



# Annual Comprehensive Financial Report

For the Year Ended June 30, 2024



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

[www.FairfieldSuisunSewer.ca.gov](http://www.FairfieldSuisunSewer.ca.gov)

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# **Annual Comprehensive Financial Report**

**For the Year Ended June 30, 2024**

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 Chadbourn Rd, Fairfield, CA 94534  
[www.fairfieldsuisunsewer.ca.gov](http://www.fairfieldsuisunsewer.ca.gov)

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**Fairfield-Suisun Sewer District**  
Annual Comprehensive Financial Report  
For the Year Ended June 30, 2024

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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 zoogelal 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 Chadbourn Road • Fairfield, California 94534 • (707) 429-8930 • [www.FairfieldSuisunSewer.ca.gov](http://www.FairfieldSuisunSewer.ca.gov)

December 23, 2024

Board of Directors and Residents  
Fairfield-Suisun Sewer District  
Fairfield, California

**Subject: Letter of Transmittal**  
Annual Comprehensive Financial Report  
For the Year Ended June 30, 2024

It is a pleasure to submit the Fairfield-Suisun Sewer District's Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2024. 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 fairly present the financial position and results of the District. 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 and portions of unincorporated Solano County. 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's enabling act language was amended, 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 enabling act language was amended, 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 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 members of the two cities' city councils. 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, a city in Solano County, California. Fairfield and Suisun City 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 and adjacent to the Suisun Marsh, the largest contiguous brackish water wetland in California. 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 or bi-monthly basis. Revenues received from commercial and industrial customers comprise the remaining 20 percent of the total Sewer Service Charges.

The combined population served in the City of Fairfield and City of Suisun City is 149,179 as of January 1, 2024. The unemployment rate for Fairfield and Suisun City is 5.2 percent as of June 2024. 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.

In Fiscal Year (FY) 2023-24, Sewer Service Charges for residential, commercial and industrial customers increased by 5.0 percent. The District completed a Cost of Service and Rate Study in January 2022, and subsequently held a public hearing adopting a five-year rate schedule in March 2022. The first year of the five-year rate schedule was effective July 1, 2022. The cities of Fairfield and Suisun City are projecting continued residential growth over the next several years, with an estimated 2,024 single and multi-family homes to be added through FY 2027-28.

Guided by its long-term financial planning and policy of building and drawing down reserves, the District has remained fiscally stable 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 20, 2024 the Board of Directors adopted the FY 2024-25 Budget and Long-Term Financial Plan.

### **Major Initiatives**

The District is proactive in planning for major maintenance, replacements, and upgrades, as well as researching innovative infrastructure solutions. During FY 2023-24, the District progressed work on several significant projects and planning activities, detailed below:

#### ***Suisun Force Main Reliability Project***

The Suisun Force Main Reliability Project is the largest project in the District's Long-Term Financial Plan adopted in May 2024, totaling \$31.0 million between FY 2024-25 and FY 2026-27. The Board of Directors awarded the design contract for the Suisun Force Main Reliability Project in September 2023.

This project involves the design, construction, and inter-agency and community coordination of a new major pressurized wastewater pipeline between the Suisun Pump Station, in Central Suisun City, and Central Pump Station, in southern Fairfield. This critical pipeline will convey raw wastewater away from Suisun City, Travis Air Force Base, and parts of the City of Fairfield towards the District's Treatment Plant. Currently, there is a single pipeline that conveys wastewater flows to the Treatment Plant from Suisun Pump

Station. This pipeline is nearing its expected useful life and the Suisun Pump Station is nearing its hydraulic capacity.

Design of the project is expected to be completed in the summer of 2025, with the construction contract expected to be let for bids in the fall of 2025. Construction will likely take two summer seasons to complete.

### ***Aeration Basin Improvements Project (Phase 1)***

In 2023, the District hired a consultant to help plan wastewater treatment plant upgrades to allow the District to comply with a new Nutrient Watershed Permit from the San Francisco Bay Regional Water Quality Control Board, which requires a 40 percent reduction in nitrogen discharged in the District's effluent by 2035. That planning work resulted in the Aeration Basin Improvement Project, a multi-phase project which will modify the District's secondary treatment process to optimize for nitrogen removal. The District issued a design contract for Phase 1 in May 2024 to advance the project, and design is currently ongoing.

Design of the project is expected to be completed in January 2025, with the construction contract expected to be let for bids in February 2025.

### ***Kellogg Resiliency Project***

In 2022 and 2023, the District and Suisun City jointly conducted a community co-design process for improvements at the Kellogg Stormwater Pump Station site. The goals of the project included improving firefighting access at the City/Marsh interface, reducing flood risk to property within Suisun City, and creating stormwater treatment facilities to comply with a municipal regional stormwater permit.

In March 2023, the Board of Directors authorized the General Manager to apply to the State Water Resources Control Board to receive a Directed Assistance Grant for the Kellogg Resiliency Project. Funds were appropriated in the State of California's Budget Act of 2022. In October 2023, the agreement was issued and executed (Agreement #D2201012) in the amount of \$8.6 million. The grant is to fund the planning, design, and construction of the Kellogg Resiliency Project.

In January 2024, the Board of Directors authorized staff to enter an agreement with the responsive proposer for the Design, Engineering, and Permitting of the Kellogg Resiliency Project. Design of the project is expected to be completed in January 2025, with the construction contract expected to be let for bids immediately following design completion.

### ***Community Treatment Wetland***

In FY 2023-24, the District received a subaward of \$0.3 million in Environmental Protection Agency (EPA) Water Quality Improvement Funds (WQIF) from the San Francisco Estuary Partnership (SFEP) for conceptual plan development of a community

treatment wetland. Design activities have progressed throughout 2024, including the development of alternative designs, a community and stakeholder engagement process, and creation of a research plan and conceptual design documents. The current phase of the project, and utilization of the subawarded funds, will be completed by the end of 2024.

The District also received a \$4.1 million grant directly from the EPA WQIF for the Beneficial Baylands project, which will be used to further improve nitrogen treatment at the District's wastewater treatment plant for regulatory compliance, and a portion will be subawarded to the San Francisco Estuary Institute (SFEI) to further support the development of nature-based resilience and treatment solutions across the Bay Area.

### ***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 or 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 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 demolishing 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.

The Bioenergy Generation Project is one of the District's largest Capital Improvement Program projects. The District anticipates completion in fall of 2025, with some uncertainty relating to the timing of final inspection and approval by PG&E.

### ***Electrical Replacement Project Phase 2***

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 several 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.

District staff are currently working on Phase 2 of the Electrical Replacement project, which includes the replacement of a critical electrical substation at the treatment plant and

adding a standby electrical generator at the District's largest wastewater pump station. In October 2022, the Board authorized District staff to proceed with the pre-purchase of a prefabricated electrical equipment building and related electrical equipment for the wastewater treatment plant and the pre-purchase of a new standby power system and related electrical equipment for the Suisun Pump Station to proactively address long equipment lead times and prevent supply chain delays. Pre-purchased equipment is still being manufactured and has not yet been delivered to the District. Meanwhile, the District continues to develop a design to install, connect, and commission all of the new electrical gear. The construction contract for the Electrical Replacement Project Phase 2 is anticipated to be let for bids in summer of 2025.

### ***Collection System Rehabilitation and Replacement***

In 2022, the District finalized its Collection System Asset Management Plan, studying the long-term funding needs of rehabilitating and replacing the 70 miles of underground sewer pipes that the District owns and operates. The funding need was incorporated into the District's 2022 Rate Study.

From 2022 through 2024, District staff worked to develop a program to evaluate, prioritize, design, repair, and replace aging sewer infrastructure in a proactive and sustainable manner. In 2024, the first five years of annual projects were identified, and design has been initiated on the first several projects. The first construction contract, consisting primarily of trenchless lining rehabilitation, is anticipated to be let for bids in the spring of 2025. The second construction contract, which includes replacement of failing sewers through a busy intersection in Fairfield, is currently being designed and will be let for bids in FY 2025-26. It is anticipated that new projects will be executed approximately annually to proactively manage aging sewer assets.

### **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. Management believes 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. Davis Farr, LLP 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 California Association of Sanitation Agencies (CASA), the California Water Environment Association (CWEA) and its local chapter, 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 project and personnel achievements. The District recently received the NACWA Platinum Award for ten continuous years of zero discharge permit violations. The District also received its first Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA) for the FY 2024-25 Budget and Long-Term Financial Plan.

GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the District its ACFR for the fiscal year ended June 30, 2023. This was the District's 25<sup>th</sup> consecutive year receiving the prestigious national award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized ACFR. 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. Staff believes the current ACFR continues to meet the Certificate of Achievement Program's requirements and will submit the current year report to GFOA.

## 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,



Jordan Damerel, P.E.  
General Manager/District Engineer



James Russell-Field, CPA  
Director of Administrative Services

# **Fairfield-Suisun Sewer District**

## Principal Officials as of June 30, 2024

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### **Board of Directors**

Rick Vaccaro, President

Alma Hernandez, Vice President

Douglas Carr

Jenalee Dawson

Catherine Moy

Marlon Osum

Amit Pal

Doriss Panduro

Scott Tonnesen

Princess Washington

Pam Bertani, First Alternate

K. Patrice Williams, 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 Kraft, Human Resources Manager

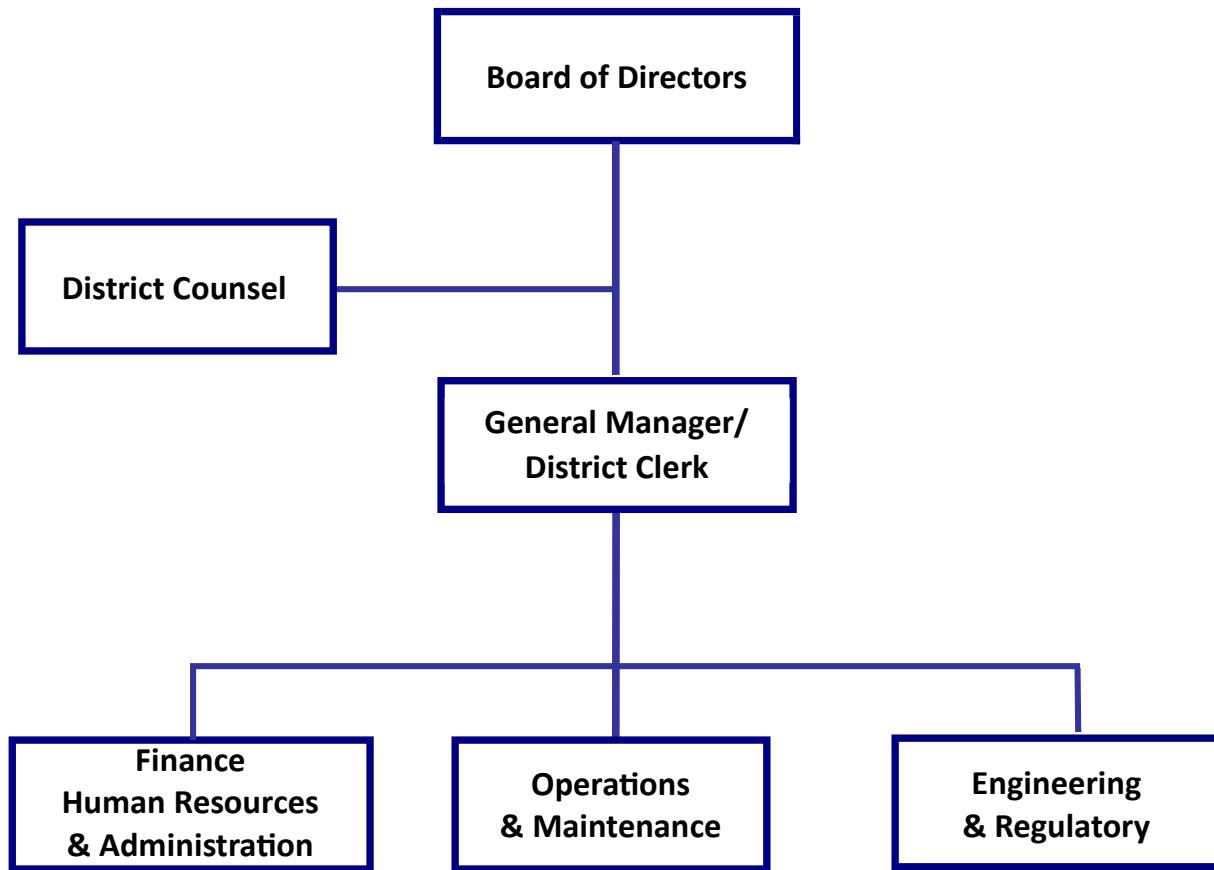
### **District Counsel**

Carrie Blacklock

# Fairfield-Suisun Sewer District

## Organization

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

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Government Finance Officers Association

