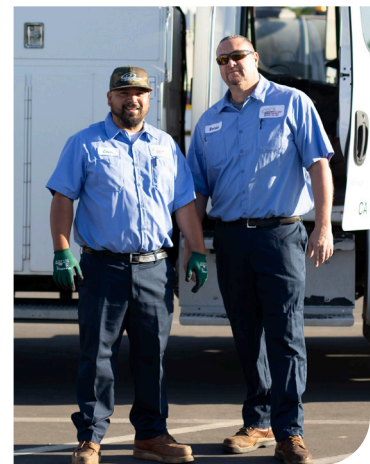


2025

ANNUAL COMPREHENSIVE

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2025
SACRAMENTO, CALIFORNIA





Service Area



This map is for informational purposes, and may not have been prepared for, or be suitable for legal, engineering, or surveying purposes. Review or consult the primary data and information sources for usability.

SACRAMENTO AREA SEWER DISTRICT (SacSewer)

Sacramento, California

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2025

Prepared by the Department of Finance

M. Tapa Banda, CFA, CMA , Finance Director
Glen Iwamura, CPA, Sr Accounting Manager
Robin Xiang, CPA, Accounting Manager

Senior Accountants

| | |
|-----------------------|------------------|
| Angela Powers | Kimberly Hammack |
| Vladimir Grechko, CPA | Michelle Smith |

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Table of Contents

INTRODUCTORY SECTION

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

FINANCIAL SECTION

| | |
|--|----|
| Independent Auditor's Report | 1 |
| Management's Discussion and Analysis - Required Supplementary Information (Unaudited)..... | 4 |
| Basic Financial Statements: | |
| • Statements of Net Position..... | 14 |
| • Statements of Revenues, Expenses and Changes in Net Position..... | 15 |
| • Statements of Cash Flows | 16 |
| • Notes to the Basic Financial Statements | 18 |
| Required Supplementary Information (Unaudited) | |
| • Schedule of SacSewer's Share of the County's Net OPEB Liability..... | 56 |
| • Schedule of SacSewer's Proportionate Share of the County's Net Pension Liability | 57 |
| • Schedule of SacSewer's Pension Contributions | 58 |
| Supplemental Information (Unaudited) | |
| • Combining Statement of Net Position – Treatment and Collection..... | 60 |
| • Combining Statement of Revenues, Expenses and Changes in Net Position..... | 61 |
| • Combining Statement of Cash Flows – Treatment and Collection..... | 62 |

STATISTICAL SECTION

| | |
|--|----|
| Index to statistical section | 65 |
| Tables Presented: | |
| • Net Position by Component | 66 |
| • Changes in Net Position..... | 67 |
| • Operating Revenues by Source | 68 |
| • Operating Expenses | 69 |
| • Nonoperating Revenues and Expenses | 71 |
| • Wastewater Treated | 72 |
| • Number of Customers by Type | 73 |
| • Ten Largest Customers | 74 |
| • Sewer Rates | 75 |
| • Net Ratios of Outstanding Debt by Type | 76 |
| • Pledged Revenue Coverage | 77 |
| • Demographic and Economic Statistics | 78 |
| • Private Sector Principal Employers | 79 |
| • Number of Employees by Identifiable Activity | 80 |
| • Operating and Capital Indicators | 81 |

BOND DISCLOSURE SECTION

| | |
|------------------------------------|----|
| Annual Continuing Disclosures..... | 83 |
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10060 Goethe Road
Sacramento, CA 95827
Tel 916.876.6000

EchoWater Facility
8521 Laguna Station Road
Elk Grove, CA 95758
Tel 916.875.9000

April 3, 2026

Sacramento Area Sewer District Customers and
The Honorable Board of Directors,

The Sacramento Area Sewer District (SacSewer) hereby submits the Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2025. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with SacSewer. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported to present fairly the financial position and changes in financial position for SacSewer. All disclosures necessary to enable the reader to gain an understanding of SacSewer's financial activities have been included.

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

An independent auditor audits SacSewer's financial statements each year. The firm Macias Gini & O'Connell LLP (MGO) was selected to perform the independent audit for the fiscal year ended June 30, 2025. The independent auditor's report is presented as the first component of the financial section of this report. The goal of the independent audit was to provide reasonable assurance that SacSewer's basic financial statements are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Based upon the audit, the independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that SacSewer's basic financial statements for the fiscal year ended June 30, 2025 is fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP).

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

www.sacsewer.com

Board of Directors
Representing:
County of Sacramento | City of Citrus Heights
City of Elk Grove | City of Folsom
City of Rancho Cordova | City of Sacramento
City of West Sacramento | County of Yolo

Christoph Dobson
General Manager/District Engineer
Rosemary Clark
Director of Collection System Operations
Sonny Lunde
Director of EchoWater Operations

Mike Huot
Director of Policy & Planning
Matthew Doyle
Director of Internal Services

Masiku Tapa Banda
Director of Finance
Nicole Coleman
Director of Communications

PROFILE OF SACSEWER

SacSewer is a county sanitation district organized under the laws of the State of California and is governed by a 17-member Board of Directors. SacSewer is the Sacramento region's sewage collection, treatment, and resource recovery utility—providing service to more than 1.6 million people in a service area encompassing 386-square miles. SacSewer is the second largest sewage collection utility in California and owns and operates the second largest water resource recovery facility of its kind in the nation, the EchoWater Resource Recovery Facility located near Elk Grove. SacSewer provides service to residential, commercial, and industrial customers throughout unincorporated Sacramento County; the cities of Citrus Heights, Elk Grove, Folsom, Rancho Cordova, Sacramento, and West Sacramento; and the communities of Courtland, Locke, and Walnut Grove. The services provided vary based on the location within SacSewer's service area.

The focus of SacSewer's mission is to protect public health and the environment by collecting, treating, and recovering resources from sewage. In addition, the SacSewer's committed to proactive environmental stewardship and have robust programs that demonstrate that commitment.

The present-day SacSewer was previously known as two separate agencies—Sacramento Area Sewer District (SacSewer) and Sacramento Regional County Sanitation District (Regional San). The former SacSewer provided sewage collection services, and Regional San provided treatment and resource recovery services. In January 2024, the two agencies legally merged into one, resulting in a consolidated sewer utility, called SacSewer. The ACFR presented is the second year the financial activity of both the former SacSewer and Regional San are combined. Previously, each District issued separate financial statements.

In November 1974, the Master Interagency Agreement (MIA) was executed by SacSewer and Sacramento County. The MIA, updated most recently in 2021, governs the relationship between SacSewer and the contributing agencies: City of Folsom, City of Sacramento, and the City of West Sacramento, and establishes the monthly service charges and sewer impact fees to be collected by the contributing agencies. SacSewer's treatment facilities went online in November 1982 and continue to operate reliably and in conformance with State of California discharge requirements.

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

The region's wastewater travels through 169 miles of interceptor pipelines, which include 58 miles of force mains (pressurized pipes), and 11 pump stations before it reaches the EchoWater Resource Recovery Facility, (formerly known as the Sacramento Regional Wastewater Treatment Plant), near Elk Grove, where it is treated and safely discharged to the Sacramento River. Up to 131 million gallons of wastewater can be treated daily.

Fiscal year 2023-24 was the last full year that SacSewer was staffed by Sacramento County employees (per the current Master Interagency Agreement). Effective December 15, 2024, SacSewer staff transitioned from County employees to SacSewer employees. SacSewer is responsible for establishing payroll and HR functions for employees after December 15, 2024.

BUDGETARY CONTROLS

SacSewer prepares annual operating and capital budgets that are presented to the Board of Directors for its review and approval. The budget serves as an approved plan to facilitate financial control and operational evaluation. The final budget is prepared and presented to the Board of Directors for approval in May or June and becomes effective on July 1st of the corresponding fiscal year. The final budget for fiscal year 2025-26 was approved by SacSewer's Board of Directors on May 28, 2025.

FACTORS AFFECTING THE FINANCIAL CONDITION OF SACSEWER

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

Despite variable impact fee revenue and an inflationary environment, SacSewer has maintained a strong financial position. In order to maintain SacSewer's financial health into the future, monthly service charges will increase for fiscal year 2025-26. SacSewer continues to meet its financial obligations for operating and capital needs, while maintaining healthy cash reserves.

INTERNAL CONTROLS

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

CRITICAL ISSUES AFFECTING SACSEWER

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

- Regulatory Requirement Changes-Future changes to the regulatory requirements that govern SacSewer's operations could cause significant increases to the operational and capital costs. Potential additional treatment requirements and the associated costs are unknown at this time.
- Natural Disasters, Climate Change, Pandemics or Other Emergencies-The potential for natural disasters, such as earthquakes or floods, are issues that SacSewer considers in its emergency planning. An increase in extreme weather events may result in the need for additional capital spending to enhance system capacity or resiliency. A general reserve of 25% of projected operating costs is funded and will continue to be maintained to cover additional costs that could be incurred during times of emergency.
- Harvest Water Project-SacSewer is in the construction phase of the Harvest Water Project to provide recycled water on a large scale to agricultural water users and conservation lands in southern Sacramento County. This project is estimated to cost \$597 million. SacSewer has secured \$395 million in grant funding to offset the costs of the Harvest Water Project and will continue to seek additional grants and low-cost financing.
- Aging Infrastructure-The age of the EchoWater Facility and conveyance system assets is a critical issue. Programs are implemented to address the condition of the treatment plant and conveyance system assets through condition assessment inspections, repairs, rehabilitations, and replacements to ensure reliable and sustainable wastewater treatment systems are maintained.
- Inflation-The on-going high inflation environment will continue to pose significant cost pressures on SacSewer. External cost pressures have increased dramatically in the last couple of years affecting all sectors, including labor, construction costs, chemicals, and electricity.

- BioGeneration Facility Project-SacSewer is in the design planning phase for a biogas cogeneration system to utilize digester gas onsite to provide renewable and reliable utility and backup power, steam for digester heating and revenue per a commodity agreement. There is a risk of escalating construction costs and unknown additional costs for startup. The BioGeneration Facility is expected to receive federal tax credits that will offset the total cost of the project.
- Lawsuits and Settlements-Several bid protests and legal challenges on capital projects have had financial impacts on SacSewer in the past. Protests or legal challenges in the future that relate to SacSewer's capital projects could potentially cause delays and could result in additional regulatory, construction, and legal costs. In 2023, SacSewer entered into a settlement agreement with the California Coastkeeper Alliance for violations of the Clean Water Act for sanitary sewer overflows. Defending current litigation and any other potential legal issues could result in additional legal and settlement costs.
- Water Fluctuations-Reduced or increased wastewater flows could have an impact on utilities in the future. As wastewater flows decline in SacSewer's collection system due to mandated water conservation or drought, potential issues may arise that will increase the costs of maintenance in the system. Lower wastewater flows increase the potential of debris stoppages and can cause a higher risk of root intrusion in the sewer collection system. Conversely, intense storm events can cause system surcharges and increased sanitary sewer overflows.

LONG-TERM PLANNING

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

- Long-Term Financial Plan (LTFP)-The LTFP is comprised of data regarding financial performance measures, critical issues, a 10-year financial forecast and forecast assumptions, a 10-year Capital Funding Projection that serves as the strategic document to estimate SacSewer's capital funding needs. The LTFP is updated annually, and the last update was presented to SacSewer's Board of Directors in September 2025.
- Interceptor Sequencing Study (ISS)-The ISS is a planning document prepared to forecast SacSewer's long-term interceptor pipeline capacity needs in order to provide sanitary sewer conveyance to a growing Sacramento region.
- Water Recycling Opportunities Study-This Study evaluated local recycled water opportunities for SacSewer's highly treated wastewater. Recycled water is a drought-tolerant water supply that can be used for agricultural and landscape irrigation or commercial uses, improving regional water supply sustainability, and enhancing the environment.
- The EchoWater Facility's Solids Management Plan-This plan was developed to evaluate biosolids handling, storage, reuse, and disposal methods to identify the long-term need and timing of additional biosolids management facilities to meet future demand.

DEBT ADMINISTRATION

As discussed in the Management's Discussion and Analysis section of this report, SacSewer has approximately \$2.2 billion in total long-term obligations, including \$927.5 million in obligations with the Clean Water State Revolving Fund (CWSRF) as of June 30, 2025.

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

MERGER

Until January 2024, SacSewer and Regional San were two independent county sanitation districts operating under the authority of the County Sanitation District Act of the Health and Safety Code. SacSewer and Regional San provided complementary services in overlapping service areas, served many of the same customers, and shared some staff—including the same General Manager, nearly all of the executive staff, and most departments.

However, SacSewer and Regional San were separate legal entities, maintained separate finances and rate structures, and were governed by different Boards of Directors. SacSewer and Regional San remaining separate was a result of historical evolution and circumstance rather than a strategically planned effort. To provide the community with the most efficient and effective sewage collection, treatment, and resource recovery services, the two districts were merged into one on January 2024.

On May 10, 2023, in anticipation of the merger of Regional San and SacSewer into a single entity, the Master Installment Purchase Contract was amended to distinguish the “Sanitation District” of Regional San from those of SacSewer so that the “Obligations” under each District will continue to be secured by the “Net Revenues” of each District. Both Districts’ “systems” will remain intact, and the revenues will continue to be pledged to the bonds they secure pursuant to the governing bond documents. With this, the determination was made that the amendments to the Master Installment Purchase Contract do not materially affect the interests of the bondholders or result in any material impairment of the security given or payments of the “Obligations.”

ACKNOWLEDGEMENTS

The Sacramento Area Sewer Annual Comprehensive Financial Report for the fiscal year ended June 30, 2024 was awarded the *Certificate of Achievement for Excellence in Financial Reporting* by the Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report, the contents of which conform to program standards. Such a report must satisfy both U.S. GAAP and applicable legal requirements. A Certificate of Achievement is valid for one year. As a combined District moving forward, SacSewer will continue to conform to the Certificate of Achievement program requirements, and we will be submitting our current year ACFR to the GFOA for Certificate of Achievement.

This internally generated ACFR represents an important accomplishment for SacSewer, and we expect to continue to improve upon the ACFRs that the former Sacramento Area Sewer District and Regional San presented in past years.

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

Respectfully submitted,

M. Tepa Banda

M. Tepa Banda, CFA, CMA
Director of Finance
Sacramento Area Sewer District

Sacramento Area Sewer District

Board of Directors

| | |
|------------------------------|----------------------------------|
| Justin Raithel | City of Folsom |
| Jayna Karpinski-Costa | City of Citrus Heights, Chair |
| Rich Desmond | County of Sacramento |
| Rosario Rodriguez | County of Sacramento |
| Patrick Hume | County of Sacramento |
| Lisa Kaplan | City of Sacramento |
| Patrick Kennedy | County of Sacramento |
| Roger Dickinson | City of Sacramento |
| Vacant | City of Sacramento |
| Quirina Orozco | City of West Sacramento |
| Sergio Robles | City of Elk Grove |
| David Sander | City of Rancho Cordova |
| Phil Serna | County of Sacramento, Vice Chair |
| Darren Suen | City of Elk Grove |
| Phil Pluckebaum | City of Sacramento |
| Vacant | City of Sacramento |
| Oscar Villegas | Yolo County |

SacSewer Officials

Christoph Dobson
District Engineer

Mike Huot
Director of Policy and Planning

Sonny Lunde
Director of Operations – Treatment and Resource Recovery

Rosemary Clark
Director of Operations – Collection System

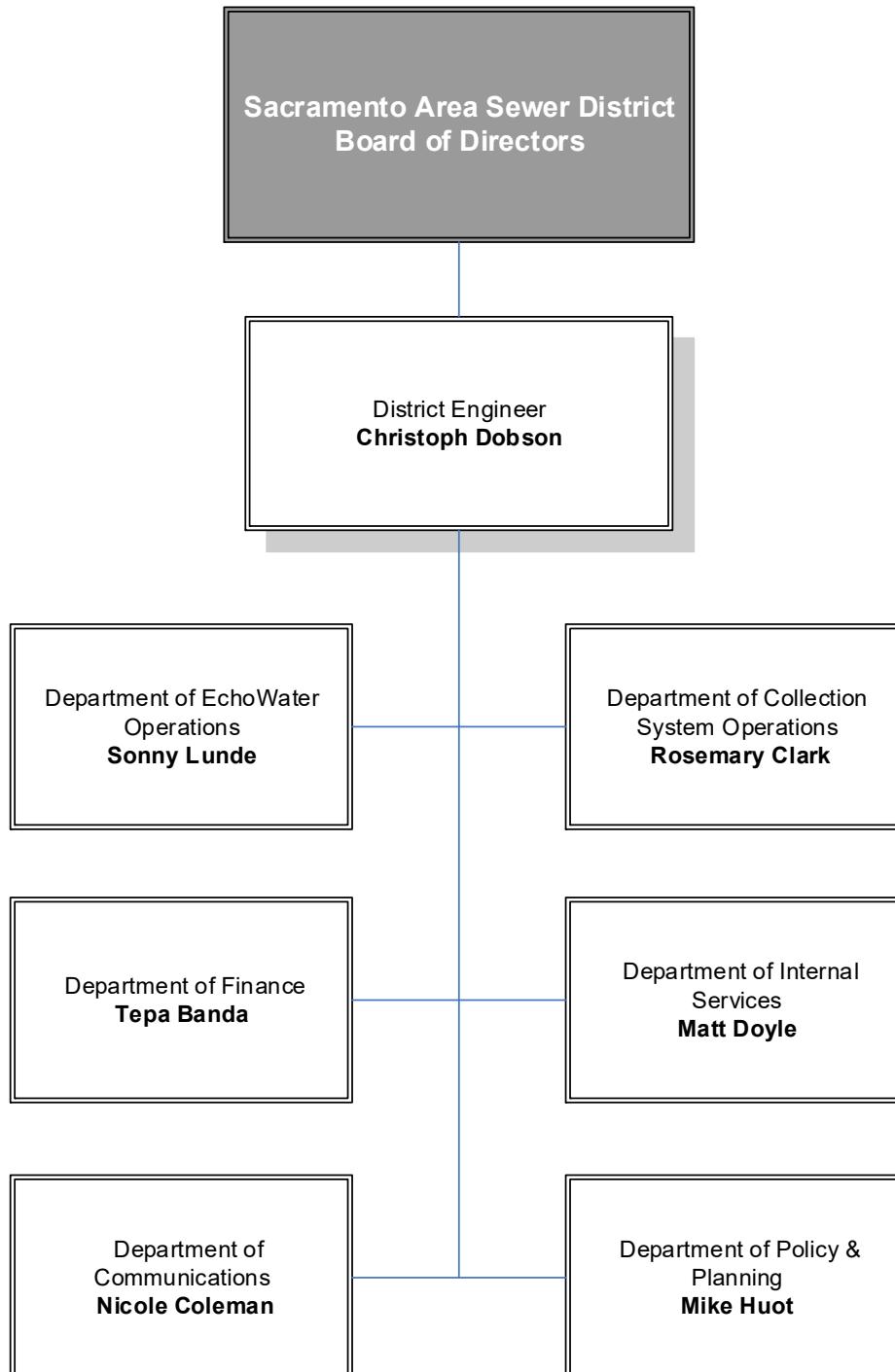
Tepa Banda
Director of Finance

Matthew Doyle
Director of Internal Services

Nicole Coleman
Director of Communications

SACRAMENTO AREA SEWER DISTRICT

ORGANIZATIONAL CHART



SACRAMENTO AREA SEWER DISTRICT
CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN
FINANCIAL REPORTING



Government Finance Officers Association

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

Presented to

**Sacramento Area Sewer District (SacSewer)
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

Executive Director/CEO

Independent Auditor's Report

Board of Directors
Sacramento Area Sewer District
Sacramento, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Sacramento Area Sewer District (SacSewer), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise SacSewer'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 SacSewer, as of June 30, 2025, and the changes in financial position and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Notes 1 and 13, to the financial statements, effective July 1, 2024, the Sacramento Area Sewer District adopted the provisions of Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

SacSewer'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 SacSewer'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 SacSewer'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 SacSewer's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of SacSewer's proportionate share of the County's total OPEB liability, the schedule of SacSewer's proportionate share of the County's net pension liability, and the schedule of SacSewer's pension contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2026, on our consideration of SacSewer'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 SacSewer'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 SacSewer's internal control over financial reporting and compliance.



Sacramento, California
April 3, 2026

SACRAMENTO AREA SEWER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEARS ENDED JUNE 30, 2025

This section of the Sacramento Area Sewer District (SacSewer) Annual Comprehensive Financial Report (ACFR) presents a discussion and analysis of SacSewer's financial performance during the fiscal years ended June 30, 2025. Please read it in conjunction with the transmittal letter at the front of this report and SacSewer's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2025, the assets and deferred outflows of resources of SacSewer exceeded liabilities and deferred inflows of resources by \$2.8 billion (*net position*). Of this amount, \$389.1 million was unrestricted and \$2.4 billion was for net investment in capital assets.
- SacSewer's net position increased by \$129.3 million during the fiscal 2024-25 year. The increase was the result of SacSewer's normal operations and contributed capital.
- SacSewer's long-term debt obligations decreased by approximately \$86.9 million during the 2024-25 fiscal year. These changes were the result of scheduled debt service payments.
- In April 2015, the State Water Resources Control Board approved a financing program for the Treatment and Resource Recovery's (formerly Regional San) EchoWater Project of \$1.4 billion for eight component projects. Interest rates on the component projects range from 1.6 to 1.7 percent. The starting dates of the projects range from March 2015 to June 2018 with completion dates from August 2016 to March 2023. As of June 30, 2025, the outstanding balance was \$927.5 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

SACRAMENTO AREA SEWER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2025

The *Statements of Cash Flows* present information about the cash receipts and cash payments of SacSewer during the two most recent fiscal years. When used with related disclosures and information in the other financial statements, the information provided in these statements should help financial report users assess SacSewer'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 SacSewer's financial position of its cash and its noncash investing, capital, and related financing transactions during the year.

