



ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2022

www.fssd.com

Fairfield-Suisun Sewer District
1010 Chadbourne Road
Fairfield, CA 94534

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Annual Comprehensive Financial Report

For the Year Ended June 30, 2022

Fairfield-Suisun Sewer District protects public health and the environment for the communities we serve in an efficient, responsible and sustainable manner



Administrative Services Department
Fairfield-Suisun Sewer District
1010 Chadbourne Rd, Fairfield, CA 94534
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Fairfield-Suisun Sewer District
Annual Comprehensive Financial Report
For the Year Ended June 30, 2022

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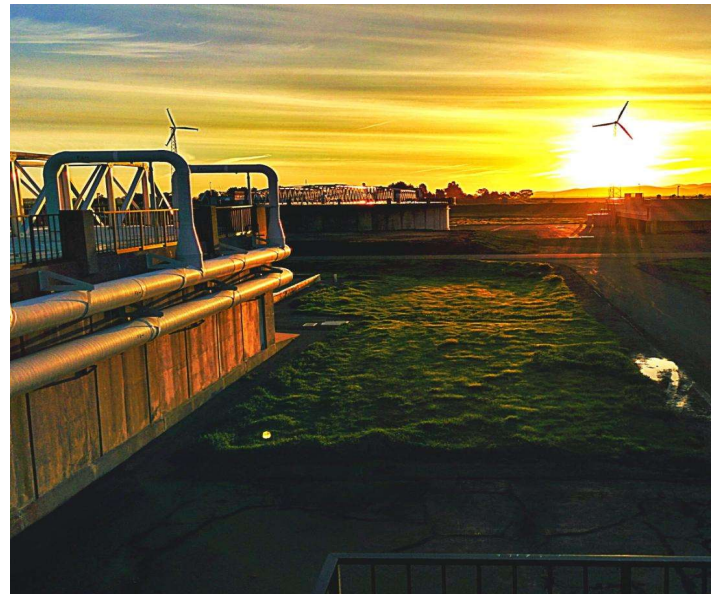
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Introductory Section

The Fairfield-Suisun Sewer District owns and operates a system of sanitary sewers and pumping stations, used to oversee wastewater collection and treatment. The photo on the right shows two Intermediate Clarifiers, which slows down the flow to settle out any dead or sloughed off zoogleal mass from the Oxidation Towers. After the solids are gathered and removed, they are pumped into the Gravity Belt Thickener.



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Fairfield-Suisun Sewer District

1010 Chadbourne Road • Fairfield, California 94534 • (707) 429-8930 • www.fssd.com

December 30, 2022

Board of Directors
Fairfield-Suisun Sewer District
Fairfield, California

Subject: Letter of Transmittal
Annual Comprehensive Financial Report
For the Year Ended June 30, 2022

It is a pleasure to submit the Fairfield-Suisun Sewer District's Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2022. Responsibility for the accuracy, completeness and fairness of the data presented, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of District operations. Included are all disclosures necessary to enable the reader to gain a full understanding of the District's financial activities.

The ACFR is presented in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). GAAP requires management to provide a narrative introduction, overview, and analysis, in the form of a Management's Discussion and Analysis (MDA), to accompany the basic financial statements. This letter of transmittal is designed to complement the MDA and should be read in conjunction with it. The District's MDA can be found immediately following the independent auditor's report in the financial section.

The Reporting Entity

The Fairfield-Suisun Sewer District (District) is a special district which serves all territory within the cities of Fairfield and Suisun City. It was formed by an act of the California State Legislature on May 5, 1951 (the "enabling act"). The enabling act defined the District's boundaries as the boundaries of the cities. Any territory annexed to either city is also annexed to the District, and in general, no property can be served by the District if it is not in either city.

In September of 2002, the District amended its enabling act language, under AB776, to authorize the acceptance of sewage emanating from buildings that lie outside the District's boundaries for developed parcels that were connected to the District's sewage treatment system before March 1, 2002. The District's change in enabling act language also allows for a contract with Solano County, or other public entities, for the disposal of sewage emanating

from buildings outside the District's service area, if the District determines that the contract furthers the protection of public health and safety and is in the best interest of the District.

In April 2019, the District amended its enabling act language, under AB530, to authorize the acceptance and disposal of sewage emanating from any building within the Middle Green Valley Specific Plan area, upon request of the landowner. Middle Green Valley is an unincorporated area in Solano County north of the City of Fairfield and outside the city's sphere of influence. Solano County has adopted a Specific Plan for the Middle Green Valley, which calls for development of about 400 homes and associated commercial and public facilities.

The District has broad powers to finance, construct, and operate systems for the treatment, collection and disposal of sewage, stormwater, and recycled water systems within the District's jurisdiction. Its ten-member Board of Directors consists of the members of the city councils of the two cities. The Board president is elected by the Board from among its members. The District's day-to-day operations are managed by the General Manager, who reports directly to the Board of Directors.

Factors Affecting Financial Condition

Local Economic Condition and Outlook

The District is headquartered in Fairfield, California and serves the cities of Fairfield and Suisun City, contiguous cities in Solano County, California. The cities are located along Interstate 80, midway between San Francisco and Sacramento, the state capital. The cities lie in a large valley surrounded by rolling hills. Fairfield is the Solano County seat and houses most county government activities while Suisun City is one of California's oldest cities. Suisun City sits approximately 15 feet above sea level, and a network of sloughs, navigable by small boats, extends from the city to San Francisco Bay.

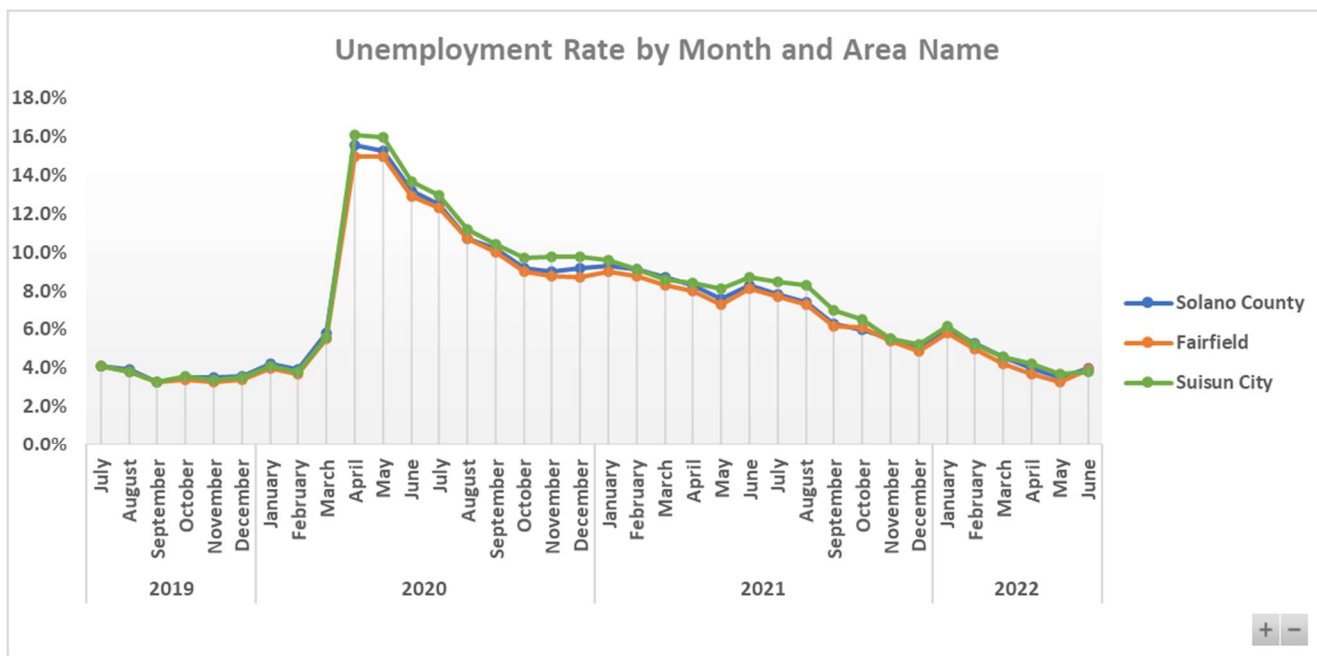
The area is noted for its moderate climate. It is protected from ocean fog by a low range of hills and is cooled by prevailing sea breezes during the summer. Good visibility and a climate free from extremes were among the factors that influenced the location of Travis Air Force Base in Fairfield. Favorable climate, short drive to major cities, ocean, mountains, and affordable housing have been some of the factors in the area's past residential growth.

Major employers located within the District's boundaries include Travis Air Force Base, County of Solano, Anheuser-Busch Brewery, Jelly Belly, Producers Dairy Foods, North Bay Medical Center, Kaiser Permanente, other large manufacturers and industries, and shopping districts. The District's sewer service charges are stable with approximately 80 percent coming from residential customers who are billed a flat fee on a monthly basis. Revenues received from commercial and industrial customers comprise the remaining 20 percent of the total sewer service charges.

In fiscal year 2021-22, sewer service charges for residential customers increased by 3.6% annually while commercial and industrial customers increased by varying rates. The increases

were effective starting fiscal year 2017-18 through fiscal year 2021-22 in accordance with the corresponding Cost of Service and Rate Study and Proposition 218 notice.

The District is located in Solano County. Unemployment rates in Solano County hit a low of 3.3 percent in September 2019, before the impacts of COVID-19 caused unemployment to jump to a high of 15.7 percent in April 2020. As of June 30, 2022, Solano County unemployment is at 4.0 percent, while the cities of Fairfield and Suisun City are at 3.9 percent and 3.8 percent, respectively.



Source: State of California Employment Development Department.

Like other California locations, housing prices increased in Solano County. The median home price in Solano County in June 2021 was \$550,500 compared to \$610,000 in June 2022, an increase of 10.8 percent. The cities of Fairfield and Suisun City remain an attractive option for housing, as prices tend to be lower than other San Francisco Bay Area locations. According to June 2022 housing data from the California Association of Realtors, almost all Bay Area counties saw a drop in median home-prices except for Solano County. The cities of Fairfield and Suisun City are projecting continued residential growth over the next several years, with an estimated 5,118 single and multi-family homes added through FY 2025-26.

Guided by its long-term financial planning and policy of building healthy reserves, the District has remained fiscally stable throughout the COVID-19 pandemic and continues to monitor future impacts and opportunities for funding. The District remains proactive in maintenance and upgrade of the treatment plant and wastewater collection facilities to provide essential services to the Fairfield and Suisun City communities.

Budget and Long-Term Financial Planning

The District is not legally required to adopt a budget or to present budgetary comparison information. In its commitment to fiscal responsibility, the District prepares a budget, along with a ten-year financial plan, which is approved and adopted by the Board of Directors. On May 23, 2022 the Board of Directors adopted the FY 2022-23 Budget and Long-Term Financial Plan.

Major Initiatives

The District is proactive in its approach to planning for major maintenance, replacements, and upgrades. During fiscal year 2021-22, the District completed or started work on several significant projects and planning activities, detailed below:

Collection System Asset Management Plan (CSAMP)

In October of 2020 the Board of Directors approved a contract with Carollo Engineers to help the District and the Cities of Fairfield and Suisun City develop an asset management plan for the sewer collection system maintained by each entity. This evaluation included calculating the remaining useful life for every asset, determining the long-term funding for routine operation and maintenance and end-of-life rehabilitation and/or replacement of those assets, and developing a short-term Capital Improvement Program for each agency to address known deficiencies. In October 2021, the Board of Directors received the CSAMP results and funding alternatives for approval and incorporation into the District's Sewer Rate Study. As a result, in April 2022, the District amended the 1965 Agreement with the cities of Fairfield and Suisun City to finalize how funding for the collection system would flow between agencies, providing an interagency process for funding critical collection system assets.

2022 Sewer Rate and Capacity Charge Study

The District typically completes a Cost of Service and Rate Study (Rate Study) every five years. The last Rate Study was completed in 2017. In July 2021, the Board authorized the District to execute an agreement with Hildebrand Consulting to perform an updated Cost of Service and Rate Study (Rate Study) to evaluate the District's Sewer Service Charges and Capacity Fees. In January 2022, the Board of Directors received the results of the 2022 Cost of Service and Rate Study. The Rate Study included updates and forecasts for the District's operating expenses, debt service, major maintenance/capital requirements, and reserves, as well as the CSAMP results and funding recommendations. The Board authorized staff to issue a Proposition 218 notice and adopted the proposed rates at a public hearing held at the March 2022 Board meeting. Adopted rates will be effective for fiscal years 2022-23 through 2026-27.

Biogas Utilization Master Plan and Bioenergy Generation Project

In March 2021, District staff presented the results of a Biogas Utilization Master Plan to the Board of Directors. The Master Plan resulted from a study investigating the potential production and uses of biogas that could be built into the District's future capital investments. The Master Plan concluded that the most economically beneficial path forward for the District

was to produce electricity using a new cogeneration engine and establish an interconnection with PG&E that allows the District to export excess power to the grid of offset electricity purchases at other times.

The Board of Directors awarded the Bioenergy Generation Project in May 2022. The recommended project includes installing a 1,100 to 1,200 kilowatt cogeneration engine and associated systems, auxiliary heat recovery and wasting equipment, biogas conditioning systems to protect the engine and meet air quality requirements, and related work, including the demolition of existing equipment. The new cogeneration engine will be capable of producing up to 65 percent of the wastewater treatment plant's electrical power, offsetting electrical power otherwise purchased from PG&E.

Electrical Replacement Projects

The District's collection system and treatment plant rely on a complex network of electrical power distribution gear to provide utility and standby electrical power to essential conveyance and treatment equipment. Much of this electrical gear is original, installed during the 1970s and 1980s. Through routine inspection and maintenance activities, District staff identified a number of Motor Control Centers (MCCs) and associated electrical components at District facilities that showed signs of physical damage (corrosion, heat damage, spliced cables, etc.) or for which spare parts are no longer commercially available.

The District's Electrical Replacement Project – Phase 1 was developed to address many of these deficiencies throughout the treatment plant and remote pumping stations. The scope of this project includes replacement of motor control centers, automatic transfer switches, variable frequency drives, and/or programmable logic controllers at the District's treatment plant, pump stations, and the City of Fairfield's stormwater pump station (Air Base Parkway Flood Station). Cost of this project including design and professional services during construction is approximately \$4,000,000. The project reached substantial completion in October 2021.

Design of the Electrical Replacement Project – Phase 2 was initiated in September 2021. The scope of the project includes replacement of a critical electrical substation at the treatment plant, and addition of a standby electrical generator at the District's largest wastewater pump station. The project is anticipated to be let for bids in 2023.

Peabody / Walters Relief Sewer – Phase 1B

The Peabody/Walters Relief Sewer Phase 1B project is necessary to adequately serve proposed development in the Northeast portion of the District's service area associated with the Train Station Specific Plan (TSSP). The improvements from Phase 1B of the Peabody/Walters Relief Sewer project will provide increased sewer capacity by constructing new, larger sewer mains.

Phase 1A provided the necessary capacity increases to a point approximately 1,500 feet south of Vanden Road in 2013 to coincide with other utility improvements associated with the train station's construction. Phase 1B will continue the capacity improvements south along Peabody Road and west on Huntington Drive to Stanford Court. A future phase of the project is planned

to continue capacity increases, continuing west of Stanford Court on Huntington Drive and south on Walters Road to the vicinity of East Tabor Avenue.

Heating, Ventilating and Air Conditioning Design Services and Upgrades

The District's Operations, Administration, and Maintenance buildings were constructed in 1974, 1991 and 1995, respectively. The HVAC systems in these buildings are outdated and have become a maintenance burden, with some replacement components becoming increasingly difficult to source. In early 2020, the District hired a design consultant to design efficiency and reliability upgrades for the HVAC systems in all three buildings. Components will include new variable speed fans, modified zone controllers, replacement heating boilers, and a significantly more intelligent Building Automation System that will provide digital feedback and control of the system to allow for better troubleshooting and more efficient operation. The contract was awarded in January 2022 and the project is anticipated to be substantially complete in early 2023.

Northeast Fairfield Pump Station

The District completed a design for a new regional wastewater pump station, the Northeast Fairfield Pump Station, in 2007, planned to be commissioned with a new housing development. Due to the ensuing economic downturn, the station was not built at that time. In 2020, a design update was completed, and in October 2020, the District signed an agreement with the housing developer, Rancho Tolenas, to construct the facility on the District's behalf. Construction began in the summer of 2021 and has continued throughout 2022. The project is anticipated to be substantially complete in early 2023.

Internal Control Structure

The District's management is responsible for establishing and maintaining a system of internal accounting controls. The objectives of internal controls are to provide management with reasonable, but not absolute, assurance regarding 1) the safeguarding of assets against loss from unauthorized use or disposition, and 2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived, and 2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the District's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Independent Audit

California state statutes and bond covenants require an annual independent audit of the books of accounts and financial records of the District. Cropper Accountancy Corporation was contracted to conduct this year's audit. Their unmodified opinion is included in the Financial Section of this report.