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

Presented to

**Fairfield-Suisun Sewer District  
California**

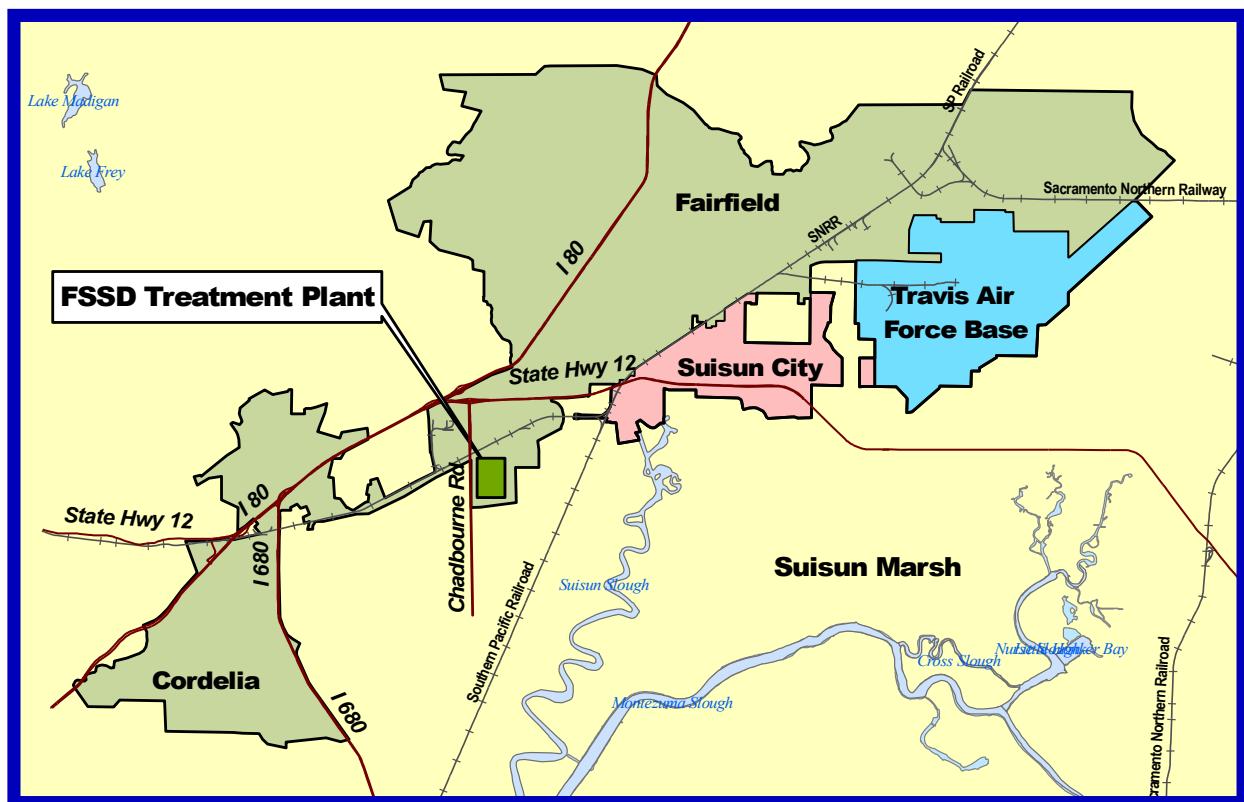
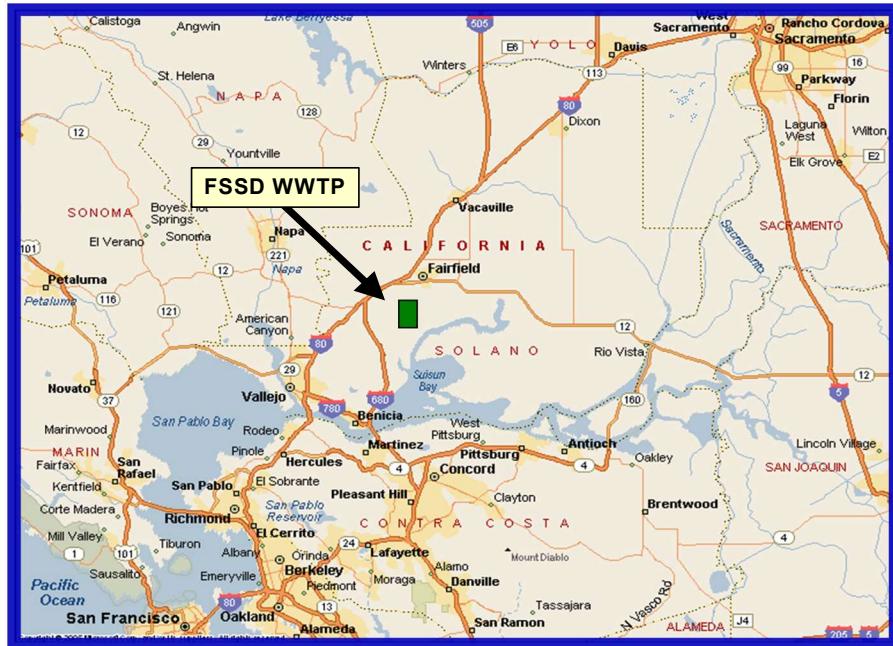
For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2023

*Christopher P. Morrell*

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. The District's 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 Auditor's Report

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

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Fairfield-Suisun Sewer District (District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the District, as of June 30, 2024, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 opinion.

#### ***Responsibilities of Management for the Financial Statements***

Fairfield-Suisun Sewer District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about District's ability to continue as a going concern for one year after the date that the financial statements are issued.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the 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, pension and other post-employment benefit schedules* 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 Comprehensive Financial Report. The other information comprises the *introductory section* and *statistical section* but does not include the financial statements and our auditor's report thereon. Our opinions on the 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 financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the 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 23, 2024 on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Davis Farr LLP*

Irvine, California  
December 23, 2024

# Fairfield-Suisun Sewer District

## Management's Discussion and Analysis

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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, 2024. 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.

The 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.

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,

# Fairfield-Suisun Sewer District

## Management's Discussion and Analysis

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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 5.5%
- Deferred outflows of resources decreased by 5.3%
- Total liabilities increased by 5.0%
- Deferred inflows of resources decreased by 10.7%
- Total net position increased by 5.5%
- Total revenues increased by 9.8%, and Sewer Capacity Charges increased by 76.9%
- Total expenses decreased by 7.3%.

# Fairfield-Suisun Sewer District

## Management's Discussion and Analysis

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### Financial Analysis

The following is the District's Condensed Statement of Net Position for fiscal year ended June 30, 2024 as compared to the fiscal year ended June 30, 2023:

(\$000)	Fiscal Year Ended June 30,		Increase	Percent
	2024	2023	(Decrease)	(Decrease)
Current and other assets	\$ 71,234	\$ 70,761	\$ 473	0.7%
Capital assets	89,381	81,532	7,849	9.6%
Total assets	160,615	152,293	8,322	5.5%
Deferred outflow of resources	8,717	9,208	(491)	-5.3%
Current and other liabilities	8,923	6,829	2,094	30.7%
Long-term liabilities	15,524	16,449	(925)	-5.6%
Total liabilities	24,447	23,278	1,169	5.0%
Deferred inflow of resources	3,478	3,896	(418)	-10.7%
<b>Net position</b>				
Net investment in capital assets	79,357	71,435	7,922	11.1%
Restricted				
Restricted for capital projects	18,144	14,571	3,573	24.5%
Restricted for debt service	1,070	1,070	-	0.0%
Restricted for major maintenance	21,591	31,288	(9,697)	-31.0%
Restricted for City collection system reserves	4,623	2,446	2,177	89.0%
Unrestricted	16,622	13,517	3,105	23.0%
Total net position	\$ 141,407	\$ 134,327	\$ 7,080	5.3%

- *Current and other assets* increased by \$0.5 million, or 0.7 percent. This increase was primarily due to a \$3.3 million increase in Cash and Equivalents as a result of favorable interest rates and an increase in cash received for one-time Sewer Capacity Charges, offset by a \$2.3 million decrease in accrued receivables due to a one-time true-up receivable for Sewer Service Charges from the City of Fairfield in the prior fiscal year.
- *Capital assets* increased by \$7.9 million, or 9.6 percent, primarily due to a \$6.9 million increase in capital assets from transfers to fixed assets for the Major Maintenance Project, HVAC Upgrades, Digester No. 1 Structural Rehabilitation, Tertiary Filter 4 and 5 Variable Fixed Drive Replacement, and the Admin Server Replacement, and a net increase in Construction in Progress totaling \$5.4 million. The additions to capital assets were offset by an increase in accumulated depreciation and amortization of \$4.1 million.

# Fairfield-Suisun Sewer District

## Management's Discussion and Analysis

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- *Deferred outflows of resources* represent transactions related to GASB No. 68 (pension) and No. 75 (OPEB) and are adjusted each year based on actuarial assumptions. The decrease in deferred outflows of resources of 5.3 percent consisted of a decrease of \$1.0 million related to OPEB plan and an increase of \$0.5 million related to the pension plan.
- *Current and other liabilities* increased by \$2.1 million, or 30.7 percent, primarily due to a \$1.5 million increase in accrued expenses related to year-end accounts payable, a \$0.4 million increase in retention payable associated with construction contracts, and a \$0.1 million increase in the current portion of compensated absences payable related to accrued leave balances.
- *Long-term liabilities* decreased by \$0.9 million, or 5.6 percent, due to a decrease of \$1.1 million in the net OPEB liability due to prior year deferred outflows recognized as a reduction in the liability during FY 2023-24, a decrease of \$0.8 million due to continued payments on long-term SRF debt obligations, and a \$1.0 million increase in the District's net pension liability due to an increase in the District's proportionate share of the CalPERS Miscellaneous Risk Pool.
- *Deferred inflows of resources* represent transactions related to GASB No. 68 (pension), GASB No. 75 (OPEB) and GASB No. 87 (leases). The 10.7 percent decrease in deferred inflows of resources consisted of decreases of \$0.3 million (18.2 percent) related to OPEB and \$0.1 million (6.9 percent) related to leases.
- *Restricted net position* represents resources that are subject to external restrictions on how they may be used.
  - *Restricted for capital projects*, which represent a cumulative unspent portion of Sewer Capacity Charges, increased by \$3.6 million, or 24.5 percent, due to increases in Sewer Capacity Charges from new residential and commercial connections in the District's service area. The District's Long-Term Financial Plan has identified several projects that will utilize these funds.
  - *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.
  - *Restricted for City collection system reserves* are funds reserved in accordance with the Seventh Amendment to the 1965 Agreement with the

# Fairfield-Suisun Sewer District

## Management's Discussion and Analysis

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Cities of Fairfield and Suisun City and represent funds available to the cities for collection system repair and rehabilitation.

- *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 Budget and Long-Term Financial Plan.

The following is the District's Condensed Statement of Revenues, Expenses, and Changes in Net Position for the fiscal year ended June 30, 2024 as compared to the fiscal year ended June 30, 2023:

(\$000)	Fiscal Year Ended June 30,		Dollar Increase	Percent Increase
	2024	2023	(Decrease)	(Decrease)
<b>Revenues:</b>				
Sewer service charges	\$ 33,873	\$ 33,386	\$ 487	1.5%
Drainage fees	1,631	1,662	(31)	-1.9%
Interest income	1,914	1,195	719	60.2%
Other	2,699	544	2,155	396.1%
<b>Total revenues</b>	<b>40,117</b>	<b>36,787</b>	<b>3,330</b>	<b>9.1%</b>
<b>Expenses:</b>				
Personnel <sup>1</sup>	17,269	20,042	(2,773)	-13.8%
Utilities and chemicals	4,382	4,045	337	8.3%
Services, operations and maintenance	6,711	8,100	(1,389)	-17.1%
Sewer line maintenance	4,625	4,077	548	13.4%
Billing and collection	775	741	34	4.6%
Interest expense	230	252	(22)	-8.7%
Depreciation and amortization	4,611	4,371	240	5.5%
<b>Total expenses</b>	<b>38,603</b>	<b>41,628</b>	<b>(3,025)</b>	<b>-7.3%</b>
Income (loss) before capital contributions	1,514	(4,841)	6,355	-131.3%
Add: Sewer capacity charges	4,818	2,723	2,095	76.9%
Add: Capital related grants	748	-	748	100.0%
<b>Change in net position</b>	<b>7,080</b>	<b>(2,118)</b>	<b>9,198</b>	<b>-434.3%</b>
Net position, beginning of period	134,327	136,445	(2,118)	-1.6%
<b>Net position - end of period</b>	<b>\$ 141,407</b>	<b>\$ 134,327</b>	<b>\$ 7,080</b>	<b>5.3%</b>

(1) Personnel expenses include actuarially determined pension and other post employment benefit expenses in accordance with GASB No. 68 and No. 75.

