,876,108	(3,899,649)	3,876,108
Subtotal - SASD	<u>173,255,173</u>	<u>3,876,108</u>	<u>(5,374,804)</u>	<u>171,756,477</u>
Total	<u>\$ 2,244,469,497</u>	<u>\$ 760,963,327</u>	<u>\$ (601,550,163)</u>	<u>\$ 2,403,882,661</u>

**4. NET POSITION**

The net position as reported on the Authority's financial reports consists of \$22,501,601, which is unrestricted for Regional San and \$(1,164,437), which is unrestricted for SASD.

**SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY**

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**5. LONG-TERM DEBT**

The Authority's long-term debt at June 30, 2021 consisted of the following:

<b>Regional San Long-Term Debt:</b>	
<b>Revenue Bonds:</b>	
2021 Series Refunding Bonds	\$ 347,682,326
2020B Series Taxable Refunding Bonds	74,855,000
2020A Series Revenue Bonds	274,969,567
2014B Series Taxable Refunding Bonds	28,385,000
2014A Series Refunding Bonds	381,153,598
2007A/B Series Refunding Bonds	37,485,000
2001 Series Refunding Bonds	6,828,289
<b>Direct Purchase Arrangements</b>	
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
<b>Direct Borrowing</b>	
Clean Water State Revolving Fund	<u>868,346,800</u>
Total long-term debt - Regional San	2,219,705,580
Less current portion - Regional San	<u>(74,526,733)</u>
Long-term portion - Regional San	<u>2,145,178,847</u>
<b>SASD Revenue Bonds:</b>	
2010A/B Series Revenue Bonds	117,844,859
2015 Series Revenue Bonds	<u>50,035,510</u>
Total long-term debt - SASD	167,880,369
Less current portion	<u>(1,525,155)</u>
Long-term portion - SASD	<u>166,355,214</u>
Total Long-term portion	<u>\$ 2,311,534,061</u>

**SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

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

On April 7, 2015, the California 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 Authority for the EchoWater Project. The EchoWater 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 \$1.4 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 \$1.4 billion with thirty-year terms and rates estimated to be from 1.6 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 prepared. These component projects vary in their start dates from March 2015 to June 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. All eight components of the EchoWater Project have been approved at an interest rate ranging from 1.6% to 1.7% over a 30 year life. As of June 30, 2021, \$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, 2021 the loan balance for the EchoWater Project component of the CWSRF loan is \$862,070,123.

The table below shows the maximum loan amount and loan balance related to each of the eight EchoWater Project components at June 30, 2021.

<b>Echo Water Project Component</b>	<b>CWSRF Number</b>	<b>Estimated Cost/Maximum Loan Amount</b>	<b>Loan balance at 6/30/2021</b>	<b>Interest rate</b>	<b>Construction Start Date</b>
Site Preparation	C-06-8025-110	\$ 43,949,856	\$ 37,485,254	1.6%	March 2015
Flow Equalization	C-06-8025-120	138,672,372	125,075,463	1.6%	March 2015
Main Electrical Substation					
Expansion	C-06-0825-130	3,439,831	2,558,292	1.6%	August 2015
Disinfection Chemical Storage	C-06-8025-140	21,465,759	20,023,956	1.6%	September 2015
Nitrifying Sidestream Treatment	C-06-8025-150	53,490,845	50,388,776	1.6%	January 2016
Biological Nutrient Removal Facility	C-06-8025-160	533,142,603	455,059,936	1.7%	April 2016
RAS Pumping Station	C-06-8025-170	35,696,952	31,577,920	1.7%	July 2016
Tertiary Treatment Facility	C-06-8025-180	564,657,506	139,900,526	1.7%	June 2018
EchoWater CWSRF Loan		<u>\$ 1,394,515,724</u>	<u>\$ 862,070,123</u>		

# SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

### 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 will convey recycled water from the existing Sacramento Regional Wastewater Treatment Plant Water Reclamation Facility to the Sacramento Power Authority Cogeneration Facility for use at its cooling towers.

The table below shows the maximum loan amount, loan balance, interest rate and loan balance at June 30, 2021, for the Water Recycling Pipeline Project.