Awards and Recognition

The District is the recipient of numerous awards of excellence at the local, state, and national level for maintaining an efficient, well-run treatment plant. These awards are received from the local chapter of the California Water Environment Association (CWEA), the state CWEA, the national Water Environment Federation, and the National Association of Clean Water Agencies (NACWA). Awards regularly received are Plant of the Year, Collection System of the Year, awards for safety, Excellence in Management Recognition, and awards for individual achievements. The District recently received the NACWA Platinum Award for eight continuous years of zero violations.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Fairfield-Suisun Sewer District for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

Sincere appreciation is extended to the entire Finance and Administrative team, District staff members who provided information and participated in the preparation of this report. Special recognition is given to the District's Accountant Melanie Wildeman for her dedicated work in preparing this report. Recognition is also given to District management and to our governing board for its continued support in maintaining the highest standards of professionalism in the management of the District's finances.

Respectfully submitted,

Talyon Sortor

Talyon Sortor, P.E.
General Manager

James Russell-Field

James Russell-Field, CPA
Director of Administrative Services

Fairfield-Suisun Sewer District

Principal Officers for the Year Ended June 30, 2022

Board of Directors

Mike Hudson, President

Chuck Timm, Vice President

Jane Day

Alma Hernandez

Doriss Panduro

Harry Price

Scott Tonnesen

Rick Vaccaro

Wanda Williams

Pam Bertani, First Alternate

Catherine Moy, Second Alternate

Management Team

Talyon Sortor, General Manager

Jordan Damerel, Assistant General Manager / District Engineer

Meg Herston, Director of Environmental Services

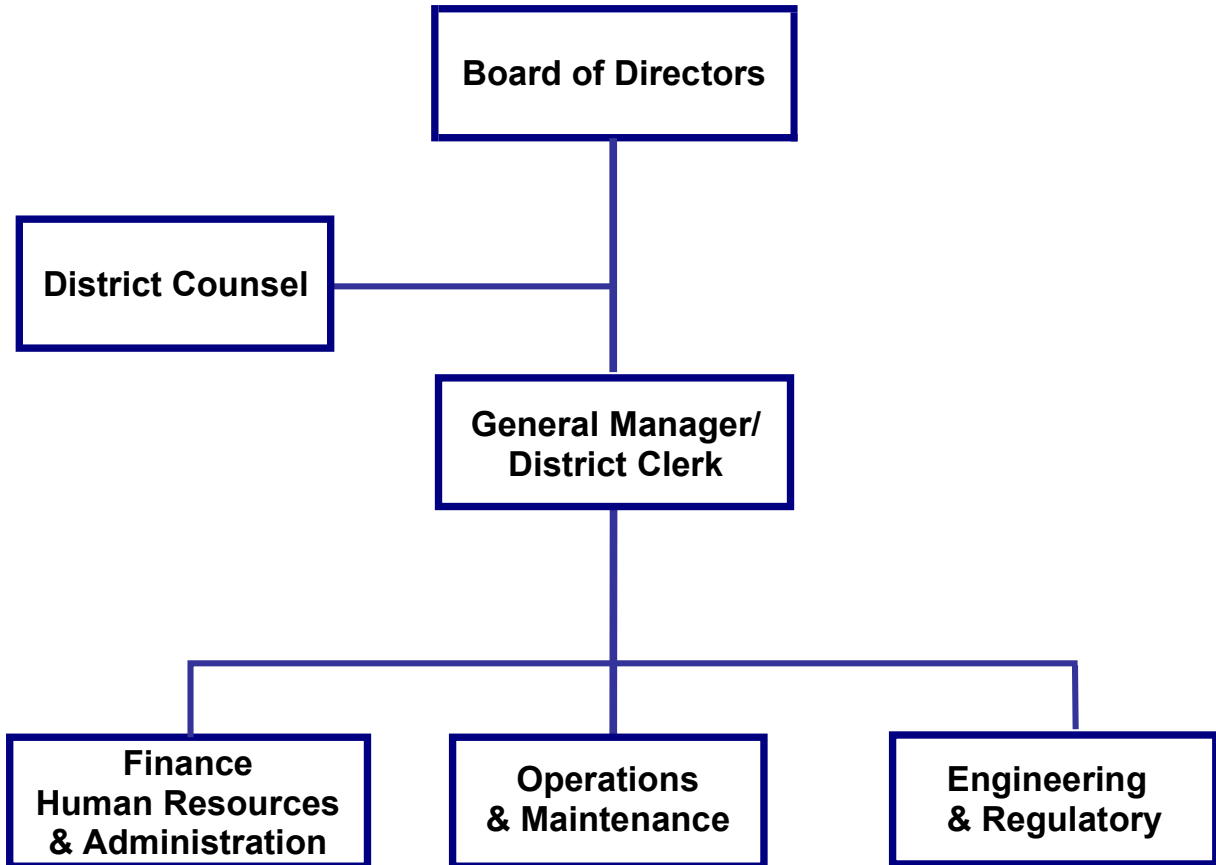
James Russell-Field, Director of Administrative Services

Kimberly Young, Human Resources Manager

District Counsel

Carrie Scarlata

Fairfield-Suisun Sewer District Organization



Fairfield-Suisun Sewer District
Certificate of Achievement for Excellence in Financial Reporting



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Fairfield-Suisun Sewer District
California

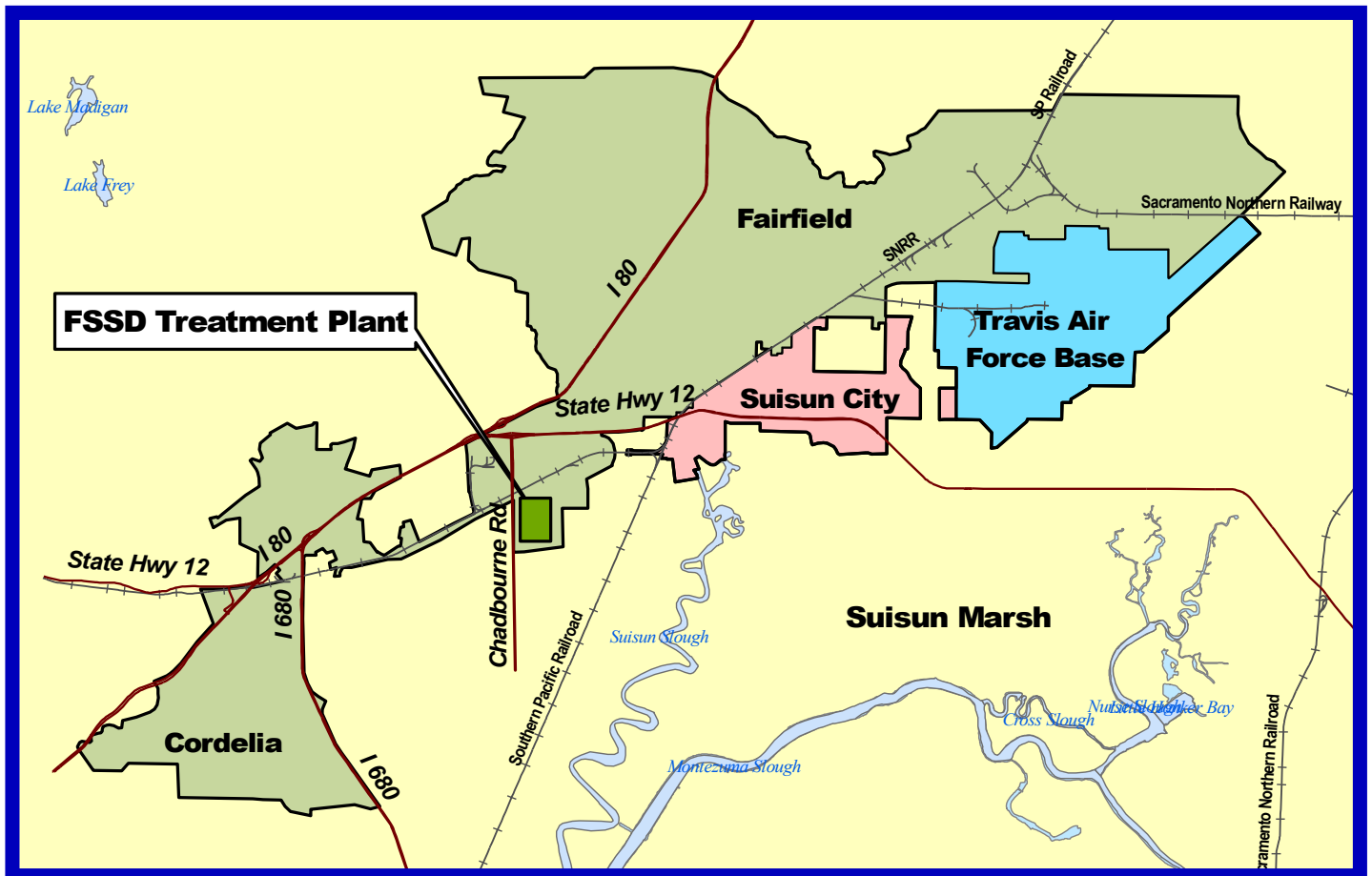
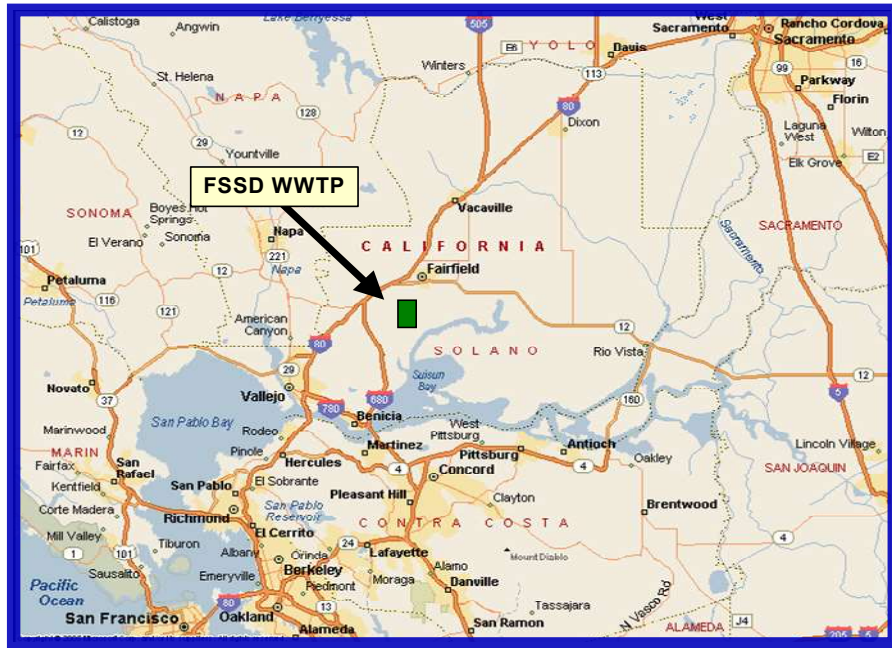
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

Fairfield-Suisun Sewer District Location Map



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Financial Section

Receiving Waters

Suisun Marsh and Duck Clubs.

As part of the District's mission to safeguard public health, we take action to protect the environmentally sensitive Suisun Marsh. The Marsh is the nation's largest brackish water marsh and the largest wetland on the Pacific Coast. Our advanced treatment technology ensures our final effluent water, which is discharged into the marsh, meets stringent water quality standards set by Federal, State, and Regional agencies.



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Fairfield-Suisun Sewer District
1010 Chadbourne Road
Fairfield, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of Fairfield-Suisun Sewer District, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise Fairfield-Suisun Sewer District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Fairfield-Suisun Sewer District, as of June 30, 2022 and 2021, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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 Fairfield-Suisun Sewer District'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.

Auditors' 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 auditors' report that includes our opinions. 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Fairfield-Suisun Sewer District'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 Fairfield-Suisun Sewer District'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, as well as the pension and OPEB information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do 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 December 30, 2022, on our consideration of Fairfield-Suisun Sewer District'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 Fairfield-Suisun Sewer District'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 Fairfield-Suisun Sewer District's internal control over financial reporting and compliance.

Cropper Accountancy Corporation

CROPPER ACCOUNTANCY CORPORATION
Walnut Creek, California
December 30, 2022

Fairfield-Suisun Sewer District

Management's Discussion and Analysis

This section of the District's Annual Comprehensive Financial Report presents management's discussion and analysis (MDA) of the District's financial performance during the fiscal year ended June 30, 2022. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements and accompanying notes, which follow this section.

The information in this MDA is presented under the following headings:

- Overview of the Basic Financial Statements
- Financial Highlights and Analysis
- Capital Assets
- Debt Administration
- General Enterprise Function
- Using This Annual Report
- Request for Information

Overview of the Basic Financial Statements

The District's basic financial statements are comprised of two components: 1) Basic financial statements, 2) Notes to basic financial statements. In addition to the basic financial statements, the report also contains supplementary required information.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. As a special-purpose government, the District reports its financial statements in accordance with business-type activities known as enterprise funds. Enterprise funds are self-supporting funds that charge fees to users to cover the cost of operations, maintenance, capital asset improvements, and replacements. Enterprise funds are reported on the "accrual basis" of accounting similar to what is used by private sector companies.

The fund financial statements consist of the following: Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows, and Notes to Financial Statements.

The Statement of Net Position includes all the District's assets, deferred outflows, liabilities, and deferred inflows and provides information about the nature and amount of investment in resources (assets) and obligations (liabilities). Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Fairfield-Suisun Sewer District

Management's Discussion and Analysis

All the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine its profitability, creditworthiness, and whether the District has successfully recovered all its costs through its sewer fees and other charges.

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments made during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and non-capital investing activities.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Highlights and Analysis

Financial Highlights

This discussion is intended to serve as an introduction to the District's basic financial statements. As noted earlier, net position may serve over time as a useful indicator of the District's financial position.

- Total assets increased by 6.0%
- Deferred outflows of resources increased by 7.0%
- Other liabilities increased by 42.4%
- Total liabilities decreased by 27.0%
- Deferred inflows of resources increased by 66.0%
- Net position increased by 11.5%
- Total revenues increased by 2.0% while capacity fees decreased by 27.0%
- Total expenses decreased by 19.1%.

Fairfield-Suisun Sewer District

Management's Discussion and Analysis

FINANCIAL ANALYSIS

The following is the District's Condensed Statement of Net Position for fiscal year ended June 30, 2022 as compared to fiscal years ended June 30, 2021 and 2020:

(\$000)	Fiscal Year Ended June 30,		Increase	Percent	June 30,	Increase	Percent
	2022	2021	(Decrease) 22 over 21	Increase (Decrease)	2020	(Decrease) 21 over 20	Increase (Decrease)
Current and other assets	\$ 73,059	\$ 66,817	\$ 6,242	9.3%	\$ 64,879	\$ 1,938	3.0%
Capital assets	77,002	74,754	2,248	3.0%	71,612	3,142	4.4%
Total assets	150,061	141,571	8,490	6.0%	136,491	5,080	3.7%
Deferred outflow of resources	8,933	8,351	582	7.0%	7,027	1,324	18.8%
Long-term liabilities	12,035	20,587	(8,552)	-41.5%	23,439	(2,852)	-12.2%
Other liabilities	6,148	4,317	1,831	42.4%	6,454	(2,137)	-33.1%
Total liabilities	18,183	24,904	(6,721)	-27.0%	29,893	(4,989)	-16.7%
Deferred inflow of resources	4,364	2,629	1,735	66.0%	600	2,029	338.2%
Net position							
Net investment in capital assets	66,119	63,077	3,042	4.8%	58,331	4,746	8.1%
Restricted							
Restricted for capital projects	15,076	12,431	2,645	21.3%	8,568	3,863	45.1%
Restricted for debt service	1,069	1,069	-	0.0%	1,069	-	0.0%
Restricted for major maintenance	36,945	40,577	(3,632)	-9.0%	40,567	10	0.0%
Unrestricted	17,238	5,235	12,003	229.3%	4,490	745	16.6%
Total net position	\$ 136,447	\$ 122,389	\$ 14,058	11.5%	\$ 113,025	\$ 9,364	8.3%

- Current and other assets* increased by \$6.2 million, or 9.3 percent. This increase was primarily due to a net pension asset and an increase in Cash and Investments at year-end. The actuarial report for the District's pension liabilities includes the June 30, 2021, CalPERS rate of return of 21.3 percent as well as other favorable actuarial results. As a result, the District reported a net pension asset as of June 30, 2022, which is included in Other Assets. A moderate increase in Cash and Investments was by design as the District is re-building its Major Maintenance and Capital Improvement Program Reserve. This reserve funds future major repairs, upgrades, and replacements of its aging facilities, as identified in the District's asset management program, which is part of its budget and long-range financial planning process.
- Capital assets* increased by \$2.2 million, or 3.0 percent, primarily due to Construction in Progress additions of \$5.7 million related to the Digester Reliability Improvement Project, Electrical Replacement Project, Primary Clarifier Rehabilitation, HVAC upgrades, and Northeast Fairfield Pump Station. Capital assets are reported net of accumulated depreciation, increased by \$3,816,397.
- Deferred outflows of resources* represent transactions related to GASB 68 (pension) and 75 (OPEB) and are adjusted each year based on actuarial

Fairfield-Suisun Sewer District

Management's Discussion and Analysis

assumptions. The increase in Deferred outflows of resources consisted of an increase of \$1,349,462 (25.7 percent) related to the pension plan and a decrease of \$767,454 (24.8 percent) related to OPEB.