Analysis of the Condensed Statement of Revenues, Expenses, and Changes in Net position for fiscal year ended June 30, 2024 compared to the fiscal year ended June 30, 2023 is shown on the following page:

# Fairfield-Suisun Sewer District

## Management's Discussion and Analysis

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- *Total revenues* for fiscal year ended June 30, 2024 increased by \$3.3 million, or 9.1 percent. This increase was primarily due to a net increase of \$1.7 million related to fair market value adjustments for investments, a \$1.0 million increase related to interest income due to increases in short-term rates in the Local Agency Investment Fund and California Asset Management Program, and a \$0.5 million increase in Sewer Service Charges in accordance with the District's Proposition 218 Notice.
- *Sewer Capacity Charges* increased by \$2.1 million, or 76.9 percent, primarily due to non-recurring Sewer Capacity Charge receipts received from the City of Fairfield for the One Lake neighborhood and the Parkside Flats and Fair Haven Common Apartment projects, and from the City of Suisun City for the Blossoms Apartment project.
- *Capital related grants* increased by \$0.7 million due to \$0.6 million from the State Water Resources Control Board Grant for the Kellogg Resiliency Project and \$0.1 million in Environmental Protection Agency (EPA) Water Quality Improvement Funds (WQIF) from the San Francisco Estuary Partnership (SFEP) for conceptual plan development of a community treatment wetland.
- *Total expenses* decreased by \$3.0 million, or 7.3 percent, due to changes in the following expense categories:
  - *Personnel expenses* decreased \$2.8 million, or 13.8 percent. Increases to personnel expenses included a \$1.5 million Additional Discretionary Payment paid to CalPERS to reduce unfunded pension liabilities and a \$1.2 million increase in payroll expenses due a 3.6 percent cost of living adjustment as well as seven employees being hired in FY 2022-23, resulting in only a partial year of payroll expenses reflected in the prior year. These increases were offset by a decrease of \$5.4 million due to actuarially determined pension expenses related to GASB No. 68. The actuarial report for FY 2022-23 included a negative 6.1 percent rate of return for CalPERS, requiring the District to record a net pension expense of \$6.4 million under GASB No. 68. The actuarial report for FY 2023-24 included a positive 6.1 percent rate of return, resulting in an actuarial pension expense of \$0.5 million.
  - *Services, operations, and maintenance* decreased by \$1.4 million, or 17.1 percent, primarily due to prior year non-recurring expenses for Major maintenance and non-capitalized Capital Improvement Program projects, including \$0.8 million for the Ultraviolet Bulb Replacement project and \$0.4 million for the Digester No.1 Cleaning and Rehabilitation project.

# Fairfield-Suisun Sewer District

## Management's Discussion and Analysis

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- *Sewer line maintenance* includes funds passed through the District to the Cities of Fairfield and Suisun City for operation and maintenance of sewer lines smaller than 12" in diameter (local sewer) as well as collection system repair and rehabilitation. The funding mechanisms and responsibilities of each City and the District are specified by an agreement. The increase of \$0.6 million, or 13.4 percent, is primarily due to the Consumer Price Index increases for local sewer payments totaling 4.9 percent, as well as an additional 10 percent increase for the City of Fairfield to CCTV inspect their own sewer lines, which was previously handled by the District. The increase also includes appropriations from each city's Collection System Repair and Rehabilitation Reserves which were established effective July 1, 2023. For FY 2023-24, the cities of Fairfield and Suisun City requested appropriations of \$300,000 and \$1.3 million, respectively, which was a net increase of \$0.4 million over FY 2022-23.
- *Utilities and chemicals* expenses increased \$0.3 million, or 8.3 percent, primarily due to rate increases in chemical and energy costs, and an increase in electricity usage due to an out of service cogeneration engine while the Bioenergy Generation Project is ongoing.
- *Billing and collection* expenses increased \$34,000, or 4.6 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 \$22,000 or 8.7 percent, due to continued debt service payments for SRF loans related to the Ultraviolet and Blower projects.
- *Depreciation and amortization* expense increased \$240,000, or 5.5 percent, primarily due to Major Maintenance Project, HVAC Upgrades, Digester No. 1 Structural Rehabilitation, Tertiary Filter 4 and 5 Variable Fixed Drive Replacement, and the Admin Server Replacement projects transferring from Construction in Progress to depreciable fixed assets.

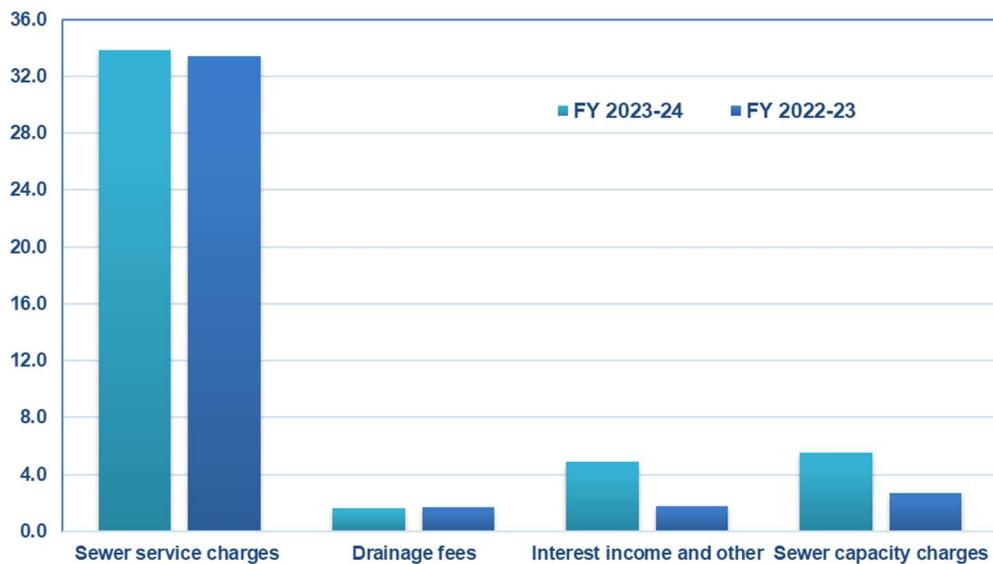
# Fairfield-Suisun Sewer District

## Management's Discussion and Analysis

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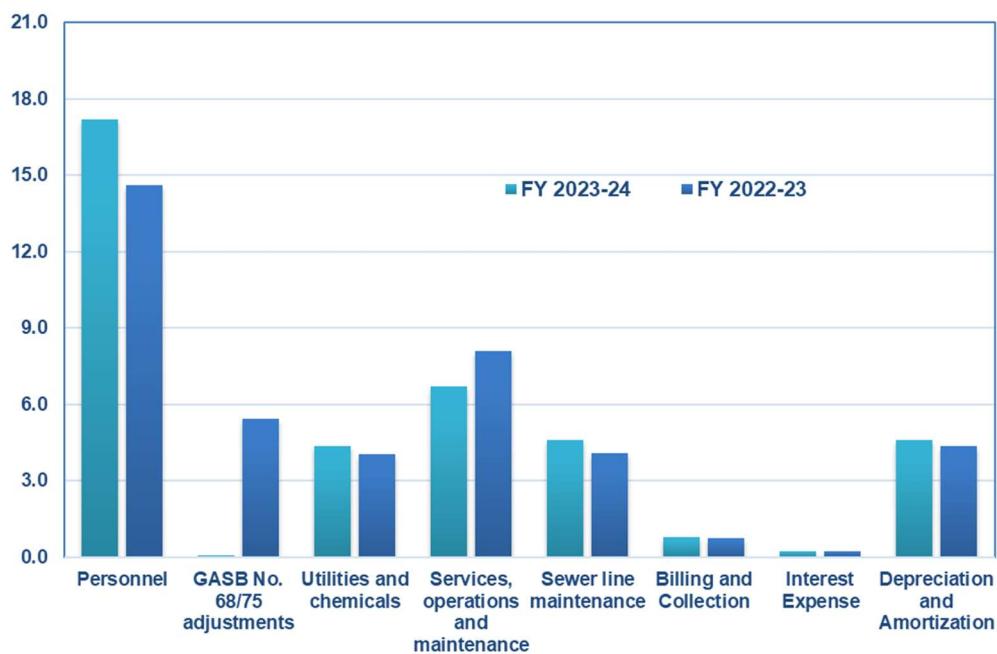
### SOURCES OF ALL REVENUES FOR FISCAL YEARS 2023-24 AND 2022-23

(\$ million)



### CLASSIFICATION OF ALL EXPENSES FOR FISCAL YEARS 2023-24 AND 2022-23

(\$ million)



# **Fairfield-Suisun Sewer District**

## Management's Discussion and Analysis

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### **Capital Assets**

The District's investment in capital assets, net of accumulated depreciation and amortization, was \$89.4 million as of June 30, 2024. 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, and intangible right-to-use assets. Additional information on the District's capital assets can be found in Note 7, page 33.

### **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 but pursues low-interest loans or bonds as needed for significant projects. 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 8, pages 34-35.

### **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 the District's website at <https://www.fairfieldsuisunsewer.ca.gov/contact/>

# Fairfield-Suisun Sewer District

## Statement of Net Position For the Year Ended June 30, 2024

### **Assets:**

#### Current assets:

##### Unrestricted assets:

Cash and investments (Note 3)	\$ 62,071,049
Accounts receivable, net	6,221,689
Interest receivable	334,818
Prepaid items	75,857
Lease receivable (Note 5)	10,568
Total Unrestricted assets	<u>68,713,981</u>

##### Restricted assets:

State Revolving Fund reserves (Note 3)	1,070,057
Total Restricted assets	<u>1,070,057</u>
Total Current assets	<u>69,784,038</u>

#### Noncurrent assets:

Lease receivable (Note 5)	1,449,371
Capital assets: (Note 7)	
Non-depreciable assets	15,107,759
Depreciable assets, net of depreciation	74,221,620
Right of use assets, net of amortization	52,029
Total Capital assets	<u>89,381,408</u>
Total Noncurrent assets	<u>90,830,779</u>

Total Assets	<u>160,614,817</u>
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### **Deferred Outflows of Resources:**

Deferred outflows of resources related to Pension Plan (Note 12)	5,547,429
Deferred outflows of resources related to OPEB (Note 13)	3,169,784
Total Deferred Outflows of Resources	<u>8,717,213</u>

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

# Fairfield-Suisun Sewer District

## Statement of Net Position For the Year Ended June 30, 2024

### Liabilities:

#### Current liabilities:

Accounts payable and accrued expenses	\$ 6,666,610
Current portion of SRF loan (Note 8)	857,199
Current portion of compensated absences payable (Note 8)	1,259,783
Accrued interest payable	77,551
Current portion of lease liabilities (Note 5)	10,484
Deposits	51,258
<b>Total Current liabilities</b>	<b>8,922,885</b>
<b>Long-term liabilities:</b>	
State Revolving Fund loan (Note 8)	8,375,939
Compensated absences payable (Note 8)	314,946
Lease liabilities (Note 5)	8,089
Net pension liability (Note 12)	5,046,601
Net OPEB liability (Note 13)	1,778,017
<b>Total Long-term liabilities</b>	<b>15,523,592</b>
<b>Total Liabilities</b>	<b>24,446,477</b>

### Deferred Inflows of Resources:

Deferred inflow related to Pension Plan (Note 12)	719,550
Deferred inflow related to OPEB (Note 13)	1,478,570
Deferred inflow related to leases	1,280,137
<b>Total Deferred Inflows of Resources</b>	<b>3,478,257</b>

### Net Position:

Net investment in capital assets	79,357,261
<b>Restricted:(Note 4)</b>	
Restricted for capital projects	18,144,318
Restricted for debt service	1,070,057
Restricted for major maintenance	21,590,560
Restricted for City collection system reserves	4,622,841
<b>Total Restricted</b>	<b>45,427,776</b>
<b>Unrestricted:</b>	
<b>Total Net Position</b>	<b>\$ 141,407,296</b>

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

# Fairfield-Suisun Sewer District

## Statement of Revenues, Expenses, and Changes in Net Position

### For the Year Ended June 30, 2024

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Operating revenues:	
Sewer service charges	\$ 33,873,175
Drainage maintenance	1,630,683
Other sewer service charges	656,257
Total Operating revenues:	<u>36,160,115</u>
Operating expenses:	
Personnel	17,268,408
Utilities and chemicals	4,381,502
Services, operations, and maintenance	6,711,088
City sewer line maintenance	4,625,349
Billing and collection	775,155
Depreciation and amortization	4,610,890
Total Operating expenses:	<u>38,372,392</u>
Operating income	(2,212,277)
Nonoperating revenues (expenses):	
Interest income	1,865,585
Interest income - leases	48,032
Net increase in fair market value of investments	1,271,581
Interest expense	(229,464)
Interest expense - leases/SBITA	(783)
Grants	166,314
Other	604,592
Total Nonoperating revenues (expenses)	<u>3,725,857</u>
Net income before capital contributions	<u>1,513,580</u>
Capital contributions:	
Sewer capacity charges	4,817,832
Capital related grants	748,400
Total Capital contributions	<u>5,566,232</u>
Change in Net Position	7,079,812
Net position, beginning of period	<u>134,327,484</u>
Net position, end of period	<u>\$141,407,296</u>