Notes to the basic Financial Statements (starting on page 18) provide additional information that is essential to a full understanding of the data provided in SacSewer'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 SacSewer's financial position. As of June 30, 2025, total assets and deferred outflows exceeded total liabilities and deferred inflows by \$2.8 billion.

SACRAMENTO AREA SEWER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2025

The following table summarizes the changes between assets, deferred outflows of resources, liabilities and deferred inflows of resources, and net position as of June 30, 2025 and 2024.

Condensed Statements of Net Position (Amounts Expressed in Thousands)

| | 2025 ⁽¹⁾ | % Change | 2024 |
|---|---------------------|------------|---------------------|
| Assets: | | | |
| Current assets | \$ 548,813 | -14.5% | \$ 642,227 |
| Restricted and other noncurrent assets | 100,594 | 3.2% | 97,488 |
| Capital assets, net | 4,541,442 | 4.5% | 4,346,362 |
| Total assets | 5,190,849 | 2.1% | 5,086,077 |
| Deferred Outflows of Resources | 25,146 | -43.9% | 44,863 |
| Liabilities: | | | |
| Current liabilities | 197,741 | 44.5% | 136,820 |
| Other noncurrent liabilities | 119,950 | -9.8% | 132,928 |
| Long-term obligations | 2,097,356 | -4.0% | 2,184,242 |
| Total liabilities | 2,415,047 | -1.6% | 2,453,990 |
| Deferred Inflows of Resources | 34,583 | -13.4% | 39,922 |
| Net Position: | | | |
| Net investment in capital assets | 2,377,218 | 11.5% | 2,132,846 |
| Unrestricted | 389,147 | -22.8% | 504,182 |
| Total net position | \$ 2,766,365 | 4.9% | \$ 2,637,028 |

(1) Fiscal Year 2025 beginning balance was restated for implementation of GASB 101
Compensated Absences

As of June 30, 2025, the current assets decreased by approximately \$93.4 million. Of those current assets, cash and investments decreased by \$96.6 million. Construction activity on planned construction projects have impacted cash and investment balances during the year.

In the fiscal year ended June 30, 2025, restricted and other noncurrent assets increased by \$3.1 million. The change was mainly due to restricted cash and investments increasing due to investment earnings.

For fiscal year ended 2025, deferred outflows of resources decreased by \$19.7 million. The decrease was mainly due to changes in deferred outflows relating to pension and other post-employment benefits (OPEB), as well as the amortization of the loss on refunding.

SACRAMENTO AREA SEWER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2025

For fiscal year ended June 30, 2025, the current liabilities increased by \$60.9 million mainly due to an increase in accounts payable at year end due to increased construction activity relating to the Harvest Water Project.

For the fiscal year ended June 30, 2025, long-term obligations decreased by \$86.9 million. This was primarily due to scheduled debt service payments.

For the fiscal year ended June 30, 2025, other non-current liabilities decreased by \$13.0 million. These changes are due primarily from the decrease in net pension liability of \$14.6 million and a decrease of developer reimbursement payable of \$3.1 million. This was offset by an increase of \$12.8 million in compensated absences mainly affected due to the implementation of GASB 101.

The largest portion of SacSewer's net position (86% at June 30, 2025) reflects its net investment in capital assets (e.g., land, easement, right-to-use assets, software, structure and improvements, equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. SacSewer uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Although SacSewer's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining amount (14% at June 30, 2025) is unrestricted and may be used to meet SacSewer's ongoing obligations to customers and creditors.

SACRAMENTO AREA SEWER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2025

The following table summarizes the changes in net position for the fiscal years ended June 30, 2025 and 2024:

| | 2025 ⁽¹⁾ | % | 2024 |
|--|---------------------|---------|---------------------|
| | | Change | |
| Condensed Statements of Changes in Net Position | | | |
| (Amounts Expressed in Thousands) | | | |
| Operating revenues: | | | |
| Sewer service fees | \$ 445,908 | 11.4% | \$ 400,140 |
| Other | 7,879 | 11.3% | 7,079 |
| Nonoperating revenues: | | | |
| Interest revenue | 30,402 | 19.4% | 25,460 |
| Interest revenue from - Financing Authority | - | 0.0% | - |
| Derivative instruments - fair value | - | -100.0% | 14,488 |
| Other | 1,701 | -24.6% | 2,255 |
| Total revenues | <u>485,890</u> | 8.1% | <u>449,422</u> |
| Operating expenses: | | | |
| Salaries and benefits | 132,005 | 19.9% | 110,092 |
| Depreciation and amortization | 111,003 | 0.4% | 110,590 |
| Chemicals | 26,114 | -4.7% | 27,413 |
| Electricity | 18,407 | 8.0% | 17,047 |
| Other | 95,522 | 13.7% | 84,014 |
| Nonoperating expenses: | | | |
| Interest expense | 55,775 | -21.5% | 71,094 |
| Other expenses | 8,073 | 36.6% | 5,909 |
| Total expenses | <u>446,899</u> | -100.0% | <u>426,159</u> |
| Income (loss) before capital contributions | 38,991 | 67.6% | 23,263 |
| Capital contributions: | | | |
| Grant revenue | 39,393 | 100.0% | - |
| Sewer impact fees | 46,462 | -27.0% | 63,657 |
| Pipe from developers | <u>18,125</u> | -38.4% | <u>29,423</u> |
| Total capital contributions | 103,980 | 11.7% | 93,080 |
| Change in net position | 142,971 | 22.9% | 116,343 |
| Net position, beginning of year | 2,637,028 | | 2,520,685 |
| Restatement | (13,634) | | - |
| Net position, beginning of year, restated | <u>2,623,394</u> | | - |
| Net position, end of year | <u>\$ 2,766,365</u> | 4.9% | <u>\$ 2,637,028</u> |

(1) Fiscal Year 2025 beginning balance was restated for implementation of GASB 101
Compensated Absences

SACRAMENTO AREA SEWER DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2025

Total operating revenues, which consist of sewer service fees and other revenues, increased by \$46.6 million in fiscal year 2024-25. For fiscal year 2024-25, sewer service fees revenue increased due to a rate increase on both the Treatment and Resource Recovery and Collection System.

Total operating expenses increased by approximately \$33.9 million in fiscal year 2024-25. The main factor is due to higher salaries and benefit costs of \$21.9 million over the prior year. SacSewer’s labor force transitioned from County employees to District employees, resulting in an increase in the number of positions. In addition, COLAs and higher benefit costs increased labor costs. Other operating expenses that increased over the prior year were pipeline, plant and interceptor maintenance as well as consultant costs.

For fiscal year ended June 30, 2025, nonoperating revenues decreased by approximately \$10.1 million. This was mainly due to the early termination of SacSewer’s swap agreements that were associated with the 2024A Refunding Bond transaction that caused a gain of \$14.5 million in fiscal year 2023-24.

The tables below show the Treatment and Resource impact fees in effect for the fiscal year 2024-25.

Table 1. Sewer Impact Fees for Residential and Commercial Users

| Area | Effective July 1, 2024 through June 30, 2025 | Effective July 9, 2023 through June 30, 2024 |
|--------|--|--|
| Infill | \$3,283 | \$3,283 |
| New | \$6,479 | \$6,479 |

for FY24-25

Table 2. Sewer Impact Fees for Industrial Users

| Area | Flow ^a | BOD ^b | TSS ^b | TKN ^b | Pathegen ^c | Effective Period |
|--------|-------------------|------------------|------------------|------------------|-----------------------|------------------|
| Infill | \$55 | \$47,920 | \$23,890 | \$120,640 | \$30 | July 8, 2023 |
| New | \$229 | | | | | |
| Infill | \$55 | \$47,920 | \$23,890 | \$122,230 | \$31 | July 1, 2024 |
| New | \$229 | | | | | |

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

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

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

The fee structure for impact fees is tiered based on the location of new development within Treatment and Resource Recovery area. Effective July 1, 2024, the “infill” tier remained the same per Equivalent Single Dwelling (ESD). Sewer impact fees for new residential and new commercial users remained the same at \$6,479 per ESD and fees for the “infill” tier were \$3,283 per ESD.

SACRAMENTO AREA SEWER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2025

Sewer impact fee revenue for the Treatment and Resource Recovery decreased by \$832 thousand in fiscal year 2024-25 mainly due to changes in construction activity. These fees are generated by development and thus remain sensitive to construction trends.

The tables below show the Collection System impact fees in effect for fiscal year 2024-25.

Table 3. Sewer Impact Fees for Residential and Commercial Users

| Area | Effective July 1, 2024 |
|--------|------------------------|
| Infill | \$790 per ESD |
| New | \$4,374 per ESD |

Table 4. Sewer Impact Fees for Industrial Users

| Area | Flow ^a | Effective Period |
|--------|-------------------|------------------|
| Infill | \$45 | July 1, 2024 |
| New | \$45 | |

^a Cost for flow is per 1,000 gallons

The fee structure for impact fees is tiered based on the location of new development Collection System service area. Effective July 1, 2024 Sewer impact fees for new residential and new commercial users were \$4,374 per ESD and fees for the "infill" tier was \$790 per ESD. Sewer impact fee revenue decreased by \$16.4 million over the prior year due mostly to changes in construction activity as well as activity with the reimbursement agreements. These fees are generated by development and thus remain sensitive to construction trends.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

Capital Assets, net of accumulated depreciation, totaled \$4.5 billion at June 30, 2025. This corresponded to an increase in total capital assets of \$195.1 million for the fiscal year ending June 30, 2025.

SACRAMENTO AREA SEWER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2025

The following table summarizes the changes in capital assets for the fiscal years ended June 30, 2025 and 2024.

**SacSewer's Changes in Capital Assets
(Amounts Expressed in Thousands)**

| | 2025 | % | 2024 |
|---|--------------|--------|-------------|
| | | Change | |
| Permanent easements | \$ 1,623 | 11.4% | \$ 1,457 |
| Land | 54,899 | 0.1% | 54,841 |
| Construction in progress | 613,001 | -24.5% | 811,544 |
| Structures, improvements and equipment | 5,954,451 | 9.3% | 5,450,292 |
| Software | 9,435 | 0.0% | 9,435 |
| Right-to-use assets | 3,392 | -2.6% | 3,481 |
| Less accumulated depreciation | (2,095,359) | 5.6% | (1,984,688) |
| | \$ 4,541,442 | 4.5% | \$4,346,362 |

From July 1, 2024 to June 30, 2025, construction in progress decreased by \$198.5 million. Construction projects started but not completed at year-end added \$37.6 million and \$246.7 million for the Collection System and Treatment & Resource Recovery, respectively. \$55.5 million and \$426.4 million of construction in progress for the Collection System and Treatment & Resource Recovery, respectively, was transferred out to structures and equipment during the year. Of the amount transferred out, \$417.5 million was attributable to the EchoWater Tertiary Treatment.

Additional information on SacSewer's capital assets can be found in Note 3 of the notes to the basic financial statements.

Long-Term Obligations totaled \$2.2 billion at June 30, 2025. These amounts were comprised of SacSewer's revenue bonds, State Revolving Fund Loans, finance purchase, lease and SBITAs liability, landfill closure and post closure liability, and compensated absences.

SACRAMENTO AREA SEWER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE FISCAL YEARS ENDED JUNE 30, 2025

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

| | <u>2025</u> | <u>2024</u> |
|--|---------------------|---------------------|
| Collection System Bonds, Net | \$ 161,480 | \$ 158,845 |
| Treatment Revenue Bonds, Net | 1,093,116 | 1,149,409 |
| Treatment Direct Borrowings, Net | - | - |
| State Revolving Loans | 927,498 | 956,282 |
| Finance Purchase | - | 632 |
| Lease and SBITA Liability | 1,355 | 2,147 |
| Compensated Absences (a) | 28,981 | 12,297 |
| Landfill Closure and postclosure liability | 17,412 | 16,586 |
| Total Long-term obligations | <u>\$ 2,229,842</u> | <u>\$ 2,296,198</u> |

(a) Amounts reported reflect all changes in Compensated Absences in accordance with GASB 101.

The following table summarizes the amount of long-term obligations for the fiscal years ended June 30, 2025 and 2024.

SacSewer's revenue bonds, loans, finance purchase and lease liability decreased by approximately \$66.4 million during the 2024-25 fiscal year. The decrease in long-term obligations was the result of scheduled debt service payments.

Additional information on SacSewer's long-term debt obligations can be found in Note 4 of the notes to the basic financial statements.

ADDITIONAL INFORMATION

This financial report is designed to provide a general overview of SacSewer'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 Area Sewer District, 10060 Goethe Road, Sacramento California 95827, or phone (916) 876-6116.

**SACRAMENTO AREA
SEWER DISTRICT**
Sacramento, California

Basic Financial Statements

For the Fiscal Year Ended June 30, 2025

SACRAMENTO AREA SEWER DISTRICT

STATEMENT OF NET POSITION

June 30, 2025

ASSETS:

CURRENT ASSETS:

| | |
|-----------------------------------|--------------------|
| Cash and cash equivalents | 202,735,069 |
| Investments | 272,932,367 |
| Sewer services fees receivable | 60,643,166 |
| Due from other local governments: | |
| Interest | 6,575,017 |
| Inventories | 5,926,916 |
| TOTAL CURRENT ASSETS | 548,812,535 |

NONCURRENT ASSETS:

| | |
|---|----------------------|
| Cash and cash equivalents - restricted | 31,218,289 |
| Investments - restricted | 54,161,116 |
| Deposits with others | 11,552,396 |
| Long-term receivables: | |
| Due from other local governments | 3,662,126 |
| Capital assets: | |
| Permanent easements | 1,622,961 |
| Land | 54,898,876 |
| Construction in progress | 613,001,384 |
| Software | 9,435,469 |
| Right-to-use assets | 3,391,501 |
| Equipment | 188,282,905 |
| Structures and improvements | 5,766,167,957 |
| Total capital assets | 6,636,801,053 |
| Less accumulated depreciation | (2,095,358,911) |
| Total capital assets, net of accumulated depreciation | 4,541,442,142 |
| TOTAL NONCURRENT ASSETS | 4,642,036,069 |
| TOTAL ASSETS | 5,190,848,604 |

DEFERRED OUTFLOWS OF RESOURCES:

| | |
|---|-------------------|
| Deferred outflows related to pension | 20,704,239 |
| Deferred outflows related to OPEB | 998,775 |
| Deferred amounts on refunding | 3,443,568 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 25,146,582 |

LIABILITIES:

CURRENT LIABILITIES:

| | |
|--|--------------------|
| Accounts payable | 86,125,787 |
| Accrued interest payable | 10,902,056 |
| Compensated absences | 14,619,208 |
| Current portion of long-term obligations | 86,093,466 |
| TOTAL CURRENT LIABILITIES | 197,740,517 |

NONCURRENT LIABILITIES:

| | |
|---|----------------------|
| Long-term obligations | 2,097,355,974 |
| Developer reimbursement payable | 13,474,658 |
| Compensated absences | 14,361,545 |
| Net pension liability | 63,893,536 |
| OPEB liability | 7,170,281 |
| Unearned revenue | 3,638,173 |
| Accrued landfill closure and postclosure care costs | 17,412,418 |
| TOTAL NONCURRENT LIABILITIES | 2,217,306,585 |
| TOTAL LIABILITIES | 2,415,047,102 |

DEFERRED INFLOWS OF RESOURCES:

| | |
|--|-------------------|
| Deferred amounts on refunding | 24,418,188 |
| Deferred inflows related to pension | 7,496,496 |
| Deferred inflows related to OPEB | 2,668,112 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 34,582,796 |

NET POSITION:

| | |
|----------------------------------|----------------------|
| Net investment in capital assets | 2,377,218,774 |
| Unrestricted | 389,146,514 |
| TOTAL NET POSITION | 2,766,365,288 |

See accompanying notes to the basic financial statements.

SACRAMENTO AREA SEWER DISTRICT

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

| | Year Ended 6/30/2025 |
|---|-------------------------|
| OPERATING REVENUES: | |
| Sewer service fees | \$ 445,908,624 |
| Other revenue | 7,879,610 |
| Total operating revenues | <u>453,788,234</u> |
| OPERATING EXPENSES: | |
| Office equipment | 1,015,702 |
| Depreciation and amortization | 111,003,213 |
| Data processing | 9,924,595 |
| Laboratory | 712,551 |
| Salaries and benefits | 132,005,008 |
| Services and supplies | 5,021,218 |
| Consultants | 21,990,046 |
| County labor - other | 1,821,990 |
| Chemicals | 26,114,320 |
| Landfill closure and postclosure care | 816,380 |
| Insurance | 7,724,933 |
| Other utilities | 12,503,577 |
| Electricity | 18,407,191 |
| Pipeline maintenance | 18,617,952 |
| Plant and interceptor maintenance | 15,372,766 |
| Total operating expenses | <u>383,051,442</u> |
| Operating income | <u>70,736,792</u> |
| NONOPERATING REVENUES (EXPENSES): | |
| Interest revenue | 30,401,876 |
| Interest expense | (55,775,498) |
| Sewer incentive program | (2,070,307) |
| Intergovernmental revenue | 1,701,536 |
| Other expense | (6,002,974) |
| Total nonoperating revenues (expenses) | <u>(31,745,367)</u> |
| Income before capital contributions | <u>38,991,425</u> |
| CAPITAL CONTRIBUTIONS: | |
| Sewer impact fees | 46,461,865 |
| Pipe from developers | 18,124,833 |
| Grant revenue | 39,393,036 |
| Total capital contributions | <u>103,979,734</u> |
| Changes in net position | 142,971,159 |
| Net position, beginning of year | 2,637,028,179 |
| Restatement | (13,634,050) |
| Net position, beginning of year, restated | <u>2,623,394,129</u> |
| Net position, end of year | <u>\$ 2,766,365,288</u> |

See accompanying notes to the basic financial statements.

SACRAMENTO AREA SEWER DISTRICT

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2025**

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|--|--------------------|
| Receipts from customers and users | \$ 442,392,883 |
| Receipts from others | 7,294,242 |
| Payments to County for labor force | (136,328,592) |
| Payments to suppliers for goods and services | (66,465,216) |
| Payments to others | (8,073,281) |
| Net cash provided by operating activities | <u>238,820,036</u> |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

| | |
|---|----------------------|
| Acquisition and construction of capital assets | (316,798,236) |
| Lease and SBITA payments | (792,088) |
| Principal payments on long-term obligations | (70,856,317) |
| Interest payments on long-term obligations | (69,567,056) |
| Build America Bonds interest subsidy | 2,286,904 |
| Sewer impact fees collected | 46,461,865 |
| Cash receipts from grantors | 39,393,036 |
| Net cash used by capital and related financing activities | <u>(369,871,892)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES:

| | |
|---------------------------------------|---------------------|
| Redemption of investments | 245,583,415 |
| Acquisition of investments | (334,575,143) |
| Interest received | 30,967,098 |
| Net cash used by investing activities | <u>(58,024,630)</u> |

Net decrease in cash and cash equivalents (189,076,486)

Cash and cash equivalents, beginning of year 423,029,844

Cash and cash equivalents, end of year \$ 233,953,358

**RECONCILIATION OF CASH AND CASH EQUIVALENTS TO
THE STATEMENT OF NET POSITION:**

| | |
|--------------------------------------|-----------------------|
| Cash and cash equivalents | 202,735,069 |
| Restricted cash and cash equivalents | 31,218,289 |
| Total cash and cash equivalents | <u>\$ 233,953,358</u> |

See accompanying notes to the basic financial statements.

SACRAMENTO AREA SEWER DISTRICT

STATEMENT OF CASH FLOWS (Continued) FOR THE FISCAL YEARS ENDED JUNE 30, 2025

RECONCILIATION OF OPERATING INCOME TO NET CASH

PROVIDED BY OPERATING ACTIVITIES:

| | |
|---|-----------------------|
| Operating income | \$ 70,736,792 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 110,078,548 |
| Amortization of loss on refunding | 924,665 |
| Payments for excess sewer capacity and incentive | (2,070,307) |
| Intergovernmental expense | (585,368) |
| Other expense | (6,002,974) |
| Net effect of changes in: | |
| Sewer service fees receivable | (13,805,210) |
| Other accounts receivable | 10,289,469 |
| Inventories | (245,730) |
| Deposits with others | 264,962 |
| Accounts payable | 64,561,187 |
| Compensated absences | 3,049,393 |
| Accrued landfill closure and postclosure care costs | 826,730 |
| Net pension liability and related deferred outflows and inflows | 1,321,773 |
| OPEB liability and related deferred outflows and inflows | (523,894) |
| Net cash provided by operating activities | <u>\$ 238,820,036</u> |

NONCASH CAPITAL AND FINANCING ACTIVITIES:

| | |
|--|---------------|
| Purchase of capital assets on account | \$ 13,980,346 |
| Pipe contributed by developers | 18,124,833 |
| Acquisition of right-to-use leased assets | (164,111) |
| Amortization of bond premium | (12,217,540) |
| Acquisition of capital assets with developer reimbursement payable | (3,165,429) |

See accompanying notes to the basic financial statements.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Sacramento Area Sewer District operates under the authority of the County Sanitation District Act, commencing at Health and Safety Code section 4700. SacSewer is governed by a Board of Directors comprised of the five members of the Sacramento County Board of Supervisors, five representatives from the Sacramento City Council, two representatives from Elk Grove, and one representative each from Folsom, Citrus Heights, Rancho Cordova and West Sacramento City Councils, and a representative from the Board of Supervisors of Yolo County. Each city representative is selected by their respective city council to serve on the SacSewer Board. The length of appointment is subject to the discretion of each city council but can be no longer than the individual's term of office.