- *Current/Other liabilities* increased by \$1.8 million, or 42.4 percent, primarily due to accrued expenses related to the Northeast Fairfield Pump Station project, which are not due until project completion.
- *Long-term liabilities* decreased by \$8.6 million, or 41.5 percent, primarily due to decrease in the District's actuarially determined net pension liability, which was reported as a net pension asset for this fiscal year, a decrease for the District's actuarially determined net OEPB liability, and scheduled payments on State Revolving Fund (SRF) loans.
- *Deferred inflows of resources* represent transactions related to GASB No. 68 (pension), GASB No. 75 (OPEB) and GASB No. 87 (leases). The 66.0% increase in Deferred inflows of resources consisted of an increase of \$277,051 (23.6 percent) related to the pension plan, \$676,467 (46.5 percent) related to OPEB, and \$781,610 related to the implementation of GASB No. 87 for leases.
- The *restricted net position* represents resources that are subject to external restrictions on how they may be used.
 - *Restricted for capital projects*, which represents a cumulative unspent portion of capacity fees increased by 21.3 percent. It is anticipated that this growing capital reserve balance will fund growth-related projects in the next few years.
 - *Restricted for debt service* represents SRF debt covenant requirements, which the District is required to maintain through the life of the debt.
 - *Restricted for major maintenance* is reserved for future plant upgrades and replacement as a condition of the original grant received from the Environmental Protection Agency. The amount set aside as major maintenance reserve each year is based on the total major maintenance projects identified in the District's asset management program, updated biennially as part of its budget and long-range planning process.
- *Unrestricted net position* may be used to meet the District's ongoing obligations to ratepayers and creditors. The unrestricted net position includes an amount designated as an operating reserve equivalent to three months of operating expenses as identified in the District's biennial budget.

The following is the District's condensed statement of revenues, expenses, and changes in net position for the fiscal year ended June 30, 2022 as compared to fiscal years ended June 30, 2021 and 2020:

Fairfield-Suisun Sewer District

Management's Discussion and Analysis

(\$000)	Fiscal Year Ended June 30,		Increase	Percent	June 30,	Increase	Percent
	2022	2021	(Decrease)	Increase	2020	(Decrease)	Increase
Revenues:			22 over 21	(Decrease)	21 over 20	(Decrease)	
Sewer service charges	\$ 30,965	\$ 29,227	\$ 1,738	5.9%	\$ 29,028	\$ 1,479	5.4%
Drainage fees	1,684	1,647	37	2.2%	1,706	87	5.4%
Interest income	451	576	(125)	-21.7%	1,164	241	26.1%
Other	(942)	78	(1,020)	-1307.7%	1,240	284	29.7%
Total revenues	32,158	31,528	630	2.0%	33,138	2,091	6.7%
Expenses:							
Business operations	10,064	14,815	(4,751)	-32.1%	14,803	(746)	-4.8%
Sewer line maintenance	2,891	2,815	76	2.7%	3,345	285	9.3%
General and administrative	4,280	5,055	(775)	-15.3%	7,719	5,362	227.5%
Billing and collection	700	667	33	4.9%	647	26	4.2%
Interest expense	272	335	(63)	-18.8%	260	36	16.1%
Depreciation and amortization	4,168	3,974	194	4.9%	4,358	17	0.4%
Total expenses	22,375	27,661	(5,286)	-19.1%	31,132	4,980	19.0%
Income (loss) before capital contributions	9,783	3,867	5,916	153.0%	2,006	(2,889)	-59.0%
Add: Capacity fees	4,011	5,497	(1,486)	-27.0%	2,023	(977)	-32.6%
Add: Federal grant - loan forgiveness	259	-	259	100.0%	4,000	4,000	100.0%
Change in net position	14,053	9,364	4,689	50.1%	8,029	134	1.7%
Net position - beginning of period (as restated)	122,394	113,025	9,369	8.3%	104,996	7,895	8.1%
Net position - end of period	\$ 136,447	\$ 122,389	\$ 14,058	11.5%	\$ 113,025	\$ 8,029	7.6%

Analysis of the condensed statement of revenues, expenses, and changes in net position for fiscal year ended June 30, 2022, as compared to fiscal year ended June 30, 2021 and 2020 are as follows:

- *Total revenues* for fiscal year ended June 30, 2022 increased by \$0.6 million, or 2.0 percent. This increase was primarily driven by an increase in sewer service charges in accordance with the District's Proposition 218 notice offset by a decrease in the fair market value of the District's investment portfolio compared to the prior year.
- *Capacity fees* decreased by \$1.5 million, or 27.0 percent, primarily due to a prior year capacity fee receipt of \$2.2 million in capacity fee revenue received in January 2021 related to multi-family connections at Business Center Drive and Village Square Boulevard. The prior year capacity fee revenue exceeded the District's typical totals for a fiscal year.
- *Total expenses* decreased by \$5.3 million, or 19.1 percent, which is primarily due to the District's actuarially determined pension expense. Over the last two fiscal years, the District has made additional discretionary payments to CalPERS to reduce the outstanding net pension liability. The additional payments, coupled with CalPERS rate of return of 21.3 percent in the most recent actuarial report resulted in a negative pension expense (pension income) of \$8.8 million, which was

Fairfield-Suisun Sewer District

Management's Discussion and Analysis

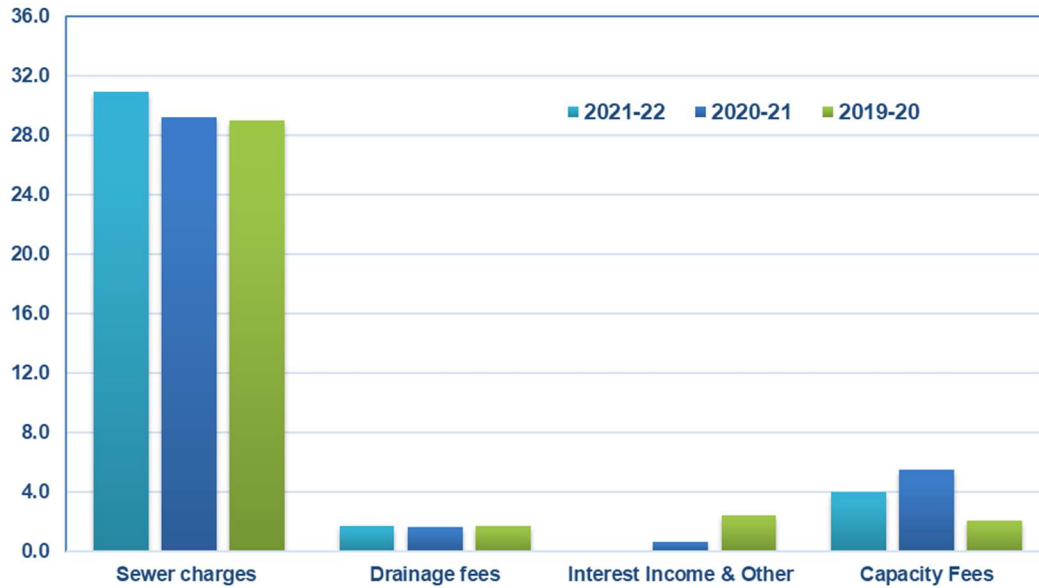
allocated across departments with salary and benefit expenses. The negative pension expense (pension income) is related to the District reporting a net pension asset in placed of a net pension liability for the current fiscal year. The District experienced the following changes in expenses:

- *Sewer line maintenance* is the cost to maintain the sewer lines and collection system, both are contracted out and maintained by District staff. The operation and maintenance of pipelines smaller than 10" in diameter is performed by the cities of Fairfield and Suisun City within their city limits, through an agreement. The increase of \$76,000, or 2.7 percent, is primarily due to a moderate increase in local sewer maintenance payments to the cities, which is based on length in feet of the sewer system and adjusted annually by the Consumer Price Index
- *General and Administrative* expenses are related to finance, administration, human resources, and others not directly related to operations and maintenance. The decrease of \$775,000, or 15.3 percent, is primarily due to a negative pension expense (pension income) allocation totaling \$919,000, a decrease in OPEB funding of \$455,000 due to the prior fiscal year containing two trust fund payments, offset by increases of \$387,000 in benefits due to healthcare premium increases and the first full fiscal year of employer social security contributions, \$111,000 in salaries due to staff vacancies in the prior fiscal year, and \$93,000 due to increased insurance premiums.
- *Billing and collection* expenses increased \$33,000, or 4.9 percent, which is consistent with an annual Consumer Price Index increase as required by agreement, and customer growth in the cities of Fairfield and Suisun City.
- *Interest* expense decreased \$63,000 or 18.8 percent, due to continued debt service payments for SRF loans related to the UV Project and Blower Project.
- *Depreciation and amortization* expense increased \$194,000, or 4.9 percent, primarily due to the Digester Reliability Improvement Project and Phase One of the Electrical Replacement Project being transferred from Construction in Progress to depreciable fixed assets.

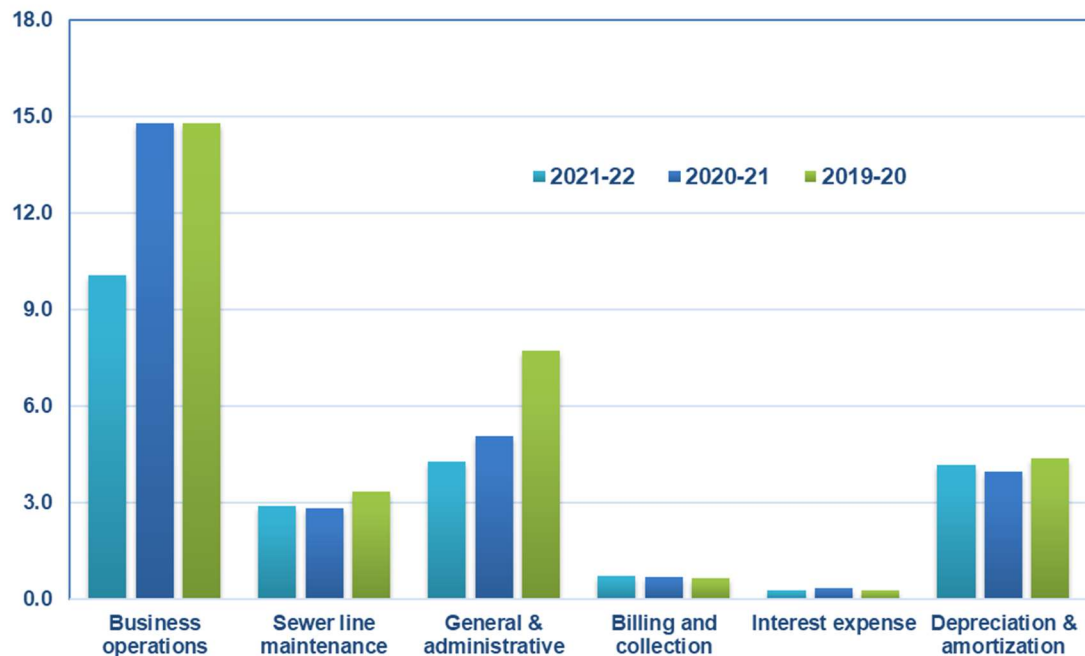
Fairfield-Suisun Sewer District

Management's Discussion and Analysis

SOURCES OF ALL REVENUES FOR FISCAL YEARS 2021-22, 2020-21, AND 2019-20, (\$ million)



CLASSIFICATION OF ALL EXPENSES FOR FISCAL YEARS 2021-22, 2020-21, AND 2019-20, (\$ million)



Fairfield-Suisun Sewer District

Management's Discussion and Analysis

Capital Assets

The District's investment in capital assets, net of accumulated depreciation, was \$77.0 million as of June 30, 2022. This investment in capital assets includes land and improvements, construction in progress, buildings and improvements, vehicles and equipment, trunk lines, pump stations, and treatment plant facilities. Additional information on the District's capital assets can be found in Note 6, page 31.

Debt Administration

The District continues to upgrade and improve the quality of its sewage collection and treatment systems to keep current with environmental regulations and the needs of its service area. To the extent possible, the District attempts to fund capital projects through "pay-as-you-go" financing. Community growth pays for itself so that, upon built out, major debt service burdens will not be shifted to ratepayers. Reserves are earmarked for future major maintenance and capital projects.

Additional information on the District's long-term debt can be found in Note 7, pages 32-33.

General Enterprise Functions

The District maintains a proactive, entrepreneurial style of organization that encourages efficiencies. District ratepayers have for many years enjoyed the lowest sewer service rates among surrounding communities, even though the District receives no property tax revenues.

Using This Annual Report

This section of the annual report consists of two parts: Management's Discussion and Analysis, and Basic Financial Statements. The Basic Financial Statements also include notes that explain in more detail some of the information in the financial statements.

Requests for Information

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to James Russell-Field, Director of Administrative Services, at 1010 Chadbourne Road, Fairfield, CA 94534-9700 or visit our website at <http://www.fssd.com/contact>.

Fairfield-Suisun Sewer District
Statement of Net Position
June 30, 2022

	2022
ASSETS	
Current assets:	
Unrestricted assets:	
Cash and investments (Note 3)	\$ 62,922,733
Accounts receivable, net	6,490,109
Interest receivable	145,791
Prepaid Items	75,131
Lease receivable (Note 5)	65,419
Restricted assets:	
State Revolving Fund reserve	1,068,895
Total current assets	70,768,078
Noncurrent assets:	
Net Pension Asset (Note 11)	1,558,572
Lease receivable (Note 5)	731,902
Capital assets (Note 6):	
Non-depreciable assets	9,080,410
Depreciable assets, net of depreciation	67,885,471
Right of Use Assets (Leases), net of amortization	36,142
Total capital assets, net	77,002,024
Total noncurrent assets	79,292,497
Total assets	150,060,576
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow related to Pension Plan (Note 11)	6,609,385
Deferred outflow related to OPEB (Note 12)	2,324,021
Total deferred outflows of resources	8,933,406

The accompanying notes are an integral part of these financial statements.
(Continued)

Fairfield-Suisun Sewer District
Statement of Net Position
June 30, 2022

	2022
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 4,263,177
Current portion of SRF loan (Note 7)	814,466
Current portion of compensated absences payable	966,166
Accrued interest payable	89,020
Lease liabilities (Note 5)	9,905
Deposits	5,000
Total current liabilities	6,147,733
Long-term liabilities:	
State Revolving Fund loan (Note 7)	10,068,686
Compensated absences payable (Note 7)	241,541
Net OPEB liability (Note 12)	1,698,972
Lease liabilities (Note 5)	26,216
Total long-term liabilities	12,035,416
Total liabilities	18,183,149
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow related to Pension Plan (Note 11)	1,451,690
Deferred inflow related to OPEB (Note 12)	2,130,844
Deffered inflow related to leases	781,610
Total deferred inflows of resources	4,364,144
NET POSITION	
Net investment in capital assets	66,118,871
Restricted:	
Restricted for capital projects (Note 4)	15,075,624
Restricted for debt service (Note 4)	1,068,895
Restricted for major maintenance (Note 4)	36,945,000
Unrestricted	17,238,299
Total net position	\$ 136,446,689

The accompanying notes are an integral part of these financial statements.

Fairfield-Suisun Sewer District
Statement of Revenue, Expense, and Changes in Net Position
For the Year Ended June 30, 2022

	2022
Operating revenues:	
Sewer service charges	\$ 30,964,630
Drainage fees	1,684,123
Other	454,010
Total operating revenues	33,102,763
Operating expenses:	
Business operations	10,064,002
Sewer line maintenance	2,890,425
General and administrative	4,280,002
Billing and collection (Note 8)	700,164
Depreciation and amortization	4,168,237
Total operating expenses	22,102,830
Operating income	10,999,933
Nonoperating revenues (expenses):	
Interest income	423,208
Interest income (leases)	27,309
Net increase (decrease) in fair value of investments	(1,983,102)
Interest expense	(270,584)
Interest expense (leases)	(1,343)
Other	587,206
Total nonoperating revenues (expenses)	(1,217,306)
Net income before capital contributions	9,782,627
Capacity fees	4,010,835
Federal Grant	258,718
Change in net position	14,052,180
Net position, beginning of period, as restated (Note 14)	122,394,509
Net position, end of period	\$ 136,446,689

The accompanying notes are an integral part of these financial statements.

FAIRFIELD-SUISUN SEWER DISTRICT
Statement of Cash Flows
For the Year Ended June 30, 2022

	2022
Cash flows from operating activities:	
Receipts from customers	33,704,911.30
Payments to suppliers & vendors	(10,677,781)
Payments for employees salaries & benefits	(14,379,167)
Other receipts	655,471
Net cash provided by operating activities	9,303,434
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(6,369,945)
Capacity fees	3,715,628
Interest paid	(276,122)
Principal payment on the SRF loan	(793,935)
Lease payments	(11,557)
Net cash provided for capital and related financing activities	(3,735,931)
Cash flows from investing activities:	
Purchase of investments	(14,666,427)
Proceeds from sale of investments	12,651,076
Interest received on investments	389,206
Net cash provided by investing activities	(1,626,146)
Net increase in cash and cash equivalents	3,941,357
Cash and cash equivalents, beginning of period	60,050,271
Cash and Investments	62,922,733
Restricted Cash - SRF loan	1,068,895
Cash and cash equivalents, end of period	\$ 63,991,628

The accompanying notes are an integral part of these financial statements.