*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, 2024

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Cash flows from operating activities	
Receipts from customers	\$ 37,859,407
Payments to suppliers & vendors	(14,525,986)
Payments for employees salaries & benefits	(16,880,465)
Other receipts	<u>1,452,013</u>
Net cash provided by operating activities	<u>7,904,969</u>
 Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(12,497,397)
Sewer capacity charges	4,773,865
Interest paid	(235,265)
Principal payment on the SRF loan	(835,548)
Lease and SBITA payments	(20,925)
Capital grant proceeds	<u>721,103</u>
Net cash provided for capital and related financing activities	<u>(8,094,169)</u>
 Cash flows from investing activities:	
Conversion of investments to cash and cash equivalents	3,233,219
Interest received on cash and cash equivalents	<u>1,313,944</u>
Net cash provided by investing activities	<u>4,547,162</u>
 Net increase (decrease) in cash and cash equivalents	4,357,963
Cash and cash equivalents, beginning of period	<u>20,415,956</u>
Cash and cash equivalents, end of period	<u>\$ 24,773,919</u>
 Reconciliation of cash and cash equivalents:	
Cash and cash equivalents	<u>\$ 24,773,919</u>
Total cash and cash equivalents	<u>\$ 24,773,919</u>

*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, 2024

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Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$ (2,212,277)
Adjustments to reconcile operating income to cash flows from operating activities:	
Depreciation and amortization	4,610,890
Miscellaneous non operating income	938,707
Changes in deferred outflows / deferred inflows:	
(Increase) Decrease in deferred outflows - pension	(519,537)
(Increase) Decrease in deferred outflows - OPEB	1,010,442
Increase (Decrease) in deferred inflows - pension	6,499
Increase (Decrease) in deferred inflows - OPEB	(329,463)
Increase (Decrease) in deferred inflows - leases	(94,789)
Changes in assets and liabilities:	
(Increase) Decrease in receivables, net	2,480,051
(Increase) Decrease in prepaid expense	(5,607)
Increase (Decrease) in payables	1,962,491
Increase (Decrease) in deposits	758
Increase (Decrease) in compensated absences	143,602
Increase (Decrease) in net pension liability	1,027,009
Increase (Decrease) in net OPEB liability	(1,113,807)
Net cash provided by operating activities	<u>\$ 7,904,969</u>
Noncash investing, capital, and financing activities:	
Increase (decrease) in fair value of investments	1,271,581
Interest expense net accruals	234,508

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

# Fairfield-Suisun Sewer District

## Notes to Financial Statements

June 30, 2024

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## 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, 2024 were \$1.6 million.

## 2. Summary of Significant Accounting Policies

**The Financial Reporting Entity**—The District's reporting entity includes only financial accounts of the District. In accordance with GASB No. 14, *The Financial Reporting Entity*, 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.

# Fairfield-Suisun Sewer District

## Notes to Financial Statements

June 30, 2024

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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.

**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, 2024, 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.

# Fairfield-Suisun Sewer District

## Notes to Financial Statements

June 30, 2024

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- *California Asset Management Program (CAMP)* is a California Joint Powers Authority ("JPA") established in 1989 to provide California public agencies with professional investment services. Investments offered through the Cash Reserve Portfolio (the "Pool" or the "CAMP Pool") and CAMP Term are permitted for all local agencies under California Government Code Section 53601(p). CAMP Pool consists of a short-term money market fund rated AAA and separately managed portfolios of specific authorized securities (as specified in this policy). Camp TERM consists of fixed-rate, fixed-term investment options, rated AAA, with maturities ranging from 60 days to one year.
- *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.

**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 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

# Fairfield-Suisun Sewer District

## Notes to Financial Statements

June 30, 2024

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- 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 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.

# Fairfield-Suisun Sewer District

## Notes to Financial Statements

June 30, 2024

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- *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.
- *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.

**SBITAs** —The District is involved in SBITA related transactions as the end user. The end user (District) should recognize the subscription liability at the commencement of the subscription term, —which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. The District should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods. The subscription asset should be initially measured as the sum of (1) the initial subscription liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. The District should recognize amortization of the subscription asset as an outflow of resources over the subscription term.

# Fairfield-Suisun Sewer District

## Notes to Financial Statements

June 30, 2024

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**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 \$10,000 and a useful life of at least 5 years. Donated capital assets are recorded at estimated acquisition value at the date of acquisition. 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 recorded on the straight-line basis over the estimated useful life of the assets as follows:

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

Depreciation is calculated based on a half-year convention. Regardless of the actual acquisition or disposal date, half a year of depreciation will be expensed the year an asset is placed in service and half a year of depreciation will be expensed the year the asset is disposed of, if not already fully depreciated at disposition.

The District records the value of intangible right-to-use assets based on the underlying leased asset in accordance with GASB No. 87, *Leases*. The District also records the value of intangible right-to-use assets based on the underlying SBITA asset in accordance with GASB No. 96, *SBITAs*. The right-to-use intangible asset for both leases and SBITA arrangements 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.

**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

# Fairfield-Suisun Sewer District

## Notes to Financial Statements

June 30, 2024

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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 and SBITA arrangements. Information related to these changes is found in Note 12 for pension liabilities, Note 13 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, 2024

Valuation date:	June 30, 2022
Measurement date:	June 30, 2023
Measurement period:	July 1, 2022 - June 30, 2023

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 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

# Fairfield-Suisun Sewer District

## Notes to Financial Statements

June 30, 2024

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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, 2024

Valuation date:	June 30, 2022
Measurement date:	June 30, 2023
Measurement period:	July 1, 2022 - June 30, 2023

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.

**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.

**Sewer Capacity Charges**—Sewer Capacity Charges 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. Sewer Capacity Charges collected through June 30, 2024 are restricted for growth-related or repair and rehabilitation projects.

# Fairfield-Suisun Sewer District

## Notes to Financial Statements

June 30, 2024

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**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 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.

# Fairfield-Suisun Sewer District

## Notes to Financial Statements

June 30, 2024

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### 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 below:

Cash and investments	
Cash and equivalents	\$ 24,772,919
Investments	37,297,129
Petty cash	1,000
Restricted investments	
Held by district	<u>1,070,057</u>
<b>Total cash and investments</b>	<b><u>\$ 63,141,106</u></b>

### 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 seen on the following table:

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 & Asset-Backed 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
		Top Ranking of 2 NRSRO (A)	20%	10%
Mutual Funds	N/A	Top Ranking of 2 NRSRO (A)	20%	N/A
Money Market Mutual Funds	N/A	(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. As of June 30, 2024, the District's investments were in compliance with the above provisions.

# Fairfield-Suisun Sewer District

## Notes to Financial Statements

June 30, 2024

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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.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

Investment Type	Fair Value	Remaining Maturity Distribution				% of Portfolio
		0-12 months	1-2 years	2-5 years		
U.S. Treasury Instruments	\$20,100,276	\$1,084,836	\$ 4,605,603	\$14,409,837	32.40%	
Federal Agency Issues	776,428	-	401,214	375,214	1.25%	
Federal Agency Mortgage-Backed Securities	3,873,786	-	551,240	3,322,546	6.24%	
Negotiable Certificates of Deposit	726,133	-	250,939	475,194	1.17%	
Medium-Term Corporate Notes	7,008,176	19,611	637,744	6,350,821	11.30%	
Asset-Backed Securities	3,281,661	-	52,346	3,229,315	5.29%	
Municipal Obligations	854,810	29,528	769,162	56,120	1.38%	
Bank Note	502,120	-	-	502,120	0.81%	
CAMP-Money Market	151,224	151,224	-	-	0.24%	
CAMP Pool	23,470,431	23,470,431	-	-	37.83%	
Local Agency Investment Funds	1,299,348	1,299,348	-	-	2.09%	
Total Investments	\$62,044,393	\$26,054,978	\$ 7,268,248	\$28,721,167	100.00%	

U.S. Treasury Notes classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets. Federal Agency Issues, Federal Agency Mortgage-Backed Securities, Supranationals, Negotiable Certificates of Deposit, Medium-Term Corporate Notes, Asset-Backed Securities, and Municipal Obligations classified in Level 2 of the fair value hierarchy, are valued using pricing techniques of matrix pricing or market corroborated pricing, with inputs such as yield curves or indices. These prices are obtained from various pricing sources by our custodian bank. The District does not have any Level 3 investments.

# Fairfield-Suisun Sewer District

## Notes to Financial Statements

June 30, 2024

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### Investment in California Asset Management Program

The District is a voluntary participant in the California Asset Management Program (CAMP), which is a California, Joint Powers Authority 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(p) and is overseen by a seven-member Board of Trustees.

Investments are stated at fair value. The fair value of the District's position in the pool is the same as the value of the pool shares. The District maintains a separate balance and investment income is allocated on a pro rata basis. Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual The income, gains, and losses net of administration fees, are allocated based upon the participant's average daily balance. Participants share proportionally in any realized gains or losses on investments. Deposits in CAMP are not insured or otherwise guaranteed by the State of California. The fair value of the CAMP investment pools are approximately equal to the value of the pooled shares. The income, gains, and losses net of administration fees, are allocated based upon the participant's average daily balance. Participants share proportionally in any realized gains or losses on investments. Deposits in CAMP are not insured or otherwise guaranteed by the State of California. The fair value of the CAMP investment pools are approximately equal to the value of the pooled shares.

### Investment in Local Agency Investment Fund

The District is a participant in the Local Agency Investment Fund (LAIF). 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 by a nationally recognized statistical rating organization. It is the District's policy to limit its

# Fairfield-Suisun Sewer District

## Notes to Financial Statements

June 30, 2024

investments in these investment types to the top rating issued by the nationally recognized statistical rating organization. The table below shows the District's investments and their related credit rating.

Investment Type	Fair Value	Rating as of June 30, 2024						
		AAA	AA	A	BBB	AAAm	Not Rated	
U.S. Treasury Instruments	\$20,100,276	\$ -	\$20,100,276	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Agency Issues	776,428	-	776,428	-	-	-	-	-
Federal Agency Mortgage-Backed Securities	3,873,786	-	3,873,786	-	-	-	-	-
Negotiable Certificates of Deposit	726,133	-	-	726,133	-	-	-	-
Medium-Term Corporate Notes	7,008,176	-	1,445,032	4,906,641	656,503	-	-	-
Asset-Backed Securities	3,281,661	3,281,661	-	-	-	-	-	-
Municipal Obligations	854,810	66,687	788,123	-	-	-	-	-
Bank Note	502,120	-	-	502,120	-	-	-	-
CAMP-Money Market	151,224	-	-	-	-	151,224	-	-
CAMP Pool	23,470,431	-	-	-	-	23,470,431	-	-
Local Agency Investment Funds	1,299,348	-	-	-	-	-	1,299,348	-
Total Investments	\$62,044,393	\$ 3,348,348	\$26,983,645	\$ 6,134,894	\$ 656,503	\$23,621,655	\$ 1,299,348	

## 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 percent in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pool). The District investments requiring disclosure at June 30, 2024 are as follows:

Issuer	Investment Type	Fair Value	Percent
Freddie Mac	Note	\$3,856,026	6.21%

## 4. Restricted Net Position

Restricted net position at June 30, 2024 consists of the following:

Restricted for capital projects	\$ 18,144,318
Restricted for debt service	1,070,057
Restricted for major maintenance	21,590,560
Restricted for City Collection System Reserves	4,622,841
	<u>\$45,427,776</u>

The restriction for capital projects is the unspent portion of Sewer Capacity Charges. Sewer Capacity Charges collected through June 30, 2024 are restricted for growth-related or repair and rehabilitation projects.

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

# Fairfield-Suisun Sewer District

## Notes to Financial Statements

June 30, 2024

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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.

The restriction for City collection system reserves are funds reserved in accordance with the Seventh Amendment to the 1965 Agreement with the Cities of Fairfield and Suisun City and represent funds available to the cities for collection system repair and rehabilitation.

## 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 per month over the life of the agreement. At June 30, 2024, the District has recognized a right to use asset of \$17,642, net of accumulated amortization, and a lease liability of \$18,573. During the fiscal year, the District recorded \$10,078 in amortization expense and \$783 in interest expense for the right-to-use the copiers.

Leasee activities	Balance at			Balance at	
	June 30, 2023	Additions	Reductions	June 30, 2024	Due Within One Year
Lease liability - copiers	\$ 28,722	\$ -	\$ (10,149)	\$ 18,573	\$ 10,484

Remaining obligations associated with these leases are as follows:

	Fiscal Year Ended June		
	30	Principal	Interest
2025		10,484	448
2026		8,089	110
		\$ 18,573	\$ 558

### Lessor

The District is a lessor in several land leases including two cell tower leases which are adjusted annually by CPI or a flat percentage.

# Fairfield-Suisun Sewer District

## Notes to Financial Statements

June 30, 2024

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During the fiscal year, the District recognized \$52,151 in lease revenue and \$48,032 in interest income related to these lease agreements. At June 30, 2024, the District recorded \$1.5 million in lease receivables and deferred inflows related to leases of \$1.3 million.

Leases receivable	Balance at			Balance at	Due Within
	June 30, 2023	Additions	Reductions		
Land leases	\$ 1,512,089	\$ -	\$ (52,151)	\$ 1,459,939	\$ 10,568

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

Fiscal Year Ended June 30	Principal			Interest	
	2025	2026	2027	2028	2029-2033
2025	\$ 10,568				\$ 47,294
2026		\$ 12,972			\$ 46,915
2027			\$ 15,527		\$ 46,456
2028				\$ 18,241	\$ 45,911
2029-2033					\$ 138,044
2034-2038					\$ 234,658
2039-2043					\$ 361,862
2044-2048					\$ 527,593
2049-2053					\$ 140,474
					<u>\$ 1,459,939</u>
					<u>\$ 804,804</u>

## 6. SBITA Arrangements

In March 2023, the District entered into a SBITA arrangement for subscriptions related to the District's firewalls, including Threat prevention, URL filtering, WildFire, and Global Protect VPN. The arrangement included 3-year (36 month) subscriptions, which were paid in advance.