Water Recycling Pipeline Project	CWSRF Number	Estimated Cost/Maximum Loan Amount	Loan balance at 6/30/2021	Interest rate	Construction Start Date
Phase 1B	C-06-8082-110	\$ 8,182,200	\$ 6,276,677	1.0%	October 2016

### 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 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 ending in November of 2016. The direct purchase agreement was renewed at that time for an additional three-year term until November 2019. On April 4, 2019, the agreement was renewed until April 4, 2022. BofA cannot put the bonds back to the 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 renewed direct purchase agreements reduces the cost by \$12,500 per year for each series and changes the index used to calculate the variable rate from the Securities Industry and Financial Markets Association (SIFMA) to 70% of 1 month London Inter-Bank Offered Rate (LIBOR) plus 50 bps.

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

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

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



# SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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 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 \$77,872,326 and deferred amount on refunding was \$3,768,668 at June 30, 2021.

#### 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 \$2,313,711 at June 30, 2021.

#### 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 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 Echo Water 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 \$65,219,567 at June 30, 2021.

# SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

### 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 \$1,993,694 at June 30, 2021.

#### **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 \$43,183,598 and deferred amount on refunding was \$13,135,721 at June 30, 2021.

#### **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 70% of 1 month LIBOR plus 50 basis points. Unamortized deferred amount on refunding was \$282,125 at June 30, 2021. 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 70% of 1 month LIBOR plus 50 basis points. Unamortized deferred amount on refunding was \$282,125 at June 30, 2021. 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 \$282,125 at June 30, 2021. 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

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

### 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 \$282,125 at June 30, 2021. Proceeds on the Series 2012 A Bonds were used for the refunding of the 2008 C Series Bonds.

#### Regional San - 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 4.00% to 5.00% and mature serially commencing in fiscal year 2022 through 2027. Proceeds of these bonds were used to partially refund the Series 2001 Refunding Bonds. On July 14, 2020, the Series 2011 A Refunding Bonds were advanced refunded with the issuance of the 2020 B 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; \$403,400,000 of such defeased bonds were outstanding as of June 30, 2021.

#### 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. 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 Authority's financial statements. Unamortized discount was \$71,711 and unamortized deferred amount on refunding was \$161,306 at June 30, 2021.

**SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**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, 2021 \$21,465,000 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, 2021 are as follows:

Fiscal Years Ending June 30,	Revenue Bonds			Notes from Direct Borrowings and State Revolving Fund		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 45,085,000	\$ 42,874,385	\$ 87,959,385	\$ 19,815,233	\$ 13,379,118	\$ 33,194,351
2023	50,645,000	40,816,235	91,461,235	20,142,840	13,051,512	33,194,352
2024	39,915,000	39,003,706	78,918,706	24,089,408	15,096,780	39,186,188
2025	41,275,000	37,642,921	78,917,921	24,489,405	14,696,783	39,186,188
2026	42,545,000	36,372,288	78,917,288	24,896,065	14,290,124	39,186,189
2027-2031	241,785,000	152,798,111	394,583,111	130,821,279	67,246,849	198,068,128
2032-2036	253,990,000	87,588,181	341,578,181	142,053,266	56,198,910	198,252,176
2037-2041	8,050,000	62,238,000	70,288,000	353,030,499	40,119,771	393,150,270
2042-2046	181,645,000	35,018,975	216,663,975	165,383,125	24,873,551	190,256,676
2047-2051	60,220,000	7,828,000	68,048,000	151,940,809	10,930,890	162,871,699
2052-2053	-	-	-	11,684,871	920,072	12,604,943
	965,155,000	542,180,802	1,507,335,802	1,068,346,800	270,804,360	1,339,151,160
Plus net unamortized discounts and premiums	186,203,780	-	186,203,780	-	-	-
	<u>\$ 1,151,358,780</u>	<u>\$ 542,180,802</u>	<u>\$ 1,693,539,582</u>	<u>\$ 1,068,346,800</u>	<u>\$ 270,804,360</u>	<u>\$ 1,339,151,160</u>

**SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**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.

**SASD 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 defease the 2005 Series Revenue Bonds. The bonds mature serially from August 2025 through August 2035. Interest rates for the Series 2015 range from 3.00% to 5.00%, principal payments range from \$3,260,000 to \$5,115,000 with the first payment starting in August 2025 and ending in August 2035. SASD paid \$70.3 million toward the refunding. The refunding resulted in an economic gain of \$6.2 million. Unamortized premium was \$4,600,510 as of June 30, 2021. Deferred amount on refunding was \$1,164,437 at June 30, 2021.

