



Fairfield-Suisun Sewer District

Fairfield, CA



Comprehensive Annual Financial Report

For the Year Ended June 30, 2018

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Comprehensive Annual Financial Report

For the Year Ended June 30, 2018

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



Prepared by the Finance Department
Fairfield-Suisun Sewer District
www.fssd.com

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FAIRFIELD-SUISUN SEWER DISTRICT
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

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Introductory Section

The Fairfield-Suisun Sewer District as a special District, owns and operates a system of sanitary sewers and pumping stations, used to oversee wastewater collection and treatment. Looking at two Intermediate Clarifiers, this process slows the flow down in order to settle out any dead or sloughed off Zooglia mass from the Oxidation Towers. After the solids are gathered and removed they are pumped into the Gravity Belt Thickener.



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FAIRFIELD-SUISUN SEWER DISTRICT

1010 CHADBOURNE ROAD • FAIRFIELD, CALIFORNIA 94534 • (707) 429-8930 • WWW.FSSD.COM
GREGORY G. BAATRUP, GENERAL MANAGER

October 12, 2018

Board of Directors
Fairfield-Suisun Sewer District
Fairfield, California

Subject: Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

It is a pleasure to submit the Fairfield-Suisun Sewer District's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018. 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 are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of District operations. Included are all disclosures necessary to enable the reader to gain the maximum understanding of the District's financial activities.

The CAFR 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 (MD&A), to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the independent auditor's report in the financial section.

The Reporting Entity

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

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

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

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 10-member Board of Directors consists of the members of the city councils of the two cities. The Board president is elected by the Board from among its members. The District's day-to-day operations are managed by the General Manager, who reports directly to the Board of Directors.

Factors Affecting Financial Condition

Local Economic Condition and Outlook

The District is headquartered in Fairfield, California and serves the cities of Fairfield and Suisun City, contiguous cities in Solano County, California. The cities are located along Interstate 80, midway between San Francisco and Sacramento, the state capital. The cities lie in a large valley surrounded by rolling hills. Fairfield is the Solano County seat and houses most county government activities while Suisun City is one of California's oldest cities. Suisun City sits approximately 15 feet above sea level, and a network of sloughs, navigable by small boats, extend 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 other points of interest and affordable housing have been some of the factors in the areas past residential growth.

Major employers located within the District's boundaries include Travis Air Force Base, County of Solano, Anheuser-Busch Brewery, Jelly Belly, Super Store Industries, North Bay Medical Center, Kaiser Permanente, several other large manufacturers and industries, shopping districts, and an auto mall. District sewer service charges are stable with approximately 80% coming from residential customers who are billed a flat fee on a monthly basis. Revenues received from commercial and industrial customers comprise the remaining 20% of the total sewer service charges. Sewer service charges for residential customers increased by 3.5% while commercial and industrial customers increased by varying rates. The increases were effective July 1, 2017 and projected to continue through fiscal year 2021-22, in accordance with the corresponding Cost of Service and Rate Study and Proposition 218 Notice, which the District conducts every few years.

Economic condition within the District's service area, as well as the entire Solano County is continuing to improve. According to the Bureau of Labor Statistics preliminary report, unemployment rate in Vallejo-Fairfield area decreased to 4.2% in June 2018, compared to 5.4% in June 2017, Solano County is closed to full employment at 4.2% in June 2018

compared to 4.8% in June 2017. Statewide unemployment rate in June 2018 also improved at 4.2% compared to 4.8% in June 2017.

Although more jobs within Solano County need to be created, consumer confidence is improving, and economic forecast looks favorable. The City of Suisun City is almost at built out. The City of Fairfield, however, is projecting continued growth over the next ten years, with approximately 4,200 new single and multi-family homes in the ten-year development forecast. Commercial and industrial developments are continuing to be built, albeit at gradual pace. The District has expanded its treatment plant primarily for this projected growth and is ready to service the growing service area.

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, however, the District prepares a biennial budget, along with a ten-year financial plan, which is approved and adopted biennially by the Board of Directors. Status update and budgetary comparison is presented to the Board of Directors on non-budget years.