In April 2024, the District entered into a SBITA arrangement for subscriptions related to the District's SCADA system, including server virtualization software and licenses. The arrangement included 3-year (36 month) subscriptions, which were paid in advance, resulting in additions to right-of-use assets totaling \$13,421, net of accumulated amortization.

At June 30, 2024, the District has recognized a right-to-use asset of \$34,387, net of accumulated amortization. Because both SBITA arrangement(s) were paid in full in advance, no interest expense was incurred for the right to use this software and there is no outstanding SBITA liability.

# Fairfield-Suisun Sewer District

## Notes to Financial Statements

June 30, 2024

### 7. Capital Assets

Changes in capital assets consisted of the following:

Asset Category	Balance at June 30, 2023	Additions	Adjustments/ Disposals/ Reductions	Transfers	Balance at June 30, 2024
Non-depreciable assets:					
Construction in progress	\$ 6,879,850	\$ 12,394,917	\$ (2,466)	\$ (6,957,445)	\$ 12,314,856
Land and improvements	2,792,903	-	-	-	2,792,903
<b>Total non-depreciable assets</b>	<b>9,672,753</b>	<b>12,394,917</b>	<b>(2,466)</b>	<b>(6,957,445)</b>	<b>15,107,759</b>
Depreciable assets:					
Buildings and improvements	11,710,029	-	-	2,562,859	14,272,888
Vehicles and equipment	3,412,884	101,282	(94,810)	120,452	3,539,808
Trunk lines/ pump station	59,771,852	-	-	-	59,771,852
Treatment plant	111,353,610	-	(502,182)	4,274,134	115,125,562
Right-of-use assets - leases	50,389	-	-	-	50,389
Right-of-use assets - SBITA	38,062	14,445	-	-	52,507
<b>Total depreciable assets</b>	<b>186,336,826</b>	<b>115,727</b>	<b>(596,992)</b>	<b>6,957,445</b>	<b>192,813,006</b>
Less: Accumulated depreciation					
Buildings and improvements	(10,954,747)	(141,706)	-	-	(11,096,453)
Vehicles and equipment	(2,333,619)	(161,546)	94,810	-	(2,400,355)
Trunk lines/pump station	(45,759,374)	(1,237,833)	-	-	(46,997,207)
Treatment plant	(55,402,698)	(3,045,836)	454,059	-	(57,994,475)
Right-of-use assets - leases	(22,669)	(10,078)	-	-	(32,747)
Right-of-use assets - SBITA	(4,229)	(13,891)	-	-	(18,120)
<b>Total accumulated depreciation</b>	<b>(114,477,336)</b>	<b>(4,610,890)</b>	<b>548,869</b>	<b>-</b>	<b>(118,539,357)</b>
<b>Net capital assets</b>	<b>71,859,490</b>	<b>(4,495,163)</b>	<b>(48,123)</b>	<b>6,957,445</b>	<b>74,273,649</b>
<b>Total capital assets</b>	<b>\$ 81,532,244</b>	<b>\$ 7,899,754</b>	<b>\$ (50,589)</b>	<b>\$ -</b>	<b>\$ 89,381,408</b>

# Fairfield-Suisun Sewer District

## Notes to Financial Statements

June 30, 2024

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### 8. Long-Term Liabilities

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

Description	June 30, 2023	Additions	Maturities/		June 30, 2024	Current Portion	Long-Term Portion
			Reduction	June 30, 2024			
State Revolving Fund Loans (SRF)							
Ultraviolet Project	\$ 5,228,694	\$ -	\$ 589,649	\$ 4,639,045	\$ 606,874	\$ 4,032,171	
Blower Project	4,839,992	-	245,899	4,594,093	250,325	4,343,768	
Total SRF Loans	10,068,686	-	835,548	9,233,138	857,199	8,375,939	
Compensated Absences	1,431,127	1,590,998	1,447,396	1,574,729	1,259,783	314,946	
Total Long-term liabilities	\$ 11,499,813	\$ 1,590,998	\$ 2,282,944	\$ 10,807,867	\$ 2,116,982	\$ 8,690,885	

#### 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 are due semi-annually on May 1 and November 1. Payment on this loan started on May 2012.

Future debt service payments on the SRF loan related to the Ultraviolet Disinfection Project as of June 30, 2024 are as follows:

Year Ending June 30	Principal	Interest	Total
2025	\$ 606,874	\$ 130,164	\$ 737,038
2026	624,601	112,437	737,038
2027	642,846	94,192	737,038
2028	661,623	75,415	737,038
2029	680,949	56,089	737,038
2030-31	1,422,152	51,924	1,474,076
	\$ 4,639,045	\$ 520,221	\$ 5,159,266

#### 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 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,

# Fairfield-Suisun Sewer District

## Notes to Financial Statements

June 30, 2024

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\$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 \$4,594,094, with an interest rate of 1.8 percent 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, 2024 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 250,325	\$ 82,694	\$ 333,019
2026	254,831	78,188	333,019
2027	259,418	73,601	333,019
2028	264,087	68,931	333,018
2029	268,841	64,178	333,019
2030 - 34	1,418,556	246,536	1,665,092
2035 - 39	1,550,905	114,187	1,665,092
2040	327,130	5,888	333,018
	<u>\$ 4,594,093</u>	<u>\$ 734,203</u>	<u>\$ 5,328,296</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 \$1,070,057.

## 9. Related Party Transactions

The District had existing financial transactions with the cities of Fairfield and Suisun City during FY 2023-24. *Sewer line maintenance* includes funds passed through the District to the Cities of Fairfield and Suisun City for operation and maintenance of sewer lines smaller than 10" in diameter (local sewer) as well as collection system repair and rehabilitation. Sewer Service Charges and Sewer Capacity Charges are collected by the Cities and are remitted to the District, net of billing and collection fees. Outstanding receivables include Sewer Capacity Charges 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, 2024. These transactions are described on the following page:

# Fairfield-Suisun Sewer District

## Notes to Financial Statements

June 30, 2024

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	FY 2023-24
City sewer line maintenance	\$ 4,625,349
Billing and collection	775,155
Outstanding accounts receivable	4,339,019

## 10. 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, 2023 (most recent information available). A copy of CSRMA's annual financial report may be obtained from their website at <http://www.csrma.org/docs/CSRMA-Annual-Report.pdf>.

Total assets	\$ 35,837,500
Total liabilities	\$ 35,837,500
Net Position	\$ 10,034,083
Total revenues	\$ 21,686,396
Total expenses	\$ 18,692,969

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

# Fairfield-Suisun Sewer District

## Notes to Financial Statements

June 30, 2024

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## 11. 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 was \$506,109 for fiscal year ended June 30, 2024.

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.

## 12. 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 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, 2024 are summarized on the following page:

# Fairfield-Suisun Sewer District

## Notes to Financial Statements

June 30, 2024

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<b>Miscellaneous</b>	<b>Hired prior to January 1, 2013 Classic</b>	<b>Hired on or after January 1, 2013 PEPRA</b>
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%	8.000%
Required employer contribution rates	17.550%	7.750%

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 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, 2023 measurement date, the following employees were covered by the benefit terms for each Plan as shown on the following page:

# Fairfield-Suisun Sewer District

## Notes to Financial Statements

June 30, 2024

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Measurement date as of June 30,	2023
Inactive employees or beneficiaries currently receiving benefits	45
Inactive employees entitled to but not yet receiving benefits	0
Active employees	63
Total	108

### 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 2023-24
Employer Contributions	\$2,644,842

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

The District's proportionate share of the net pension liability is \$5,046,601 for fiscal year ended June 30, 2024.

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 the Plan is measured as of June 30, 2023, using an annual actuarial valuation as of June 30, 2022, with update procedures used to roll forward the total pension liability to June 30, 2023.

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, 2023 and 2022 measurement dates is shown on the following page:

# Fairfield-Suisun Sewer District

## Notes to Financial Statements

June 30, 2024

Fiscal Year End	Percentage Share of Risk Pool		Change: Increase/ (Decrease)
	6/30/2024	6/30/2023	
Measurement Date	6/30/2023	6/30/2022	
Percentage of Plan (PERF C) NPL	0.04045%	0.03480%	0.00565%

### 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 6/30/22 (MD)	\$ 49,354,071	\$ 45,334,479	\$ 4,019,592
Balance at 6/30/23 (MD)	\$ 53,134,121	\$ 48,087,520	\$ 5,046,601
Net changes	\$ 3,780,050	\$ 2,753,041	\$ 1,027,009

### Deferred Outflows/Inflows Balances

The District recognized pension expense of \$3,158,813 for the fiscal year ended June 30, 2024.

At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources, as shown below:

Deferred Outflows/Inflows Balances at June 30, 2024	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 257,807	\$ (39,992)
Changes of assumptions	304,686	-
Net differences between projected and actual earnings on plan investments	817,090	-
Change in employer's proportion	806,249	(148,245)
Differences between the employer's contributions and the employer's proportionate share of contributions	716,755	(531,313)
Pension contributions subsequent to measurement date	2,644,842	-
Total	\$ 5,547,429	\$ (719,550)

# Fairfield-Suisun Sewer District

## Notes to Financial Statements

June 30, 2024

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The District reported \$2,644,842 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 year ending June 30, 2025.

### **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:

<b>Measurement Period Ending June 30:</b>	<b>Fiscal Year Ending June 30:</b>	<b>Net Total Deferred Outflows/(Inflows) of Resources</b>
2024	2025	1,022,090
2025	2026	584,604
2026	2027	552,898
2027	2028	23,445
2028	2029	-
Thereafter	Thereafter	-

### **Actuarial Methods and Assumptions**

The total pension liability (asset) for the June 30, 2023 measurement period was determined by an actuarial valuation as of June 30, 2022, with update procedures used to roll forward the total pension liability (asset) to June 30, 2023. The collective total pension liability (asset) was based on the assumptions listed as shown on the following page:

# Fairfield-Suisun Sewer District

## Notes to Financial Statements

June 30, 2024

	<b>Miscellaneous</b>
Valuation Date:	June 30, 2022
Actuarial cost method	Entry age normal cost method
Amortization method	Varies by date established and source. May be level dollar or level percent of pay and may include direct rate smoothing.
Remaining Amortization Periods	Differs by employer rate plan
Asset valuation method	Market value of assets
Inflation	2.30%
Salary increases	Varies by category, entry age, and service
Discount Rate **	6.90% (net investment and administrative expenses)
Mortality	Derived using CalPERS' Membership Data for all Funds. The post-retirement mortality rates include 15 years of projected on-going mortality improvement using 80 percent of Scale MP published by the Society of Actuaries
Post retirement benefit increase:	Contract COLA up to 2.3% until Purchasing Power Protection Allowance Floor on Purchasing Power applies.

*\*\*Please note, the discount rate used for Actuarially Determined Contributions is different than the one used for Total Pension Liability*

### Long-term Expected Rate of Return

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10 (1,2)
Global equity - cap-weighted	30.00%	4.54%
Global equity - non-cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
Total	100.00%	

(1) An expected inflation of 2.30% used for this period.

(2) Figures are based on the 2021-22 Asset Liability Management study.

# Fairfield-Suisun Sewer District

## Notes to Financial Statements

June 30, 2024

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### Discount Rate

The discount rate used to measure the total pension liability for PERF C was 6.90%. 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 No. 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
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

### 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		
	5.90% (1% Decrease)	6.90% (Current Rate)	7.90% (1% Increase)
Measurement Date		6/30/2023	
Fiscal Year End		6/30/2024	
Net Pension Liability (asset)	\$ 12,232,765	\$ 5,046,601	\$ (868,229)

# Fairfield-Suisun Sewer District

## Notes to Financial Statements

June 30, 2024

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### 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 FY 2023-24 and has no outstanding pension payable.

## 13. 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 \$2,113 per month for 2024. 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, 2024

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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.

### Employees Covered

At the June 30, 2023 measurement date, the following current and retirees were covered by the benefit terms under the District's retiree health plan:

Covered Participants as of June 30,	2023
Active employees	63
Inactive employee or beneficiaries currently receiving benefits	36
Inactive employees entitled to, but not yet receiving benefits	5
Total	104

### Contributions

The annual contribution is based on the actuarially determined contribution.

	Measurement Date to FY	Measurement Date to FY
	7/1/22 to 6/30/23	7/1/23 to 6/30/24
Cash Benefits	\$ 461,220	\$ 495,411
Implied subsidy benefit payment	90,000	95,000
Total benefit payments	551,220	590,411
Trust reimbursements	-	-
Benefits payments paid outside of trust	551,220	590,411
Administrative expenses paid outside of trust	1,561	1,701
Trust contributions	1,176,887	694,374
Total employer contributions	\$ 1,729,668	\$ 1,286,486

# Fairfield-Suisun Sewer District

## Notes to Financial Statements

June 30, 2024

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### B. Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2023, and the total liability used to calculate the net OPEB liability was determined by an actuarial valuation date as of June 30, 2022.