Effective January 1, 2024, the legal name of SacSewer was changed from its prior name, the Sacramento Regional County Sanitation District (Regional San), to its current name, the Sacramento Area Sewer District, in accordance with California Health & Safety Code Section 4730.12. Prior to the name change, on December 26, 2023, the former Sacramento Area Sewer District was dissolved, and its service area was annexed into SacSewer and the operations of the two districts were merged. For the fiscal year ended June 30, 2023, and prior, separate financial statements were issued for the former Sacramento Area Sewer District and Regional San. After the merger, the former Sacramento Area Sewer District operations is referred to as the Collection System (Collection) and the former Regional San operations is referred to as Treatment and Resource Recovery (Treatment).

In October 1993, SacSewer (formerly Regional San) entered into a Joint Exercise of Powers Agreement organized under Section 6500 et seq. of the California Government Code with the former Sacramento Area Sewer District to form the Sacramento County Sanitation Districts Financing Authority for the purpose of facilitating the financing of acquisition and/or constructing of real and personal property in and for SacSewer Collections and Treatment. Prior to the merger of the former Sacramento Area Sewer District and Regional San, the Joint Exercise of Power Agreement was amended and restated to include the Central Contra Costa Sanitary District (Central San) and the Authority was renamed to the Northern California Sanitation Agencies Financing Authority (Financing Authority) to enable SacSewer to continue with the same purpose of the former Sacramento County Sanitation Districts Financing Authority.

Four members, two members each from SacSewer's Board and Central San's Board serves as the Financing Authority's governing board. Due to the equal number of Board members from each District, the Financing Authority is not considered to have a controlling position by either District. The debt related to each of the districts are to be reported separately with the district the debt was issued from. Separate financial statements for the Financing Authority are available from SacSewer at 10060 Goethe Road, Sacramento CA, 95827, upon request.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The accompanying basic financial statements of SacSewer have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of SacSewer accounting policies are described below.

Measurement Focus and Basis of Accounting

SacSewer uses the accounting principles applicable to enterprise funds. SacSewer 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.

SacSewer 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 SacSewer's operations. The principal operating revenues of SacSewer are customer service charges for sewer services. The principal operating expenses of SacSewer are related to its labor force, maintenance, services and supplies, and depreciation.

Cash Equivalents and Investments

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

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

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing activities and result from non-exchange transactions or ancillary activities. Nonoperating revenues include interest revenue and intergovernmental revenue, which relates to transactions between the County of Sacramento, the federal government for the Build America Bonds subsidy and grants from the State. Significant nonoperating expenses include interest expense paid on SacSewer's outstanding loans with the Financing Authority. When both restricted and unrestricted resources are available for use, it is SacSewer's policy to use restricted resources first.

Receivables

SacSewer does not accrue an allowance for doubtful accounts on the sewer service fees as SacSewer writes off uncollectible accounts and transfers past due amounts to the County to be placed on the property tax roll for collection. In addition, SacSewer participates in the County's Teeter tax buyout plan whereby the County remits 100% of any delinquent amounts to SacSewer. Contributing agencies bill sewer service fees to customers and are responsible for remitting to SacSewer on a monthly basis the full amount of sewer service fees billed. The contributing agencies remit to SacSewer amounts that have been billed. For this reason, SacSewer has no allowance for uncollectible accounts. On June 30, 2025, there was \$43,479,361 for Treatment and \$17,163,805 for Collections, in sewer service fee receivables from contributing agencies for a combined amount of \$60,643,166.

Federal and State Grants

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

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

Inventories

Inventories are maintained to meet the operating and maintenance requirements of SacSewer and are valued at cost by specific identification.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Developer Reimbursement Payable

Under SacSewer’s Trunk Reimbursement Program, developers may elect to enter into a developer reimbursement agreement. Under the agreement, the developer agrees to install trunks and other facilities on behalf of SacSewer. SacSewer agrees to reimburse the developer for the agreed upon cost of such facilities, provided that the total reimbursement by SacSewer to all developers under this program, does not exceed funds available for payment of such reimbursements. In lieu of receiving such reimbursement in the form of a payment from SacSewer, developers may elect to use the reimbursable amount as a credit against sewer impact fees that they would otherwise owe to SacSewer. Obligations to developers who have elected to apply their reimbursement to future sewer impact fees are reported as developer reimbursement payable on SacSewer’s Statement of Net Position.

Capital Assets

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

| | |
|---|-----------------|
| Right-to-use lease and IT subscriptions | 1 to 5 years |
| Software | 5 years |
| Equipment | 5 to 40 years |
| Structures and improvements | 15 to 100 years |

SacSewer’s policy is to capitalize all land and permanent easements; computer hardware and light vehicles with a value equal to or greater than \$20,000; other equipment, including leased equipment, with a value equal to or greater than \$35,000; and computer software, structures and improvements with a value equal to or greater than \$100,000, and a useful life of more than one year. Lease and subscription right-to-use assets are defined as assets with an initial, individual cost of more than \$100,000 and an estimated useful life of at least one year. Such assets are recorded at the present value of the lease or subscription liability.

Maintenance and repairs are charged to expenses as incurred. Significant additions or improvements are capitalized and depreciated or amortized over their estimated useful lives. Costs incurred for major improvements or construction of assets are carried in construction in progress until the project is completed, at which time costs related to the project are capitalized in the appropriate depreciable asset account. Capital assets contributed that are received from developers are recorded at acquisition value.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Pensions

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

Other Postemployment Benefits (OPEB)

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

Deferred Outflows and Inflows of Resources

In addition to assets, the Statements of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then. In addition to liabilities, the Statements of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that apply to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. SacSewer reports deferred outflows and deferred inflows related to pensions, OPEB, and deferred amounts on refunding.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Up until December 14, 2024, SacSewer's labor force were employees of the County. On December 15, 2024, SacSewer's labor force became District employees. During the transition, all accrued vacation and sick leave balances were transferred over when the district's labor force became SacSewer employees. Employees accrue vacation in varying amounts based on classification and length of service. Sick leave is earned by regular, full-time employees. Any sick leave hours not used during the period are carried forward to future years, with no limit on the number of hours that can be accumulated. Any sick leave hours unused at the time of an employee's retirement are added to the actual period of service when computing retirement benefits. Upon retirement, management employees who were with the County before transitioning to District employees, have the option of receiving payment for one-half of accrued sick leave with the balance included in the calculation of retirement benefits. It is the policy of the District not to pay accumulated sick leave to employees who terminate prior to retirement. The liability for compensated absences earned through year-end, but not yet taken, is accrued in the accompanying financial statements. Compensated absences for the fiscal year ended June 30, 2025, was \$28,980,753 (see Note 5 on long-term obligations).

Risk Management

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

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

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements

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. See Note 13 Restatement for the impact of the change in accounting related to the implementation.

GASB Statement No. 102 - Effective July 1, 2024 SacSewer implemented Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This statement had no material impact to SacSewer's financial statements.

2. CASH EQUIVALENTS AND INVESTMENTS

Summary of Cash and Investments

Cash and investments are classified with the accompanying Statement of Net Position as of June 30, 2025:

| | | |
|----------------------------|----|--------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ | 202,735,069 |
| Investments | | 272,932,367 |
| Non current assets: | | |
| Cash and cash equivalents | | 31,218,289 |
| Investments | | 54,161,116 |
| Total Cash and Investments | \$ | <u>561,046,841</u> |

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

2. CASH EQUIVALENTS AND INVESTMENTS (Continued)

SacSewer maintains specific cash deposits and investments with the County and participates in the Sacramento County Pooled Investment Fund, which is not rated by credit rating agencies.

At June 30, 2025, the carrying amount of SacSewer’s cash held by the Sacramento County Pooled Investment Fund was \$142,960,152. The weighted average maturity of the Treasurer’s cash and investments’ pool was 329 days at June 30, 2025. The fair value of SacSewer’s position in the County Pool is the same as the value of the pool shares.

Policies and Practices

In July 2021, SacSewer established an Investment Policy for its cash reserves. The investment program became operational in September 2022 enabling SacSewer to invest the reserves outside of the Sacramento County Pooled Investment Fund to better align with the investment objectives and liquidity needs of SacSewer. As of June 30, 2025, SacSewer’s managed portfolio of investments held outside of the County pool was \$287,403,860 for Treatment and \$47,270,670 for Collections.

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

On June 30, 2025, all cash held by fiscal agents was covered by federal depository insurance or by collateral held in SacSewer’s name.

Restricted cash and investments consisted of the following at June 30, 2025:

| | |
|--|----------------------|
| Restricted cash: | |
| Cash held in bank account | \$ 1,454,298 |
| Cash held by County Treasurer | <u>29,763,991</u> |
| Total restricted cash | 31,218,289 |
| Restricted Investment Held by Trustees: | |
| Restricted investments held by U.S. Bank | <u>54,161,116</u> |
| Total Restricted Cash and Investments | <u>\$ 85,379,405</u> |

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

2. CASH EQUIVALENTS AND INVESTMENTS (Continued)

General Authorization

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value is to changes in market interest rates. SacSewer's investments held by bond trustee are monitored for interest rate risk by measuring the weighted average maturity. Under SacSewer's Investment Policy, the dollar-weighted average maturity on all securities shall be equal to or less than five years. As of June 30, 2025, Collections had \$46,408,990 in investments and Treatment had \$280,684,493 in investments held by fiscal agents that had an average maturity of 3.1 years.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

2. CASH EQUIVALENTS AND INVESTMENTS (Continued)

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer, that represents at least five percent of total investments. Mutual funds and external investment pools are excluded from this disclosure. The table below identifies the investment that represents five percent or more of total investments as of June 30, 2025.

| <u>Issuer</u> | <u>Investment Type</u> | <u>Total</u> |
|---------------------------------|------------------------|---------------|
| Federal Home Loan Mortgage Corp | Federal Agencies | \$ 33,303,753 |

Custodial Credit Risk

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

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

Credit Risk

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

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

2. CASH EQUIVALENTS AND INVESTMENTS (Continued)

The following schedule indicates the credit and interest rate risk at June 30, 2025. For purposes of this schedule, NR is defined as not rated. The credit ratings listed are for Moody's.

| Investment Type | Credit Ratings | Maturity | | | | Amount |
|--|----------------|---------------------|----------------------|----------------------|-----------------------|-----------------------|
| | | Under 90 Days | 90-180 Days | 181-365 Days | 1-5 Years | |
| Cash in banks | | | | | | \$ 1,454,297 |
| Cash held by County Treasurer - Treatment | | | | | | 55,873,655 |
| Cash held by County Treasurer - Collection | | | | | | 87,086,497 |
| Cash held by US Bank | | | | | | 81,957,860 |
| Total Cash | | | | | | <u>226,372,309</u> |
| Investments held by Trustee | | | | | | |
| Asset Backed Securities | Aaa | 2,163,649 | 705,883 | 490,511 | 13,238,401 | 16,598,444 |
| Asset Backed Securities | NA | 554,719 | 503,721 | 1,471,502 | 12,063,286 | 14,593,228 |
| Government Agencies | Aa1 | 499,769 | 200,129 | 1,987,538 | 21,842,306 | 24,529,742 |
| Commercial Mortgage Backed Securities | Aa1 | 692,567 | | | 27,078,204 | 27,770,771 |
| Commercial Mortgage Backed Securities | Aaa | | | | 5,532,981 | 5,532,981 |
| Cash | Aaa | 4,841 | | | | 4,841 |
| Corporate Bonds | A1 | | | 29,921 | 25,681,463 | 25,711,384 |
| Corporate Bonds | A2 | | | | 19,470,099 | 19,470,099 |
| Corporate Bonds | A3 | | | | 8,169,029 | 8,169,029 |
| Corporate Bonds | Aa1 | | | | 8,079,303 | 8,079,303 |
| Corporate Bonds | Aa2 | | | | 1,629,284 | 1,629,284 |
| Corporate Bonds | Aa3 | | | | 13,202,683 | 13,202,683 |
| Money Market Fund | Aaa | 2,731,402 | | | | 2,731,402 |
| Municipal Bonds | Aa2 | | | | 2,183,063 | 2,183,063 |
| Supranational | Aaa | | | | 4,177,710 | 4,177,710 |
| US Treasury | Aa1 | 928,831 | 9,424,092 | 15,815,562 | 131,182,155 | 157,350,640 |
| US Treasury | P-1 | | 1,474,212 | 1,465,716 | | 2,939,928 |
| Total Investments held by Trustee | | <u>7,575,778</u> | <u>12,308,037</u> | <u>21,260,750</u> | <u>293,529,967</u> | <u>334,674,532</u> |
| Total Cash and Investments | | <u>\$ 7,575,778</u> | <u>\$ 12,308,037</u> | <u>\$ 21,260,750</u> | <u>\$ 293,529,967</u> | <u>\$ 561,046,841</u> |

Fair Value Measurements

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

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

Level 2 - Inputs to the valuation methodology include:

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

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

2. CASH EQUIVALENTS AND INVESTMENTS (Continued)

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

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

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

The following is a description of the valuation methods and assumptions used by SacSewer to estimate the fair value of its investments. There have been no changes in the methods and assumptions used at June 30, 2025. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. SacSewer management believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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

SacSewer does not have level 1 or level 3 investments. The inputs or methodology used for valuing those assets are not necessarily an indication of the risks associated with investing in those assets. Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

2. CASH EQUIVALENTS AND INVESTMENTS (Continued)

The following table shows investments measured at fair value or subject to the fair value hierarchy at June 30, 2025:

| Investments by Fair Value Level | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
|--|---|--|--|-----------------------|
| Asset Backed Securities | | \$ 31,191,670 | | \$ 31,191,670 |
| Federal Agencies | | 24,529,742 | | 24,529,742 |
| Commercial Mortgage Backed Securities | | 33,303,752 | | 33,303,752 |
| Corporate Bonds | | 76,261,783 | | 76,261,783 |
| Supranational | | 4,177,710 | | 4,177,710 |
| Government Bonds | | 162,473,630 | | 162,473,630 |
| | <u>\$ -</u> | <u>\$ 331,938,287</u> | <u>\$ -</u> | <u>\$ 331,938,287</u> |
| Investments Not Measured at Fair Value or Subject to Fair Value Hierarchy | | | | |
| Money Market Mutual Funds | | | | 2,731,402 |
| Cash | | | | 226,377,152 |
| Total Cash and Investments | | | | <u>\$ 561,046,841</u> |

3. CAPITAL ASSETS

Capital assets activity for all business-type activities for the fiscal year ended June 30, 2025 were as follows:

| | June 30, 2024 | Increase | Decrease | June 30, 2025 |
|--|-------------------------|-----------------------|-------------------------|-------------------------|
| Capital assets not being depreciated: | | | | |
| Permanent easements | \$ 1,456,662 | \$ 166,299 | \$ - | \$ 1,622,961 |
| Land | 54,840,660 | 58,216 | - | 54,898,876 |
| Construction in progress | 811,544,118 | 284,126,489 | (482,669,223) | 613,001,384 |
| Total capital assets, not being depreciated | <u>867,841,440</u> | <u>284,351,004</u> | <u>(482,669,223)</u> | <u>669,523,221</u> |
| Capital assets being depreciated/amortized: | | | | |
| Structures and improvements | 5,267,635,343 | 498,605,268 | (72,654) | 5,766,167,957 |
| Equipment | 182,657,331 | 6,018,995 | (393,421) | 188,282,905 |
| Intangible - computer software | 9,435,469 | - | - | 9,435,469 |
| Intangible right-to-use equipment | 769,709 | - | (315,820) | 453,889 |
| Intangible right-to-use SBITAs | 2,711,284 | 542,992 | (316,664) | 2,937,612 |
| Total capital assets being depreciated/amortized | <u>5,463,209,136</u> | <u>505,167,255</u> | <u>(1,098,559)</u> | <u>5,967,277,832</u> |
| Less accumulated depreciation/amortization: | | | | |
| Structures and improvements | (1,813,455,956) | (108,386,071) | 64,588 | (1,921,777,439) |
| Equipment | (160,624,605) | (2,492,029) | 338,956 | (162,777,678) |
| Intangible - computer software | (9,435,469) | - | - | (9,435,469) |
| Intangible right-to-use equipment | (349,632) | (130,004) | 315,820 | (163,816) |
| Intangible right-to-use SBITAs | (822,678) | (698,495) | 316,664 | (1,204,509) |
| Total accumulated depreciation/amortization | <u>(1,984,688,340)</u> | <u>(111,706,599)</u> | <u>1,036,028</u> | <u>(2,095,358,911)</u> |
| Total capital assets, being depreciated/amortized, net | <u>3,478,520,796</u> | <u>393,460,656</u> | <u>(62,531)</u> | <u>3,871,918,921</u> |
| Capital assets, net | <u>\$ 4,346,362,236</u> | <u>\$ 677,811,660</u> | <u>\$ (482,731,754)</u> | <u>\$ 4,541,442,142</u> |

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

3. CAPITAL ASSETS (Continued)

Depreciation and amortization expense is included in the Statements of Revenues, Expenses and Changes in Net Position Combined for fiscal year ended June 30, 2025, totaled \$111,003,213.

4. LONG-TERM OBLIGATIONS

Long-term debt at June 30, 2025 consisted of the following:

Collection System Revenue Bonds

| | | |
|------------------------------|----|-------------|
| 2010A/B Series Revenue Bonds | \$ | 112,671,042 |
| 2015 Series Revenue Bonds | | 48,808,707 |

Treatment and Resource Recovery Revenue Bonds

| | | |
|--------------------------------------|--|-------------|
| 2024 Series Refunding Bonds | | 490,679,360 |
| 2021 Series Refunding Bonds | | 303,093,558 |
| 2020B Series Taxable Refunding Bonds | | 37,635,000 |
| 2020A Series Revenue Bonds | | 261,708,624 |

Clean Water State Revolving Fund Loan 927,497,825

Lease Liability (Note 10) 305,192

SBITAs Liability (Note 10) 1,050,132

Total long-term debt 2,183,449,440

Less current portion 86,093,466

Long-term portion \$ 2,097,355,974

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

4. LONG-TERM OBLIGATIONS (Continued)

2015 Series Revenue Bonds (Collection)

In May 2015, the Financing Authority issued \$45,435,000 Revenue Bonds, Refunding Series 2015 Bonds. The bonds mature serially from August 2025 through August 2035. Interest rates for the bonds range from 3.125% to 5.000%, principal payments ranging from \$3,260,000 to \$5,115,000 with the first payment starting in 2025 and ending in 2035. Proceeds from this debt issuance along with \$70.3 million paid with cash on hand were used to refund the Financing Authority's outstanding Revenue Bonds Series 2005 and prepay SacSewer's loan payable due to the Financing Authority totaling \$130,555,000.

2010 Series Revenue Bonds (Collection)

In August 2010, the Financing Authority issued \$110,690,000 Revenue Bonds, Series 2010A Federally Taxable Direct Subsidy Build America Bonds and \$15,930,000 Revenue Bonds, Series 2010B. The 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 \$1,385,000 with the first payment starting in 2011 and ending in 2025. 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 SacSewer

The Series 2010 and Series 2015 Bonds are special, limited obligations of the Financing Authority and are not secured by a legal or equitable pledge, or charge or lien upon, any property of the Financing Authority or any of its income or receipts except the Financing Authority revenues. Neither the payment of the interest on or principal of or redemption premiums, if any, on the Series 2010 and 2015 Bonds constitutes a debt, liability or obligation of the Financing Authority or any member of the Financing Authority (including SacSewer) 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.

2024 Series Refunding Bonds (Treatment)

In June 2024, the Financing Authority issued the 2024A Series Refunding Bonds senior lien bonds in the amount of \$439,865,000 and a premium of \$64,559,317 with interest rates at 5.0%, principal payments ranging from \$9,710,000 to \$60,705,000 with the first payment starting in 2024 and ending in 2039. Proceeds from this debt issue were used to refund the Series 2014A, 2012A, 2013B, 2013C and 2013D Bonds. This financing along with the concurrent termination of all related swaps, eliminated SacSewer's variable rate debt and subordinate debt.

SacSewer completed the refunding to reduce its future total debt service payments by approximately \$65,357,921 million and obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$59.9 million. Unamortized premium was \$60,524,360 at June 30, 2025.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

4. LONG-TERM OBLIGATIONS (Continued)

2021 Series Refunding Bonds (*Treatment*)

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

SacSewer 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 \$55,218,558 and deferred amount on refunding was \$2,672,328 at June 30, 2025.

2020B Series Taxable Refunding Bonds (*Treatment*)

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

SacSewer 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 \$771,237 at June 30, 2025.

2020A Series Revenue Bonds (*Treatment*)

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

SacSewer 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 \$56,523,624 at June 30, 2025.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

4. LONG-TERM OBLIGATIONS (Continued)

2001 Series Refunding Revenue Bonds (*Treatment*)

In June 2001, SacSewer (through the Financing Authority) issued the Series 2001 Refunding Revenue Bonds. These bonds funded an escrow sufficient to solely provide for the payment of interest on the Series 2001 Refunding Bonds as it became due on and prior to December 1, 2005 (also known as the "Crossover Date") and a portion of the principal of the Series 2000A Revenue Bonds. On the Crossover Date, the escrow deposit of \$121,953,020 was used to refund \$120,145,000 of Series 2000A 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, SacSewer (through the Financing Authority) refunded approximately \$85,420,000 of the 2001 bonds by issuing \$77,180,000 Series 2011A Tax Exempt Revenue Bonds. Proceeds were used for a current refunding, as a result a portion of the 2001 bonds were considered to be refunded and the liability for those bonds were removed from SacSewer's financial statements. The Series 2001 Revenue bonds are considered defeased with final payment made in December 2021.