(Continued)

FAIRFIELD-SUISUN SEWER DISTRICT
Statement of Cash Flows
For the Year Ended June 30, 2022

	2022
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 10,999,933
Adjustments to reconcile operating income to cash flows from operating activities:	
Depreciation	4,158,600
Amortization of leases	9,638
Miscellaneous non operating income	587,206
Interest income from leases (GASB 87)	27,309
Wastewater Arrearages reducing operating income	258,718
(Increase) Decrease in deferred outflows - pension	(1,349,462)
(Increase) Decrease in deferred outflows - OPEB	767,545
Increase (Decrease) in deferred inflows - pension	277,051
Increase (Decrease) in deferred inflows - OPEB	676,467
Increase (Decrease) in deferred inflows - leases	(89,584)
Changes in assets and liabilities:	
(Increase) Decrease in receivables, net	478,970
(Increase) Decrease in prepaid expense	(15,572)
Increase (Decrease) in payables, net	1,821,217
Increase (Decrease) in deposits	5,000
Increase (Decrease) in compensated absences	15,623
Increase (Decrease) in net pension liability	(7,712,194)
Increase (Decrease) in net OPEB liability	(1,613,030)
Net cash provided by operating activities	\$ 9,303,434
Noncash investing, capital, and financing activities:	
Capacity fees net accruals	\$ (295,207)
Increase (decrease) in fair value of investments	(1,983,102)

The accompanying notes are an integral part of these financial statements.

FAIRFIELD-SUISUN SEWER DISTRICT

Notes to Financial Statements

June 30, 2022

1. Organization

The Fairfield-Suisun Sewer District (District) is a special district consisting of all territory within the cities of Fairfield and Suisun City (the Cities). The District has broad powers to finance, construct, operate sewage collection and disposal and reclaimed water systems, and maintain storm drainage infrastructure within District jurisdiction. The District's governing board consists entirely of members from the City Councils of both cities.

A. Wastewater

The District operates a single sewage treatment plant, which was completed in 1976. It also owns and operates 70 miles of trunk sewers over 10" in diameter and 13 wastewater pump stations. The day-to-day operations and maintenance of the treatment plant and collection systems are performed by District staff. All construction management of capital expansion and most major maintenance projects are also performed by District staff.

B. Drainage Maintenance

Pursuant to an agreement entered into on March 1988 with the Cities, the District collects drainage fees to be used as supplemental funding to maintain the regional and local drainage facilities within the District's jurisdiction, including those constructed by the U.S. Army Corps of Engineers as part of the Fairfield Vicinity Streams Project.

Drainage fees, as established by the governing board, are collected on the Solano County tax roll pursuant to an agreement with Solano County. Total fees collected in fiscal year ended June 30, 2022 were \$1,684,123 compared to June 30, 2021 that were \$1,646,905.

2. Summary of Significant Accounting Policies

The Financial Reporting Entity—The District complies with GASB No. 14, *The Financial Reporting Entity*. This statement establishes standards for defining and reporting on the financial reporting entity. It defines component units as legally separate organizations for which the elected officials of the primary government are financially accountable. Other organizations may also be designated as component units, particularly if the nature and significance of their relationship with a primary government are such that the organizations' exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

FAIRFIELD-SUISUN SEWER DISTRICT

Notes to Financial Statements

June 30, 2022

The District considered all potential component units in determining what organizations should be included in the financial statements. Based on these criteria, there are no component units to include in the District's financial statements.

Basis of Accounting—The District is accounted for as a single enterprise fund. An enterprise fund is a proprietary fund type used to account for operations that are financed and operated in a manner similar to private business enterprises. The District's intent is that the costs of providing services to customers on a continuing basis be financed or recovered primarily through sewer service charges.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The District uses the accrual basis of accounting. Under this basis of accounting, revenues are recognized when they are earned, and expenses are recognized when incurred. Operating revenues and expenses result from the ongoing principal operation of the District. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses are related to financing and investing type activities and result from nonexchange transactions or ancillary services. Unbilled utility service receivables are recorded at year-end. As required for enterprise funds, the District uses a flow of economic resources measurement focus.

When an expense is incurred for purposes in which both restricted and unrestricted net positions are available, it is the District's policy to first apply unrestricted resources.

Implementation of New Accounting Principles— Effective July 1, 2021 the District implemented GASB No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease

FAIRFIELD-SUISUN SEWER DISTRICT

Notes to Financial Statements

June 30, 2022

asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Budget—Although not legally required of enterprise funds, District management takes pride in the preparation and Board adoption of an annual Budget and Long-Term Financial Plan which includes a ten-year forecast. The information in the Long-Term Financial Plan is based on with the District's Master Plan and the Cities' growth projections. This process has been instrumental in the District's ability to build reserves for future needs and has allowed the District to fund most major expansion projects from reserves, and consequently keep debt low.

Budgetary control is maintained at the department level for administrative and operating expenses and at the project level for capital improvements. Significant construction projects are individually reviewed by the Board as part of the Budget and Long-Term Financial Plan adoption.

Cash Management—The Director of Administrative Services serves as District Treasurer. The Treasurer may issue and administer detailed investment instructions that conform to the provisions of the Investment Policy, as reviewed, and adopted annually by the Board of Directors. The District's Investment Policy conforms to the California Government Code Section 53601. As of June 30, 2022, all surplus cash was invested in the following:

- *State of California Local Agency Investment Fund (LAIF)* is a voluntary program created by statute; began in 1977 as an investment alternative for California's local governments and special districts.
- *California Asset Management Program (CAMP)* is a California Joint Powers Authority ("JPA") established in 1989 to provide California public agencies with professional investment services. The CAMP Pool is a permitted investment for all local agencies under California Government Code Section 53601. This program consists of a short-term money market fund rated AAA and separately managed portfolios of specific authorized securities (as specified in this policy).
- *Savings accounts, checking and money market investment securities.*

In order of priority, the primary objectives of the District's investment activities are safety of principal, liquidity, and return on investment.

FAIRFIELD-SUISUN SEWER DISTRICT

Notes to Financial Statements

June 30, 2022

Cash and Investments—Funds are invested in accordance with Section 53601 of the Government Code of the State of California and the District’s established investment policy. All monies not required for immediate expenses are invested to earn maximum yield consistent with safety and liquidity. All investments are kept in the custody of the District or a qualified safekeeping institution. A quarterly report is made to the Board of Directors showing a description of the investments, maturity date, par value, carrying value, market value, current yield, and estimated annual income. Investments are adjusted to fair value when material as required by the GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

Under the provisions of the District’s investment policy and in accordance with the Government Code of the State of California, the District may invest in the following types of investments:

- Obligations of the U.S. Treasury
- Warrants, Treasury Notes, or Bonds issued by the State of California
- Negotiable Certificates of Deposit issued by federally or state-chartered banks or associations
- Agencies and instrumentalities
- Prime commercial paper of U.S. corporations
- Bankers Acceptances with maturities not to exceed 180 days
- Medium-term notes issued by U.S. corporations
- The District may contract for the use of investment services subject to all other provisions of this Investment Policy
- Local Agency Investment Fund (LAIF) operated by the Treasurer’s Office of the State of California
- Any other investment security authorized under the provisions of California Government Code Section 53601

Statement of Cash Flows—For purposes of the statement of cash flows, the District considers all cash and investments and all cash with fiscal agents with an original maturity of three months or less as cash and cash equivalents.

Statement of Revenues, Expenses, and Changes in Net Position—The statement of revenues, expenses, and changes in net position is the operating statement for proprietary funds. This statement distinguishes between operating and non-operating revenues and expenses and presents a separate subtotal for operating revenues, operating expenses, and operating income. Operating revenues and expenses generally result from providing services in connection with the District’s principal ongoing operations. The principal operating revenues of the

FAIRFIELD-SUISUN SEWER DISTRICT
Notes to Financial Statements
June 30, 2022

District are the charges to customers for services. Operating expenses include the cost of providing and delivering services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Statement of Net Position—The statement of net position is designed to display the financial position of the District. The District’s net position is classified into three categories as follows:

- *Net Investment in Capital Assets* – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position, as applicable.
- *Restricted* – This component of net position consists of constraints placed on an asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments, and reduced by liabilities and deferred inflows of resources related to those assets. It also pertains to constraints imposed by law or constitutional provisions or enabling legislation.
- *Unrestricted* – This component of net position consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Leases—The District is involved in lease-related transactions as both a lessee and lessor.

- *Lessee* – A lessee should recognize a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease, or if it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payment expected to be made during the lease term (less any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

FAIRFIELD-SUISUN SEWER DISTRICT
Notes to Financial Statements
June 30, 2022

- *Lessor* – A lessor should recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership for the underlying asset. A lessor should not derecognize the asset underlying the lease. The lease receivable should be measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources should be measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods.

Capital Assets—Property, plant and equipment are stated at cost less accumulated depreciation. The District capitalizes all assets with a historical cost of at least \$5,000 and a useful life of at least 5 years. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are expensed as incurred. The cost of assets retired or sold, together with the related accumulated depreciation, is removed from the accounts and any gain or loss from disposition, is credited or charged to revenues.

Depreciation is provided on the straight-line method over the following estimated useful lives:

Category:	Years:
Trunk lines	20 – 40
Pump stations	20 – 40
Treatment plant	20 – 40
Buildings and improvements	20 – 40
Vehicles and equipment	5 – 10

The District also records the value of intangible right-to-use assets based on the underlying leased asset in accordance with GASB No. 87, *Leases*. The right-to-use intangible asset is amortized on a straight-line basis for each year for the term of the contract.

Construction in Progress—The District constructs assets for its own use in plant operations. The costs associated with these projects are accumulated in a Construction-in-Progress account while the project is being developed. Once the project is complete or substantially complete, the entire cost of the constructed asset is transferred to a capital assets account and depreciated over the estimated life of the asset.

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Deferred Outflows/Inflows of Resources— The deferred outflows of resources are a separate financial position element that represent a consumption of net assets that applies to future periods. This fiscal year’s deferred outflows represent the pension and Other Postemployment Benefit (OPEB) expenses and changes to net pension and net OPEB liabilities.

The deferred inflows of resources are a separate financial position element that represent an acquisition of net assets that applies to future periods. This fiscal year’s deferred inflows of resources are related to changes in net pension and OPEB liabilities, as well as changes in leases. Information related to these changes is found in Note 11 for pension liabilities, Note 12 for OPEB liabilities, and Note 5 for leases.

Pension—For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District’s pension plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by California Public Employees Retirement System (CalPERS). For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For the report the following timeframes are used:

For the fiscal year ended June 30, 2022

Valuation date:	June 30, 2020
Measurement date:	June 30, 2021
Measurement period:	July 1, 2020 - June 30, 2021

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in the future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized using the straight-line method over five (5) years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that

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are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

Other Post-Employment Benefits (OPEB)—For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For the report the following timeframes are used:

For the fiscal year ended June 30, 2022

Valuation date:	June 30, 2020
Measurement date:	June 30, 2021
Measurement period:	July 1, 2020 - June 30, 2021

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings on OPEB plan investments is amortized using a straight-line method over five (5 years). All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

Bond Discounts and Issuance Costs—Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bonds payable are reported net of applicable bond premium and discounts are reported as noncurrent assets along with any insurance payments made during issuance of the bond. Bond issuance costs, other than prepaid insurance, are expensed in the period incurred.

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Compensated Absences—District employees are granted compensated absences in varying amounts based on years of service. Compensated absences payable represents the District’s liability for earned but unused compensated absences at year-end.

Capacity Fees—Capacity fees are one-time fees charged to new or expanded connections to the District’s sewer system designed to help recover the costs of infrastructure and assets benefiting new development. Capacity fees collected through June 30, 2022 are restricted for growth-related projects.

Use of Estimates—Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Subsequent Events—Management has reviewed subsequent events and transactions that occurred after the date of the financial statements through, the date the financial statements were issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles.

3. Cash and Investments

A. Policies

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the District’s cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the District’s name and places the District ahead of general creditors of the institution.

The District invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable securities instruments, or by an electronic entry registering the owner in the records of the institution issuing the security, called the book entry system. In order to increase security, the District employs the Trust Department of a bank as the custodian of certain District-managed investments, regardless of their form.

The District’s investments are carried at fair value, as required by generally accepted accounting principles. The District adjusts the carrying value of its

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investments to reflect their fair value at each fiscal year-end, and it includes the effects of these adjustments in income for that fiscal year.

GASB No. 72, *Fair Value Measurement and Application*, established a hierarchy of inputs to the valuation techniques above in Note 2. This hierarchy has three levels:

- Level 1 – Inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable
- Level 3 – Inputs are unobservable inputs, such as a property valuation or an appraisal.

The District has the following recurring fair value measurements as of June 30, 2022:

- 1) California Local Agency Investment Fund (LAIF) of \$35,376,288 was valued using Level 1 and Level 2 inputs.
- 2) California Asset Management Program balance of \$23,986,405 was valued using Level 2 inputs.
- 3) Certificate of deposits, savings account, checking account and money market accounts of \$4,628,935 were valued using Level 1 inputs.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

B. Classification

Cash and investments are classified in the financial statements based on whether their use is restricted under the terms of District debt instruments, as shown on the following page

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	June 30, 2022	June 30, 2021	
Cash and investments			
Held by District	\$ 62,922,733	\$ 58,981,376	
Held by escrow agent	-	-	
Restricted investments			
Held by District	1,068,895	1,068,895	
Total cash and investments	\$ 63,991,628	\$ 60,050,271	

C. Authorized Investments

Investments authorized by the California Government Code and the District's Investment Policy for all District investments including debt service reserve are the following:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum of Percentage Portfolio	Maximum Investment In One Issuer
U.S. Treasury Instruments	5 years	N/A	None	N/A
Federal Agency Issues	5 years	N/A	None	N/A
State of California Obligations	5 years	N/A	None	N/A
Bankers Acceptances	180 days	N/A	40%	30%
Commercial Paper	270 days	A	25%	N/A
Medium Term Corporate Notes	5 years	A	30%	N/A
Mortgage Pass-Through Securities	5 years	AA	20%	N/A
Repurchase Agreements	1 year	N/A	20%	N/A
Reverse Repurchase Agreements	92 days	N/A	20%	N/A
Negotiable Certificates of Deposit	5 years	A	30%	N/A
California Local Agency Investment Fund	Upon Demand	N/A	None	N/A
Mutual Funds	N/A	Top Ranking of 2 NRSRO (A)	20%	10%
Money Market Mutual Funds	N/A	Top Ranking of 2 NRSRO (A)	20%	N/A

(A) Nationally Recognized Statistical Rating Organization

The District does not enter into range notes, inverse floaters, or mortgage-derived interest-only strips. At June 30, 2022, the District's investments were in compliance with the above provisions.

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D. Interest Rate Risk

Interest rate risk is the risk of potential fair value losses from future changes in prevailing market interest rates. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its investments in accordance with its investment policy and the California Government Code, which limits investment maturities to five years or less unless authorized by the District Board for a specific purpose.

Information about the sensitivity of the fair values of the District's investments (including investments held by trustees) to market interest rate fluctuations are provided by the following table:

Interest Rate Risk

Investment Type	Fair Value	June 30, 2022 Remaining Maturity Distribution			% of Portfolio
		0-12 months	1-2 years	2-5 years	
U.S. Treasury Instruments	\$13,152,447	\$1,212,455	\$ 3,788,013	\$ 8,151,979	20.55%
Federal Agency Issues	1,554,763	190,021	504,505	860,237	2.43%
Federal Agency Mortgage-Backed Securities	599,359	51,112	187,875	360,372	0.94%
Supranationals	759,352	117,542	144,483	497,327	1.19%
Municipal Obligations	1,841,638	-	-	1,841,638	2.88%
Negotiable Certificates of Deposit	162,074	162,074	-	-	0.25%
Medium-Term Corporate Notes	4,792,111	58,796	1,552,200	3,181,114	7.49%
Asset-Backed Securities	1,024,556	-	20,529	1,004,027	1.60%
CAMP - Money Market Account	100,105	100,105	-	-	0.16%
Local Agency Investment Funds	35,376,288	35,376,288	-	-	55.28%
Checking Account, Money Market	4,628,935	4,628,935	-	-	7.23%
Total Investments	\$63,991,628	\$ 41,897,328	\$ 6,197,605	\$ 15,896,695	100.00%

The District is a participant in the Local Agency Investment Fund (LAIF) as well as in the California Asset Management Program (CAMP). LAIF is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The District reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating

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by a nationally recognized statistical rating organization. It is the District's policy to limit its investments in these investment types to the top rating issued by the nationally recognized statistical rating organization.

The following table shows the District's investments and their related credit rating.