Budgetary control is maintained at the department level for administrative and operating expenses and at the project level for capital improvements. All new construction projects over \$45,000 are individually approved by the Board.

Major Initiatives

During fiscal year 2017/18, the District initiated and/or completed various major maintenance projects, primarily replacements and upgrades to different portions of the treatment plant. District management is proactive in the maintenance and upgrade of the treatment plant facilities particularly as it ages, to ensure it remains operational at optimum condition. Significant initiatives during the fiscal year included the following:

Blower Replacement Project – Blowers, which provide oxygen to wastewater-treating microorganisms in the aeration basins, are critical to the District’s biological treatment process. The District’s existing aeration system includes blowers, air header piping, and electrical equipment installed in the 1970s that have reached the end of their useful life, and need to be replaced.

The project includes the replacement of existing blowers with four new high speed turbo blowers replacing all existing 4,160 Volt power distribution equipment with 480 Volt equipment, and the replacement of leaking aeration header piping. The project scope also includes modifications to the plant’s main 12-kV substation to allow for a dedicated 12-kV electrical feed to the Blower Building and aeration equipment, and the replacement of a 40-year old standby generator with a new unit to provide reliable emergency power. The aeration system constitutes the single largest user of electricity at the plant. Replacement of blowers will significantly improve the reliability and energy efficiency of the aeration system, and the associated electrical work will enhance plant safety and allow for greater ease of maintenance by in-house staff. Funding from this project is a combination of

borrowing and grant from the California Water State Revolving Fund program. Total cost of this project, including design, is \$11.6 million with estimated completion date of December 2019.

Secondary Clarifier Coatings – The Secondary Clarifiers are an important component of the wastewater treatment process. Their function is to remove solids from the waste stream after biological treatment. These basins have submerged rotating mechanisms that are constructed from mild steel. Normal service life for this type of coating in submerged conditions is 8 years, through spot repairs, the coating was extended to more than 13 years. After closer inspection, it was determined that spot repairs would not provide enough protection and a full recoat is needed. District staff prepared a design for coating rehabilitation of two of the four Secondary Clarifiers, while the other two were coated last fiscal year. The cost of this project is \$644,000, with estimated completion date of September 2018.

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 an unauthorized use or disposition; and 2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the evaluation of costs and benefits requires estimates and judgments by management.

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

Independent Audit

California state statutes and bond covenants require an annual independent audit of the books of accounts and financial records of the District. The firm of Chavan & Associates, LLP was contracted to conduct this year's audit. Their unqualified opinion is included in the Financial Section of this report.

Awards and Recognition

The District is the recipient of many awards of excellence at the local, state and national levels for maintaining an efficient, well run treatment plant. These awards are received from the local chapter of the California Water Environment Association (CWEA), the state CWEA, the national Water Environment Federation, and the National Association of Clean Water Agencies (NACWA). Awards received typically are for plant of the year, collection system of the year, Burke award for safety, excellence in management recognition, and awards for individual achievements. The District recently received the NACWA Platinum Award for five continuous years of zero violations.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Fairfield-Suisun Sewer District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily-readable and efficiently-organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

This report could not have been accomplished without the dedicated effort of Olivia Ruiz, District Senior Accountant, who worked many hours to prepare this report. Special appreciation is extended to the entire Finance, Administrative, and other staff members who provided information and participated in the preparation of 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,



Gregory Bastrup, P.E.
General Manager



Helen Gaumann, CPA
Director of Administrative Services

FAIRFIELD-SUISUN SEWER DISTRICT
Principal Officers for the Year Ended June 30, 2017

Board of Directors

Mike Segala, President
Harry Price, Vice President
Pam Bertani
Chuck Timm
Jane Day
Mike Hudson
Catherine Moy
Harry Price
Pete Sanchez
Rick Vaccaro
Lori Wilson