#### Actuarial Methods and Assumptions

The total OPEB liability as of June 30, 2024 was measured as of June 30, 2023, based on June 30, 2022 actuarial valuation and was determined using the actuarial methods and assumptions listed on the following page:

Actuarial Assumptions	June 30, 2023 Measurement Date
Actuarial Valuation Date:	June 30, 2022
Contribution Policy	District contributes full ADC
Discount Rate and Long-Term Expected Rate of Return on Assets	6.25% at June 30, 2023 6.25% at June 30, 2022 Expected District contributions projected to keep sufficient plan assets to pay all benefits from trust
General Inflation	2.50% annually
Mortality, Retirement, Disability, Termination	CalPERS 2000-2019 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-2021
Salary Increases	Aggregate - 2.75% annually Merit - CalPERS 2000-2019 Experience Study
Medical Trend	Non-Medicare - 8.5% for 2024, decreasing to an ultimate rate of 3.45% in 2076 Medicare (Kaiser) - 6.25% for 2024, decreasing to an ultimate rate of 3.45% in 2076 Medicare (Non-Kaiser) - 7.5% for 2024, decreasing to an ultimate rate of 3.45% in 2076
Cap Increases	100/90 Formula Rates - Non-Medicare medical trend
Healthcare Participation for Future Retirees	90%
Family Coverage	30% of actives have family coverage to age 65

# Fairfield-Suisun Sewer District

## Notes to Financial Statements

June 30, 2024

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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.

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	49%	4.56%
Fixed Income	23%	1.56%
TIPS	5%	-0.08%
Commodities	3%	1.22%
REITs	20%	4.06%
Assumed Long-Term Rate of Inflation		2.50%
Expected Long-Term Net Rate of Return, Rounded		6.25%

### Discount Rate

The discount rate to measure the total OPEB liability was 6.25%. 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.

### Changes in Net OPEB Liability

The changes in the net OPEB liability for fiscal year ended June 30, 2024 are listed on the following page:

# Fairfield-Suisun Sewer District

## Notes to Financial Statements

June 30, 2024

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2023 (MD 6/30/22)	\$ 10,184,373	\$ 7,292,549	\$ 2,891,824
Service cost	464,870	-	464,870
Interest in TOL	648,351	-	648,351
Changes of benefit terms	-	-	-
Actual vs. expected experience	-	-	-
Assumption changes	-	-	-
Employer contributions	-	1,729,668	(1,729,668)
Employee contributions	-	-	-
Net Investment Income	-	501,079	(501,079)
Benefit payments	(551,220)	(551,220)	-
Administrative Expenses	-	(3,719)	3,719
Net changes	562,001	1,675,808	(1,113,807)
Balance at June 30, 2024 (MD 6/30/23)	\$ 10,746,374	\$ 8,968,357	\$ 1,778,017

### 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, 2024:

	Discount Rate		
	5.25% (1% Decrease )	6.25% Current Rate	7.25% (1% Increase )
Net OPEB Liability	\$ 3,167,313	\$ 1,778,017	\$ 630,962

### 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, 2024:

	Healthcare Trend Rate		
	1% Decrease	Current Trend	1% Increase
Net OPEB Liability	\$ 462,390	\$ 1,778,017	\$ 3,394,507

# Fairfield-Suisun Sewer District

## Notes to Financial Statements

June 30, 2024

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### **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](http://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 year ended June 30, 2024, the District recognized OPEB expense of \$853,658.

At June 30, 2024, the District reported deferred outflows and deferred inflows of resources from the following sources as listed below:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$1,130,302
Changes of assumptions	1,391,303	348,268
Net differences between projected and actual earnings on plan investments	491,995	-
Change in employer's proportion	-	-
OPEB contributions subsequent to measurement date	1,286,486	-
<b>Total</b>	<b>\$3,169,784</b>	<b>\$1,478,570</b>

### **Recognition of Deferrals in Future OPEB Expense**

The \$1,286,486 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, 2025.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as listed on the following page:

# Fairfield-Suisun Sewer District

## Notes to Financial Statements

June 30, 2024

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Fiscal Year Ending June 30	Deferred Outflows/(Inflows) of Resources
2025	\$ 197,803
2026	162,318
2027	267,717
2028	(181,201)
2029	(9,004)
Thereafter	(34,905)

No separate postemployment benefit plan report is available.

## 14. Commitments and Contingencies

As of June 30, 2024, the District has construction commitments from contractual agreements as listed below:

Project Name	Contract Agreements	Remaining Commitment
HVAC Upgrades	\$ 2,189,622	\$ 109,481
Bioenergy Generation	10,959,882	2,607,532
Major Maintenance Project FY 2021-22	3,280,650	2,364,542
Electrical Replacement Project Phase II	4,378,838	3,681,918
Suisun Force Main Reliability	2,178,400	1,850,832
Digester No. 1 Structural Rehabilitation	630,058	13,048
A/B Train Aeration Basin Anoxic Zones	930,460	831,081
Travis/Pennsylvania Sewer Replacement	207,153	86,871
Kellogg Resiliency Project	8,600,000	7,981,249
<b>Total of Construction in Progress:</b>	<b>\$ 33,355,063</b>	<b>\$ 19,526,554</b>

# FAIRFIELD-SUISUN SEWER DISTRICT

## Required Supplementary Information

June 30, 2024

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### Schedule of Changes in the Net OPEB Liability and Related Ratios

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

For June 30, 2024	2024 (MD 6/30/23)	2023 (MD 6/30/22)	2022 (MD 6/30/21)	2021 (MD 6/30/20)	2020 (MD 6/30/19)	2019 (MD 6/30/18)	2018 (MD 6/30/17)
Changes in Total OPEB Liability							
Service cost	\$ 464,870	\$ 419,266	\$ 388,905	\$ 516,052	\$ 504,802	\$ 246,354	\$ 239,761
Interest in TOL	648,351	655,018	621,020	677,952	624,067	431,326	392,225
Actual vs. expected experience	-	(898,809)		(807,314)	-	(205,681)	-
Assumption changes	-	592,416	290,376	(705,468)	-	2,618,593	-
Benefit payments	(551,220)	(482,922)	(424,584)	(370,411)	(313,249)	(217,557)	(188,779)
Net change in total OPEB liability	562,001	284,969	875,717	(689,189)	815,620	2,873,035	443,207
Total OPEB liability - beginning	10,184,373	9,899,404	9,023,687	9,712,876	8,897,256	6,024,221	5,581,014
Total OPEB liability - ending	10,746,374	10,184,373	9,899,404	9,023,687	9,712,876	8,897,256	6,024,221

Changes in Fiduciary Net Position							
Employer contributions	\$ 1,729,668	\$ 684,560	\$ 1,261,261	\$ 371,240	\$ 586,189	\$ 367,557	\$ 338,779
Benefit payments	(551,220)	(482,922)	(424,584)	(370,411)	(313,249)	(217,557)	(188,779)
Net investment income	501,079	(1,106,408)	1,655,257	195,043	322,833	351,673	413,243
Administrative expenses	(3,719)	(3,113)	(3,187)	(3,526)	(1,735)	(8,232)	(2,091)
Net change in plan fiduciary net position	1,675,808	(907,883)	2,488,747	192,346	594,038	493,441	561,152
Plan fiduciary net position - beginning	7,292,549	8,200,432	5,711,685	5,519,339	4,925,301	4,431,860	3,870,708
Plan fiduciary net position - ending	8,968,357	7,292,549	8,200,432	5,711,685	5,519,339	4,925,301	4,431,860

Net OPEB Liability/(Asset) - ending	\$ 1,778,017	\$ 2,891,824	\$ 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	83.45%	71.61%	82.84%	63.30%	56.82%	55.36%	73.57%
Covered payroll	\$ 8,776,395	\$ 7,806,893	\$ 9,237,126	\$ 6,855,796	\$ 6,525,667	\$ 6,092,493	\$ 6,092,493
Net OPEB liability as a percentage of covered payroll	20.26%	37.04%	18.39%	48.31%	64.26%	65.19%	26.14%

\*GASB No. 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, 2024

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## Schedule of Employer OPEB Contributions

### OPEB Schedule of Contributions, Last Ten Fiscal Years\*

Fiscal Year Ended June 30,	2024	2023	2022	2021	2020	2019	2018
Actuarially determined contribution (ADC)	\$ 766,384	\$ 690,620	\$ 673,233	\$ 656,504	\$ 855,033	\$ 833,721	\$ 225,228
Actual contribution in relation to ADC	1,286,486	1,729,668	684,560	1,261,261	371,240	586,189	367,557
Contribution deficiency (Excess)	\$ (520,102)	\$ (1,039,048)	\$ (11,327)	\$ (604,757)	\$ 483,793	\$ 247,532	\$ (142,329)
Covered payroll	\$10,049,601	\$ 8,776,395	\$ 7,806,893	\$ 9,237,126	\$ 6,855,796	\$ 6,525,667	\$ 6,092,493
Contribution as a percentage of payroll	12.80%	19.71%	8.77%	13.65%	5.41%	8.98%	6.03%

\*GASB No. 75 was implemented in fiscal year ended June 30, 2018. Additional years will be added up to 10 years when information becomes available.

### Methods and Assumptions for Actuarially Determined Contributions

	Miscellaneous
Valuation Date:	June 30, 2022
Actuarial Cost Method:	Entry-Age Normal, Level % of pay
Amortization Method:	Level % of pay
Amortization Period:	15-year fixed period for 2023/24
Asset Valuation Method:	Market value of assets
Actuarial Assumptions:	
Discount Rate	6.25%
General Inflation	2.50%
Medical Trend	Non-Medicare - 8.5% for 2024, decreasing to an ultimate rate of 3.45% in 2076  Medicare (Kaiser) - 6.25% for 2024, decreasing to an ultimate rate of 3.45% in 2076  Medicare (Non-Kaiser) - 7.50% for 2024, decreasing to an ultimate rate of 3.45% in 2076
Mortality	CalPERS 2000-2019 experience study
Mortality Improvement	Mortality projected fully generational with Scale MP-2021

# FAIRFIELD-SUISUN SEWER DISTRICT

## Required Supplementary Information

June 30, 2024

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### Schedule of Proportionate Share of Net Pension Liability Last Ten Fiscal Years

	Fiscal Year End									
	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Measurement Date	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
District's proportion of the net pension liability	0.04045%	0.03480%	-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	\$ 5,046,601	\$ 4,019,592	\$ (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	\$ 8,400,651	\$ 7,514,120	\$ 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	60.07%	53.49%	-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	76.21%	76.68%	88.29%	75.10%	75.26%	75.26%	73.31%	74.06%	78.40%	79.82%

*Notes:*

1. For the year ending on the measurement date.

# FAIRFIELD-SUISUN SEWER DISTRICT

## Required Supplementary Information

June 30, 2024

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### Schedule of Proportionate Share of Employer Pension Contributions Last Ten Fiscal Years

Contributions for the fiscal year ending:	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Actuarially determined contribution	\$ 1,144,842	\$ 1,278,013	\$ 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	(2,644,842)	(1,278,013)	(3,299,678)	(3,288,185)	(3,253,996)	(1,099,426)	(1,004,247)	(958,408)	(822,449)	(975,423)
Contribution deficiency (Excess)	\$(1,500,000)	\$ -	\$ (2,000,000)	\$ (2,000,000)	\$ (2,000,000)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll <sup>1</sup>	\$ 9,165,851	\$ 8,400,651	\$ 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	28.86%	15.21%	43.91%	51.44%	50.56%	17.96%	16.59%	15.87%	15.91%	17.30%

*Notes:*

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

## **OTHER INDEPENDENT AUDITORS' REPORTS**

**Report on Internal Control Over Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

Board of Directors  
Fairfield-Suisun Sewer District  
Fairfield, California

**Independent Auditor's Report**

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 Fairfield-Suisun Sewer District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated December 23, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Fairfield-Suisun Sewer District 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 have not been 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.

*Davis Farr LLP*

Irvine, California  
December 23, 2024

# FAIRFIELD-SUISUN SEWER DISTRICT

## Statistical Section

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### Table of Contents

	Page
<b>Financial Section</b>	60-65
These schedules contain trend information to help the reader understand how the District's financial operation and performance have changed over time.	
<b>Revenue Capacity</b>	66-67
These schedules contain information to help the reader assess the District's most significant revenue sources.	
<b>Debt Capacity</b>	68-70
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.	
<b>Operating Information</b>	71-72
These schedules contain data to help the reader understand how the information in the District's financial report relates to the services it provides.	
<b>Economic and Demographic Information</b>	73-76
These schedules offer economic and demographic indicators to help the reader understand the environment within which the District's financial activities take place.	