Investment Type	Fair Value	Rating as of June 30, 2022				
		AAA	AA	A	BBB	Not Rated
U.S. Treasury Instruments	\$13,152,447	\$ -	\$13,152,447	\$ -	\$ -	\$ -
Federal Agency Issues	1,554,763	-	1,554,763	-	-	-
Federal Agency Mortgage-Backed Securities	599,359	-	599,359	-	-	-
Supranationals	759,352	759,352	-	-	-	-
Municipal Obligations	1,841,638	352,837	1,013,601	193,298	-	281,902
Negotiable Certificates of Deposit	162,074	-	-	162,074	-	-
Medium-Term Corporate Notes	4,792,111	-	582,479	3,256,984	952,648	-
Asset-Backed Securities	1,024,556	926,117	-	-	-	98,439
CAMP - Money Market Account	100,105	100,105	-	-	-	-
Local Agency Investment Funds	35,376,288	-	-	-	-	35,376,288
Checking Account, Money Market	4,628,935	-	-	-	-	4,628,935
Total Investments	\$ 63,991,628	\$ 2,138,411	\$ 16,902,649	\$ 3,612,356	\$ 952,648	\$ 40,385,564

F. Concentration of Credit Risk

Concentration of credit risk can arise in the wake of a failure to adequately diversify investments. GASB No. 40, *Deposit and Investment Risk Disclosures*, requires disclosure of concentrations of investments greater than 5% in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pool). The District investments requiring disclosure at June 30, 2022 is as follows:

Issuer	Investment Type	Fair Value	Percent
Freddie Mac	Note	\$1,410,958	5.89%

4. Restricted Net Position

Restricted net position at June 30, 2022 and 2021, consist of the following:

	<u>2022</u>	<u>2021</u>
Restricted for capital projects	\$ 15,075,624	\$ 12,431,307
Restricted for debt service	1,068,895	1,068,895
Restricted for major maintenance	36,945,000	40,577,000
	<u>\$ 53,089,519</u>	<u>\$ 54,077,202</u>

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The restricted for capital projects is the unspent portion of capacity fees. Capacity fees collected through June 30, 2022 are restricted for growth-related projects.

The debt service restriction is the maximum annual debt service on the State Revolving Fund loans, as required by the bond indenture.

As a condition of the original grant to finance the construction of the sewage treatment plant, the Environmental Protection Agency requires that wastewater funds be set aside for major maintenance. Target levels for District reserves and restricted assets are governed by the District’s Financial Reserve policy adopted by the Board of Directors on May 23, 2022.

5. Leases

The District has several leasing arrangements, summarized below:

Lessee

The District entered an agreement to lease printer and copier machines for 60 months beginning April 2021. The lease terminates April 2026. Under the terms of the lease the District pays \$911.03 per month over the life of the agreement. At June 30, 2022, the District has recognized a right to use asset of \$36,142, net of accumulated amortization, and a lease liability of \$36,121. During the fiscal year, the District recorded \$9,638 in amortization expense and \$1,343 in interest expense for the right to use the copiers.

Remaining obligations associated with these leases are as follows:

Fiscal Year Ended June 30	Principal	Interest
2023	\$ 9,905	\$ 1,027
2024	10,232	701
2025	10,569	363
2026	5,415	51
	<u>\$ 36,121</u>	<u>\$ 2,142</u>

The District amortized the right-to-use assets during the fiscal year as shown on the following page:

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	Balance at June 30, 2021	Additions	Reductions	Balance at June 30, 2022
Right to use assets	\$ 48,189	\$ -	\$ -	\$ 48,189
Accumulated amortization	(2,409)	-	(9,638)	(12,047)
Total right to use assets	\$ 45,780	\$ -	\$ (9,638)	\$ 36,142

Lessor

The District is a lessor in several land leases including two cell tower leases and a lease option for a bioenergy generation facility. The cell tower leases are adjusted annually by CPI or a flat percentage. The District receives a flat payment amount related to the facility lease option. However, if the lease option is exercised the annual land lease will be adjusted by CPI as well.

During the fiscal year, the District recognized \$124,684 in lease revenue and \$27,309 in interest income related to these lease agreements. At June 30, 2022, the District recorded \$797,321 in lease receivables and deferred inflows related to leases of \$781,610.

	Balance at June 30, 2021	Additions	Reductions	Balance at June 30, 2022	Due Within One Year
Leases receivable					
Land leases	\$ 876,227	\$ -	\$ (78,906)	\$ 797,321	\$ 65,419

Remaining amounts to be received associated with these leases are as follows:

Fiscal Year Ended June 30	Principal	Interest
2023	\$ 65,419	\$ 24,836
2024	55,897	22,959
2025	57,740	21,115
2026	59,645	19,210
2027	61,613	17,243
2028-2032	131,534	67,322
2033-2037	98,244	51,756
2038-2042	115,554	34,446
2043-2047	135,913	14,087
2048-2052	15,762	158
	<u>\$ 797,321</u>	<u>\$ 273,132</u>

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6. Capital Assets

Changes in capital assets consisted of the following:

Asset Category	Balance at June 30, 2021	Additions	Adjustments/ Disposals	Transfers	Balance at June 30, 2022
Non-depreciable assets:					
Construction in progress	\$ 8,871,930	\$ 5,724,330	\$ -	\$ (8,308,753)	\$ 6,287,507
Land and improvements	2,792,903	-	-	-	2,792,903
Total non-depreciable assets	11,664,833	5,724,330	-	(8,308,753)	9,080,410
Depreciable assets:					
Buildings and improvements	11,710,029	-	-	-	11,710,029
Vehicles and equipment	2,970,014	593,095	(342,203)	-	3,220,906
Trunk lines/ pump station	53,362,001	-	-	-	53,362,001
Treatment plant	101,897,071	8,361,273	-	-	110,258,343
Total depreciable assets	169,939,115	8,954,368	(342,203)	-	178,551,280
Less: Accumulated depreciation					
Buildings and improvements	(10,665,738)	(211,374)	-	-	(10,877,111)
Vehicles and equipment	(2,514,928)	(104,663)	342,203	-	(2,277,389)
Trunk lines/pump station	(43,599,411)	(1,027,365)	-	-	(44,626,776)
Treatment plant	(50,069,335)	(2,815,198)	-	-	(52,884,533)
Total accumulated depreciation	(106,849,412)	(4,158,600)	342,203	-	(110,665,809)
Amortized assets:					
Right-of-use assets - leases	48,189	-	-	-	48,189
Total amortized assets	48,189	-	-	-	48,189
Less: Accumulated amortization					
Right-of-use assets - leases	(1,902)	(10,145)	-	-	(12,047)
Total accumulated amortization	(1,902)	(10,145)	-	-	(12,047)
Net capital assets	63,135,990	4,785,623	-	-	67,921,613
Total capital assets	\$ 74,800,823	\$ 10,509,953	\$ -	\$ (8,308,753)	\$ 77,002,023

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7. Long-Term Liabilities

The following summarizes changes in long-term liabilities during the year:

Description	June 30, 2021	Additions	Maturities/ Reduction	June 30, 2022	Current Portion	Long-Term Portion
State Revolving Fund Loans (SRF)						
Ultraviolet Project	\$ 6,358,264	\$ -	\$ 556,655	\$ 5,801,609	\$ 572,915	\$ 5,228,694
Blower Project	5,318,823	-	237,280	5,081,543	241,551	4,839,992
Total SRF Loans	11,677,087	-	793,935	10,883,152	814,466	10,068,686
Compensated Absences	1,192,084	1,181,832	1,166,209	1,207,707	966,166	241,541
Total Long-term liabilities	\$ 12,869,171	\$ 1,181,832	\$ 1,960,144	\$ 12,090,859	\$ 1,780,631	\$ 10,310,228

A. State Revolving Fund Loan

Ultraviolet Disinfection Project

On January 20, 2010, the District entered into a loan agreement with the California State Water Resources Control Board (SWRCB) under the Clean Water State Revolving Fund (SRF) loan program for the financing of the Ultraviolet Disinfection Project. The District was approved for a loan amount of up to \$11,100,000, with an interest rate at 2.9%, payable over 20 years. Principal and interest payments, which are due semi-annually on May 1 and November 1, will commence one year following the completion of the project. Payment on this loan started on May 2012.

Future debt service payments on the SRF loan related to the Blower Project as of June 30, 2022 are as follows:

Year Ending June 30	Principal	Interest	Total
2023	\$ 572,915	\$ 164,123	\$ 737,038
2024	589,650	147,389	737,039
2025	606,874	130,164	737,038
2026	624,601	112,437	737,038
2027	642,846	94,192	737,038
2028-31	2,764,724	183,427	2,948,152
	\$ 5,801,610	\$ 831,733	\$ 6,633,343

Blower Replacement Project

On February 12, 2018, the District entered into a loan agreement with the California State Water Resources Control Board (SWRCB) under the Clean Water State Revolving Fund (SRF) loan program for the financing of the Blower

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Replacement Project. The District was approved for the total project cost of \$11,608,547; however, only utilized \$9,541,456. Out of the total loan amount, \$4,000,000 was declared a grant under the Environmental Protection Agency's program and was eligible for loan forgiveness. The principal amount due for repayment to the SWRCB under this agreement is \$5,522,810, with an interest rate of 1.8% payable over 20 years. Payment on this loan started October 2020.

Future debt service payments on the SRF loan related to the Blower Project as of June 30, 2022 are as follows:

Year Ending June 30	Principal	Interest	Total
2023	\$ 241,551	\$ 91,468	\$ 333,019
2024	245,899	87,120	333,019
2025	250,325	82,694	333,019
2026	254,831	78,188	333,019
2027	259,418	73,601	333,019
2028 - 32	1,368,835	296,258	1,665,093
2033 - 37	1,496,546	168,547	1,665,093
2038 - 40	964,140	34,915	999,056
	<u>\$ 5,081,543</u>	<u>\$ 912,790</u>	<u>\$ 5,994,333</u>

Both SRF loans are secured by all District operating revenues. As a requirement of the SRF loan, a restricted amount equivalent to one year of loan payments is held in a restricted account held by the District. The SRF restricted amount is currently \$1,068,895.

B. Compensated Absences

Compensated Absences activity during the fiscal year was as follows:

	June 30, 2021	Additions	Reductions	June 30, 2022	Due Within One Year
Compensated Absences:	\$ 1,192,084	\$ 1,181,832	\$ (1,166,209)	\$ 1,207,707	\$ 966,166

8. Related Party Transactions

The District had existing financial transactions with the cities of Fairfield and Suisun City during fiscal year 2021-22 and 2020-21. Sewer line maintenance represents amounts paid to the Cities for the maintenance of its sewer lines smaller than 12" in diameter. Sewer service charges and sewer capacity fees are collected by the

FAIRFIELD-SUISUN SEWER DISTRICT
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Cities and are remitted to the District, net of billing and collection fees. Outstanding receivables include capacity fees collected by the Cities not yet remitted to the District and sewer service charges billed by the Cities on the District's behalf as of June 30, 2022.

These transactions are described below:

	FY 2021-22	FY 2020-21
Sewer line maintenance	\$ 2,890,425	\$ 2,814,501
Billing and collection	\$ 700,164	\$ 667,098
Outstanding accounts receivable	\$ 5,002,720	\$ 4,785,503

9. Insurance

The District is exposed to various risks of loss related to torts, theft, damage, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To mitigate these risks the District joined, together with other entities to form the California Sanitation Risk Management Authority (CSRMA), a public-entity risk pool currently operating as a common risk management and insurance program for member entities. The purpose of CSRMA is to spread the adverse effects of losses among the member entities and to purchase excess insurance as a group, thereby reducing its cost. The District pays an annual premium to CSRMA for its legal liability, property damage, workers compensation insurance, and automobile coverage.

CSRMA is governed by a Board composed of one representative from each member agency. The Board also controls the operations of CSRMA, including the selection of management and approval of operating budgets. Each member shares surpluses and deficiencies proportionate to its participation in CSRMA.

Audited condensed financial information for CSRMA is presented below for the year ended June 30, 2021 (most recent information available):

Total assets	\$ 31,110,033
Total liabilities	\$ 24,687,751
Net Position	\$ 6,422,252
Total revenues	\$ 15,793,441
Total expenses	\$ 16,584,260

The District has not incurred a claim that exceeded its insurance coverage limits in any of the last five years.

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A summary of the insurance policies in force as of June 30, 2022, can be found in the Statistical Section of this report. A copy of CSRMA's annual financial report may be obtained from their website at <http://www.csrma.org/docs/CSRMA-Annual-Report.pdf>.

10. Deferred Compensation

The District offers its employees two deferred compensation plans created in accordance with the Internal Revenue Code Section 457 and 401(a). These plans permit a pre-tax deferral of a portion of salary until future years. The deferred compensation is not available to employees until separation, retirement, death, or an unforeseeable emergency. All employees are eligible to participate in the 457 plans. In addition, professional and management employees are eligible to participate in the 401(a) plan. The District contributes a specified amount to the 457 plan and specified percentages to the 401(a) plan. The District's contributions to the deferred compensation plans were \$342,104 and \$407,167 for fiscal years June 30, 2021 and June 30, 2022, respectively.

The assets and related income of the plans are assets of a trust to which the District has no obligation other than to make payments on behalf of its employees.

11. Pension Plan

A. General Information about the Pension Plan

Plan Description

All qualified full-time and part-time District employees are eligible to participate in a pension plan offered by California Public Employees Retirement System (CalPERS) a cost-sharing multiple employer defined benefit pension plan. CalPERS provides retirement, disability, and death benefits to eligible plan members and beneficiaries. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one full year of full-time employment. Members with 5 years of service credit are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for the

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non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The annual cost of living adjustment is applied as specified by the Public Employees Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2022 are summarized as follows:

Miscellaneous	Hired prior to January 1, 2013 Classic	Hired on or after January 1, 2013 PEPRA
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	60	62
Monthly benefits, as a % of annual salary	3%	2%
Required employee contribution rates	8.000%	7.000%
Required employer contribution rates	15.761%	7.560%
Employer payment of unfunded liability	\$362,326	\$12,289

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect on January 1, 2013.

Key components of the legislation are as follows:

- Establishes PEPRA which will apply to all public employers and public pension plans on and after January 1, 2013 (Except specific exemptions);
- Establishes new retirement tiers/benefits for new public employees;
- Prohibits certain cash payments from being counted as compensation; and
- Increases retirement age for all new public employees.

Employees hired on or after January 1, 2013, without prior CalPERS credited service will fall under the PEPRA as noted in the above table.

CalPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the District's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the employer must pay annually to fund an employee's

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projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial accrued liability.

Employees Covered

As of the June 30, 2021, and 2020 measurement dates, the following employees were covered by the benefit terms for each Plan:

Measurement date as of June 30,	2021	2020
Inactive employees or beneficiaries currently receiving benefits	40	37
Inactive employees entitled to but not yet receiving benefits	0	0
Active employees – Classic and PEPR	57	55
Total	97	92

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions were as follows:

Miscellaneous	Fiscal Year 2021-22	Fiscal Year 2020-21
Employer Contributions	\$3,299,678	\$3,288,185

B. Pension Assets, Liabilities, Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

The District’s proportionate share of the net pension liability (asset) is \$6,153,622 and (\$1,558,572) for fiscal years ended June 30, 2021 and June 30, 2022, respectively.

The District’s net pension liability (asset) is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability (asset) of

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the Plan is measured as of June 30, 2021, using an annual actuarial valuation as of June 30, 2020, with update procedures used to roll forward the total pension liability to June 30, 2021.

The District's proportion of the net pension liability (asset) was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the plan as of June 30, 2021 and 2020 measurement dates were as follows:

Fiscal Year	Percentage Share of Risk Pool		Change: Increase/ (Decrease)
	6/30/2022	6/30/2021	
Measurement Date	6/30/2021	6/30/2020	
Percentage of Plan (PERF C) NPL	-0.02882%	0.05656%	-0.08538%

Plan's Proportionate Share of the Risk Pool Collective Net Pension Liability

Increases (Decreases)			
	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at 6/30/20 (MD)	\$ 41,392,241	\$ 35,238,619	\$ 6,153,622
Balance at 6/30/21 (MD)	\$ 44,263,502	\$ 45,822,074	\$ (1,558,194)
Net changes	\$ 2,871,261	\$ 10,583,455	\$ (7,712,194)

Deferred Outflows/Inflows Balances

The District recognized pension expense/(income) of \$2,200,729 and (\$5,484,927) for the fiscal years ended June 30, 2021 and June 30, 2022, respectively.

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources, as listed on the following page:

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Deferred Outflows/Inflows Balances at June 30, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (174,778)
Changes of assumptions	-	-
Net differences between projected and actual earnings on plan investments	1,360,551	-
Change in employer's proportion	69,253	(1,244,470)
Differences between the employer's contributions and the employer's proportionate share of contributions	1,879,903	(32,442)
Pension contributions subsequent to measurement date	3,299,678	-
Total	\$ 6,609,385	\$ (1,451,690)

The District reported \$3,288,185 and \$3,299,678 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the fiscal years ending June 30, 2022 and June 30, 2023, respectively.

Recognition of Deferrals in Future Pension Expense

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

Measurement Period Ending June 30:	Fiscal Year Ending June 30:	Net Total Deferred Outflows/(Inflows) of Resources
2022	2023	\$ 540,137
2023	2024	508,616
2024	2025	433,278
2025	2026	375,986
2026	2027	-
Thereafter	Thereafter	-

Actuarial Methods and Assumptions

The total pension liability (asset) for the June 30, 2021 measurement period was determined by an actuarial valuation as of June 30, 2020, with update procedures used to roll forward the total pension liability (asset) to June 30, 2021. The collective total pension liability (asset) was based on the assumptions listed on the following page:

FAIRFIELD-SUISUN SEWER DISTRICT
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	Miscellaneous
Valuation Date:	June 30, 2020
Measurement Date:	June 30, 2021
Measurement Period:	July 1, 2020 to June 30, 2021
Actuarial Cost Method:	Entry-Age Normal Cost Method in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	3.00%
Projected Salary Increase	Varies by entry age and service
Mortality Rate Table ¹	Derived using CalPERS' Membership Data for all Funds
Post retirement benefit increase:	Contract COLA up to 2.5% until Purchasing Power Protection Allowance Floor on Purchasing Power applies.