2000 Series Revenue Bonds (*Treatment*)

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

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

The final payment of the 1995 defeased Revenue Bonds were paid in December 2017. The Series 2000A Bonds were refunded and defeased in 2010 with the issuance of the 2010A and 2010B Series Revenue Bonds. The 2000B Bonds were paid off and defeased in December 2003. The 2000C Bonds were redeemed early and defeased with the issuance of the 2020A Series Bond in July 2020. The final payment of the Series 1993 defeased Revenue Bonds was paid in December 2024.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

4. LONG-TERM OBLIGATIONS (Continued)

Maturity Schedule

Future debt service requirements SacSewer’s revenue bonds and the State Revolving Fund Loan at June 30, 2025 are as follows:

| Year Ending June 30, | Bonds | | | SRF Loan | | |
|--------------------------------|-------------------------|-----------------------|-------------------------|-----------------------|-----------------------|-------------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2026 | \$ 44,770,000 | \$ 52,140,385 | \$ 96,910,385 | \$ 29,105,926 | \$ 15,525,818 | \$ 44,631,744 |
| 2027 | 46,305,000 | 50,590,438 | 96,895,438 | 29,590,927 | 15,040,818 | 44,631,745 |
| 2028 | 48,295,000 | 48,563,299 | 96,858,299 | 30,084,030 | 14,547,714 | 44,631,744 |
| 2029 | 50,760,000 | 46,069,740 | 96,829,740 | 30,585,372 | 14,046,372 | 44,631,744 |
| 2030 | 53,300,000 | 43,489,780 | 96,789,780 | 31,095,091 | 13,536,653 | 44,631,744 |
| 2031-2035 | 320,895,000 | 172,548,903 | 493,443,903 | 163,424,368 | 59,734,353 | 223,158,721 |
| 2036-2040 | 382,695,000 | 83,297,173 | 465,992,173 | 176,696,596 | 45,655,471 | 222,352,067 |
| 2041-2045 | 60,780,000 | 21,755,159 | 82,535,159 | 190,708,300 | 30,433,786 | 221,142,086 |
| 2046-2050 | 57,285,000 | 10,765,625 | 68,050,625 | 191,770,548 | 14,025,076 | 205,795,625 |
| 2051-2053 | 13,275,000 | 331,875 | 13,606,875 | 54,436,665 | 1,517,658 | 55,954,323 |
| | 1,078,360,000 | 529,552,378 | 1,607,912,378 | 927,497,824 | 224,063,719 | 1,151,561,544 |
| Unamortized premiums (net): | 176,236,291 | - | 176,236,291 | - | - | - |
| | <u>\$ 1,254,596,291</u> | <u>\$ 529,552,378</u> | <u>\$ 1,784,148,669</u> | <u>\$ 927,497,824</u> | <u>\$ 224,063,719</u> | <u>\$ 1,151,561,544</u> |

Bond Covenants

Pursuant to the Indenture with the County and U.S. Bank as trustee, and the Master Installment Purchase Contract between the Financing Authority and SacSewer, SacSewer is required to faithfully perform and abide by all of the covenants, undertakings, and provisions of the above agreement so long as any of the bonds are outstanding. Specific covenants include the following:

- Punctual payment of interest and principal will be made when due.
- Proceeds of the bonds will be used by SacSewer, as agent for the Financing Authority, to pay the costs of financing 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 least sufficient to yield adjusted annual net revenues, as defined, equal to at least the amount required by the coverage requirement for the fiscal year.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

4. LONG-TERM OBLIGATIONS (Continued)

For the fiscal year ended 2025, SacSewer was in compliance with the preceding covenants.

The debt issued by the Financing Authority are not secured by a legal or equitable pledge, or charge or lien upon, any property of the Financing Authority or any of its income or receipts except the Financing Authority's revenues. Neither the payment of the interest on or principal of or redemption premiums, if any constitutes a debt, liability or obligation of the Financing Authority or any member of the Financing Authority (including SacSewer) 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. SacSewer's outstanding bonds contain a provision that in an event of default, outstanding amounts become immediately due if SacSewer is unable to make payment. The outstanding bonds are secured by a pledge of and charge and lien of SacSewer's revenues.

Changes in long-term obligations for the fiscal years ended June 30, 2025, were as follows:

| | 7/1/2024 ^(a) | Increase | Decrease | June 30, 2025 | Due Within One year |
|--|-------------------------|---------------------|------------------------|-------------------------|------------------------|
| Revenue Bonds - Collection System | \$ 158,845,000 | \$ - | \$ (1,335,000) | \$ 157,510,000 | \$ 4,645,000 |
| Revenue Bonds - Treatment and Resource Recovery | 960,955,000 | - | (40,105,000) | 920,850,000 | 40,125,000 |
| Plus (less): | | | | | |
| Premium (discounts) | 188,453,831 | - | (12,217,547) | 176,236,284 | 12,217,540 |
| State revolving loan | 956,281,971 | - | (28,784,147) | 927,497,824 | 29,105,926 |
| Finance Purchase | 632,172 | - | (632,172) | - | - |
| Lease Liability | 495,157 | - | (189,955) | 305,202 | 89,328 |
| SBITAs | 1,652,266 | 542,991 | (1,145,125) | 1,050,132 | 373,247 |
| Compensated Absences | 25,931,360 | 3,049,393 | - | 28,980,753 | 14,619,208 |
| Landfill closure and postclosure liability | 16,585,686 | 826,732 | - | 17,412,418 | - |
| Total | <u>\$ 2,309,832,443</u> | <u>\$ 4,419,116</u> | <u>\$ (84,408,946)</u> | <u>\$ 2,229,842,613</u> | <u>\$ 101,175,249</u> |

(a) Beginning balances were restated to update the measurement guidance as part of implementation of GASB Statement No. 101, Compensated Absences

(b) Amounts reported display the net change to Compensated Absences per GASB Statement No. 101, Compensated Absences.

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's long-term obligations was \$0 for the fiscal years ended June 30, 2025. The ultimate liability to be paid to the U.S. Treasury will fluctuate based upon the timing of construction drawdowns and changing investment yields.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

4. LONG-TERM OBLIGATIONS (Continued)

State Water Resources Control Board Division of Financial Assistance

In April 2015, the California State Water Resources Control Board (State Water Board) approved the Clean Water State Revolving Fund (CWSRF) program financing to SacSewer for the EchoWater Project. The financing was broken into eight components based on the major construction phases of the EchoWater project. As of June 30, 2025, all facilities that were constructed or upgraded by EchoWater are in operation. The total cost of the project is estimated at approximately \$1.7 billion, of which \$1.4 billion is financed through the CWSRF program. Pursuant to CWSRF Policy, the interest rate for a construction financing agreement is established by the earlier of the date that the Division of Financial Assistance (Division) initiates preparation of the financing agreement or the date the financing is approved by the State Water Board.

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

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

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 are financed at an interest rate ranging from 1.6% to 1.7% over a 30 year life. As of June 30, 2023, a total of \$867,498,523 in draws have been processed relating to the different components of the EchoWater Project. This amount does not reflect the accrued interest that has been added to the loan balances for projects that have not been completed. As of June 30, 2025, the loan balance for the EchoWater Project component of the CWSRF loan is \$922,603,959.

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

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

4. LONG-TERM OBLIGATIONS (Continued)

The table below shows the estimated costs and maximum loan amounts, interest rate and loan balance at June 30, 2025 related to each of the eight EchoWater Project components and the Water Recycling Pipeline Project.

| Component | CWSRF Number | Loan balance June 30, 2025 | Interest rate |
|---|---------------|-------------------------------|------------------|
| EchoWater Project | | | |
| Site Preparation | C-06-8025-110 | \$ 32,675,627 | 1.6% |
| Flow Equalization | C-06-8025-120 | 110,424,918 | 1.6% |
| Main Electrical Substation | | | |
| Expansion | C-06-0825-130 | 2,230,044 | 1.6% |
| Disinfection Chemical Storage | C-06-8025-140 | 17,570,814 | 1.6% |
| Nitrifying Sidestream Treatment | C-06-8025-150 | 44,486,554 | 1.6% |
| Biological Nutrient Removal Facility | C-06-8025-160 | 424,290,302 | 1.7% |
| RAS Pumping Station | C-06-8025-170 | 28,084,105 | 1.7% |
| Tertiary Treatment Facility | C-06-8025-180 | 262,841,595 | 1.7% |
| Total EchoWater | | 922,603,959 | |
| Water Recycling Pipeline Project | | | |
| Phase 1B | C-06-8082-110 | 4,893,866 | 1.0% |
| Total CWSRF Loan | | \$ 927,497,825 | |

5. RELATED PARTY TRANSACTIONS

For fiscal year 2024-25, the County paid SacSewer \$13,556,053 for interest earned on Treasury deposits. SacSewer also uses other County departments for services, such as risk management, engineering, accounting, utility billing, etc. Expenses paid to the County during fiscal year 2024-25 were \$46,634,066.

In addition, for fiscal year 2024-25, SacSewer paid the Northern California Sanitation Agencies Financing Authority \$138,059,232 for debt service.

Under the terms of a cost-sharing agreement with the City of Sacramento (City), a Contributing Agency of SacSewer, SacSewer agreed to reimburse the City for certain improvements made to the City's and SacSewer's sewer delivery network (Sump 2A). During fiscal year 2001-02, SacSewer paid a lump-sum amount of \$1,504,934 to the City and incurred a long-term obligation of \$9,093,532 under this agreement.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

5. RELATED PARTY TRANSACTIONS (Continued)

These amounts were capitalized as deferred charges and are amortized over the twenty-year useful life of the underlying improvement (Sump 2A). At June 30, 2025, deferred charges related to this asset were \$4,239,378 which is net of accumulated amortization of \$6,359,088 and is included in deposits with others on the Statement of Net Position.

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

6. FINANCE PURCHASE OBLIGATION

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

The assets acquired through this finance purchase were as follows at June 30, 2025:

| | |
|-------------------------------|---------------------|
| Structures and improvements | \$ 20,080,339 |
| Less accumulated depreciation | <u>(20,080,339)</u> |
| Total | <u><u>\$ -</u></u> |

The final payment of \$652,811 was made during fiscal year 2024-25 and no future minimum obligation exists as of June 30, 2025.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

7. LANDFILL CLOSURE AND POST CLOSURE CARE

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

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

SacSewer has reported the following as its closure and post closure care liability at June 30, 2025:

| | |
|---------------|----------------------|
| | 2025 |
| Landfill | \$ 58,391 |
| SSBs and DLDs | 17,354,027 |
| | <u>\$ 17,412,418</u> |

SacSewer will recognize estimated costs for closure and post closure care of \$17,412,418 over the remaining useful life of up to 17 years of the SSBs and 29 years for DLDs. This amount is based on the estimated cost to perform all closure and post closure care in 2025. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. As of June 30, 2025, the percentage of landfill capacity used to date for SSBs was 68% and DLDs was 44%.

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

8. COMMITMENTS AND CONTINGENCIES

SacSewer has entered into contracts for the construction of certain projects. At June 30, 2025, the unexpended combined balance of the contract commitments was \$753,272. SacSewer is a defendant in various matters of litigation. Of these matters, management and the SacSewer’s legal counsel do not anticipate any material effect on the June 30, 2025 financial statements.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

9. NET POSITION

Net Position is the excess of all SacSewer’s assets and deferred outflows of resources over all its liabilities and deferred inflows of resources. Net Position is divided into three categories as described below:

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

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

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

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

On June 30, 2025, the details of designations of unrestricted net position are for the following:

| | <u>June 30, 2025</u> |
|-----------------------------------|-----------------------|
| General Reserve | \$ 64,472,000 |
| Metro Airpark | 2,911,574 |
| Confluence Program | 23,000,000 |
| Upper-Lateral Revolving Loan Fund | 600,000 |
| Asset/Equipment Replacement | 7,821,084 |
| Rate Stabilization | 35,200,000 |
| Facilities Closure | 15,497,552 |
| Expansion | 20,908,124 |
| Replacement | 95,961,474 |
| CWSRF Loan | 45,250,505 |
| Undesignated | 53,106,013 |
| | <hr/> |
| Total Unrestricted Net Position | <u>\$ 364,728,326</u> |

(a) General Reserve

Designated for general reserve and is established to provide for emergency costs and other unexpected expenditures, or to offset temporary fluctuations in revenues. This reserve is targeted at a level equal to 25 percent of operating expenses and provides protection from rate increases that might result from short-term cost spikes from emergencies, regulatory changes, or legal (lawsuit) settlements.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

9. NET POSITION (Continued)

(b) Metro Airpark Reserve

Designated to provide for additional future maintenance and repair expenses expected in the area. Increases annually by a 2 percent general inflation factor to cover cost increases resulting from inflation.

(c) Confluence Program Reserve

Designated to manage the programs funding annually through non-rate/fee revenues and provides a buffer to ensure long-term programs can continue during years of low non-rate/fee revenues.

(d) Upper-Lateral Revolving Loan Fund Reserve

Designated to provide a base revolving loan fund for low interest loans for customers that need to replace failing upper lateral sewer pipes on their property.

(e) McClellan Business Park Reserve

Designated to finance a future construction project to increase capacity when expected growth occurs. Increases annually by a 2 percent general inflation factor to cover cost increases resulting from inflation.

(f) Asset Replacement Reserve

Designated to finance replacements of pipelines, buildings, and equipment assets as they reach the end of their useful lives. The changes in this reserve are based on asset replacement needs identified annually in the SacSewer Asset Management Plan.

(g) Rate Stabilization Reserve

Designated to ensure debt coverage ratios of at least 1.20x, as required by bond agreements, and is available if revenues decline without requiring an immediate increase in rates.

(h) Undesignated

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

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

10. LEASES AND SBITAS

Leases

As of June 30, 2025, SacSewer, had 3 active leases. The leases have payments that range from \$36,516 to \$107,897 and interest rates that range from 1.275% to 6.8810%. The total lease liability was \$305,192, and the amount due in one year was \$89,328. The total amount of right to use assets, as of June 30, 2025 of \$453,889 with accumulated amortization of \$163,817 is included within the Asset Class section in the table found below.

The amount of lease assets by major classes of underlying assets at June 30, 2025:

| Asset Class | Combined Lease Asset | Accumulated Amortization |
|------------------------|-------------------------|-----------------------------|
| Equipment - Treatment | \$ 299,774 | \$ (108,174) |
| Equipment - Collection | 154,115 | (55,643) |
| Total | \$ 453,889 | \$ (163,817) |

The future principal and interest lease payments for the fiscal year ended June 30, 2025, were as follows:

| Years Ending June 30 | Principal | Interest | Total Payments |
|-------------------------|-------------------|------------------|-------------------|
| 2026 | \$ 89,328 | \$ 18,182 | \$ 107,510 |
| 2027 | 95,660 | 11,851 | 107,511 |
| 2028 | 102,439 | 5,071 | 107,510 |
| 2029 | 17,765 | 153 | 17,918 |
| Total | \$ 305,192 | \$ 35,257 | \$ 340,449 |

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

10. LEASES AND SBITAs (Continued)

SBITAs

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

As of June 30, 2025, SacSewer had 12 active subscriptions. The subscriptions have payments that range from \$0 to \$205,325 and interest rates that range from 0.3280% to 4.7400%. As of June 30, 2025, the total amount of the subscription liabilities is \$1,050,132, with a due in one year amount of \$373,247. The total amount of right to use assets for SBITAs, as of June 30, 2025 of \$2,937,612 with accumulated amortization of \$1,204,508 is included within the Asset Class section in the table found below.

The amount of SBITA assets by major classes of underlying assets at June 30, 2025:

| Asset Class | Combined Lease Asset | Accumulated Amortization |
|-----------------------|-------------------------|-----------------------------|
| Software - Treatment | \$ 2,541,872 | \$ (991,533) |
| Software - Collection | 395,740 | (212,975) |
| Total | \$ 2,937,612 | \$ (1,204,508) |

The future principal and interest SBITA payments at June 30, 2025, are as follows:

| June 30 | Principal | Interest | Payments |
|---------|--------------|-----------|--------------|
| 2026 | \$ 373,246 | \$ 48,911 | \$ 422,157 |
| 2027 | 330,608 | 32,084 | 362,692 |
| 2028 | 346,278 | 16,414 | 362,692 |
| | \$ 1,050,132 | \$ 97,409 | \$ 1,147,541 |

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

11. OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS (OPEB)

Plan Description

As of January 1, 2025, SacSewer through CalPERS, offers medical insurance to active and retired employees, as well as their qualified dependents under the Public Employees' Medical and Hospital Care Act (PEMHCA). Under PEMHCA, health coverage for the employee continues into retirement. An eligible participant is defined as an employee who is continuously employed by SacSewer who qualifies and retires with a service or disability retirement and elects continued enrollment in the CalPERS Health Benefit Plan.

Prior to December 31, 2024, SacSewer provided medical and dental insurance, and subsidy/offset payments as authorized by the County Board of Directors on an annual basis. SacSewer is a participant in the Retiree Healthcare Plan (HC Plan) of the County which is a single-employer plan, and it does not issue a publicly available report. The County provides access to group medical insurance and dental insurance, medical and dental offset payments to a specific group of eligible retirees as a result of a settlement. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. For financial reporting purposes, SacSewer reports a proportionate share of the County's collective total other postemployment benefits (OPEB) liability, OPEB expense, and deferred inflows and outflows of resources. Accordingly, the disclosures and required supplementary information have been reported for SacSewer as a cost sharing participant.

Benefits Provided

For eligible participants who retired on or after January 1, 2025, the PEMHCA required contribution for retirees was \$158 per month for the period of January 1 – June 30, 2025.

Prior to December 31, 2024, annuitants were eligible to enroll in a retiree medical and/or dental insurance plan in a given calendar year if (1) they began receiving a continuing retirement allowance from SCERS during that calendar year, or (2) they were enrolled in the annual plan previously approved by the County (continuous coverage), or (3) they previously waived coverage but elected to enroll during the County authorized enrollment period with a coverage date effective January of the given calendar year. Total combined benefits paid by SacSewer during the fiscal years ended June 30, 2025, was \$333,560.

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

SacSewer reported a liability of \$7,170,281 for its proportionate share of the total OPEB liability as of June 30, 2025. At June 30, 2025, the total OPEB liability was measured as of June 30, 2024, and the total OPEB liability was determined by actuarial valuations as of the same date. The total OPEB liability is reported as a noncurrent liability in the statement of net position. Although SacSewer makes benefit payments on a pay-as-you-go basis, the total OPEB liability represents a long-term, actuarially determined obligation that is not considered due and payable within one year. Accordingly, no portion of the liability has been classified as current. Contributions made after the measurement date but before the end of the fiscal year will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year rather than in the current fiscal year.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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

SacSewer's proportion of the total OPEB liability was based on the total full-time equivalents (FTE) of SacSewer's relative to the total FTEs of the County. At June 30, 2025, SacSewer's proportion was 5.72 percent (Treatment 3.34% and Collection 2.38%). Contributions made after the measurement date but before the end of the fiscal year will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year rather than in the current fiscal year.

For the fiscal year ended June 30, 2025, SacSewer recognized OPEB collective income of \$39,796.