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# FAIRFIELD-SUISUN SEWER DISTRICT

## Financial Trends

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### Schedule 1

#### Condensed Statements of Net Position

#### Last Ten Fiscal Years (\$000)

	Fiscal Year Ended June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Current and other assets										
Capital assets	\$ 71,234	\$ 70,761	\$ 73,059	\$ 66,817	\$ 64,879	\$ 55,214	\$ 44,222	\$ 34,947	\$ 27,964	\$ 20,820
	89,381	81,532	77,002	74,754	71,612	73,713	68,860	72,638	76,831	81,307
Total assets	160,615	152,293	150,061	141,571	136,491	128,927	113,082	107,585	104,795	102,127
Deferred charges on refunding	-	-	-	-	-	-	-	-	-	18
Deferred outflow - Pension <sup>1</sup>	5,547	5,028	6,609	5,260	4,653	2,671	3,288	3,134	1,946	1,425
Deferred outflow - OPEB <sup>2</sup>	3,170	4,180	2,324	3,091	2,374	2,897	367	-	-	-
Total deferred outflows of resources	8,717	9,208	8,933	8,351	7,027	5,568	3,655	3,134	1,946	1,443
Long-term liabilities	15,524	16,449	12,035	20,587	23,439	25,185	16,620	13,786	14,040	14,179
Other liabilities	8,923	6,829	6,148	4,317	6,454	3,760	2,692	2,494	2,252	4,542
Total liabilities	24,447	23,278	18,183	24,904	29,893	28,945	19,312	16,280	16,292	18,721
Deferred inflow - Pension	719	713	1,452	1,175	432	340	324	438	886	1,048
Deferred inflow - OPEB	1,479	1,808	2,131	1,454	168	214	-	-	-	-
Deferred inflow - Leases <sup>3</sup>	1,280	1,375	781	-	-	-	-	-	-	-
Total deferred inflows of resources	3,478	3,896	4,364	2,629	600	554	324	438	886	1,048
Net position:										
Net investment in capital assets	79,357	71,435	66,119	63,077	58,331	59,386	60,275	64,207	66,632	68,306
Restricted										
Restricted for capital projects	18,144	14,571	15,076	12,431	8,568	5,374	5,250	3,876	785	1,078
Restricted for debt service	1,070	1,070	1,069	1,069	1,069	737	737	737	737	2,021
Restricted for major maintenance	21,591	31,288	36,945	40,577	40,567	33,755	14,951	15,390	9,730	5,690
Restricted for City collection system reserves	4,623	2,446	-	-	-	-	-	-	-	-
Unrestricted	16,622	13,517	17,238	5,235	4,490	5,744	15,888	9,791	11,679	6,706
Total net position	\$ 141,407	\$ 134,327	\$ 136,447	\$ 122,389	\$ 113,025	\$ 104,996	\$ 97,101	\$ 94,001	\$ 89,563	\$ 83,801

(1) GASB No. 68 Accounting and Financial Reporting for Pensions Implemented June 30, 2015

(2) GASB No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB) Implemented June 30, 2018

(3) GASB No. 87 Accounting and Financial Reporting for Leases Implemented June 30, 2022

Source: District Audited Financial Statements

# FAIRFIELD-SUISUN SEWER DISTRICT

## Financial Trends

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### Schedule 2

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

#### Last Ten Fiscal Years (\$000)

	Fiscal Year Ended June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Revenues:										
Service charges	\$ 33,873	\$ 33,386	\$ 30,965	\$ 29,227	\$ 29,028	\$ 27,549	\$ 26,046	\$ 25,904	\$ 23,351	\$ 23,067
Drainage fees	1,631	1,662	1,684	1,647	1,706	1,619	1,598	1,580	1,552	1,545
Interest income	1,914	1,195	451	576	1,164	923	519	260	96	61
Other <sup>1</sup>	2,699	544	(683)	78	1,240	956	194	222	212	219
Sewer capacity charges	4,818	2,723	4,011	5,497	2,023	3,000	2,079	2,478	2,835	3,157
Capital related grants	748	-	-	-	4,000	-	-	-	-	-
Total revenues	45,683	39,510	36,428	37,025	39,161	34,047	30,436	30,444	28,046	28,049
Expenses:	<sup>2</sup>									
Personnel <sup>3</sup>	17,269	20,042	5,525	12,289	14,885	10,354	10,188	9,119	7,482	8,247
Utilities and chemicals	4,382	4,045	2,933	2,524	1,969	1,785	1,705	1,836	1,606	1,801
Services, operations and maintenance	6,711	8,100	6,271	5,505	6,757	6,637	6,163	7,307	4,744	5,374
Sewer line maintenance	4,625	4,077	2,506	2,367	2,256	2,190	2,216	2,142	2,072	1,995
Billing & collection	775	741	700	667	647	621	594	572	549	528
Interest expense	230	252	272	335	260	224	238	311	404	489
Depreciation and amortization	4,611	4,371	4,168	3,974	4,358	4,341	4,449	4,719	4,911	5,370
Total expenses	38,603	41,628	22,375	27,661	31,132	26,152	25,553	26,006	21,768	23,804
Change in net position	7,080	(2,118)	14,053	9,364	8,029	7,895	4,883	4,438	6,278	4,245
Net position, beginning of period (as restated)	134,327	136,447	122,389	113,025	104,996	97,101	94,001	89,563	83,801	83,899
Prior period adjustment, GASB 68 (Pension)	-	-	-	-	-	-	-	-	(516)	(4,343)
Prior period adjustment, GASB 75 (OPEB)	-	-	-	-	-	-	(1,783)	-	-	-
Prior period adjustment, GASB 87 (Leases)	-	-	5	-	-	-	-	-	-	-
Prior period adjustment, AP Variance	-	(2)	-	-	-	-	-	-	-	-
Net position, as restated	134,327	136,445	122,394	113,025	104,996	97,101	92,218	89,563	83,285	79,556
Net position, end of period	\$ 141,407	\$ 134,327	\$ 136,447	\$ 122,389	\$ 113,025	\$ 104,996	\$ 97,101	\$ 94,001	\$ 89,563	\$ 83,801
Statement of Net Position										
Net investment in capital assets	\$ 79,357	\$ 71,435	\$ 66,119	\$ 63,077	\$ 58,331	\$ 59,386	\$ 60,275	\$ 64,207	\$ 66,632	\$ 68,306
Restricted										
Restricted for capital projects	18,144	14,571	15,076	12,431	8,568	5,374	5,250	3,876	785	1,078
Restricted for debt service	1,070	1,070	1,069	1,069	1,069	737	737	737	737	2,021
Restricted for major maintenance	21,591	31,288	36,945	40,577	40,567	33,755	14,951	15,390	9,730	5,690
Restricted for City collection system reserves	4,623	2,446	-	-	-	-	-	-	-	-
Unrestricted	16,622	13,517	17,238	5,235	4,490	5,744	15,888	9,791	11,679	6,706
Total net position	\$ 141,407	\$ 134,327	\$ 136,447	\$ 122,389	\$ 113,025	\$ 104,996	\$ 97,101	\$ 94,001	\$ 89,563	\$ 83,801

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

(2) In FY 2022-23, operating expense categories were updated to pull reports directly from the financial system. Operating expense categories were changed to provide a direct comparison. Prior year categories in previously audited financial statements (total) will tie to the total operating expense amount.

(3) Personnel expenses include actuarially determined pension and other post employment benefit expenses in accordance with GASB No. 68 and No. 75.

Source: District Audited Financial Statements

# FAIRFIELD-SUISUN SEWER DISTRICT

## Financial Trends

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### Schedule 3

#### Changes in Net Position

#### Last Ten Fiscal Years (\$000)

	Fiscal Year Ended June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Revenues:</b>										
Service charges	\$ 33,873	\$ 33,386	\$ 30,965	\$ 29,227	\$ 29,028	\$ 27,549	\$ 26,046	\$ 25,904	\$ 23,351	\$ 23,067
Drainage fees	1,631	1,662	1,684	1,647	1,706	1,619	1,598	1,580	1,552	1,545
Interest income	1,914	1,195	451	576	1,164	923	519	260	96	61
Other <sup>1</sup>	2,699	544	(683)	78	1,240	956	194	222	212	219
Sewer capacity charges	4,818	2,723	4,011	5,497	2,023	3,000	2,079	2,478	2,835	3,157
Capital related grants	748	-	-	-	4,000	-	-	-	-	-
<b>Total revenues</b>	<b>45,683</b>	<b>39,510</b>	<b>36,428</b>	<b>37,025</b>	<b>39,161</b>	<b>34,047</b>	<b>30,436</b>	<b>30,444</b>	<b>28,046</b>	<b>28,049</b>
<b>Expenses:</b> <sup>2</sup>										
Personnel <sup>3</sup>	17,269	20,042	5,525	12,289	14,885	10,354	10,188	9,119	7,482	8,247
Utilities and chemicals	4,382	4,045	2,933	2,524	1,969	1,785	1,705	1,836	1,606	1,801
Services, operations and maintenance	6,711	8,100	6,271	5,505	6,757	6,637	6,163	7,307	4,744	5,374
Sewer line maintenance	4,625	4,077	2,506	2,367	2,256	2,190	2,216	2,142	2,072	1,995
Billing and collection	775	741	700	667	647	621	594	572	549	528
Interest expense	230	252	272	335	260	224	238	311	404	489
Depreciation and amortization	4,611	4,371	4,168	3,974	4,358	4,341	4,449	4,719	4,911	5,370
<b>Total expenses</b>	<b>38,603</b>	<b>41,628</b>	<b>22,375</b>	<b>27,661</b>	<b>31,132</b>	<b>26,152</b>	<b>25,553</b>	<b>26,006</b>	<b>21,768</b>	<b>23,804</b>
<b>Change in net position</b>	<b>\$ 7,080</b>	<b>\$ (2,118)</b>	<b>\$ 14,053</b>	<b>\$ 9,364</b>	<b>\$ 8,029</b>	<b>\$ 7,895</b>	<b>\$ 4,883</b>	<b>\$ 4,438</b>	<b>\$ 6,278</b>	<b>\$ 4,245</b>

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

(2) In FY 2022-23, operating expense categories were updated to pull reports directly from the financial system. Operating expense categories were changed to provide a direct comparison. Prior year categories in previously audited financial statements (total) will tie to the total operating expense amount

(3) Personnel expenses include actuarially determined pension and other post employment benefit expenses in accordance with GASB No. 68 and No. 75.

Source: District Audited Financial Statements

**FAIRFIELD-SUISUN SEWER DISTRICT**  
 Financial Trends

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

	Fiscal Year Ended June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Net position:</b>										
Net investment in capital assets	\$ 79,357	\$ 71,435	\$ 66,119	\$ 63,077	\$ 58,331	\$ 59,386	\$ 60,275	\$ 64,207	\$ 66,632	\$ 68,306
Restricted	45,428	49,375	53,090	54,077	50,204	39,866	20,938	20,003	11,252	8,789
Unrestricted	16,622	13,517	17,238	5,235	4,490	5,744	15,888	9,791	11,679	6,706
	<b>\$ 141,407</b>	<b>\$ 134,327</b>	<b>\$ 136,447</b>	<b>\$ 122,389</b>	<b>\$ 113,025</b>	<b>\$ 104,996</b>	<b>\$ 97,101</b>	<b>\$ 94,001</b>	<b>\$ 89,563</b>	<b>\$ 83,801</b>

Source: District Audited Financial Statements

**FAIRFIELD-SUISUN SEWER DISTRICT**  
 Financial Trends

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**Schedule 5**  
**Expenses by Classification**  
**Last Ten Fiscal Years**  
**(Excludes capital expenditures)**

Year Ended June 30,	Total	Operating Expenses <sup>1</sup>					Nonoperating Expenses	
		Utilities and Chemicals	Services, Operations and Maintenance	Sewer Line Maintenance	Billing & Collection	Depreciation & Amortization	Interest Expense	
2015	\$ 23,804,570	\$ 8,247,208	\$ 1,801,105	\$ 5,374,458	\$ 1,994,734	\$ 527,946	\$ 5,369,653	\$ 489,466
2016	21,767,976	7,481,985	1,606,001	4,744,024	2,072,264	548,613	4,911,240	403,849
2017	26,004,419	9,118,711	1,835,900	7,307,210	2,141,449	572,075	4,718,543	310,531
2018	25,553,526	10,187,892	1,704,896	6,162,336	2,216,177	594,247	4,449,438	238,540
2019	26,152,009	10,353,677	1,785,119	6,637,297	2,190,335	620,929	4,340,674	223,978
2020	31,133,094	14,885,540	1,969,026	6,756,749	2,256,155	647,226	4,357,994	260,404
2021	27,660,682	12,288,911	2,524,238	5,504,137	2,367,118	667,098	3,974,168	335,012
2022	22,374,757	5,525,051	2,932,508	6,271,122	2,505,748	700,164	4,168,237	271,927
2023	41,627,636	20,041,562	4,044,923	8,100,137	4,077,244	741,063	4,371,177	251,530
2024	38,602,639	17,268,408	4,381,502	6,711,088	4,625,349	775,155	4,610,890	230,247

(1) In FY 2022-23, operating expense categories were updated to pull reports directly from the financial system. Operating expense categories were changed to provide a direct comparison. Prior year categories in previously audited financial statements (total) will tie to the total operating expense amount.