¹The mortality table used was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of Scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website

Long-term Expected Rate of Return

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.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The expected real rates of return are listed on the following page:

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Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

(a) An expected inflation of 2.0% used for this period.

(b) An expected inflation of 2.92% used for this period.

Discount Rate

The discount rate used to measure the total pension liability (asset) for PERF C was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, gains and losses related to changes in total pension liability (asset) and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments	5 years straight-line amortization
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FAIRFIELD-SUISUN SEWER DISTRICT
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All other amounts	Straight-line amortization over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period
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Sensitivity of the Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability (asset), calculated using the discount rate, as well as what the District's proportionate share of the net pension liability (asset) 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:

	Discount Rate		
	6.15% (1% Decrease)	7.15% (Current Rate)	8.15% (1% Increase)
Measurement Date	6/30/2021		
Fiscal Year End	6/30/2022		
Net Pension Liability (asset)	\$ 4,285,578	\$ (1,558,572)	\$ (6,389,848)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

C. Payable to the Pension Plan

The District has paid the plan required contributions for the fiscal year 2021-22 and has no outstanding pension payable.

FAIRFIELD-SUISUN SEWER DISTRICT
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12. Other Postemployment Benefits (OPEB)

A. General Information about the OPEB Plan

Plan Description

The District provides postemployment healthcare benefit for all its retired employees and their covered dependents as approved by District Resolution No. 2003-36. The California Public Employee Retirement System (CalPERS) administers this benefit through an agent multiple-employer, defined benefit plan. All District retirees who attain age 50 with at least 5 years' service are eligible for this benefit. Coverage discontinues either at the request of the retiree or at the death of those covered. CalPERS requires that retirees enroll in Medicare at age 65. Plan benefits were established in accordance with Board policy, and authority to amend this benefit rests with the District Board.

Benefits Provided

Section 22892 - Unequal Method

The District's contribution for each retired employee plus dependent is equal to 100% of their selected plan premium, up to \$1,913 per month for 2022 and \$1,813 per month for 2021. The District contribution will continue to increase by the lesser of 5% or \$100 each year until it equals that of active employees' premium.

Eligibility: Employees must retire directly (within 120 days of separation from service) from the District with a service or disability annuity and must have been eligible for health benefits immediately before retirement. Benefits are provided to surviving spouses only if the retiree elected a pension annuity with a survivor benefit. Eligible retirees who previously waived PEMHCA benefits can elect coverage during open enrollment.

Section 22893 – State 100/90 Vesting

A second-tier retiree health benefit was established in November 2012, when District Board adopted Resolution No. 2012-19 electing to establish a health benefit vesting requirement for future employees pursuant to Government Code Section (GCS) 22893 of the Public Employees' Medical and Hospital Care Act. The effective date of this participation is March 1, 2013, and the vesting requirement will be applied to employees hired on or after this date.

FAIRFIELD-SUISUN SEWER DISTRICT
Notes to Financial Statements
June 30, 2022

Eligibility: To be eligible for the vesting health benefits, an employee must be at least 50 years old; must complete a minimum of 5 years' CalPERS-credited service or disability annuity with the District; must complete a total of 10 years' CalPERS-credited service to be eligible for 50% benefits, increasing by 5% each year as follows:

Years of CalPERS Service	Percentage
< 10	0%
10	50%
11	55%
↓	↓
≥ 20 or Disability Retirement	100%

Employees hired prior to the election of GCS 22893 were given a one-time opportunity to individually elect to be covered under the provisions of GCS 22893. Twenty-seven employees opted in.

Employees with 20 or more years of service with the District are classified as inactive and are entitled to future retiree benefits and can elect retiree health coverage from the District at or after retirement, even if they have intervening employment elsewhere.

Benefit under the vesting plan is based on weighted average of the premium of the 4 PEMHCA plans with highest enrollment each year. As of June 30, 2022, and June 30, 2021, monthly employer contributions for fully vested annuitants are as follows:

Coverage	Formula	2022 Cap	2021 Cap
Single	100% of weighted average	\$ 816	\$ 798
Two-party	Amount of single, plus 90% of the increase in the 2-party weighted average over the single coverage weighted average	\$ 1,548	\$ 1,519
Family	Amount of single, plus 90% of the increase in the family weighted average over the single coverage weighted average	\$ 1,983	\$ 1,937

FAIRFIELD-SUISUN SEWER DISTRICT
Notes to Financial Statements
June 30, 2022

Employees Covered

At the June 30, 2021 and 2020 measurement dates, the following current and retirees were covered by the benefit terms under the District's retiree health plan:

	6/30/21	6/30/20
Active employees	57	57
Inactive employee or beneficiaries currently receiving benefits	27	28
Inactive employees entitled to, but not yet receiving benefits	5	4
Total	89	89

Contributions

The annual contribution is based on the actuarially determined contribution.

	Measurement Date to FY	Measurement Date to FY
	7/1/20 to 6/30/21	7/1/21 to 6/30/22
Cash Benefits	\$ 362,584	\$ 398,922
Implied subsidy benefit payment	62,000	84,000
Total benefit payments	424,584	482,922
Trust reimbursements	-	-
Benefits payments paid outside of trust	424,584	482,922
Administrative expenses paid outside of trust	900	1,030
Trust contributions	835,777	200,608
Total employer contributions	\$ 1,261,261	\$ 684,560

B. Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2021, and the total liability used to calculate the net OPEB liability was determined by an actuarial valuation date as of June 30, 2020. Update procedures were used to roll forward the total OPEB liability from the valuation date of June 30, 2020 to the measurement date of June 30, 2021.

Actuarial Methods and Assumptions

The total OPEB liability as of the June 30, 2022 was measured as of June 30, 2021, based on June 30, 2020 actuarial valuation and was determined using the actuarial methods and assumptions listed on the following page:

FAIRFIELD-SUISUN SEWER DISTRICT
Notes to Financial Statements
June 30, 2022

Actuarial Assumptions	June 30, 2021 Measurement Date
Actuarial Valuation Date:	June 30, 2020
Contribution Policy	District contributes full ADC
Discount Rate and Long-Term Expected Rate of Return on Assets	6.5% at June 30, 2021 6.75% at June 30, 2020 Expected District contributions projected to keep sufficient plan assets to pay all benefits from trust
General Inflation	2.75%
Mortality, Retirement, Disability, Termination	CalPERS 1997-2015 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-2020
Salary Increases	Aggregate - 3% annually Merit - CalPERS 1997-2015 Experience Study
Healthcare Participation for Future Retirees	90%
Medical Trend	Non-Medicare - 7.0% for 2022, decreasing to an ultimate rate of 4% in 2076 Medicare (Kaiser) - 5.0% for 2022, decreasing to an ultimate rate of 4% in 2076 Medicare (Non-Kaiser) - 6.1% for 2022, decreasing to an ultimate rate of 4% in 2076
Cap Increases	100/90 Formula Rates - Non-Medicare Healthcare trend
Family Coverage	30% of actives have family coverage to age 65

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB 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.

FAIRFIELD-SUISUN SEWER DISTRICT
Notes to Financial Statements
June 30, 2022

The following is the assumed asset and assumed rate of return for each based on CERBT - Strategy 1:

Asset Class Component	Target Allocation	Expected Real Rate of Return
Global Equity	59%	4.56%
Fixed Income	25%	0.78%
TIPS	5%	-0.08%
Commodities	3%	1.22%
REITs	8%	4.06%
Assumed Long-Term Rate of Inflation		2.75%
Expected Long-Term Net Rate of Return, Rounded		6.50%

Discount Rate

The discount rate to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plans fiduciary net position was projected to be sufficient to fully fund the obligation over a period not to exceed 18 years. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

FAIRFIELD-SUISUN SEWER DISTRICT
Notes to Financial Statements
June 30, 2022

Changes in Net OPEB Liability

The changes in the net OPEB liability are as follows for fiscal year ended June 30, 2022:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2021 (MD 6/30/20)	\$ 9,023,687	\$ 5,711,685	\$ 3,312,002
Service cost	388,905	-	388,905
Interest in TOL	621,020	-	621,020
Changes of benefit terms	-	-	-
Actual vs. expected experience	-	-	-
Assumption changes	290,376	-	290,376
Employer contributions	-	1,261,261	(1,261,261)
Employee contributions	-	-	-
Net Investment Income	-	1,655,257	(1,655,257)
Benefit payments	(424,584)	(424,584)	-
Administrative Expenses	-	(3,187)	3,187
Net changes	875,717	2,488,747	(1,613,030)
Balance at June 30, 2022 (MD 6/30/21)	\$ 9,899,404	\$ 8,200,432	\$ 1,698,972

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District's net OPEB liability if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2022:

	Discount Rate		
	5.50% (1% Decrease)	6.50% Current Rate	7.50% (1% Increase)
Net OPEB Liability	\$ 3,014,425	\$ 1,698,972	\$ 615,628

FAIRFIELD-SUISUN SEWER DISTRICT
Notes to Financial Statements
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Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the District’s net OPEB liability if it were calculated using a health care cost trend rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2021:

	Healthcare Trend Rate		
	1% Decrease	Current Trend	1% Increase
Net OPEB Liability	\$ 420,878	\$ 1,698,972	\$ 3,263,504

OPEB Plan Fiduciary Net Position

Detailed information about the net OPEB plan’s fiduciary net position is available in the separately issued CalPERS financial reports at: www.calpers.ca.gov.

Recognition of Deferred Outflows/Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal years ended June 30, 2022 and June 30, 2021, the District recognized OPEB expense of \$515,542 and \$948,193, respectively.

At June 30, 2022, the District reported deferred outflows and deferred inflows of resources from the following sources as listed on the following page:

FAIRFIELD-SUISUN SEWER DISTRICT
Notes to Financial Statements
June 30, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 711,819
Changes of assumptions	1,639,461	526,868
Net differences between projected and actual earnings on plan investments	-	892,157
Change in employer's proportion	-	-
OPEB contributions subsequent to measurement date	684,560	
Total	\$ 2,324,021	\$ 2,130,844

Recognition of Deferrals in Future OPEB Expense

The \$684,560 reported as deferred outflow of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability in the year ended in June 30, 2023.

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

FYE June 30	Deferred Outflows/(Inflows) of Resources
2023	\$ (88,979)
2024	(80,781)
2025	(84,240)
2026	(119,725)
2027	(12,328)
Thereafter	(105,330)

No separate postemployment benefit plan report is available.

FAIRFIELD-SUISUN SEWER DISTRICT
Notes to Financial Statements
June 30, 2022

13. Commitments and Contingencies

As of June 30, 2022, the District has construction commitments from contractual agreements as listed below:

Project Name	Contract Agreements	Remaining Commitment
Digester Reliability Project	\$ 3,486,586	\$ 224,001
Electrical Replacement Project	3,655,000	232,150
HVAC Upgrades	2,031,600	524,390
Primary Clarifier Rehab No. 2 & 4	835,000	675,875
DM Air Base Flood Station MCC Replace	516,522	516,522
Northeast Fairfield Pump Station	2,439,326	395,755
Total of Construction in Progress:	\$ 12,964,034	\$ 2,568,693

14. Restatement

Related to the implementation of GASB No. 87, *Leases*, the District restated beginning net position by \$5,102. The reconciliation is as follows:

Net position - beginning	\$ 122,389,407
Less: Prior period adjustment, GASB 87	5,102
Net position - beginning, as restated	<u>122,394,509</u>

15. New Governmental Accounting and Reporting Standards

The following GASBS were implemented for the year ended June 30, 2021:

- GASB No. 87, *Leases* – The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.
- GASB No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. – The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

FAIRFIELD-SUISUN SEWER DISTRICT
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- GASB No. 92, *Omnibus 2020* - The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions. The topics include but are not limited to leases, intra-entity transfers between a primary government and a post-employment benefit plan component unit, accounting for pensions and OPEB related assets, measurement of liabilities related to asset retirement obligations, and nonrecurring fair value measurements of assets or liabilities. The implementation of this Statement did not have a material effect on the District's financial statements.
- GASB No. 93, *Replacement of Interbank Offered Rates* - The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an Interbank Offer Rate (IBOR).
- GASB No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* - The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.
- GASB No. 98, *The Annual Comprehensive Financial Report* - This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The

FAIRFIELD-SUISUN SEWER DISTRICT
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implementation of this Statement did not have a material effect on the District's financial statements.

Upcoming GASBS effective for the future years, includes:

- GASB Statement No. 91, *Conduit Debt Obligations* (FY 2022-23)
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (FY 2022-23)
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (FY 2022-23)
- GASB Statement No. 99, *Omnibus 2022*
 - The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 were effective for the current fiscal year
 - The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022 (FY 2022-23), and all reporting periods thereafter.
 - The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023 (FY 2023-24), and all reporting periods thereafter.
- GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62* (FY 2023-24)
- GASB Statement No. 101, *Compensated Absences* (FY 2024-25)

More information on the above Standards is available on the GASB website at <http://www.gasb.org>.

FAIRFIELD-SUISUN SEWER DISTRICT
Required Supplementary Information
June 30, 2022

Postemployment Benefits

Schedule of Changes in the Net OPEB Liability and Related Ratios for the Measurement Period Ended June 30, Last Ten Fiscal Years*

	2022	2021	2020	2019	2018
	(MD 6/30/21)	(MD 6/30/20)	(MD 6/30/19)	(MD 6/30/18)	(MD 6/30/17)
Changes in Total OPEB Liability					
Service cost	\$ 388,905	\$ 516,052	\$ 504,802	\$ 246,354	\$ 239,761
Interest in TOL	621,020	677,952	624,067	431,326	392,225
Actual vs. expected experience		(807,314)	-	(205,681)	-
Assumption changes	290,376	(705,468)	-	2,618,593	-
Benefit payments	(424,584)	(370,411)	(313,249)	(217,557)	(188,779)
Net change in total OPEB liability	875,717	(689,189)	815,620	2,873,035	443,207
Total OPEB liability - beginning	9,023,687	9,712,876	8,897,256	6,024,221	5,581,014
Total OPEB liability - ending	9,899,404	9,023,687	9,712,876	8,897,256	6,024,221
Changes in Fiduciary Net Position					
Employer contributions	\$ 1,261,261	\$ 371,240	\$ 586,189	\$ 367,557	\$ 338,779
Benefit payments	(424,584)	(370,411)	(313,249)	(217,557)	(188,779)
Net investment income	1,655,257	195,043	322,833	351,673	413,243
Administrative expenses	(3,187)	(3,526)	(1,735)	(8,232)	(2,091)
Net change in plan fiduciary net position	2,488,747	192,346	594,038	493,441	561,152
Plan fiduciary net position - beginning	5,711,685	5,519,339	4,925,301	4,431,860	3,870,708
Plan fiduciary net position - ending	8,200,432	5,711,685	5,519,339	4,925,301	4,431,860
Net OPEB Liability/(Asset) - ending	\$ 1,698,972	\$ 3,312,002	\$ 4,193,537	\$ 3,971,955	\$ 1,592,361
Plan fiduciary net position as a percentage of the total OPEB liability	82.84%	63.30%	56.82%	55.36%	73.57%
Covered payroll	\$ 9,237,126	\$ 6,855,796	\$ 6,525,667	\$ 6,092,493	\$ 6,092,493
Net OPEB liability as a percentage of covered payroll	18.39%	48.31%	64.26%	65.19%	26.14%

*GASB 75 was implemented in fiscal year ended June 30, 2018. Additional years will be added up to 10 years when information becomes available.

FAIRFIELD-SUISUN SEWER DISTRICT
Required Supplementary Information
June 30, 2022

Schedule of Employer Contributions
Last Ten Fiscal Years*

Fiscal Year Ended June 30,	2022	2021	2020	2019	2018
Actuarially determined contribution (ADC)	\$ 673,233	\$ 656,504	\$ 855,033	\$ 833,721	\$ 225,228
Actual contribution in relation to ADC	684,560	1,261,261	371,240	586,189	367,557
Contribution deficiency (Excess)	\$ (11,327)	\$ (604,757)	\$ 483,793	\$ 247,532	\$ (142,329)
Covered payroll	\$ 7,806,893	\$ 9,237,126	\$ 6,855,796	\$ 6,525,667	\$6,092,493
Contribution as a percentage of payroll	8.77%	13.65%	5.41%	8.98%	6.03%

Methods and Assumptions for Actuarially Determined Contributions

	Miscellaneous
Valuation Date:	June 30, 2020
Measurement Date:	June 30, 2021
Actuarial Cost Method:	Entry-Age Normal, Level % of pay
Amortization Method:	Level % of pay
Amortization Period:	17-year fixed period for 2021/22
Asset Valuation Method:	Market value of assets
Actuarial Assumptions:	
Discount Rate	6.75%
General Inflation	2.75%
Medical Trend	Non-Medicare - 7% for 2022, decreasing to an ultimate rate of 4% in 2076 Medicare (Kaiser) - 5.0% for 2022, decreasing to an ultimate rate of 4% in 2076 Medicare (Non-Kaiser) - 6.1% for 2022, decreasing to an ultimate rate of 4% in 2076
Mortality	CalPERS 1997-2015 experience study
Mortality Improvement	Mortality projected fully generational with Scale MP-2020

*GASB 75 was implemented in fiscal year ended June 30, 2018. Additional years will be added up to 10 years when information becomes available.