At June 30, 2025, SacSewer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Changes in assumptions | \$ 589,978 | \$ (1,211,739) |
| Differences between projected and actual earnings | - | (1,079,693) |
| Changes in proportion | 70,050 | (376,680) |
| Contributions subsequent to the measurement date | 338,747 | - |
| Total | \$ 998,775 | \$ (2,668,112) |

For the fiscal year ended June 30, 2025, \$338,747 was reported as deferred outflows of resources related to OPEB resulting from amounts paid by SacSewer subsequent to the measurement date and will be recognized as a reduction of the total OPEB liability during the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year ending June 30 | | |
|---------------------|----|-------------|
| 2026 | \$ | (687,015) |
| 2027 | | (687,015) |
| 2028 | | (687,015) |
| 2029 | | (687,015) |
| 2030 | | (687,015) |
| 2031-2032 | | 1,426,993 |
| Total | \$ | (2,008,084) |

Discount Rate

The discount rate used to measure the total OPEB liability was 3.93 percent for the June 30, 2024, valuation date, and was based on the Bond Buyer 20-Bond GO Index.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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

Actuarial Assumptions

The total OPEB liability in the June 30, 2025, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|--------------------------|---|
| Actuarial Cost Method | Entry-Age Normal Cost |
| Actuarial Assumptions: | |
| Valuation Date | June 30, 2024 |
| Discount Rate | 3.93% at June 30, 2023 (Bond Buyer 20-Bond GO Index) |
| Inflation | 2.50% annually |
| Medical Trend | 8.5%, decreasing to an ultimate rate of 3.45% in 2076 |
| Mortality Improvement | Post-retirement mortality projected fully generational with Scale MP-2021 |
| Healthcare Participation | 45% |

Sensitivity of SacSewer’s Proportionate Share of the County’s Net OPEB Liability to Changes in the Discount Rate

The following presents SacSewer’s Combined (Treatment and Collection) proportionate share of the total OPEB liability as of June 30, 2025, as well as what SacSewer's proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

| | 1% Decrease (2.93%) | Discount Rate (3.93%) | 1% Increase (4.93%) |
|--------------------------|-------------------------|--------------------------|-------------------------|
| Treatment | \$ 4,509,212 | \$ 4,184,953 | \$ 3,885,519 |
| Collection | 3,216,637 | 2,985,328 | 2,771,727 |
| Total OPEB Liability | <u>\$ 7,725,849</u> | <u>\$ 7,170,281</u> | <u>\$ 6,657,246</u> |

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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

Sensitivity of SacSewer’s Proportionate Share of the Total OPEB liability to Changes in the Healthcare Cost Trend Rates

The following presents SacSewer’s Combined (Treatment and Collection) proportionate share of the total OPEB liability as of June 30, 2025, as well as what SacSewer’s proportionate share of the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates at June 30, 2025:

| | 1% Decrease (7.5% decreasing to 2.45% in 2076) | Current Rate (8.5% decreasing to 3.45% in 2076) | 1% Increase (9.5% decreasing to 4.45% in 2076) |
|----------------------|--|---|--|
| Treatment | \$ 3,731,459 | \$ 4,184,953 | \$ 4,714,797 |
| Collection | 2,661,828 | 2,985,328 | 3,363,290 |
| Total OPEB Liability | \$ 6,393,287 | \$ 7,170,281 | \$ 8,078,087 |

12. NET PENSION LIABILITY

Plan Description

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

Benefits Provided

SCERS provides service retirement, disability, death and survivor benefits to eligible employees. All permanent full-time or part-time employees of the County of Sacramento or contracting districts become members of SCERS upon employment. There are separate retirement cost pools for Safety and Miscellaneous member employees. Safety membership is extended to those involved in active law enforcement, fire suppression, and certain other classifications. All other employees, including SacSewer’s employees, are classified as Miscellaneous members.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

12. NET PENSION LIABILITY (Continued)

There are five tiers applicable to Miscellaneous members. Those hired prior to September 27, 1981, are included in Tier 1. Those hired after September 27, 1981, but prior to January 1, 2012, are included in Tier 2 or Tier 3 depending on date of hire and bargaining unit. County members hired after January 1, 2012, but prior to January 1, 2013, are included in Tier 4. New members hired on or after January 1, 2013, are designated as PEPRA Miscellaneous (Tier 5) and are subject to the provisions of California Government Code 7522 et seq. and AB 197.

Miscellaneous members hired prior to January 1, 2013, are eligible to retire once they attain the age of 50 and have acquired 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. Miscellaneous members who are first hired on or after January 1, 2013, are eligible to retire once they have attained the age of 52 and have acquired five years of retirement service credit. The retirement benefits the member will receive is based upon age at retirement, final average compensation, years of retirement service credit and retirement plan and tier.

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

For members with membership dates before January 1, 2013, the maximum monthly retirement allowance is 100% of final compensation. There is no maximum for members with membership dates on or after January 1, 2013. Final average compensation consists of the highest 12 consecutive months for a Tier 1 Safety or Tier 1 Miscellaneous member and the highest 36 consecutive months for a Tier 2, Tier 3, Tier 4 or Tier 5 member. The member may elect an unmodified retirement allowance or choose an optional retirement allowance. The unmodified retirement allowance provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse. An eligible surviving spouse is one married to the member one year prior to the effective retirement date. There are four optional retirement allowances the member may choose. Each of the optional retirement allowances requires a reduction in the unmodified retirement allowance in order to allow the member the ability to provide certain benefits to a surviving spouse or named beneficiary having an insurable interest in the life of the member.

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

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

12. NET PENSION LIABILITY (Continued)

Contributions

Participating employers and active members (i.e. County), including SacSewer, are required by statute to contribute a percentage of the covered salary to the Plan. Contributions to the Plan are made pursuant to Section 31584 of the County Employees Retirement Law of 1937. The Plan's funding policy provides for periodic contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate adequate assets to pay benefits when legally due. Each employer of the Plan is obligated by state law to make all required contributions to the plan and depending on the participating employer and their employees' tiers.

The average contribution rate was 22.33% of covered payroll for the fiscal year ended June 30, 2025. SacSewer's proportionate share of the County's contribution to the Plan was \$7,797,849 for the fiscal year ended June 30, 2025.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

SacSewer reported a liability of \$63,893,536 for its proportionate share of the County's net pension liability at June 30, 2025. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. SacSewer's proportion of the County's net pension liability was based on SacSewer's fiscal year 2024 actual contributions to the County's pension plan relative to the total contributions of the County as a whole. At June 30, 2025, SacSewer's proportion was 3.78 percent, which is a decrease of 0.16 percent from its proportionate share measured as of June 30, 2024.

SacSewer recognized pension expense for the fiscal years ended June 30, 2025 in the amount of \$11,310,100.

At June 30, 2025, SacSewer reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between actual and expected experience | \$ 11,994,865 | \$ - |
| Changes in assumptions | 250,138 | (2,513,387) |
| Net differences between projected and actual earnings on plan investments | - | (563,575) |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 661,387 | (4,419,534) |
| Employer contributions paid by SacSewer to County subsequent to the measurement date | 7,797,849 | - |
| Total | \$ 20,704,239 | \$ (7,496,496) |

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

12. NET PENSION LIABILITY (Continued)

The \$20,704,239 reported as deferred outflows of resources related to pension, resulting from SacSewer’s contributions to the County’s plan subsequent to the measurement date and before the end of the fiscal year, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2026.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| <u>Fiscal year ending June 30</u> | |
|-----------------------------------|---------------------|
| 2025 | 1,405,168 |
| 2026 | 1,405,168 |
| 2027 | 1,405,168 |
| 2028 | <u>1,194,390</u> |
| Total | <u>\$ 5,409,894</u> |

Actuarial Assumptions

SacSewer’s proportion of the County’s total pension liability in the June 30, 2025, actuarial valuations were determined using the following actuarial assumptions applied in the measurement:

| <u>June 30, 2024</u> | |
|----------------------------|---------------------------------|
| Actuarial valuation date | June 30, 2024 |
| Actuarial cost method | Entry-Age actuarial cost method |
| Actuarial Assumptions: | |
| Investment Rate of Return | 6.75% |
| Inflation | 2.50% |
| Projected Salary increases | Miscellaneous: 4.25% to 9.75%. |
| Cost of Living Adjustments | See below |

Cost of living adjustments for Miscellaneous Tier 1 benefits are assumed to increase at 2.75% per year, Miscellaneous Tier 3, Tier 4, and Tier 5 benefits are assumed to increase at 2.00% per year and Miscellaneous Tier 2 receives no COLA increase for the June 30, 2021, and June 30, 2020.

In the actuarial valuations dated June 30, 2024, the post-retirement mortality rates for the healthy Miscellaneous members were based on Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates increased by 10%, projected generationally with the two-dimensional mortality improvement scale MP-2021 and the post-retirement mortality rates for the disabled Miscellaneous members were based on Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2021. In the actuarial valuation dated June 30, 2024, the pre-retirement mortality rate was based on the June 30, 2024, Actuarial Experience Study.

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

12. NET PENSION LIABILITY (Continued)

Actuarial Experience Study. The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin.

Discount Rate

The discount rates used to measure the total pension liability (TPL) was 6.75% for the measurement period ending June 30, 2024. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the SCERS' fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL as of June 30, 2025.

The target allocation and projected arithmetic real rates of return for each major asset class used in the derivation of the long-term expected investment rate of return assumption, measured as of June 30, 2024, are summarized in the table below:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|--------------------------------|------------------------------|--|
| Global Equity | 40.00% | 7.05% |
| Private Equity | 11.0% | 10.12% |
| Public Credit – High Yield | 1.0% | 4.63% |
| Public Credit – Leveraged Loan | 1.0% | 4.07% |
| Private Credit | 5.0% | 6.69% |
| Fixed Income – Core | 12.0% | 1.97% |
| Fixed Income – U.S. Treasury | 4.0% | 1.31% |
| Core Real Estate | 6.0% | 3.86% |
| Value Added Real Estate | 1.5% | 6.70% |
| Opportunistic Real Estate | 1.5% | 8.60% |
| Absolute Return | 7.0% | 3.00% |
| Real Assets | 7.0% | 7.30% |
| Liquid Real Return | 2.0% | 4.40% |
| Cash | 1.0% | 0.63% |
| Total | 100.00% | 5.92% |

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

12. NET PENSION LIABILITY (Continued)

Sensitivity of SacSewer’s Proportionate Share of the County’s Net Pension Liability to Changes in the Discount Rate

The following table presents SacSewer’s combined proportionate share of the County’s net pension liability calculated using the discount rate of 6.75% for fiscal year ending June 30, 2025, as well as what SacSewer’s proportionate share of the County’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate at June 30, 2025.

| | 1.00% Decrease (5.75%) | Current Discount Rate (6.75%) | 1.00% Increase (7.75%) |
|------------|---------------------------------------|--|---------------------------------------|
| Treatment | \$ 83,514,074 | \$ 38,180,723 | \$ 954,864 |
| Collection | 56,240,158 | 25,712,813 | 643,026 |
| Total | \$ 139,754,232 | \$ 63,893,536 | \$ 1,597,890 |

Pension Plan Fiduciary Net Position

Detailed information about the County’s collective net pension liability is available in the County’s separately issued Annual Comprehensive Financial Report (ACFR). The County of Sacramento’s financial statements may be obtained on the internet at <http://www.finance.saccounty.net/AuditorController/Pages/AcctGeneral.aspx>.

Detailed information about the SCERS's fiduciary net position is available in a separately issued SCERS annual comprehensive financial report. That report may be obtained on the Internet at www.retirement.saccounty.net/Pages/FinancialInformation.aspx.

13. RESTATEMENT

During the fiscal year ended June 30, 2025, the SacSewer implemented GASB Statement No. 101, *Compensated Absences*. Previously under GASB Statement No. 16, *Accounting for Compensated Absences*, SacSewer accrued the total outstanding vacation leave for all employees and half of outstanding sick leave for employees in management. These were the only leave categories eligible for cash payment upon termination of employment from SacSewer.

The primary impact of GASB Statement No. 101 is for sick leave, which is accounted for in two separate ways due to different labor union agreements. For non-management employees, SacSewer assessed the sick leave liability by evaluating the portion that is more likely to be used by the employee during active service versus the portion likely to be converted to service credit under the SacSewer’s defined benefit retirement plan at retirement. For management employees who worked for SacSewer prior to December 14, 2024, 50% of the unused sick leave is settled through a cash payment upon the employee’s retirement while the remaining 50% is converted to service credit. SacSewer determined the sick leave liability as an estimate of the portion likely

SACRAMENTO AREA SEWER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

13. RESTATEMENT (Continued)

to be used during active service plus 50% of the remaining balance, which would be settled as a cash payment at retirement.

SacSewer restated its beginning net position as of July 1, 2024, to properly reflect the change in accounting related to the implementation of GASB statement No. 101. The beginning net position was decreased by \$13,634,050 to reflect the cumulative effect of accruing the previously unrecognized sick leave liability.

| Net Position, Beginning of Year | | |
|---------------------------------|--------------------------------|------------------|
| As Previously Reported | GASB 101 Implementation Impact | As Restated |
| \$ 2,637,028,179 | \$ (13,634,050) | \$ 2,623,394,129 |

14. FUTURE GASB PRONOUNCEMENTS

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*, effective for fiscal years beginning after June 15, 2025. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. SacSewer has not determined the effect, if any on the financial statements.

In October 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*, effective for fiscal years beginning after June 15, 2025. The objective of this statement is to provide user of government financial statements with essential information about certain types of capital assets. SacSewer has not determined the effect, if any, on the financial statements.

In December 2025, GASB issued Statement No. 105, *Subsequent Events*, effective for fiscal years beginning after June 15, 2026. The objective of this statement is to improve financial reporting for subsequent events, enhance the consistency of such reporting, and better meet the informational needs of users. SacSewer has not determined the effect, if any, on the financial statements.

**SACRAMENTO AREA
SEWER DISTRICT**
Sacramento, California

Required Supplementary Information

For the Fiscal Year Ended June 30, 2025

SACRAMENTO AREA SEWER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Schedule of the SacSewer's Proportionate Share of the County's Net OPEB Liability
Last Ten Years ^(1,2)

| | Fiscal Year | | | | | | | |
|--|--------------------|---------------|---------------|--------------|--------------|--------------|--------------|--------------|
| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
| SacSewer's proportion of the County's OPEB liability | 5.72% | 5.85% | 3.52% | 3.60% | 3.86% | 3.84% | 3.88% | 4.02% |
| SacSewers's proportionate share of the County's OPEB liability | \$ 7,170,281 | \$ 7,057,348 | \$ 3,956,314 | \$ 4,237,193 | \$ 5,272,879 | \$ 4,435,867 | \$ 6,201,921 | \$ 6,086,246 |
| SacSewers's covered payroll | \$ 72,071,795 | \$ 67,678,630 | \$ 34,325,163 | \$34,308,579 | \$36,451,596 | \$34,647,000 | \$39,330,009 | \$38,885,860 |
| SacSewers's proportionate share of the OPEB liability as a percentage of its covered payroll | 9.95% | 10.43% | 11.53% | 12.35% | 14.47% | 12.80% | 15.77% | 15.65% |
| Measurement date | 6/30/2024 | 6/30/2023 | 6/30/2022 | 6/30/2021 | 6/30/2020 | 6/30/2019 | 6/30/2018 | 6/30/2017 |

Notes to Schedule:

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

(2) Fiscal Year 2024 is the first year the Collection System is included in the calculation. Prior years (2020 – 2023) reporting only includes activity from Treatment and Resource Recovery (formerly Regional San).

SACRAMENTO AREA SEWER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Schedule of the SacSewer's Proportionate Share of the County's Net Pension Liability
Last Ten Years ^(1,2)

| | Fiscal Year | | | | | | | | | |
|---|---------------|---------------------|---------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2025 | 2024 ⁽³⁾ | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
| SacSewers's proportion of the County's net pension liability | 3.78% | 3.93% | 2.37% | 0.96% | 2.82% | 2.59% | 2.71% | 2.83% | 3.16% | 2.97% |
| SacSewers's proportionate share of the County's net pension liability | \$ 63,893,536 | \$ 78,553,372 | \$ 41,504,546 | \$ 4,038,218 | \$ 76,413,851 | \$ 53,667,521 | \$ 53,111,998 | \$ 59,402,515 | \$ 51,209,450 | \$ 31,876,088 |
| SacSewer's covered payroll | 72,375,512 | 64,686,646 | 38,134,358 | 38,772,021 | 41,289,381 | 39,415,257 | 38,474,050 | 37,517,249 | 36,769,665 | 35,980,289 |
| SacSewers's proportionate share of the net pension liability as a percentage of its covered payroll | 88.28% | 121.44% | 108.84% | 10.42% | 185.07% | 136.16% | 138.05% | 158.33% | 139.27% | 88.59% |
| Plan's fiduciary net position as a percentage of the total pension liability | 88.72% | 86.10% | 87.12% | 96.76% | 78.62% | 82.57% | 82.51% | 80.37% | 81.40% | 87.26% |
| Measurement date | 6/30/2024 | 6/30/2023 | 6/30/2022 | 6/30/2021 | 6/30/2020 | 6/30/2019 | 6/30/2018 | 6/30/2017 | 6/30/2016 | 6/30/2015 |

Notes to Schedule:

- (1) Changes in assumptions: In the measurement period ended June 30, 2017, the discount rate changed from 7.5% to 7.0%
- (2) Fiscal Year 2024 is the first year the Collection System is included in the calculation. Prior years (2020 – 2023) reporting only includes activity from Treatment and Resource Recovery (formerly Regional San).

SACRAMENTO AREA SEWER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Schedule of SacSewer's Pension Contributions
Last Ten Years ^(1,2)

| | Fiscal Year | | | | | | | | | |
|---|---------------|---------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2025 | 2024 ⁽¹⁾ | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
| Actuarially determined contributions | \$ 7,797,849 | \$ 16,507,068 | \$ 9,657,276 | \$ 8,703,049 | \$ 8,184,913 | \$ 7,984,333 | \$ 6,894,244 | \$ 5,783,687 | \$ 6,080,054 | \$ 6,469,853 |
| Contributions in relation to the actuarially determined contribution | (7,797,849) | (16,507,068) | (9,657,276) | (8,703,049) | (8,184,913) | (7,984,333) | (6,894,244) | (5,783,687) | (6,080,054) | (6,469,853) |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| SacSewer's covered payroll | \$ 72,375,512 | \$ 64,686,646 | \$ 38,822,281 | \$ 38,134,358 | \$ 38,772,021 | \$ 41,289,381 | \$ 39,415,257 | \$ 38,474,050 | \$ 38,255,528 | \$ 36,769,665 |
| Contributions as a percentage of covered payroll | 10.77% | 25.52% | 24.88% | 22.82% | 21.11% | 19.34% | 17.49% | 15.03% | 15.89% | 17.60% |

Notes to Schedule:

(1) Fiscal Year 2024 is the first year the Collection System is included in the calculation. Prior years (2020 – 2023) reporting only includes activity from Treatment and Resource Recovery (formerly Regional San).

SACRAMENTO AREA SEWER DISTRICT

Sacramento, California

Supplemental Information

For the Fiscal Year Ended June 30, 2025

SACRAMENTO AREA SEWER DISTRICT

SUPPLEMENTAL INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2025 COMBINING STATEMENT OF NET POSITION - TREATMENT AND COLLECTION June 30, 2025

| | Treatment | Collection | Total |
|---|-------------------------|-----------------------|-------------------------|
| ASSETS: | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | \$ 114,758,871 | \$ 87,976,198 | \$ 202,735,069 |
| Investments | 226,619,534 | 46,312,833 | 272,932,367 |
| Sewer services fees receivable | 43,479,361 | 17,163,805 | 60,643,166 |
| Due from other local governments: | | | |
| Interest | 4,734,640 | 1,840,377 | 6,575,017 |
| Inventories | 4,430,442 | 1,496,474 | 5,926,916 |
| TOTAL CURRENT ASSETS | 394,022,848 | 154,789,687 | 548,812,535 |
| NONCURRENT ASSETS: | | | |
| Cash and cash equivalents - restricted | 23,616,017 | 7,602,272 | 31,218,289 |
| Investments - restricted | 54,064,959 | 96,157 | 54,161,116 |
| Deposits with others | 11,203,592 | 348,804 | 11,552,396 |
| Long-term receivables: | | | |
| Due from other local governments | 3,662,126 | - | 3,662,126 |
| Capital assets: | | | |
| Permanent easements | 1,622,961 | - | 1,622,961 |
| Land | 45,510,872 | 9,388,004 | 54,898,876 |
| Construction in progress | 548,735,152 | 64,266,232 | 613,001,384 |
| Software | 6,621,398 | 2,814,071 | 9,435,469 |
| Right-to-use assets | 2,841,646 | 549,855 | 3,391,501 |
| Equipment | 151,609,099 | 36,673,806 | 188,282,905 |
| Structures and improvements | 4,057,207,880 | 1,708,960,077 | 5,766,167,957 |
| Total capital assets | 4,814,149,008 | 1,822,652,045 | 6,636,801,053 |
| Less accumulated depreciation | (1,289,816,282) | (805,542,629) | (2,095,358,911) |
| Total capital assets, net of accumulated depreciation | 3,524,332,726 | 1,017,109,416 | 4,541,442,142 |
| TOTAL NONCURRENT ASSETS | 3,616,879,420 | 1,025,156,649 | 4,642,036,069 |
| TOTAL ASSETS | 4,010,902,268 | 1,179,946,336 | 5,190,848,604 |
| DEFERRED OUTFLOWS OF RESOURCES: | | | |
| Deferred outflows related to pension | 12,137,511 | 8,566,728 | 20,704,239 |
| Deferred outflows related to OPEB | 548,056 | 450,719 | 998,775 |
| Deferred amounts on refunding | 3,443,568 | - | 3,443,568 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 16,129,135 | 9,017,447 | 25,146,582 |
| LIABILITIES: | | | |
| CURRENT LIABILITIES: | | | |
| Accounts payable | 63,942,350 | 22,183,437 | 86,125,787 |
| Accrued interest payable | 7,102,309 | 3,799,747 | 10,902,056 |
| Compensated absences | 9,290,598 | 5,328,610 | 14,619,208 |
| Current portion of long-term obligations | 81,103,311 | 4,990,155 | 86,093,466 |
| TOTAL CURRENT LIABILITIES | 161,438,568 | 36,301,949 | 197,740,517 |
| NONCURRENT LIABILITIES: | | | |
| Long-term obligations | 1,940,705,141 | 156,650,833 | 2,097,355,974 |
| Developer reimbursement payable | - | 13,474,658 | 13,474,658 |
| Compensated absences | 9,462,826 | 4,898,719 | 14,361,545 |
| Net pension liability | 38,180,723 | 25,712,813 | 63,893,536 |
| OPEB liability | 4,184,953 | 2,985,328 | 7,170,281 |
| Unearned revenue | 3,638,173 | - | 3,638,173 |
| Accrued landfill closure and postclosure care costs | 17,412,418 | - | 17,412,418 |
| TOTAL NONCURRENT LIABILITIES | 2,013,584,234 | 203,722,351 | 2,217,306,585 |
| TOTAL LIABILITIES | 2,175,022,802 | 240,024,300 | 2,415,047,102 |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Deferred amounts on refunding | 24,418,188 | - | 24,418,188 |
| Deferred inflows related to pension | 4,932,034 | 2,564,462 | 7,496,496 |
| Deferred inflows related to OPEB | 1,605,149 | 1,062,963 | 2,668,112 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 30,955,371 | 3,627,425 | 34,582,796 |
| NET POSITION: | | | |
| Net investment in capital assets | 1,535,974,614 | 841,244,160 | 2,377,218,774 |
| Unrestricted | 285,078,616 | 104,067,898 | 389,146,514 |
| TOTAL NET POSITION | \$ 1,821,053,230 | \$ 945,312,058 | \$ 2,766,365,288 |

See accompanying notes to the basic financial statements.