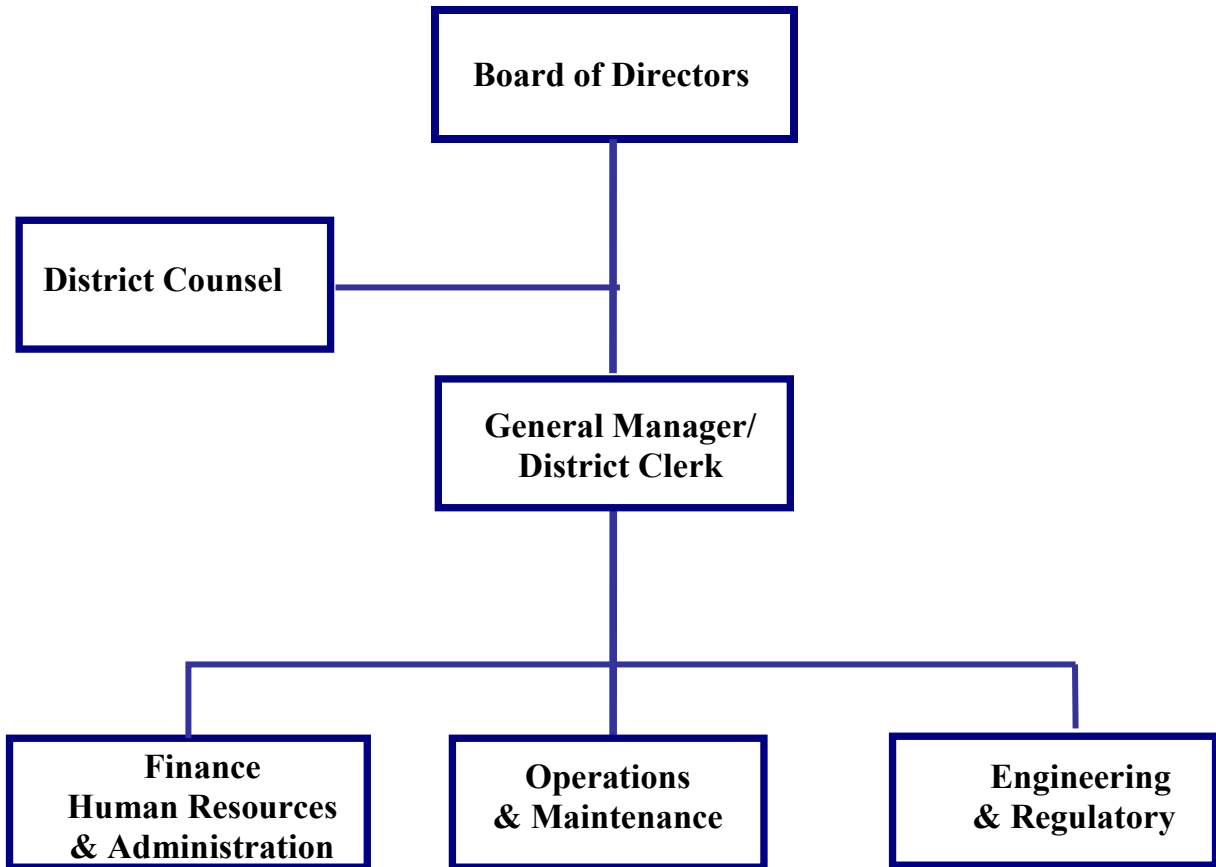
Executive Staff

Greg Baatrup, General Manager
Talyon Sortor, Assistant General Manager
Helen Gaumann, Director of Administrative Services
Jordan Damerel, Director of Engineering

District Counsel

Bernadette Curry

FAIRFIELD-SUISUN SEWER DISTRICT
Organization



FAIRFIELD-SUISUN SEWER DISTRICT
Certificate of Achievement for Excellence in Financial Reporting