FAIRFIELD-SUISUN SEWER DISTRICT
Required Supplementary Information
June 30, 2022

Pension Plan

Schedule of Plan's Proportionate Share of the Net Pension Liability and Related Ratios as of the Measurement Date in Relation to PERF C Last Ten Fiscal Years*

	Fiscal Year End							
	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015 ¹
Measurement Date	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
District's proportion of the net pension liability	-0.02882%	0.05656%	0.07198%	0.06821%	0.06835%	0.06556%	0.06157%	0.06186%
District's proportionate share of the net pension liability	\$ (1,558,572)	\$ 6,153,622	\$ 7,376,274	\$ 6,572,464	\$ 6,778,010	\$ 5,673,350	\$ 4,225,956	\$ 3,849,298
District's covered payroll ²	\$ 6,392,656	\$ 6,436,028	\$ 6,123,141	\$ 6,051,649	\$ 6,038,180	\$ 5,170,000	\$ 5,638,769	\$ 5,638,769
District's proportionate share of the net pension liability as a percentage of covered-employee payroll	-24.38%	95.61%	120.47%	108.61%	112.25%	109.74%	74.94%	68.26%
Plan's fiduciary net position as a percentage of the plan's total pension liability	88.29%	75.10%	75.26%	75.26%	73.31%	74.06%	78.40%	79.82%

1. *GASB 68 was implemented in fiscal year ended June 30, 2015. Additional years will be added up to 10 years when information becomes available.

FAIRFIELD-SUISUN SEWER DISTRICT
Required Supplementary Information
June 30, 2022

Schedule of Proportionate Share of Employer Contributions
Last Ten Fiscal Years*

Contributions for the fiscal year ending:	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015 ¹
Actuarially determined contribution	\$ 1,299,678	\$ 1,288,185	\$ 1,253,996	\$ 1,099,426	\$ 1,004,247	\$ 958,408	\$ 822,449	\$ 975,423
Contributions in relation to the actuarially determined contribution	(3,299,678)	(3,288,185)	(3,253,996)	(1,099,426)	(1,004,247)	(958,408)	(822,449)	(975,423)
Contribution deficiency (Excess)	\$ (2,000,000)	\$ (2,000,000)	\$ (2,000,000)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll ²	\$ 7,514,120	\$ 6,392,656	\$ 6,436,028	\$ 6,123,141	\$ 6,051,649	\$ 6,038,180	\$ 5,170,000	\$ 5,638,769
Contributions as a percentage of covered payroll	43.91%	51.44%	50.56%	17.96%	16.59%	15.87%	15.91%	17.30%

1. Fiscal year ending June 30, 2015 was the 1st year of implementation

2. For the fiscal year ending on the date shown.

*GASB 68 was implemented in fiscal year ended June 30, 2015. Additional years will be added up to 10 years when information becomes available.

OTHER INDEPENDENT AUDITORS' REPORTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Fairfield-Suisun Sewer District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Fairfield-Suisun Sewer District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Fairfield-Suisun Sewer District's basic financial statements, and have issued our report thereon dated December 30, 2022.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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


CROPPER ACCOUNTANCY CORPORATION

Walnut Creek, California
December 30, 2022

FAIRFIELD-SUISUN SEWER DISTRICT

Statistical Section

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Financial Trends These schedules contain trend information to help the reader understand how the District's financial operation and performance have changed over time.	63-68
Revenue Capacity These schedules contain information to help the reader assess the District's most significant revenue sources.	69-70
Debt Capacity These schedules contain information to help the reader assess the District's current level of outstanding debt obligation and its ability to issue additional debt in the future. The District has no overlapping bonded debt.	71-73
Operating Information These schedules contain data to help the reader understand how the information in the District's financial report relates to the services it provides.	74-75
Economic and Demographic Information These schedules offer economic and demographic indicators to help the reader understand the environment within which the District's financial activities take place.	76-79

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FAIRFIELD-SUISUN SEWER DISTRICT

Financial Trends

Schedule 1 Condensed Statements of Net Position Last Ten Fiscal Years (\$000)

	Fiscal Year Ended June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Current and other assets	\$ 73,059	\$ 66,817	\$ 64,879	\$ 55,214	\$ 44,222	\$ 34,947	\$ 27,964	\$ 20,820	\$ 16,303	\$ 13,670
Capital assets	77,002	74,754	71,612	73,713	68,860	72,638	76,831	81,307	85,229	88,698
Total assets	150,061	141,571	136,491	128,927	113,082	107,585	104,795	102,127	101,532	102,368
Deferred charges on refunding		-	-	-	-	-	-	18	229	-
Deferred outflow - GASB 68	6,609	5,260	4,653	2,671	3,288	3,134	1,946	1,425	-	-
Deferred outflow - GASB 75 ¹	2,324	3,091	2,374	2,897	367	-	-	-	-	-
Total deferred outflows of resources	8,933	8,351	7,027	5,568	3,655	3,134	1,946	1,443	229	-
Long-term liabilities	12,035	20,587	23,439	25,185	16,620	13,786	14,040	14,179	13,340	15,263
Other liabilities	6,148	4,317	6,454	3,760	2,692	2,494	2,252	4,542	4,522	4,992
Total liabilities	18,183	24,904	29,893	28,945	19,312	16,280	16,292	18,721	17,862	20,255
Deferred inflow - GASB 68	1,452	1,175	432	340	324	438	886	1,048	-	-
Deferred inflow - GASB 75	2,131	1,454	168	214	-	-	-	-	-	-
Deferred inflow - Leases	781	-	-	-	-	-	-	-	-	-
Total deferred inflows of resources	4,364	2,629	600	554	324	438	886	1,048	-	-
Net position:										
Net investment in capital assets	66,119	63,077	58,331	59,386	60,275	64,207	66,632	68,306	69,507	71,649
Restricted										
Restricted for capital projects	15,076	12,431	8,568	5,374	5,250	3,876	785	1,078	313	265
Restricted for debt service	1,069	1,069	1,069	737	737	737	737	2,021	2,049	2,070
Restricted for major maintenance	36,945	40,577	40,567	33,755	14,951	15,390	9,730	5,690	2,487	951
Unrestricted	17,238	5,235	4,490	5,744	15,888	9,791	11,679	6,706	9,543	7,178
Total net position	\$ 136,447	\$ 122,389	\$ 113,025	\$ 104,996	\$ 97,101	\$ 94,001	\$ 89,563	\$ 83,801	\$ 83,899	\$ 82,113

Source: District Audited Financial Statements

FAIRFIELD-SUISUN SEWER DISTRICT

Financial Trends

Schedule 2

Condensed Statements of Revenues, Expenses, and Changes in Net Position

Last Ten Fiscal Years (\$000)

	Fiscal Year Ended June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Revenues:										
Service charges	\$ 30,965	\$ 29,227	\$ 29,028	\$ 27,549	\$ 26,046	\$ 25,904	\$ 23,351	\$ 23,067	\$ 20,881	\$ 19,445
Drainage fees	1,684	1,647	1,706	1,619	1,598	1,580	1,552	1,545	1,501	1,491
Interest income	451	576	1,164	923	519	260	96	61	50	50
Other ¹	(942)	78	1,240	956	194	222	212	219	596	178
Capacity fees	4,011	5,497	2,023	3,000	2,079	2,478	2,835	3,157	2,647	2,472
Federal grant - loan forgiveness	259	-	4,000	-	-	-	-	-	-	-
Total revenues	36,428	37,025	39,161	34,047	30,436	30,444	28,046	28,049	25,675	23,636
Expenses:										
Business operations	10,064	14,815	14,803	15,549	14,941	15,863	11,389	12,677	12,354	11,500
Sewer line maintenance	2,891	2,815	3,345	3,060	3,355	3,058	2,644	2,836	2,890	2,797
General and administrative	4,280	5,055	7,719	2,357	1,976	1,483	1,871	1,904	1,872	2,038
Billing and collection	700	667	647	621	594	572	549	528	511	493
Interest expense	272	335	260	224	238	311	404	489	526	606
Depreciation and amortization	4,168	3,974	4,358	4,341	4,449	4,719	4,911	5,370	5,736	5,807
Total expenses	22,375	27,661	31,132	26,152	25,553	26,006	21,768	23,804	23,889	23,241
Change in net position	14,053	9,364	8,029	7,895	4,883	4,438	6,278	4,245	1,786	395
Net position, beginning of period	122,389	113,025	104,996	97,101	94,001	89,563	83,801	83,899	82,113	81,718
Prior period adjustment, GASB 68	-	-	-	-	-	-	(516)	(4,343)	-	-
Prior period adjustment, GASB 75	-	-	-	-	(1,783)	-	-	-	-	-
Prior period adjustment, GASB 87	5	-	-	-	-	-	-	-	-	-
Net position, as restated	122,394	113,025	104,996	97,101	92,218	89,563	83,285	79,556	82,113	81,718
Net position, end of period	\$ 136,447	\$ 122,389	\$ 113,025	\$ 104,996	\$ 97,101	\$ 94,001	\$ 89,563	\$ 83,801	\$ 83,899	\$ 82,113
Statement of Net Position										
Net investment in capital assets	\$ 66,119	\$ 63,077	\$ 58,331	\$ 59,386	\$ 60,275	\$ 64,207	\$ 66,632	\$ 68,306	\$ 69,507	\$ 71,649
Restricted										
Restricted for capital projects	15,076	12,431	8,568	5,374	5,250	3,876	785	1,078	313	265
Restricted for debt service	1,069	1,069	1,069	737	737	737	737	2,021	2,049	2,070
Restricted for major maintenance	36,945	40,577	40,567	33,755	14,951	15,390	9,730	5,690	2,487	951
Unrestricted	17,238	5,235	4,490	5,744	15,888	9,791	11,679	6,706	9,543	7,178
Total net position	\$ 136,447	\$ 122,389	\$ 113,025	\$ 104,996	\$ 97,101	\$ 94,001	\$ 89,563	\$ 83,801	\$ 83,899	\$ 82,113

Note: Other revenues includes net increase (decrease) in fair value of investments

Source: District Audited Financial Statements

FAIRFIELD-SUISUN SEWER DISTRICT

Financial Trends

Schedule 3 Changes in Net Position Last Ten Fiscal Years (\$000)

	Fiscal Year Ended June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Revenues:										
Service charges	\$ 30,965	\$ 29,227	\$ 29,028	\$ 27,549	\$ 26,046	\$ 25,904	\$ 23,351	\$ 23,067	\$ 20,881	\$ 19,445
Drainage fees	1,684	1,647	1,706	1,619	1,598	1,580	1,552	1,545	1,501	1,491
Interest income	451	576	1,164	923	519	260	96	61	50	50
Other ^a	(942)	78	1,240	956	194	222	212	219	596	178
Capacity fees	4,011	5,497	2,023	3,000	2,079	2,478	2,835	3,157	2,647	2,472
Federal grant - loan forgiveness	259	-	4,000	-	-	-	-	-	-	-
Total revenues	36,428	37,025	39,161	34,047	30,436	30,444	28,046	28,049	25,675	23,636
Expenses:										
Business operations	10,064	14,815	14,803	15,549	14,941	15,863	11,389	12,677	12,354	11,500
Sewer line maintenance	2,891	2,815	3,345	3,060	3,355	3,058	2,644	2,836	2,890	2,797
General and administrative	4,280	5,055	7,719	2,357	1,976	1,483	1,871	1,904	1,872	2,038
Billing and collection	700	667	647	621	594	572	549	528	511	493
Interest expense	272	335	260	224	238	311	404	489	526	606
Depreciation	4,168	3,974	4,358	4,341	4,449	4,719	4,911	5,370	5,736	5,807
Total expenses	22,375	27,661	31,132	26,152	25,553	26,006	21,768	23,804	23,889	23,241
Change in net position	\$ 14,053	\$ 9,364	\$ 8,029	\$ 7,895	\$ 4,883	\$ 4,438	\$ 6,278	\$ 4,245	\$ 1,786	\$ 395

Note: Other revenues includes net increase (decrease) in fair value of investments

Source: District Audited Financial Statements

FAIRFIELD-SUISUN SEWER DISTRICT

Financial Trends

Schedule 4 Net Position by Component Last Ten Fiscal Years (\$000)

	Fiscal Year Ended June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Net position:										
Net investment in capital assets	\$ 66,119	\$ 63,077	\$ 58,331	\$ 59,386	\$ 60,275	\$ 64,207	\$ 66,632	\$ 68,306	\$ 69,507	\$ 71,649
Restricted	53,090	54,077	50,204	39,866	20,938	20,003	11,252	8,789	4,849	3,286
Unrestricted	17,238	5,235	4,490	5,744	15,888	9,791	11,679	6,706	9,543	7,178
	<u>\$ 136,447</u>	<u>\$ 122,389</u>	<u>\$ 113,025</u>	<u>\$ 104,996</u>	<u>\$ 97,101</u>	<u>\$ 94,001</u>	<u>\$ 89,563</u>	<u>\$ 83,801</u>	<u>\$ 83,899</u>	<u>\$ 82,113</u>

Source: District Audited Financial Statements

FAIRFIELD-SUISUN SEWER DISTRICT

Financial Trends

Schedule 5

Expenses by Classification

Last Ten Fiscal Years

(Excludes capital expenditures)

Year Ended June 30,	Total	Operating Expenses					Nonoperating
		Business Operations	Sewer Line Maintenance	General & Administrative	Billing & Collection	Depreciation & Amortization	Interest Expense
2012	\$ 26,079,154	\$ 12,685,852	\$ 2,779,967	\$ 2,592,127	\$ 474,598	\$ 6,892,033	\$ 654,577
2013	23,241,874	11,500,305	2,797,256	2,037,747	493,560	5,806,604	606,402
2014	23,890,305	12,353,729	2,890,484	1,872,155	510,901	5,736,618	526,418
2015	23,804,570	12,676,976	2,836,351	1,904,179	527,945	5,369,653	489,466
2016	21,767,976	11,388,630	2,644,369	1,871,275	548,613	4,911,240	403,849
2017	26,004,419	15,863,010	3,057,863	1,482,397	572,075	4,718,543	310,531
2018	25,553,526	14,940,913	3,354,563	1,975,825	594,247	4,449,438	238,540
2019	26,152,009	15,549,518	3,060,300	2,356,610	620,929	4,340,674	223,978
2020	31,133,094	14,803,087	3,345,091	7,719,292	647,226	4,357,994	260,404
2021	27,660,682	14,814,798	2,814,501	5,055,105	667,098	3,974,168	335,012
2022	22,374,757	10,064,002	2,890,425	4,280,002	700,164	4,168,237	271,927

Source: District Audited Financial Statements

FAIRFIELD-SUISUN SEWER DISTRICT

Financial Trends

Schedule 6 Revenues by Sources Last Ten Fiscal Years (Including interest)

Year Ended June 30,	Operating Revenues				Nonoperating Revenues		Contributed Capital	
	Total	Sewer Service Charges	Drainage Fees	Other	Interest Income	Other (1)	Capacity Fees	Loan Forgiveness/ Federal Grant
2012	\$ 22,305,730	\$ 19,114,963	\$ 1,486,129	\$ 1,684	\$ 51,669	\$ 246,076	\$ 1,405,209	\$ -
2013	23,637,581	19,445,408	1,491,470	50,675	50,574	127,667	2,471,787	-
2014	25,676,277	20,881,091	1,501,074	485,290	49,759	111,506	2,647,557	-
2015	28,049,378	23,066,724	1,545,538	34,596	61,196	184,481	3,156,843	-
2016	28,028,751	23,351,121	1,551,786	3,654	95,688	191,437	2,835,065	-
2017	30,442,600	25,904,084	1,580,378	28,981	259,750	191,084	2,478,323	-
2018	30,618,728	26,046,503	1,598,012	1,775	519,249	374,541	2,078,648	-
2019	34,046,479	27,548,719	1,618,819	284,679	922,968	671,302	2,999,992	-
2020	35,162,093	29,028,821	1,706,076	286,695	1,164,907	952,984	2,022,610	4,000,000 (2)
2021	37,025,452	29,227,168	1,646,905	392,040	575,666	(313,795)	5,497,468	-
2022	36,426,937	30,964,630	1,684,123	454,010	450,517	(1,395,896)	4,010,835	258,718

(1) Includes net increase (decrease) in fair value of investments.

(2) Federal loan forgiveness related to the Blower Project

Source: District Audited Financial Statements

FAIRFIELD-SUISUN SEWER DISTRICT

Revenue Capacity

Schedule 7 Monthly Sewer Service Charges Last Ten Fiscal Years

Fiscal Year	Residential (a)	Commercial (b)
2011-12	\$ 28.21	\$ 2.14
2012-13	28.21	2.14
2013-14	30.46	2.35
2014-15	32.71	2.56
2015-16	34.56	2.73
2016-17	36.35	2.90
2017-18	37.65	3.00
2018-19	39.00	3.11
2019-20	40.40	3.22
2020-21	41.85	3.34
2021-22	43.35	3.46



- (a) Residential customers are billed a flat rate per month, per dwelling unit.
- (b) Commercial customers are billed based on water usage, per hundred cubic feet.