SACRAMENTO AREA SEWER DISTRICT

SUPPLEMENTAL INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2025 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - TREATMENT AND COLLECTION FOR THE FISCAL YEAR ENDED JUNE 30, 2025

| | Treatment | Collection | Total |
|---|-------------------------|-----------------------|-------------------------|
| OPERATING REVENUES: | | | |
| Sewer service fees | \$ 324,592,528 | \$ 121,316,096 | \$ 445,908,624 |
| Other revenue | 3,468,435 | 4,411,175 | 7,879,610 |
| Total operating revenues | 328,060,963 | 125,727,271 | 453,788,234 |
| OPERATING EXPENSES: | | | |
| Office equipment | 225,254 | 790,448 | 1,015,702 |
| Depreciation and amortization | 70,628,030 | 40,375,183 | 111,003,213 |
| Data processing | 6,348,865 | 3,575,730 | 9,924,595 |
| Laboratory | 712,551 | - | 712,551 |
| Salaries and benefits | 75,369,527 | 56,635,481 | 132,005,008 |
| Services and supplies | 3,579,305 | 1,441,913 | 5,021,218 |
| Consultants | 13,066,781 | 8,923,265 | 21,990,046 |
| County labor - other | 385,386 | 1,436,604 | 1,821,990 |
| Chemicals | 25,474,927 | 639,393 | 26,114,320 |
| Billing | - | - | - |
| Landfill closure and postclosure care | 816,380 | - | 816,380 |
| Insurance | 6,069,601 | 1,655,332 | 7,724,933 |
| Other utilities | 11,897,633 | 605,944 | 12,503,577 |
| Electricity | 17,115,210 | 1,291,981 | 18,407,191 |
| Pipeline maintenance | - | 18,617,952 | 18,617,952 |
| Plant and interceptor maintenance | 15,372,766 | - | 15,372,766 |
| Total operating expenses | 247,062,216 | 135,989,226 | 383,051,442 |
| Operating income | 80,998,747 | (10,261,955) | 70,736,792 |
| NONOPERATING REVENUES (EXPENSES): | | | |
| Interest revenue | 24,884,051 | 5,517,825 | 30,401,876 |
| Interest expense | (47,001,231) | (8,774,267) | (55,775,498) |
| Sewer incentive program | (1,792,593) | (277,714) | (2,070,307) |
| Intergovernmental revenue | - | 1,701,536 | 1,701,536 |
| Other expense | (4,509,609) | (1,493,365) | (6,002,974) |
| Total nonoperating revenues (expenses) | (28,419,382) | (3,325,985) | (31,745,367) |
| Income before capital contributions | 52,579,365 | (13,587,940) | 38,991,425 |
| CAPITAL CONTRIBUTIONS: | | | |
| Sewer impact fees | 33,648,796 | 12,813,069 | 46,461,865 |
| Pipe from developers | - | 18,124,833 | 18,124,833 |
| Grant revenue | 37,268,036 | 2,125,000 | 39,393,036 |
| Total capital contributions | 70,916,832 | 33,062,902 | 103,979,734 |
| Changes in net position | 123,496,197 | 19,474,962 | 142,971,159 |
| Net position, beginning of year | 1,705,875,158 | 931,153,021 | 2,637,028,179 |
| Restatement | (8,318,125) | (5,315,925) | (13,634,050) |
| Net position, beginning of year, restated | 1,697,557,033 | 925,837,096 | 2,623,394,129 |
| Net position, end of year | \$ 1,821,053,230 | \$ 945,312,058 | \$ 2,766,365,288 |

See accompanying notes to the basic financial statements.

SACRAMENTO AREA SEWER DISTRICT

SUPPLEMENTAL INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

COMBINING STATEMENT OF CASH FLOWS - TREATMENT AND COLLECTION FOR THE FISCAL YEARS ENDED JUNE 30, 2025

| | Treatment | Collection | Total |
|--|----------------|----------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Receipts from customers and users | \$ 322,663,158 | \$ 119,729,725 | \$ 442,392,883 |
| Receipts from others | 3,468,435 | 3,825,807 | 7,294,242 |
| Payments to County for labor force | (79,756,481) | (56,572,111) | (136,328,592) |
| Payments to suppliers for goods and services | (45,193,054) | (21,272,162) | (66,465,216) |
| Payments to others | (6,302,202) | (1,771,079) | (8,073,281) |
| Net cash provided by operating activities | 194,879,856 | 43,940,180 | 238,820,036 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Acquisition and construction of capital assets | (270,462,077) | (46,336,159) | (316,798,236) |
| Lease and SBITA payments | (707,975) | (84,113) | (792,088) |
| Principal payments on long-term obligations | (69,521,317) | (1,335,000) | (70,856,317) |
| Interest payments on long-term obligations | (60,426,628) | (9,140,428) | (69,567,056) |
| Build America Bonds interest subsidy | - | 2,286,904 | 2,286,904 |
| Sewer impact fees collected | 33,648,796 | 12,813,069 | 46,461,865 |
| Cash receipts from grantors | 37,268,036 | 2,125,000 | 39,393,036 |
| Net cash used by capital and related financing activities | (330,201,165) | (39,670,727) | (369,871,892) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Redemption of investments | 208,674,073 | 36,909,342 | 245,583,415 |
| Acquisition of investments | (263,270,034) | (71,305,109) | (334,575,143) |
| Interest received | 25,016,648 | 5,950,450 | 30,967,098 |
| Net cash used by investing activities | (29,579,313) | (28,445,317) | (58,024,630) |
| Net decrease in cash and cash equivalents | (164,900,622) | (24,175,864) | (189,076,486) |
| Cash and cash equivalents, beginning of year | 303,275,510 | 119,754,334 | 423,029,844 |
| Cash and cash equivalents, end of year | \$ 138,374,888 | \$ 95,578,470 | \$ 233,953,358 |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION: | | | |
| Cash and cash equivalents | 114,758,871 | 87,976,198 | 202,735,069 |
| Restricted cash and cash equivalents | 23,616,017 | 7,602,272 | 31,218,289 |
| Total cash and cash equivalents | \$ 138,374,888 | \$ 95,578,470 | \$ 233,953,358 |

See accompanying notes to the basic financial statements.

SACRAMENTO AREA SEWER DISTRICT

SUPPLEMENTAL INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

RECONCILIATION OF OPERATING INCOME TO NET CASH

PROVIDED BY OPERATING ACTIVITIES:

| | | | |
|---|-----------------------|----------------------|-----------------------|
| Operating income | \$ 80,998,747 | \$ (10,261,955) | \$ 70,736,792 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation | 69,703,365 | 40,375,183 | 110,078,548 |
| Amortization of loss on refunding | 924,665 | - | 924,665 |
| Payments for excess sewer capacity and incentive | (1,792,593) | (277,714) | (2,070,307) |
| Intergovernmental expense | - | (585,368) | (585,368) |
| Other expense | (4,509,609) | (1,493,365) | (6,002,974) |
| Net effect of changes in: | | | |
| Sewer service fees receivable | (12,218,839) | (1,586,371) | (13,805,210) |
| Other accounts receivable | 10,289,469 | - | 10,289,469 |
| Inventories | (220,980) | (24,750) | (245,730) |
| Deposits with others | 264,962 | - | 264,962 |
| Accounts payable | 48,266,642 | 16,294,545 | 64,561,187 |
| Compensated absences | 2,491,435 | 557,958 | 3,049,393 |
| Accrued landfill closure and postclosure care costs | 826,730 | - | 826,730 |
| Net pension liability and related deferred outflows and inflows | 194,125 | 1,127,648 | 1,321,773 |
| OPEB liability and related deferred outflows and inflows | (338,263) | (185,631) | (523,894) |
| Net cash provided by operating activities | <u>\$ 194,879,856</u> | <u>\$ 43,940,180</u> | <u>\$ 238,820,036</u> |

NONCASH CAPITAL AND FINANCING ACTIVITIES:

| | | | |
|--|---------------|--------------|---------------|
| Purchase of capital assets on account | \$ 12,542,769 | \$ 1,437,577 | \$ 13,980,346 |
| Pipe contributed by developers | - | 18,124,833 | 18,124,833 |
| Acquisition of right-to-use leased assets | (164,111) | - | (164,111) |
| Amortization of bond premium | (11,872,385) | (345,155) | (12,217,540) |
| Acquisition of capital assets with developer reimbursement payable | - | (3,165,429) | (3,165,429) |

See accompanying notes to the basic financial statements.

**SACRAMENTO AREA
SEWER DISTRICT**
Sacramento, California

Statistical Section

For the Fiscal Year Ended June 30, 2025

SACRAMENTO AREA SEWER DISTRICT

Index to Statistical Section

This part of the Sacramento Areas Sewer District (SacSewer) annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about SacSewer's overall financial health.

Contents

Financial Trends

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

- Net Position by Component – Fiscal Years 2015-16 through 2024-25
- Changes in Net Position - Fiscal Years 2015-16 through 2024-25
- Operating Revenues by Source - Fiscal Years 2015-16 through 2024-25
- Operating Expenses - Fiscal Years 2015-16 through 2024-25
- Nonoperating Revenues and Expenses - Fiscal Years 2015-16 through 2024-25

Revenue Capacity

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

- Wastewater Collected, Conveyed and Treated - Fiscal Years 2015-16 through 2024-25
- Number of Customers by Type - Fiscal Years 2015-16 through 2024-25
- Ten Largest Customers – Fiscal Years 2025 and 2016
- Sewer Rates - Fiscal Years 2015-16 through 2024-25

Debt Capacity

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

- Net Ratios of Outstanding Debt by Type - Fiscal Years 2015-16 through 2024-25
- Pledged Revenue Coverage - Fiscal Years 2015-16 through 2024-25

Demographic and Economic Information

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

- Demographic and Economic Statistics - Fiscal Years 2015-16 through 2024-25
- Private Sector Principal Employers – Fiscal Years 2025 and 2016

Operating Information

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

- Number of Employees by Identifiable Activity - Fiscal Years 2015-16 through 2024-25
- Operating and Capital Indicators - Fiscal Years 2015-16 through 2024-25

SACRAMENTO AREA SEWER DISTRICT

Net Position by Component

**Fiscal Years 2015-2016 through 2024-2025
Schedule 1**

| Fiscal Year | Net investment in capital assets | Capital Construction | Financing Authority Debt Service | Debt Service | Facility Closure | Unrestricted | Total Net Position |
|-------------------|-------------------------------------|-------------------------|---|-----------------|---------------------|----------------|-----------------------|
| 2025 ⁵ | \$ 2,377,218,774 | \$ - | \$ - | \$ - | \$ - | \$ 389,146,514 | \$ 2,766,365,288 |
| 2024 ⁴ | 2,132,845,651 | - | - | - | - | 504,182,528 | \$ 2,637,028,179 |
| 2023 | 1,322,636,810 | - | - | - | - | 312,073,789 | \$ 1,634,710,599 |
| 2022 ³ | 1,214,583,421 | - | - | - | - | 309,591,940 | 1,524,175,361 |
| 2021 ² | 1,080,222,869 | - | - | - | - | 329,178,637 | 1,409,401,506 |
| 2020 | 1,076,093,422 | - | - | - | - | 383,956,937 | 1,460,050,359 |
| 2019 | 1,004,562,692 | - | - | - | - | 391,276,662 | 1,395,839,354 |
| 2018 ¹ | 893,810,285 | 13,234,120 | - | 45,504,646 | 11,224,882 | 342,059,637 | 1,305,833,570 |
| 2017 | 839,106,137 | 7,304,756 | - | 62,505,045 | 11,224,882 | 292,755,351 | 1,212,896,171 |
| 2016 | 801,739,262 | - | - | 77,229,103 | 10,857,424 | 215,651,098 | 1,105,476,887 |

Note ¹: Fiscal year 2018 has been revised in accordance with the implementation GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Prior years have not been restated as permitted by the standard.

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

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

Note ⁴: Fiscal Year 2024 is the first year the Collection System is included in the calculation. Prior years (2016 – 2023) reporting includes only activity from Treatment and Resource Recovery (formerly Regional San).

Note ⁵: Fiscal year 2025 beginning net position has been revised in accordance with the implementation GASB Statement No. 101, *Compensated Absences*. Prior years have not been restated as permitted by the standard.

SACRAMENTO AREA SEWER DISTRICT

Changes in Net Position

Fiscal Years 2015-2016 through 2024-2025 Schedule 2

| Fiscal Year | Operating Revenues | Operating Expenses | Operating Income | Non operating Revenues (Expenses) | Capital Contributions | Change in Net Position | Beginning Net Position | Ending Net Position |
|-------------------|-----------------------|-----------------------|---------------------|---|--------------------------|------------------------------|---------------------------|------------------------|
| 2025 ⁵ | \$ 453,788,234 | \$ (383,051,442) | \$ 70,736,792 | \$ (31,745,367) | \$ 103,979,734 | \$ 142,971,159 | \$ 2,623,394,129 | \$ 2,766,365,288 |
| 2024 ⁴ | 407,219,585 | (349,156,122) | 58,063,463 | (34,800,610) | 93,079,962 | 116,342,815 | 2,520,685,364 | 2,637,028,179 |
| 2023 | 305,115,094 | (189,071,760) | 116,043,334 | (37,577,002) | 32,068,906 | 110,535,238 | 1,524,175,361 | 1,634,710,599 |
| 2022 ³ | 295,735,163 | (169,846,459) | 125,888,704 | (36,686,620) | 25,571,771 | 114,773,855 | 1,409,401,506 | 1,524,175,361 |
| 2021 ² | 283,905,814 | (190,889,341) | 93,016,473 | (172,943,067) | 29,277,741 | (50,648,853) | 1,460,050,359 | 1,409,401,506 |
| 2020 | 297,075,655 | (187,164,569) | 109,911,086 | (69,364,536) | 23,664,455 | 64,211,005 | 1,395,839,354 | 1,460,050,359 |
| 2019 | 298,376,696 | (180,201,417) | 118,175,279 | (59,325,819) | 31,156,324 | 90,005,784 | 1,305,833,570 | 1,395,839,354 |
| 2018 ¹ | 286,549,128 | (169,886,279) | 116,662,849 | (47,811,048) | 27,640,122 | 96,491,923 | 1,209,341,647 | 1,305,833,570 |
| 2017 | 276,132,785 | (161,076,897) | 115,055,888 | (29,576,402) | 21,935,800 | 107,415,286 | 1,105,476,887 | 1,212,896,171 |
| 2016 | 252,415,620 | (153,042,081) | 99,373,539 | (67,303,498) | 15,797,210 | 47,867,251 | 1,057,609,636 | 1,105,476,887 |

Note¹: Fiscal year 2018 beginning net position has been revised in accordance with the implementation guidance in GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Prior years have not been restated as permitted by the standard.

Note²: Fiscal year 2021 has been revised in accordance with the implementation GASB Statement No. 87, *Leases*. Prior years have not been restated as permitted by the standard.

Note³: Fiscal year 2022 has been revised in accordance with the implementation GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Prior years have not been restated as permitted by the standard.

Note⁴: Fiscal Year 2024 is the first year the Collection System is included in the calculation. Prior years (2016 – 2023) reporting includes only activity from Treatment and Resource Recovery (formerly Regional San). Beginning Net Position has been updated to include the Collection System balance at July 1, 2023.

Note⁵: Fiscal year 2025 has been revised in accordance with the implementation GASB Statement No. 101, *Compensated Absences*. Prior years have not been restated as permitted by the standard.

SACRAMENTO AREA SEWER DISTRICT

Operating Revenues by Source

**Fiscal Years 2015-2016 through 2024-2025
Schedule 3**

| Fiscal Year | Sewer Service Fees | Other Revenue | Total Operating Revenues |
|--------------------|---------------------------|----------------------|---------------------------------|
| 2025 | \$ 445,908,624 | \$ 7,879,610 | 453,788,234 |
| 2024 ¹ | 400,140,342 | 7,079,243 | 407,219,585 |
| 2023 | 297,031,023 | 8,084,071 | 305,115,094 |
| 2022 | 287,104,582 | 8,630,581 | 295,735,163 |
| 2021 | 272,884,057 | 11,021,756 | 283,905,813 |
| 2020 | 280,223,946 | 16,851,709 | 297,075,655 |
| 2019 | 282,337,704 | 16,038,992 | 298,376,696 |
| 2018 | 271,617,413 | 14,931,715 | 286,549,128 |
| 2017 | 261,072,833 | 15,059,952 | 276,132,785 |
| 2016 | 237,034,177 | 15,381,443 | 252,415,620 |

Note ¹: Fiscal Year 2024 is the first year the Collection System is included in the calculation. Prior years (2016 – 2023) reporting includes only activity from Treatment and Resource Recovery (formerly Regional San).

SACRAMENTO AREA SEWER DISTRICT

Operating Expenses

**Fiscal Years 2015-2016 through 2024-2025
Schedule 4**

| Fiscal Year | Labor | | | Depreciation and Amortization | Utilities | | | Services and Supplies |
|-------------------|----------------|--------------|----------------|-------------------------------|---------------|---------------|------------|-----------------------|
| | SDA | Other | Total | | Electricity | Other | Total | |
| 2025 ⁴ | \$ 132,005,008 | \$ 1,821,990 | \$ 133,826,998 | \$ 111,003,213 | \$ 18,407,191 | \$ 12,503,577 | 30,910,768 | \$ 5,021,218 |
| 2024 ³ | 110,091,627 | 2,071,275 | 112,162,902 | 110,590,262 | 17,046,778 | 18,010,555 | 35,057,333 | 5,964,702 |
| 2023 | 61,112,758 | 226,523 | 61,339,281 | 53,654,754 | 15,779,895 | 6,788,405 | 22,568,300 | 3,739,180 |
| 2022 ² | 53,966,210 | 121,769 | 54,087,979 | 54,593,046 | 13,704,810 | 7,773,662 | 21,478,472 | 2,736,069 |
| 2021 ¹ | 73,489,784 | 154,109 | 73,643,893 | 54,214,943 | 14,098,931 | 6,439,640 | 20,538,571 | 2,086,061 |
| 2020 | 74,018,268 | 142,392 | 74,160,660 | 51,602,456 | 12,471,973 | 6,049,597 | 18,521,570 | 1,789,213 |
| 2019 | 67,705,494 | 164,162 | 67,869,656 | 50,899,506 | 12,925,661 | 6,131,475 | 19,057,136 | 1,764,466 |
| 2018 | 66,015,300 | 165,220 | 66,180,520 | 50,021,285 | 12,202,211 | 4,939,625 | 17,141,836 | 2,326,953 |
| 2017 | 62,772,157 | 195,307 | 62,967,464 | 49,488,494 | 13,013,548 | 5,514,619 | 18,528,167 | 2,131,884 |
| 2016 | 54,850,665 | 239,908 | 55,090,573 | 49,211,734 | 11,728,932 | 5,528,863 | 17,257,795 | 1,603,874 |
| 2015 | 52,844,294 | 215,324 | 53,059,618 | 48,847,967 | 11,487,675 | 5,150,124 | 16,637,799 | 1,675,281 |

Note¹: Fiscal year 2021 has been revised in accordance with the implementation GASB Statement No. 87, *Leases*. Prior years have not been restated as permitted by the standard.

Note²: Fiscal year 2022 has been revised in accordance with the implementation GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Prior years have not been restated as permitted by the standard.

Note³: Fiscal Year 2024 is the first year the Collection System is included in the calculation. Prior years (2016 – 2023) reporting includes only activity from Treatment and Resource Recovery (formerly Regional San).

Note⁴: Fiscal year 2025 has been revised in accordance with the implementation GASB Statement No. 101, *Compensated Absences*. Prior years have not been restated as permitted by the standard.