Government Finance Officers Association

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

Presented to

**Fairfield-Suisun Sewer District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

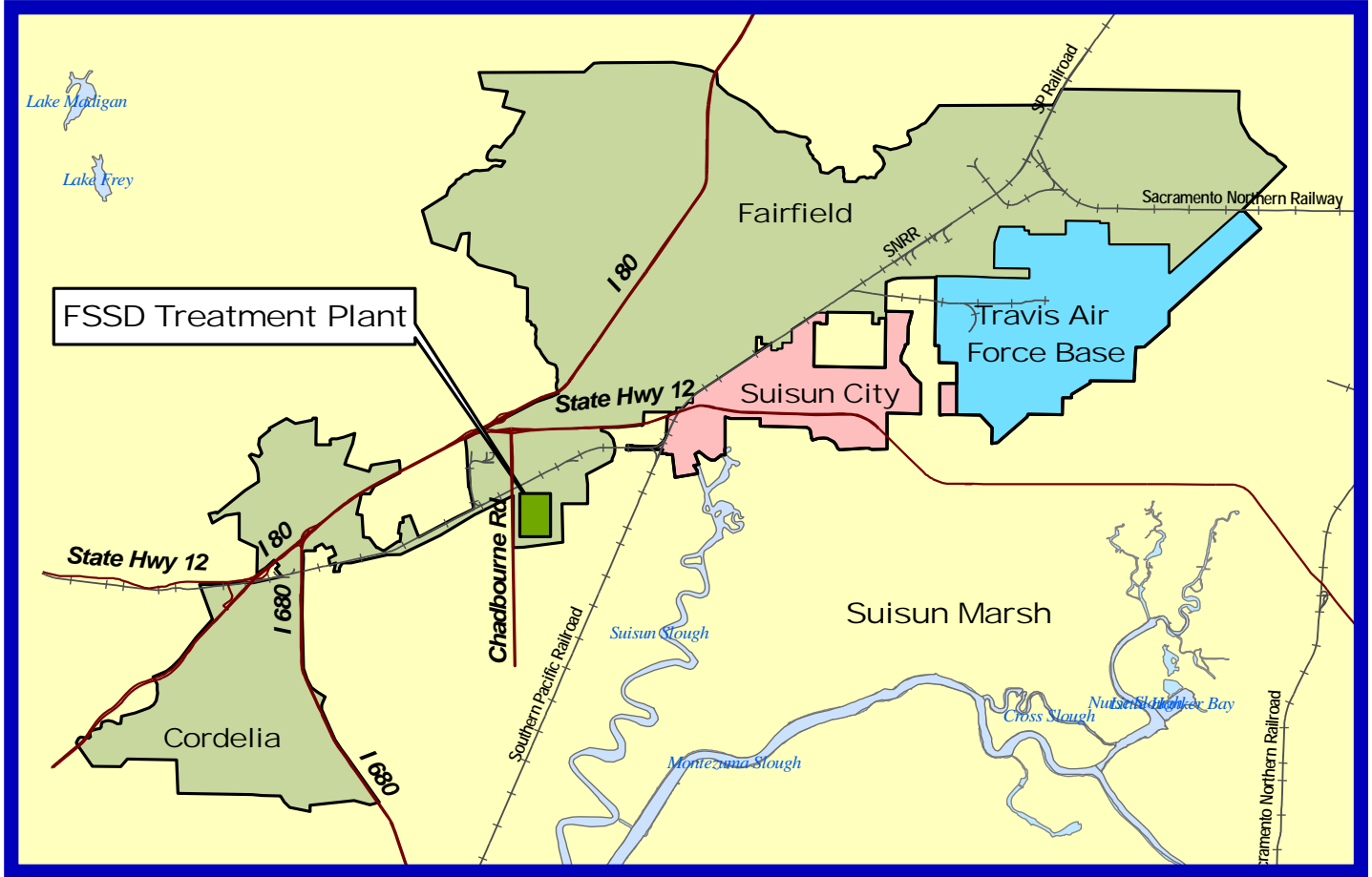
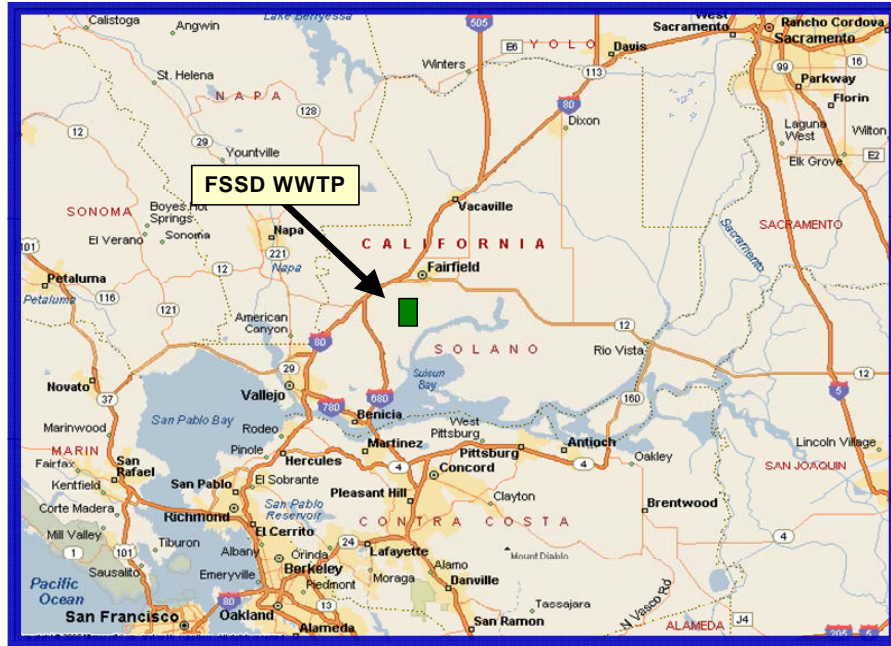
June 30, 2017