The District completes a Cost of Service and Rate Study and adopts rates every five years. The most recent rates were adopted on March 17, 2017 and are effective through FY 2021-22.

Source: District rate ordinance

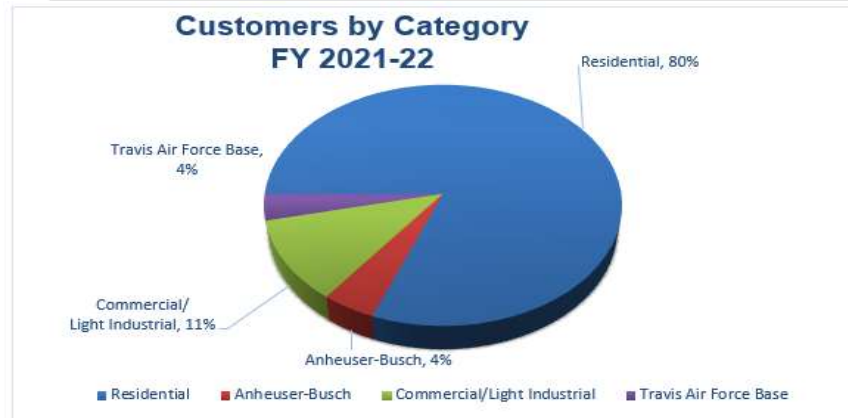
FAIRFIELD-SUISUN SEWER DISTRICT

Revenue Capacity

Schedule 8

Service Area of Principal Customers and Percentage of Total Sewer Service Charges

		Fiscal Years Ended June 30,									
		2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total sewer service charges \$000		\$ 30,965	\$ 29,227	\$ 29,028	\$ 27,549	\$ 26,047	\$ 25,904	\$ 23,351	\$ 23,067	\$ 20,881	\$ 19,445
User	Type										
Travis Air Force Base	Military Base	3.51%	3.03%	3.31%	4.75%	3.87%	4.76%	3.73%	3.92%	4.18%	4.58%
Anheuser-Busch	Brewery	4.40%	4.21%	3.93%	4.23%	3.65%	5.86%	4.21%	4.39%	5.43%	5.94%
Courage Production	Manufacturing	0.19%	0.21%	0.47%	0.36%	0.79%	0.47%	1.08%	0.54%	0.93%	0.85%
Producers Dairy Foods	Dairy	2.08%	1.39%	1.82%	1.06%	0.77%	0.95%	1.06%	0.73%	1.82%	0.97%
Paradise Valley Estates	Housing	0.55%	0.56%	0.54%	0.58%	0.56%	0.46%	0.58%	0.55%	0.57%	0.57%
Pointe Fairfield Venture, LLC	Housing	0.49%	0.50%	0.49%	0.53%	0.49%	0.49%	0.52%	0.50%	0.51%	0.51%
Rolling Oaks 88 LP	Housing	0.49%	0.50%	0.48%	0.52%	0.46%	0.49%	0.51%	0.49%	0.51%	0.51%
Verdant at Green Valley	Housing	0.48%	0.49%	0.46%	0.51%	0.45%	0.00%	0.00%	0.00%	0.00%	0.00%
Ball Metal Corporation	Manufacturing	0.28%	0.50%	0.35%	0.29%	0.42%	0.66%	0.79%	0.85%	0.74%	0.69%
Dover Woods Senior Apts.	Housing	0.34%	0.38%	0.36%	0.36%	0.33%	0.34%	0.00%	0.34%	0.34%	0.35%
United Mobile Homeowners	Housing	0.35%	0.36%	0.34%	0.38%	0.33%	0.35%	0.37%	0.36%	0.36%	0.37%
Jelly Belly Candy Co.	Manufacturing	0.20%	0.18%	0.29%	0.30%	0.32%	0.34%	0.35%	0.32%	0.32%	0.33%
Amcor Pet Packing	Manufacturing	0.59%	0.60%	0.54%	0.59%	0.31%	0.74%	0.70%	0.58%	0.58%	0.51%
Pacific Estates	Housing	0.29%	0.30%	0.29%	0.31%	0.28%	0.29%	0.31%	0.29%	0.30%	0.30%
Ardagh	Manufacturing	0.45%	0.49%	0.42%	0.29%	0.29%	0.25%	0.23%	0.23%	0.25%	0.21%
		14.71%	13.71%	14.09%	15.06%	13.34%	16.46%	14.44%	14.09%	16.86%	16.70%



Source: City of Fairfield and District billing records

FAIRFIELD-SUISUN SEWER DISTRICT

Debt Capacity

Schedule 9 Pledged-Revenue Coverage Last Ten Fiscal Years

Year Ended June 30,	Gross Revenues	Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements	Debt Coverage %
	(1)	(2)		(3)	(4)
2013	\$ 23,637,581	\$ 16,828,868	\$ 6,808,713	\$ 3,163,638	215%
2014	25,676,277	17,627,269	8,049,008	3,160,188	255%
2015	28,049,378	17,945,451	10,103,927	3,244,839	311%
2016	28,028,751	16,452,887	11,575,864	3,242,767	357%
2017	30,442,600	20,975,345	9,467,255	2,080,299	455%
2018	30,618,728	20,865,548	9,753,180	737,038	1323%
2019	34,046,479	21,587,357	12,459,122	737,038	1690%
2020	35,162,093	26,514,696	8,647,397	1,068,895	809%
2021	37,025,452	23,351,502	13,673,950	1,068,895	1279%
2022	36,426,937	17,934,593	18,492,344	1,068,895	1730%

(1) Includes capacity fees.

(2) Does not include depreciation and amortization.

(3) Highest annual debt service payment due on the remaining life of the bonds.

(4) Bond covenant requires that net revenue be at least 115% of debt service requirement.

Source: District's Audited Financial Statements and Accounting Records

FAIRFIELD-SUISUN SEWER DISTRICT

Debt Capacity

Schedule 10 Summary of Debt Service Payments Last Ten Fiscal Years

Year Ended June 30,	City of Fairfield Reimbursement Agreement	State Revolving Fund Loan	2010 Sewer Refunding Bonds	Total Debt Service
2013	\$ -	\$ 737,038	\$ 2,426,600	\$ 3,163,638
2014	-	737,038	2,423,150	3,160,188
2015	81,651	737,038	2,426,150	3,244,839
2016	81,651	737,038	2,424,078	3,242,767
2017	1,343,261	737,038	-	2,080,299
2018	-	737,038	-	737,038
2019	-	737,038	-	737,038
2020	-	737,038	-	737,038
2021	-	1,070,056	-	1,070,056
2022	-	1,070,056	-	1,070,056
Total	\$ 1,506,563	\$ 6,638,557	\$ 14,551,721	\$ 19,242,958

Debt Capacity: The District may issue or incur new debt on a parity basis if the sum of audited net sewer enterprise revenues for the prior fiscal year, plus 75% of estimated increases in net revenues due to rate increases in effect before the District issues or incurs the new parity obligations (but not in effect during the prior fiscal year), equals at least 115% of the combined maximum annual payment.

Source: District's Audited Financial Statements and Accounting Records

FAIRFIELD-SUISUN SEWER DISTRICT

Debt Capacity

Schedule 11 Ratios of Outstanding Debt by Type Last Ten Fiscal Years

Year Ended June 30,	City of Fairfield Reimbursement Agreement (3)	State Revolving Fund Loan	2010 Sewer Refunding Bonds (1)	Total Outstanding Debt	Population Served (2)	Debt per Capita
2013	\$ -	\$ 10,278,861	\$ 6,708,276	\$ 16,987,137	136,441	125
2014	1,330,000	9,836,728	4,783,581	15,950,309	133,432	120
2015	1,308,199	9,381,681	2,311,516	13,001,396	138,567	94
2016	1,285,417	8,913,340	-	10,198,757	141,728	72
2017	-	8,431,319	-	8,431,319	143,452	59
2018	-	8,585,219	-	8,585,219	145,348	59
2019	-	14,976,452	-	14,976,452	148,991	101
2020	-	12,440,576	-	12,440,576	146,100	85
2021	-	11,677,087	-	11,677,087	146,887	79
2022	-	10,883,153	-	10,883,153	148,793	73

- (1) Refunded in fiscal year 2009/10
- (2) Refer to Schedule 15
- (3) Paid in full in July 2017

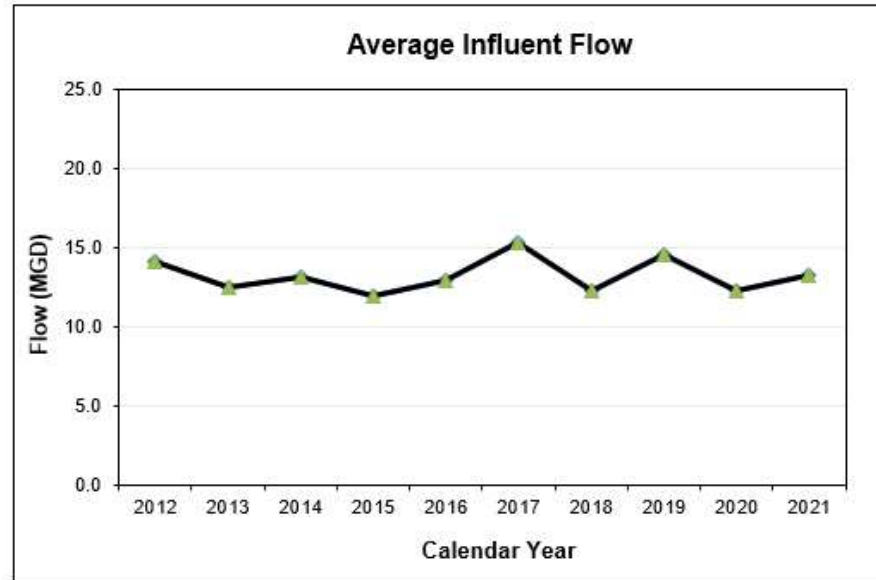
Source: District's Audited Financial Statements and Accounting Records

FAIRFIELD-SUISUN SEWER DISTRICT

Operating Information

Schedule 12 Average Annual Influent Flow

Year (Calendar)	Flow (MGD)*
2012	14.1
2013	12.5
2014	13.1
2015	12.0
2016	12.9
2017	15.4
2018	12.3
2019	14.6
2020	12.3
2021	13.3



*Million gallons per day

Source: District's Regulatory Department
 Data for calendar year 2022 is not available as of fiscal year-end date.

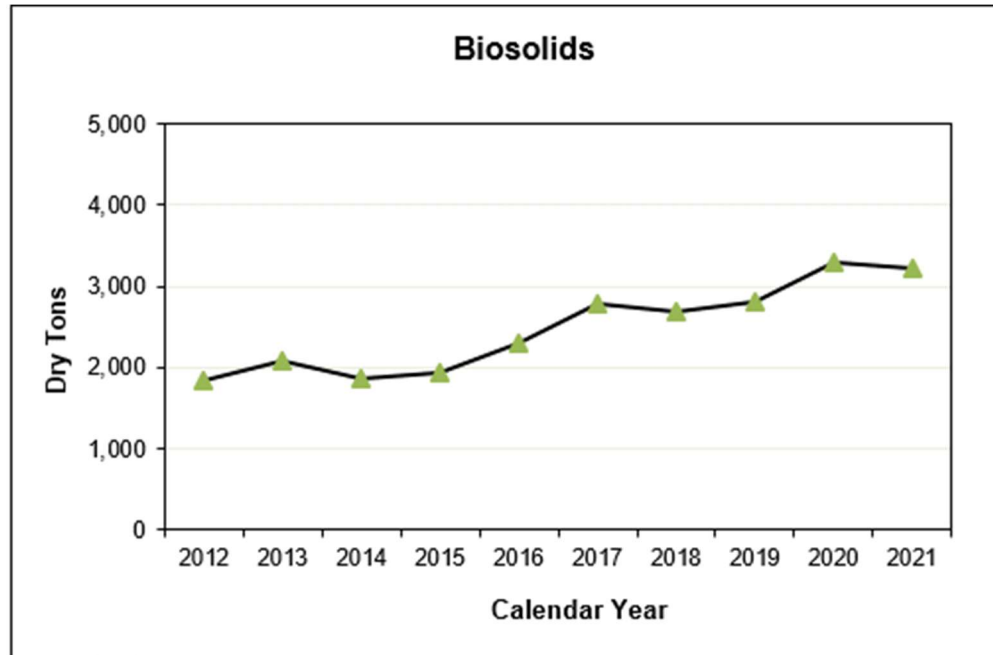
FAIRFIELD-SUISUN SEWER DISTRICT

Operating Information

Schedule 13 Biosolids Disposal

Biosolids (Sludge) Hauled/Produced

Year (Calendar)	Dry Metric Tons
2012	1,845
2013	2,073
2014	1,859
2015	1,939
2016	2,284
2017	2,777
2018	2,691
2019	2,802
2020	3,296
2021	3,221



Annual biosolids disposal is derived by totaling the tons of biosolids removed from the treatment plant each year. Inter-annual variability results when on-plant storage is used to a greater or lesser extent year to year.

Source: District's Regulatory Department
Data for calendar year 2022 is not available as of fiscal year-end date.

FAIRFIELD-SUISUN SEWER DISTRICT

Economic and Demographic Information

Schedule 14 Population Served Last Ten Fiscal Years

Year	City of Fairfield	City of Suisun City	Total Served	% Change
2013	108,207	28,234	136,441	1.6%
2014	105,321	28,111	133,432	-2.2%
2015	110,018	28,549	138,567	3.8%
2016	112,637	29,091	141,728	2.3%
2017	114,157	29,295	143,452	1.2%
2018	116,156	29,192	145,348	1.3%
2019	117,149	29,447	146,596	0.9%
2020	116,981	29,119	146,100	-0.3%
2021	118,005	28,882	146,887	0.5%
2022	119,897	28,896	148,793	1.3%

Source: State of California Department of Finance

FAIRFIELD-SUISUN SEWER DISTRICT

Economic and Demographic Information

Schedule 15 Major Employers (Current year compared to nine years ago)

Firm Name	Type of Business	Employees	Ranking	% of Total	Employees	Ranking	% of Total
		2021		City of Fairfield Employment	2012		City of Fairfield Employment
Travis Air Force Base	Military Base	12,864	1	27%	14,353	1	29%
County of Solano	Government	3,133	2	6%	2,850	2	6%
NorthBay Medical Center	Hospital	2,824	3	6%	1,115	4	4%
Fairfield-Suisun Unified School District	Education	2,235	4	5%	2,000	3	4%
City of Fairfield	Government	602	5	1%	484	6	1%
Jelly Belly Candy Co.	Candy & Confections	426	6	1%	461	8	1%
Paradise Valley Estates	Housing	401	7	1%			
FedEx Ground Package System Inc. #945	Transportation/Shipping	396	8	1%			
Walmart Supercenter #2048	Retail	369	9	1%			
Partnership HealthPlan	Insurance	350	10	1%			
Solano Community College	Education				650	5	1%
Sutter Regional Medical Foundation	Medical				475	7	1%
Westamerica Bank	Corporate Headquarters				407	9	1%
Pride Industries	Social Enterprise				343	10	1%

Note: City of Fairfield Annual Comprehensive Financial Report for the year ended June 30, 2022 not yet available. Data presented is from the prior year.

Source: City of Fairfield Annual Comprehensive Financial Report and California Employment Development Department

FAIRFIELD-SUISUN SEWER DISTRICT

Economic and Demographic Information

Schedule 16

Full-Time District Employees by Program Last Ten Fiscal Years

Function/Program	Fiscal Year Ended June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Engineering and Construction (1)	8.5	8.5	6	6	6	6	6	6	7	7
Administration (3)	8	8	6	6	6	6	7.5	7	7	7
Regulatory (2)	5	5	4	4	4	4.5	4.5	4.5	4.5	4.5
Safety (4)	0	0	1	1	1	1	1	1	1	1
Operation and Maintenance	40	40	40	40	40	40	39	40.5	41	41
	<u>61.5</u>	<u>61.5</u>	<u>57</u>	<u>57</u>	<u>57</u>	<u>57.5</u>	<u>58.0</u>	<u>59.0</u>	<u>60.5</u>	<u>60.5</u>

Billing and collection functions are contracted out to third parties.

(1) This includes engineering technicians and inspectors

(2) This includes laboratory and source control. The Laboratory program was brought in-house in June 2007.

(3) Administration consists of the General Manager and Administrative Services Department, which includes Finance, Human Resources, and Information Technology.

(4) Starting in 2021, the Safety function is handled by Regulatory and Administration.

Source: Fairfield-Suisun Sewer District

FAIRFIELD-SUISUN SEWER DISTRICT

Economic and Demographic Information

Schedule 17 Other Information

General	
Service area	City of Fairfield City of Suisun City
Governing body	Council members of both cities
Chief executive officer	General Manager
Date of formation	May 5, 1951
Type of service	Sewage collection, treatment and disposal and drainage maintenance
Number of full-time employees	61.5
District population	148,793
Wastewater Facilities	
Area served (square miles)	45
Number of treatment plant(s)	1
Number of pump stations	13
Permitted dry weather capacity	23.70 MGD
Average dry weather flow	11.10 MGD
Miles of sewer (12-inch and larger)	85
Stormwater Facilities	
Area served (square miles)	45
Number of pump stations	7

Source: *Fairfield-Suisun Sewer District*