SACRAMENTO AREA SEWER DISTRICT

Operating Expenses (Continued)

**Fiscal Years 2015-2016 through 2024-2025
Schedule 4**

| Chemicals | Plant and Pipeline Maintenance | Consultants | Landfill Closure and Postclosure Care | Insurance | Data Processing | Laboratory | Office Equipment | Total Operating Expenses |
|------------------|---------------------------------------|--------------------|--|------------------|------------------------|-------------------|-------------------------|---------------------------------|
| \$ 26,114,320 | \$ 33,990,718 | \$ 21,990,046 | \$ 816,380 | \$ 7,724,933 | \$ 9,924,595 | \$ 712,551 | \$ 1,015,702 | \$ 383,051,442 |
| 27,412,640 | 25,340,133 | 15,804,907 | 816,057 | 4,466,775 | 9,190,382 | 608,179 | 1,741,850 | 349,156,122 |
| 23,959,834 | 8,857,294 | 6,664,333 | 1,514,761 | 1,355,824 | 4,391,472 | 635,954 | 390,773 | 189,071,760 |
| 15,002,591 | 7,353,683 | 7,391,764 | 1,075,686 | 1,209,483 | 3,794,719 | 559,683 | 563,284 | 169,846,459 |
| 16,294,285 | 7,921,536 | 10,652,274 | 229,324 | 1,019,805 | 3,240,738 | 621,396 | 426,515 | 190,889,341 |
| 17,529,122 | 9,442,424 | 8,426,999 | 550,907 | 1,105,651 | 2,956,421 | 590,617 | 488,529 | 187,164,569 |
| 18,985,657 | 7,626,102 | 8,171,261 | 34,069 | 1,085,764 | 3,550,235 | 481,040 | 676,525 | 180,201,417 |
| 14,074,988 | 7,634,695 | 7,086,144 | 588,308 | 747,355 | 3,266,886 | 423,002 | 394,307 | 169,886,279 |
| 8,837,116 | 6,953,135 | 7,864,848 | 438,363 | 988,772 | 2,079,457 | 467,183 | 328,016 | 161,072,899 |
| 8,331,568 | 7,526,655 | 9,320,883 | 166,254 | 1,051,303 | 2,164,153 | 542,620 | 774,669 | 153,042,081 |
| 8,502,099 | 7,148,056 | 9,258,070 | 389,036 | 1,247,381 | 1,996,139 | 537,469 | 609,651 | 149,908,566 |

SACRAMENTO AREA SEWER DISTRICT

Nonoperating Revenues and Expenses

Fiscal Years 2015-2016 through 2024-2025 Schedule 5

| Fiscal Year | Interest Expense | Authority Interest Expense | SASD Base Payment | Authority Other Expense | Interest Revenue | Inter-governmental Revenue | Sewer Incentive Program ¹ | Derivative Investments | Total Other Revenue (Expenses) | Non-operating Revenues (Expenses) |
|-------------------|------------------|----------------------------|-------------------|-------------------------|------------------|----------------------------|--------------------------------------|------------------------|--------------------------------|-----------------------------------|
| 2025 ⁴ | \$ (55,775,498) | \$ - | \$ - | \$ - | \$ 30,401,876 | \$ 1,701,536 | \$ (2,070,307) | \$ - | \$ (6,002,974) | \$ (31,745,367) |
| 2024 ³ | (71,094,308) | - | - | - | 25,460,399 | 2,254,605 | (1,795,446) | 14,487,766 | (4,113,626) | (34,800,610) |
| 2023 | (50,326,308) | (8,787,575) | 8,865,204 | - | 11,258,366 | - | (1,633,252) | 4,476,468 | (1,429,905) | (37,577,002) |
| 2022 ² | (51,997,637) | (8,836,608) | 8,914,237 | - | 2,962,267 | - | (1,779,767) | 15,550,956 | (1,500,068) | (36,686,620) |
| 2021 ¹ | (57,057,781) | (8,884,583) | 8,962,213 | - | 3,698,535 | - | (1,872,835) | (110,714,908) | (7,073,708) | (172,943,067) |
| 2020 | (59,748,785) | (8,939,993) | 9,017,622 | - | 9,313,246 | - | (1,849,203) | (15,019,332) | (2,138,091) | (69,364,536) |
| 2019 | (58,740,098) | (8,984,067) | 9,061,695 | - | 10,880,222 | - | (1,879,707) | (8,187,856) | (1,476,008) | (59,325,819) |
| 2018 | (58,760,283) | (9,034,575) | 9,112,204 | - | 7,441,734 | - | (1,921,244) | 6,543,193 | (1,192,077) | (47,811,048) |
| 2017 | (44,154,951) | (9,074,042) | 9,151,671 | - | 4,544,181 | - | (1,941,797) | 12,674,697 | (776,161) | (29,576,402) |
| 2016 | (51,147,853) | (9,101,995) | 7,549,413 | - | 1,214,076 | - | (1,352,945) | (17,805,522) | 3,341,328 | (67,303,498) |

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

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

Note ³: Fiscal Year 2024 is the first year the Collection System is included in the calculation. Prior years (2016 – 2023) reporting includes only activity from Treatment and Resource Recovery (formerly Regional San).

Note ⁴: Fiscal year 2025 has been revised in accordance with the implementation GASB Statement No. 101, *Compensated Absences*. Prior years have not been restated as permitted by the standard.

SACRAMENTO AREA SEWER DISTRICT

Wastewater Collected, Conveyed and Treated

**Fiscal Years 2015-2016 through 2024-2025
Schedule 6**

Treatment and Resource Recovery

| Fiscal Year | Connected Equivalent Single-Family Dwellings (ESD) | Monthly Sewer Rate per ESD |
|--------------------|---|-----------------------------------|
| 2025 | 628,812 | \$ 40.50 |
| 2024 | 619,703 | 37.00 |
| 2023 | 617,323 | 37.00 |
| 2022 | 616,770 | 37.00 |
| 2021 | 599,024 | 37.00 |
| 2020 | 600,203 | 37.00 |
| 2019 | 598,217 | 37.00 |
| 2018 | 592,857 | 36.00 |
| 2017 | 588,054 | 35.00 |
| 2016 | 586,351 | 32.00 |

Collection System

| Fiscal Year | Connected Equivalent Single-Family Dwelling Units (ESD) | Monthly Sewer Rate per ESD |
|--------------------|--|-----------------------------------|
| 2025 | 440,476 | \$ 22.85 |
| 2024 | 435,429 | 19.85 |
| 2023 | 431,280 | 19.85 |
| 2022 | 427,549 | 19.85 |
| 2021 | 423,244 | 19.85 |
| 2020 | 420,297 | 19.85 |
| 2019 | 417,027 | 19.85 |
| 2018 | 413,809 | 19.85 |
| 2017 | 410,689 | 19.85 |
| 2016 | 407,502 | 19.85 |

Source: ESD - Chief Financial Officer's Billing Report
SacSewer Rate Ordinances

SACRAMENTO AREA SEWER DISTRICT

Number of Customers by Type

**Fiscal Years 2015-2016 through 2024-2025
Schedule 7**

Treatment and Resource Recovery

| Fiscal Year | Residential ESDs | Commercial ESDs | Total ESDs ¹ | Industrial Flow Customers | Total |
|--------------------|-------------------------|------------------------|--------------------------------|----------------------------------|--------------|
| 2025 | 518,312 | 122,460 | 640,772 | 95 | 640,867 |
| 2024 | 512,549 | 109,154 | 621,703 | 128 | 621,831 |
| 2023 | 507,806 | 109,517 | 617,323 | 148 | 617,471 |
| 2022 | 503,802 | 112,968 | 616,770 | 150 | 616,920 |
| 2021 | 499,041 | 99,983 | 599,024 | 139 | 599,163 |
| 2020 | 495,662 | 104,541 | 600,203 | 127 | 600,330 |
| 2019 | 492,877 | 105,340 | 598,217 | 131 | 598,348 |
| 2018 | 485,263 | 107,593 | 592,857 | 130 | 592,987 |
| 2017 | 481,314 | 106,739 | 588,053 | 130 | 588,183 |
| 2016 | 490,140 | 96,211 | 586,351 | 127 | 586,478 |

Collection System

| Fiscal Year | Residential ESD's | Commercial ESD's | Total ESD's ¹ | Industrial Flow Customers | Total |
|--------------------|--------------------------|-------------------------|---------------------------------|----------------------------------|--------------|
| 2025 | 380,811 | 59,666 | 440,477 | 61 | 440,538 |
| 2024 | 376,488 | 58,941 | 435,429 | 57 | 435,486 |
| 2023 | 372,980 | 58,300 | 431,280 | 62 | 431,342 |
| 2022 | 369,979 | 57,570 | 427,549 | 67 | 427,616 |
| 2021 | 366,823 | 56,421 | 423,244 | 62 | 423,306 |
| 2020 | 364,208 | 56,089 | 420,297 | 60 | 420,357 |
| 2019 | 361,384 | 55,644 | 417,027 | 64 | 417,091 |
| 2018 | 358,730 | 55,079 | 413,809 | 68 | 413,877 |
| 2017 | 356,191 | 54,498 | 410,689 | 67 | 410,756 |
| 2016 | 363,125 | 44,376 | 407,502 | 66 | 407,568 |

Source: Customer billing records

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

SACRAMENTO AREA SEWER DISTRICT

Ten Largest Customers

**Fiscal Years 2025 and 2016
Schedule 8**

Fiscal Year 2025

| Customer | Amount ¹ | % |
|-------------------------------------|----------------------------|----------|
| Procter and Gamble Sacramento Plant | \$ 2,654,217 | 0.60% |
| HP Hood, LLC | 1,141,713 | 0.26% |
| Folsom State Prison | 676,573 | 0.15% |
| Mi Rancho | 595,153 | 0.13% |
| MBV-CA, LLC | 491,712 | 0.11% |
| Sacramento International Airport | 426,307 | 0.10% |
| Cintas Corporation | 408,720 | 0.09% |
| Mission Linen Supply | 268,984 | 0.06% |
| Vestis Services, LLC (National) | 255,368 | 0.06% |
| The American Bottling Company | 250,615 | 0.06% |
| Subtotal (10 largest) | 7,169,362 | 1.61% |
| Balance from other customers | 438,739,262 | 98.39% |
| Grand totals | \$ 445,908,624 | 100.00% |

Fiscal Year 2016

| Customer | Amount ¹ | % |
|--|----------------------------|----------|
| H.P. Hood, LLC | \$ 2,361,310 | 1.00% |
| Procter and Gamble Manufacturing | 1,824,784 | 0.77% |
| Folsom State Prison | 281,534 | 0.12% |
| Mission Linen Supply | 264,039 | 0.11% |
| Rio Cosumnes Correctional Center | 224,341 | 0.09% |
| Huhtamaki, Inc. | 208,912 | 0.09% |
| Sacramento County Airport System - SIA | 197,162 | 0.08% |
| Seven-up Bottling Co., Inc. | 178,053 | 0.08% |
| Nor-Cal Beverage Company, Inc | 166,647 | 0.07% |
| CleanWorld-SATS | 155,402 | 0.07% |
| Subtotal (10 largest) | 5,862,185 | 2.47% |
| Balance from other customers | 231,171,992 | 97.53% |
| Grand totals | \$ 237,034,177 | 100.00% |

Source: Annual customer billing records from Wastewater Source Control

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

SACRAMENTO AREA SEWER DISTRICT

Sewer Rates

Fiscal Years 2015-2016 through 2024-2025 Schedule 9

TREATMENT AND RESOURCE RECOVERY

| | Fiscal Year | | | | | | | | | | |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| Residential Rates ¹ : | | | | | | | | | | | |
| Operations and | | | | | | | | | | | |
| Maintenance | \$22.00 | \$17.39 | \$17.39 | \$17.76 | \$12.00 | \$12.00 | \$12.00 | \$14.00 | \$13.00 | \$14.00 | \$13.54 |
| Capital Improvement | | | | | | | | | | | |
| Program | 18.50 | 19.61 | 19.61 | 19.24 | 25.00 | 25.00 | 25.00 | 22.00 | 22.00 | 18.00 | 15.46 |
| Total | <u>\$40.50</u> | <u>\$37.00</u> | <u>\$37.00</u> | <u>\$37.00</u> | <u>\$37.00</u> | <u>\$37.00</u> | <u>\$37.00</u> | <u>\$36.00</u> | <u>\$35.00</u> | <u>\$32.00</u> | <u>\$29.00</u> |
| Industrial Rates ³ : | | | | | | | | | | | |
| Per Million Gallons | \$642.00 | \$783.00 | \$783.00 | \$783.00 | \$783.00 | \$783.00 | \$783.00 | \$783.00 | \$779.00 | \$741.00 | \$318.46 |
| Per Thousand Lbs BOD ² | 301.00 | 378.00 | 378.00 | 378.00 | 378.00 | 378.00 | 378.00 | 378.00 | 363.00 | 362.00 | 191.89 |
| Per Thousand Lbs SS ² | 242.00 | 255.00 | 255.00 | 255.00 | 255.00 | 255.00 | 255.00 | 255.00 | 215.00 | 215.00 | 110.87 |
| TKN | 1,335.00 | 1,158.00 | 1,158.00 | 1,158.00 | 1,014.00 | 835.00 | 835.00 | 783.00 | 778.00 | 605.00 | 431.90 |
| Pathogens | 377.00 | 399.00 | 399.00 | 399.00 | 399.00 | 226.00 | 226.00 | 216.00 | 215.00 | 167.00 | 119.42 |

COLLECTION SYSTEM

| | Fiscal Year | | | | | | | | | | |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| Residential Rates ¹ : | | | | | | | | | | | |
| Operations and | | | | | | | | | | | |
| Maintenance | \$17.80 | \$17.08 | \$17.08 | \$16.28 | \$14.85 | \$14.85 | \$16.00 | \$16.00 | \$16.00 | \$16.00 | \$14.65 |
| Rehabilitation | 5.05 | 2.77 | 2.77 | 3.57 | 5.00 | 5.00 | 3.85 | 3.85 | 3.85 | 3.85 | 5.20 |
| Total | <u>\$22.85</u> | <u>\$19.85</u> | <u>\$19.85</u> | <u>\$19.85</u> | <u>\$19.85</u> | <u>\$19.85</u> | <u>\$19.85</u> | <u>\$19.85</u> | <u>\$19.85</u> | <u>\$19.85</u> | <u>\$19.85</u> |
| Industrial Rates ³ : | | | | | | | | | | | |
| Fixed Amount | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$7.16 | \$7.16 |
| Per Million Gallons | 406.00 | 72.73 | 72.73 | 72.73 | 72.73 | 72.73 | 72.73 | 72.73 | 72.73 | 72.73 | 72.73 |
| Per Thousand Lbs. SS ² | 27.00 | 5.10 | 5.10 | 5.10 | 5.10 | 5.10 | 5.10 | 5.10 | 5.10 | 5.10 | 5.10 |

Source: SacSewer Rate Ordinances

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

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

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

SACRAMENTO AREA SEWER DISTRICT

Net Ratios of Outstanding Debt by Type

Fiscal Years 2015-2016 through 2024-2025 Schedule 10

| Fiscal Year | Outstanding Debt | | | | | | SacSewers's Net Debt | | | |
|-------------------|--------------------------------|--------------------------------|----------------|------------|------------|--------------|----------------------|------------------|----------------|------------|
| | Collection System | Treatment | State | Finance | Leases | SBITAs | City of Sacramento | District | Per Equivalent | As a Share |
| | Net Revenue Bonds ³ | Net Revenue Bonds ³ | Revolving Loan | | | | | | | |
| 2025 ⁸ | \$ 162,333,670 | \$ 1,117,534,730 | \$ 927,497,825 | \$ - | \$ 305,190 | \$ 1,050,133 | \$ - | \$ 2,208,721,548 | 3,447 | 2.0% |
| 2024 ⁷ | 159,190,155 | 960,955,000 | 956,281,972 | 632,170 | 363,192 | 1,538,870 | - | \$ 2,078,961,359 | 3,355 | 2.0% |
| 2023 | | 1,236,427,002 | 851,509,567 | 2,072,176 | 236,177 | 363,173 | - | \$ 2,090,608,095 | 3,387 | 2.1% |
| 2022 ⁶ | | 1,296,708,746 | 857,189,342 | 3,466,654 | 435,258 | - | - | \$ 2,157,800,000 | 3,499 | 2.2% |
| 2021 ⁵ | | 1,351,358,780 | 868,346,800 | 4,817,040 | 210,173 | - | - | \$ 2,224,732,793 | 3,714 | 2.4% |
| 2020 | | 1,233,609,272 | 833,574,181 | 6,124,731 | - | - | 569,084 | \$ 2,073,877,268 | 3,455 | 2.4% |
| 2019 | | 1,271,659,019 | 670,212,103 | 7,391,076 | - | - | 1,125,920 | \$ 1,950,388,118 | 3,260 | 2.4% |
| 2018 | | 1,329,915,477 | 474,574,145 | 8,617,381 | - | - | 1,670,769 | \$ 1,814,777,772 | 3,061 | 2.4% |
| 2017 | | 1,365,528,630 | 253,786,588 | 9,804,914 | - | - | 2,203,890 | \$ 1,631,324,022 | 2,774 | 2.2% |
| 2016 | | 1,399,806,784 | 57,868,521 | 10,954,900 | - | - | 2,725,534 | \$ 1,471,355,739 | 2,509 | 2.1% |

Source: Resources Restricted to Repaying Principal from trust statement

Note¹: Equivalent single-family dwelling. Data is shown at schedule 6.

Note²: Per Capita income data is shown on Schedule 12.

Note³: Revenue Bonds for the Authority (Treatment and Collection) presented Net of deferred items. See changes in long term obligations for detail.

Note⁴: In FY 2021-22 name changed from Capital Lease to Finance Purchase name.

Note⁵: Fiscal year 2021 has been revised in accordance with the implementation GASB Statement No. 87, *Leases*. Prior years have not been restated as permitted by the standard.

Note⁶: Fiscal year 2022 has been revised in accordance with the implementation GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Prior years have not been restated as permitted by the standard.

Note⁷: Fiscal Year 2024 is the first year the Collection System is included in the calculation. Prior years (2016 – 2023) reporting only include activity from Treatment and Resource Recovery (formerly Regional San).

Note⁸: Fiscal year 2025 has been revised in accordance with the implementation GASB Statement No. 101, *Compensated Absences*. Prior years have not been restated as permitted by the standard.

SACRAMENTO AREA SEWER DISTRICT

Pledged Revenue Coverage

Fiscal Years 2015-2016 through 2024-2025

Schedule 11

(Dollars in Thousands)

| Fiscal Year | Sewer Service Fees | Sewer Impact Fees | Interest Grants and Other Operating Income | Gross Revenues | Less Operating Expenses (excluding depreciation, amortization, and landfill) | Net Revenues | Revenue Bonds Debt Service | | | Coverage Ratio ¹ |
|-------------------|--------------------|-------------------|--|----------------|--|--------------|----------------------------|-----------|---------|-----------------------------|
| | | | | | | | Principal | Interest | Total | |
| 2025 ⁵ | \$ 445,909 | \$ 46,462 | \$ 77,675 | 570,045 | \$ 271,232 | 298,814 | \$ 41,440 | \$ 51,987 | 93,427 | 3.20 |
| 2024 ⁴ | 412,385 | 63,904 | 29,949 | 506,238 | 245,096 | 261,142 | 46,630 | 53,756 | 100,386 | 2.60 |
| 2023 | 297,031 | 21,089 | 30,322 | 348,442 | 133,901 | 214,541 | 50,645 | 45,911 | 96,556 | 2.22 |
| 2022 ³ | 287,105 | 22,016 | 15,149 | 324,270 | 114,178 | 210,092 | 45,085 | 47,019 | 92,104 | 2.28 |
| 2021 ² | 272,884 | 28,985 | 15,016 | 316,885 | 136,445 | 180,440 | 37,765 | 44,310 | 82,075 | 2.20 |
| 2020 | 280,224 | 23,661 | 26,168 | 330,053 | 135,012 | 195,041 | 35,330 | 49,439 | 84,769 | 2.30 |
| 2019 | 282,338 | 29,510 | 28,565 | 340,413 | 129,267 | 211,146 | 54,975 | 53,387 | 108,362 | 1.95 |
| 2018 | 271,617 | 25,385 | 24,089 | 321,091 | 119,277 | 201,814 | 32,295 | 55,889 | 88,184 | 2.29 |
| 2017 | 261,073 | 21,936 | 19,604 | 302,613 | 111,146 | 191,467 | 30,960 | 57,336 | 88,296 | 2.17 |
| 2016 | 237,034 | 13,618 | 16,596 | 267,248 | 106,511 | 160,737 | 30,065 | 58,461 | 88,526 | 1.82 |

Note¹: This schedule presents all non-general obligation long-term debt backed by pledged revenues. The coverage ratio differs from those required by specific bond indentures.

Note²: Fiscal year 2021 has been revised in accordance with the implementation GASB Statement No. 87, Leases. Prior years have not been restated as permitted by the standard.

Note³: Fiscal year 2022 has been revised in accordance with the implementation GASB Statement No. 96, Subscription-Based Information Technology Arrangements. Prior years have not been restated as permitted by the standard.

Note⁴: Fiscal Year 2024 is the first year the Collection System is included in the calculation. Prior years (2016 – 2023) reporting only include activity from Treatment and Resource Recovery (formerly Regional San).

Note⁵: Fiscal year 2025 has been revised in accordance with the implementation GASB Statement No. 101, *Compensated Absences*. Prior years have not been restated as permitted by the standard.