Christopher P. Morrill

Executive Director/CEO

FAIRFIELD-SUISUN SEWER DISTRICT

Location Map



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Financial Section

Receiving Waters—Suisun Marsh and Duck Clubs.

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



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Fairfield-Suisun Sewer District (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Fairfield-Suisun Sewer District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2018 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 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 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.

C & A LLP

October 12, 2018
San Jose, California

FAIRFIELD-SUISUN SEWER DISTRICT

Management's Discussion and Analysis

This section of the District's Comprehensive Annual Financial Report presents management's discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2018. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements and accompanying notes, which follow this section.

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

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

Overview of the Basic Financial Statements

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

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

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

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

FAIRFIELD-SUISUN SEWER DISTRICT

Management's Discussion and Analysis

All of 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, credit worthiness, and whether the District has successfully recovered all of its costs through its sewer fees and other charges.

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

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

Financial Highlights and Analysis

Financial Highlights

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

- Total assets increased by 5.1%
- Deferred outflows of resources increased by 16.6%
- Total liabilities increased by 18.6%
- Deferred inflows of resources decreased by 26.0%
- Net position increased by 3.3%
- Total operating revenues remained relatively unchanged, while capacity fees decreased by 16.0%
- Total operating expenses (including depreciation) remained relatively unchanged.

FAIRFIELD-SUISUN SEWER DISTRICT

Management's Discussion and Analysis

Financial Analysis

The following is the District's Condensed Statement of Net Position for fiscal year ended June 30, 2018 as compared to fiscal year ended June 30, 2017:

(\$000)	Fiscal Year Ended June 30,		Increase	Percent
	2018	2017	(Decrease)	
Current and other assets	\$ 44,222	\$ 34,947	\$ 9,275	26.5%
Capital assets	68,860	72,638	(3,778)	-5.2%
Total assets	113,082	107,585	5,497	5.1%
Deferred outflow of resources	3,655	3,134	521	16.6%
Long-term liabilities	16,620	13,786	2,834	20.6%
Other liabilities	2,692	2,494	198	7.9%
Total liabilities	19,312	16,280	3,032	18.6%
Deferred inflow of resources	324	438	(114)	-26.0%
Net position				
Net investment in capital assets	60,275	64,207	(3,932)	-6.1%
Restricted				
Restricted for capital projects	5,250	3,876	1,374	35.4%
Restricted for debt service	737	737	-	0.0%
Restricted for major maintenance	14,951	15,390	(439)	-2.9%
Unrestricted	15,888	9,791	6,097	62.3%
Total net position	\$ 97,101	\$ 94,001	\$ 3,100	3.3%