(2) Personnel expenses include actuarially determined pension and other post employment benefit expenses in accordance with GASB No. 68 and No. 75.

Source: District Audited Financial Statements

**FAIRFIELD-SUISUN SEWER DISTRICT**  
 Financial Trends

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

Year Ended June 30,	Total	Operating Revenues			Nonoperating Revenues			Contributed Capital	
		Sewer Service Charges	Drainage Fees	Other	Interest Income	Other (1)	Sewer Capacity Charges	Capital Related Grants	
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	712,728	450,517	(1,395,896)	4,010,835		-
2023	39,510,237	33,386,414	1,662,135	567,169	1,194,804	(23,691)	2,723,406		-
2024	45,682,451	33,873,175	1,630,683	656,257	1,913,617	2,042,487	4,817,832		748,400

(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)
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
2022-23	45.02	3.60
2023-24	47.27	3.78



(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 28, 2022 and are effective through FY 2026-27.

Source: District rate resolution

# FAIRFIELD-SUISUN SEWER DISTRICT

## Revenue Capacity

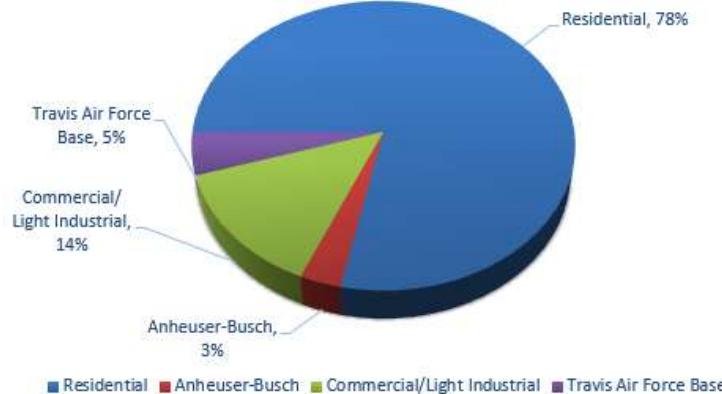
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### Schedule 8

#### Service Area of Top 10 Principal Customers and Percentage of Total Sewer Service Charges

			Fiscal Years Ended June 30,									
			2024	2023	2022	2021	2020	2019	2018	2017	2016	
Total sewer service charges \$000			\$ 33,873	\$ 33,386	\$ 30,965	\$ 29,227	\$ 29,028	\$ 27,549	\$ 26,047	\$ 25,904	\$ 23,351	\$ 23,067
User	Type											
Travis Air Force Base	Military Base	4.77%	4.83%	3.51%	3.03%	3.31%	4.49%	3.87%	4.76%	3.73%	3.92%	
Anheuser-Busch	Brewery	3.16%	5.08%	4.40%	4.21%	3.93%	4.00%	3.65%	5.86%	4.21%	4.39%	
Producers Dairy Foods	Dairy	2.03%	3.02%	2.08%	1.39%	1.82%	1.00%	0.77%	0.95%	1.06%	0.73%	
Paradise Valley Estates	Housing	0.55%	0.53%	0.55%	0.56%	0.54%	0.55%	0.56%	0.46%	0.58%	0.55%	
Pointe Fairfield Venture, LLC	Housing	0.49%	0.48%	0.49%	0.50%	0.49%	0.50%	0.49%	0.49%	0.52%	0.50%	
Verdant at Green Valley	Housing	0.48%	0.46%	0.48%	0.49%	0.46%	0.48%	0.45%	0.00%	0.00%	0.00%	
United Mobile Homeowners	Housing	0.35%	0.34%	0.35%	0.36%	0.34%	0.36%	0.33%	0.35%	0.37%	0.36%	
Amcor Pet Packing	Manufacturing	0.52%	0.57%	0.59%	0.60%	0.54%	0.56%	0.31%	0.74%	0.70%	0.58%	
Ardagh	Manufacturing	0.54%	0.40%	0.45%	0.49%	0.42%	0.29%	0.29%	0.25%	0.23%	0.23%	
CSCDA Community Improvement Auth.	Housing	0.63%	0.61%	-	-	-	-	-	-	-	-	
		13.52%	16.30%	12.91%	11.64%	11.85%	12.23%	10.73%	13.87%	11.40%	11.25%	

**Customers by Category**  
**FY 2023-24**



Source: City of Fairfield and District billing records

**FAIRFIELD-SUISUN SEWER DISTRICT**  
 Debt Capacity

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**Schedule 9**  
**Pledged-Revenue Coverage**  
**Last Ten Fiscal Years**

Year Ended June 30,	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)	Debt Coverage % (4)
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%
2023	39,510,237	37,004,929	2,505,308	1,070,057	234%
2024	45,682,451	33,761,498	11,920,953	1,070,057	1114%

(1) Includes Sewer Capacity Charges.

(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

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**Schedule 10**  
**Summary of Debt Service Payments**  
**Last Ten Fiscal Years**

Year Ended June 30,	City of Fairfield		2010 Sewer		Total Debt Service
	Reimbursement Agreement	State Revolving Fund Loan	Refunding Bonds		
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	
2023	-	1,070,056	-	1,070,056	
2024	-	1,070,056	-	1,070,056	
<b>Total</b>	<b>\$ 1,506,563</b>	<b>\$ 8,702,453</b>	<b>\$ 4,850,228</b>	<b>\$ 15,059,244</b>	

*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

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**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)	Leases (4)	Total Outstanding Debt	Population Served (2)	Debt per Capita
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	146,596	102
2020	-	12,440,576	-	-	12,440,576	146,100	85
2021	-	11,677,087	-	-	11,677,087	146,887	79
2022	-	10,883,153	-	36,121	10,919,274	148,793	73
2023	-	10,068,687	-	28,722	10,097,409	147,997	68
2024	-	9,233,138	-	18,573	9,251,711	149,179	62

(1) *Refunded in fiscal year 2009/10*

(2) *Refer to Schedule 14*

(3) *Paid in full in July 2017*

(4) *The District implemented GASB No.87 Leases during Fiscal Year Ended June 20, 2022*

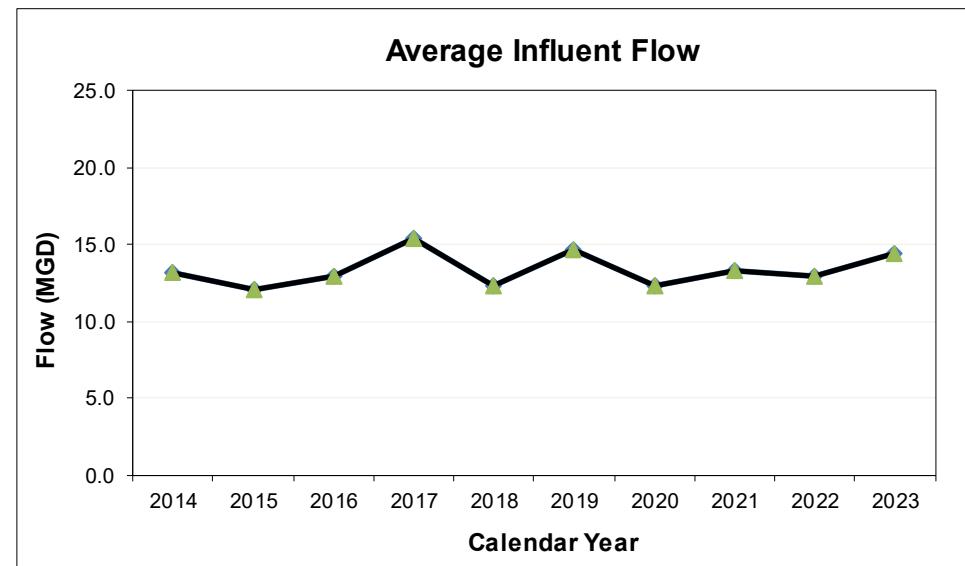
Source: *District's Audited Financial Statements and Accounting Records*

**FAIRFIELD-SUISUN SEWER DISTRICT**  
Operating Information

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**Schedule 12**  
**Average Annual Influent Flow**

<u>Year (Calendar)</u>	Flow (MGD)*
2014	13.1
2015	12.0
2016	12.9
2017	15.4
2018	12.3
2019	14.6
2020	12.3
2021	13.3
2022	12.9
2023	14.4



\*Million gallons per day

Source: District's Regulatory Department

Data for calendar year 2024 is not available as of fiscal year-end date.

# FAIRFIELD-SUISUN SEWER DISTRICT

## Operating Information

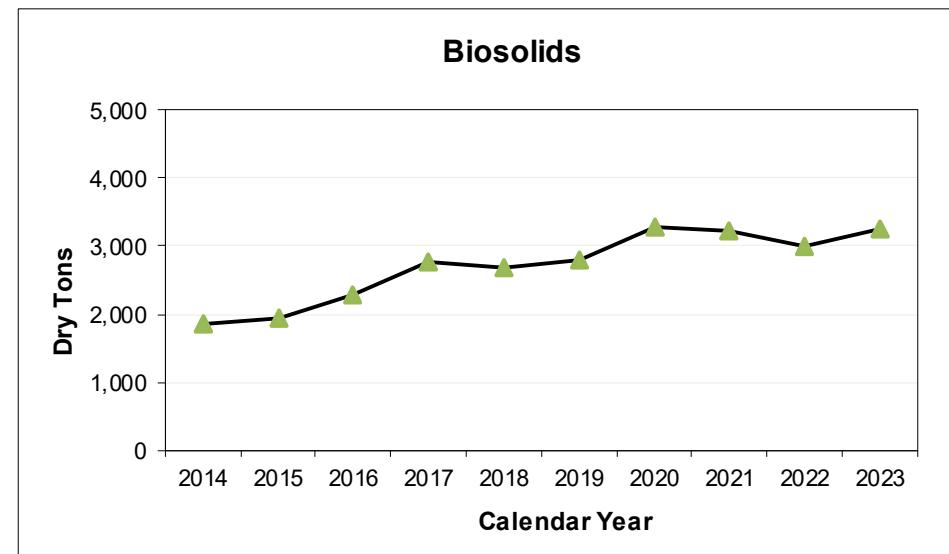
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### Schedule 13

#### Biosolids Disposal

#### Biosolids (Sludge) Hauled/Produced

Year (Calendar)	Dry Metric Tons
2014	1,859
2015	1,939
2016	2,284
2017	2,777
2018	2,691
2019	2,802
2020	3,296
2021	3,221
2022	2,996
2023	3,241



*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 2024 is not available as of fiscal year-end date.*

**FAIRFIELD-SUISUN SEWER DISTRICT**  
Economic and Demographic Information

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**Schedule 14**  
**Population Served**  
**Last Ten Fiscal Years**

Year	City of Fairfield	City of Suisun City	Total Served	% Change
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%
2023	119,526	28,471	147,997	-0.5%
2024	120,339	28,840	149,179	0.8%

Source: *State of California Department of Finance*

# FAIRFIELD-SUISUN SEWER DISTRICT

## Economic and Demographic Information

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

Firm Name	Type of Business	2023	Employees	% of Total		2014	Employees	% of Total	
				Ranking	City of Fairfield			Ranking	City of Fairfield
Travis Air Force Base	Military Base	13,414	1	26%		14,353	1	29%	
County of Solano	Government	2,633	2	5%		2,628	3	5%	
Fairfield-Suisun Unified School District	Education	2,213	3	4%		2,707	2	5%	
NorthBay Medical Center	Hospital	1,969	4	4%		1,982	4	4%	
Solano Community College	Education	750	5	1%		867	5	2%	
Partnership HealthPlan	Insurance	561	6	1%		403	10	1%	
City of Fairfield	Government	553	7	1%		504	6	1%	
Jelly Belly Candy Co.	Candy & Confections	489	8	1%		461	8	1%	
Sutter Regional Medical Foundation	Medical	475	9	1%		475	7	1%	
Westamerica Bank	Corporate Headquarters	418	10	1%		418	9	1%	

*Note: City of Fairfield Annual Comprehensive Financial Report for the year ended June 30, 2024 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

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**Schedule 16**  
**Full-Time District Employees by Program**  
**Last Ten Fiscal Years**

Function/Program	Fiscal Year Ended June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Engineering and Construction (1)	11	10	8.5	8.5	6	6	6	6	6	6
Administration (3)	8	8	8	8	6	6	6	6	7.5	7
Regulatory (2)	6	6	5	5	4	4	4	4.5	4.5	4.5
Safety (4)	0	0	0	0	1	1	1	1	1	1
Operation and Maintenance	41	42	40	40	40	40	40	40	39	40.5
	<b>66.0</b>	<b>66.0</b>	<b>61.5</b>	<b>61.5</b>	<b>57</b>	<b>57</b>	<b>57</b>	<b>57.5</b>	<b>58.0</b>	<b>59.0</b>

*Billing and collection functions are contracted out to third parties.*

*(1) This includes the Assistant General Manager/District Engineer.*

*(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

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### 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	66.0
District population	149,179

#### 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 (lowest 3 consecutive months 2024)	11.28
Miles of sewer (12-inch and larger)	86

#### Stormwater Facilities

Area served (square miles)	45
Number of pump stations	7

Source: *Fairfield-Suisun Sewer District*