SACRAMENTO AREA SEWER DISTRICT

Demographic and Economic Statistics

**Fiscal Years 2015-2016 through 2024-2025
Schedule 12**

| Fiscal Year | County Population | Personal Income <i>(in thousands)</i> | Per Capita Personal Income | County Unemployment Rate | School Enrollment | County Labor Force |
|--------------------|--------------------------|---|-----------------------------------|---------------------------------|--------------------------|---------------------------|
| 2025 | 1,593,000 | \$ 112,207,831 | \$ 69,072 | 5.5% | 258,235 | 774,700 |
| 2024 | 1,584,288 | 103,143,749 | 65,104 | 4.4% | 253,331 | 734,800 |
| 2023 | 1,588,000 | 98,105,641 | 61,755 | 3.9% | 248,000 | 731,000 |
| 2022 | 1,588,921 | 98,241,828 | 61,829 | 7.0% | 243,000 | 727,000 |
| 2021 | 1,578,680 | 90,908,707 | 58,307 | 9.3% | 246,000 | 713,000 |
| 2020 | 1,552,058 | 85,775,621 | 55,266 | 3.7% | 250,000 | 709,000 |
| 2019 | 1,540,975 | 80,969,087 | 52,544 | 3.8% | 247,000 | 706,900 |
| 2018 | 1,530,615 | 76,832,120 | 50,197 | 4.6% | 246,000 | 703,500 |
| 2017 | 1,514,460 | 72,878,458 | 48,122 | 5.4% | 244,000 | 697,600 |
| 2016 | 1,501,335 | 69,870,182 | 46,539 | 6.0% | 243,000 | 693,000 |

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

SACRAMENTO AREA SEWER DISTRICT

Private Sector Principal Employers

**Fiscal Years 2025 and 2016
Schedule 13**

| <u>Employer</u> | <u>Number of Employees</u> | <u>Percent of County Labor Force ¹</u> |
|-------------------------------------|---------------------------------------|--|
| | <u>2025 ^a</u> | <u>2025</u> |
| UC Davis Health System | 16,617 | 2.10% |
| Kaiser Permanente | 12,624 | 1.59% |
| Sutter / California Health Services | 10,129 | 1.28% |
| Dignity / Mercy Healthcare | 7,353 | 0.93% |
| Apple Inc. | 5,000 | 0.63% |
| Intel Corporation | 4,000 | 0.63% |
| Raley's Inc. / Bel Air | 2,519 | 0.32% |
| Siemens Mobility Inc. | 2,500 | 0.32% |
| VSP Vision | 1,950 | 0.25% |
| Safeway | 1,854 | 0.23% |
| | | |
| | <u>2016 ^a</u> | <u>2016</u> |
| UC Davis Health System | 9,706 | 1.50% |
| Sutter / California Health Services | 8,817 | 1.36% |
| Kaiser Permanente | 6,464 | 1.00% |
| Dignity / Mercy Healthcare | 6,286 | 0.97% |
| Intel Corporation | 6,200 | 0.96% |
| Raley's Inc. / Bel-Air | 3,289 | 0.50% |
| Apple Inc. | 2,500 | 0.39% |
| VSP Global | 2,415 | 0.37% |
| Health Net of California Inc. | 2,299 | 0.31% |
| Wells Fargo & Co. | 2,038 | 0.31% |

Source ^a: Sacramento Business Journal Annual Book of Lists

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

SACRAMENTO AREA SEWER DISTRICT

Number of Employees by Identifiable Activity

**Fiscal Years 2015-2016 through 2024-2025
Schedule 14**

| | Full-time-Equivalent Employees as of June 30 | | | | | | | | | |
|-----------------------------|---|--------------------------|-------------|-------------|--------------------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2025</u> | <u>2024</u> ⁴ | <u>2023</u> | <u>2022</u> | <u>2021</u> ² | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
| Maintenance and Operations | 470 | 443 | 229 | 237 | 226 | 244 | 244 | 247 | 245 | 259 |
| Engineering ³ | 144 | 129 | 75 | 68 | 77 | 87 | 89 | 85 | 85 | 88 |
| Laboratory | 33 | 33 | 33 | 32 | 30 | 30 | 30 | 29 | 28 | 29 |
| Source Control | 14 | 14 | 14 | 15 | 14 | 14 | 15 | 15 | 14 | 14 |
| Administration ¹ | 128 | 120 | 89 | 92 | 85 | 87 | 97 | 100 | 108 | 108 |
| Total Employees | 789 | 739 | 440 | 444 | 432 | 462 | 475 | 476 | 480 | 498 |

Note¹: Administration includes Material Support, Plant Administration, Communications & Media, MIS and Office of Finance.

Note²: In 2021, 19 positions from Interceptor O&M was moved to the Collection System

Note³: In 2013 Bufferlands and Documentation were moved under Engineering.

Note⁴: Fiscal Year 2024 is the first year the Collection System is included in the calculation
Prior years (2020 – 2023) reporting only include activity from Treatment and Resource Recovery (formerly Regional San).

SACRAMENTO AREA SEWER DISTRICT

Operating and Capital Indicators

Fiscal Years 2015-2016 through 2024-2025 Schedule 15

Treatment and Resource Recovery

| | Fiscal Year | | | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2025</u> | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
| Miles of sewers | 169 | 169 | 169 | 169 | 169 | 169 | 169 | 169 | 169 | 169 |
| Number of treatment plants | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Treatment capacity (MG ¹ per day) | 181 | 181 | 181 | 181 | 181 | 181 | 181 | 181 | 181 | 181 |
| Gallons treated annually (MG) ¹ | 43,800 | 43,341 | 45,853 | 40,967 | 39,420 | 39,785 | 45,990 | 42,340 | 40,545 | 40,383 |
| Capacity utilized | 66% | 66% | 69% | 62% | 60% | 60% | 70% | 64% | 61% | 61% |

Collection System

| | Fiscal Year | | | | | | | | | |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2025</u> | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
| Pump Stations | 106 | 106 | 107 | 107 | 106 | 106 | 106 | 106 | 105 | 106 |
| Service Connections | 311,838 | 305,948 | 308,550 | 305,543 | 301,000 | 300,393 | 297,555 | 294,311 | 294,096 | 293,356 |
| Miles of Service line | 1,584 | 1,571 | 1,568 | 1,556 | 1,500 | 1,533 | 1,521 | 1,491 | 1,392 | 1,400 |
| Miles of Pipe | 3,180 | 3,155 | 3,234 | 3,212 | 3,100 | 3,162 | 3,143 | 3,034 | 3,008 | 3,000 |
| Manholes | 69,588 | 69,024 | 68,848 | 68,242 | 67,000 | 67,122 | 66,458 | 65,846 | 65,740 | 64,801 |
| Area of SacSewer (square miles) | 281 | 281 | 281 | 281 | 278 | 278 | 278 | 278 | 278 | 278 |

Note¹: MG = millions of gallons.

Source: Wastewater Treatment Plant

Intentionally Blank

**SACRAMENTO AREA
SEWER DISTRICT**
Sacramento, California

Bond Disclosure Section

For the Fiscal Year Ended June 30, 2025

**ANNUAL CONTINUING DISCLOSURES FOR THE NORTHERN CALIFORNIA
SANITATION AGENCIES FINANCING AUTHORITY AND
SACRAMENTO AREA SEWER DISTRICT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

On October 1, 1993, Regional San entered into a Joint Exercise of Powers Agreement with the former Sacramento Area Sewer District to form the Sacramento County Sanitation Districts Financing Authority (Financing Authority) for the purpose of facilitating the financing of acquisition and/or construction of real and personal property in and for Regional San and the former Sacramento Area Sewer District. Due to the merger of the former Sacramento Area Sewer District and Regional San on January 1, 2024, which formed the Sacramento Area Sewer District (SacSewer), SacSewer entered into a Joint Exercise of Power Agreement with the Central Contra Costa Sanitary District (Central San) to form the Northern California Sanitation Agencies Financing Authority (Financing Authority) to enable SacSewer to continue with the same purpose of the former Sacramento County Sanitation Districts Financing Authority. Two members each of SacSewer's Board and Central San's Board serves as the Financing Authority's governing board.

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

- Continuing Disclosure Certificate for the Northern California Sanitation Agencies Financing Authority of its Revenue Bonds, Series 2024 (2024 Bonds)
- Continuing Disclosure Certificate for the Sacramento County Sanitation Districts Financing Authority of its Revenue Bonds, Series 2021 (2021 Bonds)
- Continuing Disclosure Certificate for the Sacramento County Sanitation Districts Financing Authority of its Revenue Bonds, Series 2020B (2020B Bonds)
- Continuing Disclosure Certificate for the Sacramento County Sanitation Districts Financing Authority of its Revenue Bonds, Series 2020A (2020A Bonds)
- Continuing Disclosure Certificate for the Sacramento County Sanitation Districts Financing Authority of its Revenue Bonds, Series 2010A Federally Taxable Direct Subsidy Build America Bonds and Series 2010B (2010 Bonds)
- Continuing Disclosure Certificate for the Sacramento County Sanitation Districts Financing Authority of its Revenue Bonds, Refunding Series 2015 (2015 Bonds)

The material provided under the Certificates is intended to meet or exceed the requirements of Securities and Exchange Commission Rule 15c2-12(b) (5) (the Rule). The data tables provided herein apply equally to the 2024A, 2020A, 2020B, 2021, 2024, 2010A, 2010B and 2015 issues.

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

ANNUAL REPORT

As required by the Certificates, this annual report is incorporated into the ACFR and includes the audited financial statements of SacSewer.

**ANNUAL CONTINUING DISCLOSURES FOR THE NORTHERN CALIFORNIA
SANITATION AGENCIES FINANCING AUTHORITY AND
SACRAMENTO AREA SEWER DISTRICT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

The annual report also contains the following eight (8) sections that are required in the Certificates:

- (1) A table setting forth the percentage of service charge revenues received from each of the Contributing Agencies for the immediately preceding five (5) fiscal years.
- (2) A table indicating the number of Treatment and Resource Recovery residential/commercial customer accounts (by equivalent single-family dwellings or other appropriate measure) and industrial customer accounts, and the percentage of service charge revenues by each of such customer classifications for the immediately preceding five (5) fiscal years.
- (3) A table indicating the number of Collection System residential and commercial customer accounts (by equivalent single family dwellings or other appropriate measure) and the percentage of service charge revenues for the immediately preceding five (5) fiscal years.
- (4) A table providing a comparison of sewer service rates and impact fees for single-family residences for SacSewer and the Contributing Agencies.
- (5) Table listing the ten (10) largest industrial customers (Treatment and Collection) and the total service charge revenues received from each of such customers for the fiscal year.
- (6) A table providing the amount of delinquent service charges which were added to the tax rolls for the immediately preceding five (5) fiscal years.
- (7) A table setting forth the collection rates for charges imposed by SacSewer on its customers for the immediately preceding five (5) fiscal years.
- (8) A table showing the Revenues, Maintenance and Operation Costs, Net Revenues (as these three terms are defined in the Installment Purchase Contract), debt service coverage, and certain fund balances of SacSewer for the immediately preceding five (5) fiscal years.

REPORTING OF SIGNIFICANT EVENTS

No withdrawals were taken from the Rate Stabilization Fund in fiscal year 2024-25 and SacSewer does not currently project withdrawals from the rate stabilization reserve.

As of June 30, 2025, none of the Events listed in Section 5 of the Certificates have occurred for the outstanding bonds issued by the Financing Authority. As of June 30, 2025, there is no knowledge on the part of the Board of Directors, officers, or employees of SacSewer of any impending Significant Event that would require disclosure under the provisions of the Certificate.

ADDITIONAL INFORMATION

Separate financial statements for the Financing Authority are available from SacSewer at 10060 Goethe Road, Sacramento Ca, 95827, upon request.

**ANNUAL CONTINUING DISCLOSURES FOR THE NORTHERN CALIFORNIA
SANITATION AGENCIES FINANCING AUTHORITY AND
SACRAMENTO AREA SEWER DISTRICT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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

| Percentage of Service Charge Revenues by Contributing Agencies | | | | |
|---|-------------|-------------------------------|---------------------------|------------------------------------|
| Fiscal Year Ended June 30, | SASD | City of Sacramento | City of Folsom | City of West Sacramento |
| 2021 | 72% | 19% | 5% | 4% |
| 2022 | 72% | 20% | 5% | 3% |
| 2023 | 73% | 19% | 5% | 3% |
| 2024 | 72% | 19% | 6% | 3% |
| 2025 | 74% | 18% | 5% | 3% |

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

**Number of Accounts and Revenues by Customer Class
for the Fiscal Years Ended June 30, 2025**

| Residential/Commercial | | |
|--|--|--|
| Fiscal Year Ended 30-Jun-24 | Number of Equivalent Single-family Dwelling | Percentage of Service Charge Revenues |
| 2021 | 599,024 | 96.2% |
| 2022 | 616,771 | 95.3% |
| 2023 | 617,323 | 95.3% |
| 2024 | 619,703 | 96.2% |
| 2025 | 628,812 | 96.7% |

| Industrial | | |
|---------------------------------------|--|--|
| Fiscal Year Ended June 30, | Number of Customer Accounts | Percentage of Service Charge Revenues |
| 2021 | 139 | 3.8% |
| 2022 | 150 | 4.7% |
| 2023 | 148 | 4.7% |
| 2024 | 149 | 3.8% |
| 2025 | 156 | 3.3% |

**ANNUAL CONTINUING DISCLOSURES FOR THE NORTHERN CALIFORNIA
SANITATION AGENCIES FINANCING AUTHORITY AND
SACRAMENTO AREA SEWER DISTRICT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Section (3) A table indicating the number of Collection System residential and commercial customer accounts (by equivalent single-family dwelling or other appropriate measure) and the percentage of service charge revenues for the immediately preceding five (5) fiscal years.

Residential/Commercial (Collection System)

| Fiscal Year Ended June 30, | Number of Equivalent Single-Family Dwelling Units (ESD) | Percentage of Service Charge Revenues |
|---------------------------------------|--|--|
| 2021 | 423,244 | 99.0% |
| 2022 | 427,549 | 99.0% |
| 2023 | 431,280 | 99.0% |
| 2024 | 435,429 | 99.0% |
| 2025 | 440,476 | 99.0% |

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

**Sewer Rates and Impact Fees
for the Fiscal Year Ended June 30, 2025**

| Monthly Service Charges | Treatment | Local | Total |
|--|------------------|--------------|--------------|
| SacSewer (Treatment and Collection) | \$40.50 | \$22.85 | \$63.35 |
| SacSewer & City of Folsom | 40.50 | 25.43 | 65.93 |
| SacSewer & City of Sacramento | 40.50 | 31.65 | 72.15 |
| SacSewer & City of West Sacramento | 40.50 | 10.88 | 51.38 |
| Sewer Impact Fees (a) | Treatment | Local | Total |
| SacSewer (Treatment and Collection) (a) | \$6,479 | \$4,374 | \$10,853 |
| SacSewer (Treatment) & City of Folsom | 6,479 | 2,596 | 9,075 |
| SacSewer (Treatment) & City of Sacramento | 6,479 | 2,596 | 9,075 |
| SacSewer (Treatment) & City of West Sacramento | 6,479 | 7,766 | 14,245 |

(a) SacSewer impact fee is based on new expansion. Infill area impact fee is \$3,283 for Treatment and \$790 for Collection.

**ANNUAL CONTINUING DISCLOSURES FOR THE NORTHERN CALIFORNIA
SANITATION AGENCIES FINANCING AUTHORITY AND
SACRAMENTO AREA SEWER DISTRICT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Section (5) A table listing the ten (10) largest industrial customers and the total service charge revenues received from each of such customers for the immediately preceding fiscal year.

**Largest Industrial Customers of the District
for the Fiscal Year Ended June 30, 2025
Treatment and Resource Recovery**

| Largest Industrial Customers | Revenues Received |
|-------------------------------------|----------------------|
| Procter and Gamble Sacramento Plant | \$ 2,448,156 |
| HP Hood, LLC | 1,022,957 |
| Folsom State Prison | 676,573 |
| Mi Rancho | 575,511 |
| MBV-CA, LLC | 491,712 |
| Cintas Corporation | 376,890 |
| Sacramento International Airport | 275,168 |
| The American Bottling Company | 250,615 |
| Mission Linen Supply | 247,230 |
| Vestis Services, LLC (National) | 233,748 |
| | <u>\$ 6,598,560</u> |

**Largest Industrial Customers of the District
for the Fiscal Year Ended June 30, 2025
Collection System**

| Largest Industrial Customers | Revenues Received |
|--------------------------------------|----------------------|
| Procter and Gamble Sacramento Plant | \$ 206,061 |
| Sacramento International Airport | 151,139 |
| HP Hood, LLC | 118,756 |
| Huhtamaki, Inc. | 49,384 |
| L and D Landfill Limited Partnership | 34,664 |
| Cintas Corporation | 31,831 |
| Rio Cosumnes Correctional Center | 29,087 |
| Mission Linen Supply | 21,755 |
| Vestis Services, LLC (National) | 21,620 |
| Mi Rancho | 19,642 |
| TOTAL | <u>\$ 683,939</u> |

**ANNUAL CONTINUING DISCLOSURES FOR THE NORTHERN CALIFORNIA
SANITATION AGENCIES FINANCING AUTHORITY AND
SACRAMENTO AREA SEWER DISTRICT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Section (6) A table providing the amount of delinquent service charges which were added to the tax rolls for the immediately preceding five (5) fiscal years.

| <u>Fiscal Year Ended June 30</u> | <u>Number of Delinquent Accounts</u> | <u>Percent of Accounts Delinquent</u> | <u>Delinquent Amounts Placed on Tax Rolls</u> |
|--------------------------------------|--|---|---|
| 2021 | 10,698 | 3.38% | \$ 8,917,117 |
| 2022 | 11,392 | 3.57% | 9,275,543 |
| 2023 | 12,843 | 3.99% | 10,615,116 |
| 2024 | 13,880 | 4.27% | 11,720,459 |
| 2025 | 14,839 | 4.57% | 13,698,949 |

Section (7) A table setting forth the collection rates for charges imposed by SacSewer on its customers for the immediately preceding five (5) fiscal years.

| <u>Fiscal Year Ended June 30</u> | <u>Total Amount of Service Charges</u> | <u>Total Amount Collected</u> | <u>Amount Assigned from County under Teeter Plan</u> |
|--------------------------------------|--|-----------------------------------|--|
| 2021 | 97,688,774 | \$ 96,964,586 | \$ 724,188 |
| 2022 | 102,104,363 | 101,368,164 | 736,199 |
| 2023 | 103,301,486 | 102,523,735 | 777,751 |
| 2024 | 104,570,765 | 103,657,003 | 913,762 |
| 2025 | 121,316,096 | 120,272,422 | 1,043,674 |

**ANNUAL CONTINUING DISCLOSURES FOR THE NORTHERN CALIFORNIA
SANITATION AGENCIES FINANCING AUTHORITY AND
SACRAMENTO AREA SEWER DISTRICT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Section (8) A table showing SacSewer's Revenues, Maintenance and Operations Costs, Net Revenues, Debt Service Coverage, and Certain Fund Balances of SacSewer for the immediately preceding five (5) fiscal years.

**Revenues, Maintenance, and Operational Costs,
Net Revenues, Debt Service Coverage, and Certain Fund Balances of the Regional San ¹
for the Fiscal Years Ended June 30
(in thousands)**

| Revenue | 2021 ⁽²⁾ | 2022 ⁽³⁾ | 2023 | 2024 ⁽⁴⁾ | 2025 ⁽⁵⁾ |
|---|---------------------|---------------------|-------------------|---------------------|---------------------|
| Operating | | | | | |
| Sewer Service fees | \$ 272,884 | \$ 287,105 | \$ 297,031 | \$ 400,141 | \$ 445,909 |
| Sewer Impact fees | 28,985 | 22,016 | 21,089 | 63,657 | 46,462 |
| Other | - | - | - | 4,845 | 7,879 |
| | <u>\$ 301,869</u> | <u>\$ 309,121</u> | <u>\$ 318,120</u> | <u>\$ 468,643</u> | <u>\$ 500,250</u> |
| Non-operating | | | | | |
| Interest income | 3,699 | 2,962 | 11,258 | 25,460 | 30,402 |
| Other revenue | 11,022 | 8,631 | 8,084 | 4,489 | 1,702 |
| | <u>14,721</u> | <u>11,593</u> | <u>19,342</u> | <u>29,949</u> | <u>32,104</u> |
| | <u>\$ 316,590</u> | <u>\$ 320,714</u> | <u>\$ 337,462</u> | <u>\$ 498,592</u> | <u>\$ 532,354</u> |
| M&O expense | | | | | |
| Total Operating | \$ 190,889 | \$ 170,033 | \$ 189,072 | \$ 349,156 | 383,051 |
| Less: Landfill Closure | (229) | (1,076) | (1,515) | (816) | (816) |
| Less: Depreciation and amortization | (54,215) | (54,557) | (53,655) | (110,591) | (111,003) |
| | <u>\$ 136,445</u> | <u>\$ 114,400</u> | <u>\$ 133,902</u> | <u>\$ 237,749</u> | <u>\$ 271,232</u> |
| Net Revenue | <u>\$ 180,145</u> | <u>\$ 206,314</u> | <u>\$ 203,560</u> | <u>\$ 260,843</u> | <u>\$ 261,122</u> |
| Addition/(Deduction) for Rate Stabilization Fund | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Net Revenue for Coverage Test | \$ 180,145 | \$ 206,314 | \$ 203,560 | \$ 260,843 | \$ 261,122 |
| Senior lien debt service | \$ 89,424 | \$ 120,159 | \$ 125,425 | \$ 135,981 | \$ 138,054 |
| Total lien debt service | \$ 94,504 | \$ 124,303 | \$ 130,983 | \$ 141,539 | \$ 138,054 |
| Senior Coverage ⁽¹⁾ | 2.01 | 1.72 | 1.62 | 1.92 | 1.89 |
| Total Coverage ⁽¹⁾ | 1.91 | 1.66 | 1.55 | 1.84 | 1.89 |
| Reserves, end of year ⁽²⁾ | \$ 204,800 | \$ 225,561 | \$ 234,764 | \$ 291,990 | \$ 303,623 |

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

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

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

(4) Fiscal Year 2024 is the first year the Collection System is included in the calculation. Prior years (2021 – 2023) reporting only include activity from Treatment and Resource Recovery (formerly Regional San).

(5) Fiscal Year 2025 has been revised in accordance with the implementation GASB Statement No. 101, *Compensated Absences*. Prior years have not been restated as permitted by the Standard.



ACKNOWLEDGEMENTS

This Annual Comprehensive Financial Report was prepared by the Sacramento Area Sewer District Finance Department

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Sacramento Area Sewer District

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Sacramento Area Sewer District