- Current and other assets* increased by 26.5%, a couple of factors that contributed to this significant increase are: 1) the District is re-building its major maintenance reserve to fund future major repairs and replacements of its aging facilities; 2) work on the blower project started later than anticipated, thus lower cash outlay. *Capital assets* decreased by 5.2% due mainly to depreciation of existing assets and lack of new depreciable capital improvement projects. The District's treatment plant is built out; therefore, it is anticipated that the net capital assets will continue to stabilize in the next few years until major upgrades & repairs projects get underway.
- Deferred outflows of resources* represent transactions related to the GASB 68 and 75. Transactions related to GASB 68 are the net of the differences between projected and actual experience, changes in actuarial assumptions, changes in the District's proportionate share of the pension pool, and contributions subsequent to the measurement date. The amount related to GASB 75, which was implemented in fiscal year June 30, 2018 represents other post-employment benefit contributions made subsequent to the measurement date.

FAIRFIELD-SUISUN SEWER DISTRICT

Management's Discussion and Analysis

- *Long-term liabilities* increased by 20.6%, primarily due to the increase in net pension liability, and the implementation of the GASB 75. The increase in net pension liability was caused by several factors, including change in discount rate from 7.65% to 7.15%. Implementation of the GASB 75 resulted in a liability of approximately \$1.6 million recognized in fiscal year 2017/18.
- *Deferred inflows of resources* are transactions related to GASB 68, and are the differences between expectations and actual experience, and changes in actuarial assumptions.
- The *restricted net position* represents resources that are subject to external restrictions on how they may be used. *Restricted for capital projects*, which represents cumulative unspent portion of capacity fees received increased by 35.4%. It is anticipated that this growing capital reserve balance will fund growth-related projects in the next few years. The *restricted for debt service* is a State Revolving Fund debt covenant requirement, which the District is required to maintain through the life of the debt. Though a new State Revolving Fund loan was approved in fiscal year 2017/18, there is no requirement to set aside a debt service reserve until re-payment has been calculated and scheduled. The *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 process.
- The *unrestricted net position* may be used to meet the District's ongoing obligations to ratepayers and creditors. The unrestricted net position includes amount designated as operating reserve equivalent to three months of operating expenses as identified in the District's biennial budget. The increase is primarily due to the overall increase in assets.

FAIRFIELD-SUISUN SEWER DISTRICT

Management's Discussion and Analysis

(Financial Analysis Continued)

The following is the District's condensed statement of revenues, expenses and changes in net position for the fiscal year ended June 30, 2018 as compared to fiscal year ended June 30, 2017:

(\$000)	Fiscal Year Ended June 30,		Increase	
	2018	2017	(Decrease)	Percent
Revenues:				
Sewer service charges	\$ 26,046	\$ 25,904	\$ 142	0.5%
Drainage fees	1,598	1,580	18	1.1%
Interest income	519	260	259	99.6%
Other	194	222	(28)	-12.6%
Total revenues	<u>28,357</u>	<u>27,966</u>	<u>391</u>	<u>1.4%</u>
Expenses:				
Business operations	14,941	15,863	(922)	-5.8%
Sewer line maintenance	3,355	3,058	297	9.7%
General and administrative	1,976	1,483	493	33.2%
Billing and collection	594	572	22	3.8%
Interest expense	238	311	(73)	-23.5%
Depreciation	4,449	4,719	(270)	-5.7%
Total expenses	<u>25,553</u>	<u>26,006</u>	<u>(453)</u>	<u>-1.7%</u>
Income (loss) before capital contributions	2,804	1,960	844	43.1%
Add: Capacity fees	2,079	2,478	(399)	-16.1%
Change in net position	<u>4,883</u>	<u>4,438</u>	<u>445</u>	<u>10.0%</u>
Net position - beginning of period	94,001	89,563	4,438	5.0%
Less: GASB 75 prior period adjustment	(1,783)	-	(1,783)	100.0%
Net position, as restated	<u>92,218</u>	<u>89,563</u>	<u>4,438</u>	<u>5.0%</u>
Net position - end of period	<u>\$ 97,101</u>	<u>\$ 94,001</u>	<u>\$ 3,100</u>	<u>3.3%</u>