**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. Unamortized premium was \$749,859 as of June 30, 2021.

**SASD - Maturity Schedule**

Future debt service requirements on Authority's SASD revenue bonds as of June 30, 2021 are as follows:

<u>Fiscal years ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 1,180,000	\$ 9,279,059	\$ 10,459,059
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
2027-2031	26,610,000	41,181,107	67,791,107
2032-2036	51,650,000	31,073,278	82,723,278
2037-2041	74,605,000	12,184,954	86,789,954
	<u>162,530,000</u>	<u>130,254,697</u>	<u>292,784,697</u>
Plus net unamortized discounts, and premiums,	5,350,369	-	5,350,369
	<u>\$ 167,880,369</u>	<u>\$ 130,254,697</u>	<u>\$ 298,135,066</u>

# SACRAMENTO COUNTY SANITATION DISTRICTS FINANCING AUTHORITY

## NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

#### Bond Covenants

Pursuant to various agreements and resolutions entered into by SASD, Regional San and the Authority related to its Revenue Bonds, SASD 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 SASD 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, 2021, SASD 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 SASD and Regional San's long-term obligations through June 30, 2021 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

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

**Changes in Long-Term Obligations**

Changes in long-term obligations for the fiscal years ended June 30, 2021 were as follows:

	<u>July 1, 2020</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2021</u>	<u>Due Within One year</u>
<b>SASD</b>					
Revenue Bonds	\$ 163,660,000	\$ -	\$ (1,130,000)	\$ 162,530,000	\$ 1,180,000
Plus premium	5,695,524	-	(345,155)	5,350,369	345,155
Total - SASD	<u>169,355,524</u>	<u>-</u>	<u>(1,475,155)</u>	<u>167,880,369</u>	<u>1,525,155</u>
<b>Regional San</b>					
State revolving loan	833,574,181	42,714,874	(7,942,255)	868,346,800	19,815,233
Revenue bonds	978,280,000	555,270,000	(568,395,000)	965,155,000	45,085,000
Notes from direct borrowings	200,000,000	-	-	200,000,000	-
Plus (less):					
Premium (discounts)	55,329,272	146,681,738	(15,807,230)	186,203,780	9,626,500
Total - Regional San	<u>2,067,183,453</u>	<u>744,666,612</u>	<u>(592,144,485)</u>	<u>2,219,705,580</u>	<u>74,526,733</u>
<b>Total</b>	<u>\$ 2,236,538,977</u>	<u>\$ 744,666,612</u>	<u>\$ (593,619,640)</u>	<u>\$ 2,387,585,949</u>	<u>\$ 76,051,888</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. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The effective date of this Statement was postponed to fiscal years beginning after June 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

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

### 6. FUTURE ACCOUNTING PRONOUNCEMENTS (CONTINUED)

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.

GASB Statement No. 92 – In January 2020, GASB issued Statement No. 92, *OMNIBUS 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. 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. More comparable reporting will improve the usefulness of information for users of state and local government financial statements. The effective date of this Statement was postponed to fiscal years beginning after June 15, 2021 with the issuance of GASB Statement No. 95. The Authority is currently evaluating the effect of this standard on the financial statements.

GASB Statement No. 93 – In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. 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. More comparable reporting will improve the usefulness of information for users of state and local government financial statements. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements (except paragraphs 13 and 14) of this Statement are effective for reporting periods beginning after June 15, 2020. Paragraphs 13 and 14 have been postponed to reporting periods beginning after June 15, 2021 with the issuance of GASB Statement No. 95. The Authority is currently evaluating the effect of this standard on the financial statements.

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

### 6. FUTURE ACCOUNTING PRONOUNCEMENTS (CONTINUED)

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. 97 – In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statement No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The Authority is currently evaluating the effect of this standard on the financial statements.

### 7. COVID-19

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, customers, economies, and financial markets globally. Due to the nature of the Authority's operations, there was minimal impact of COVID-19 on this year's financial statements of the Authority. At this time, the Authority cannot estimate the impact of COVID-19 on future year's 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) as of and for the year ended June 30, 2021, 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 13, 2021.

***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 opinions 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 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.

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

Sacramento, California  
December 13, 2021