FAIRFIELD-SUISUN SEWER DISTRICT

Management's Discussion and Analysis

(Financial Analysis Continued)

Analysis of the condensed statement of revenues, expenses and changes in net position for fiscal year ended June 30, 2018, as compared to fiscal year ended June 30, 2017 as follows:

- Total revenues for fiscal year ended June 30, 2018 increased by 1.4%. The sewer service rate for fiscal year 2017/18 increased by 3.58% to all customer classes compared to 5.2% increase in residential customers and varying rates for commercial and industrial customers in fiscal year 2016/17. This lower rate increase resulted in a relatively flat sewer service charges revenue in fiscal year 2017/18. *Other income* refers to non-recurring service charge revenue and varies from year to year. *Interest Income* increased proportionate to increase in the District's investment portfolio, combined with slightly higher interest yield earned on investment securities.
- *Capacity fees* decreased by 16% due to timing difference. Real estate development in the District's service area is in progress, however, it is happening slower than projected, thus the timing discrepancy.

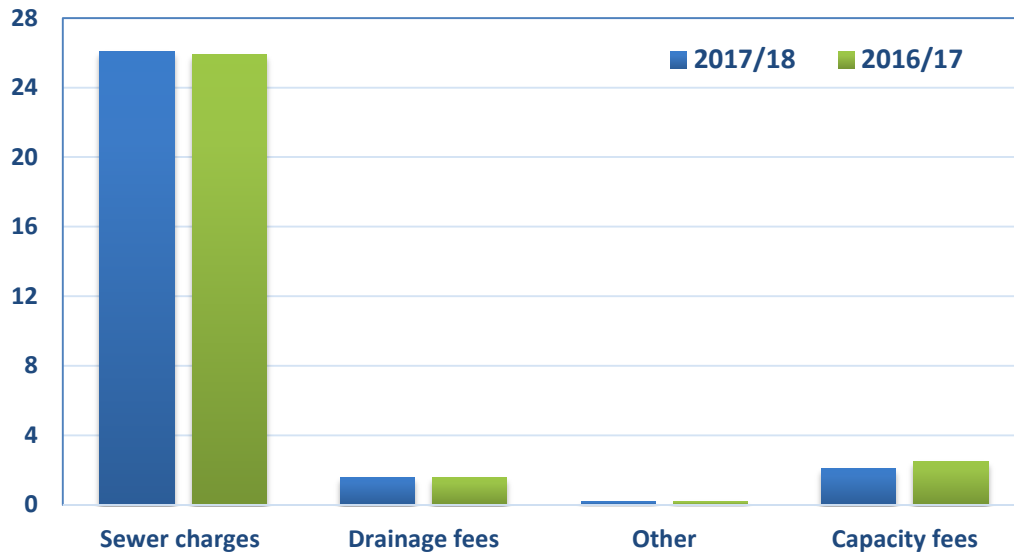
Overall *Expenses* decreased by 1.7%. *Business Operations* are expenses directly related to the operations and maintenance of the Plant. One major component of the Business Operations is the rehabilitation and maintenance (non-capital) function, which varies from year to year based on budget and availability of in-house labor. Some major maintenance projects in fiscal year 2017/18 had a later start, resulting in lower maintenance expenses. Another factor that contributed to the lower Business Operations was the reclassification of other post-employment benefit expense from expense to deferred outflows as a result of the GASB 75 implementation. *General and Administrative* are expenses related to finance, administration, human resources, and others not directly related to operations and maintenance. The 3.8% increase in *Billing and collection* was consistent with annual CPI increase and growth, as required by agreement. *Sewer line* maintenance is the cost to maintain the sewer lines and collection system, both contracted out and maintained by District staff. The 9.7% increase was primarily due to scheduled repairs and maintenance of the collection systems. *Interest expense* continues to decline as debt obligation nears maturity.

FAIRFIELD-SUISUN SEWER DISTRICT

Management's Discussion and Analysis

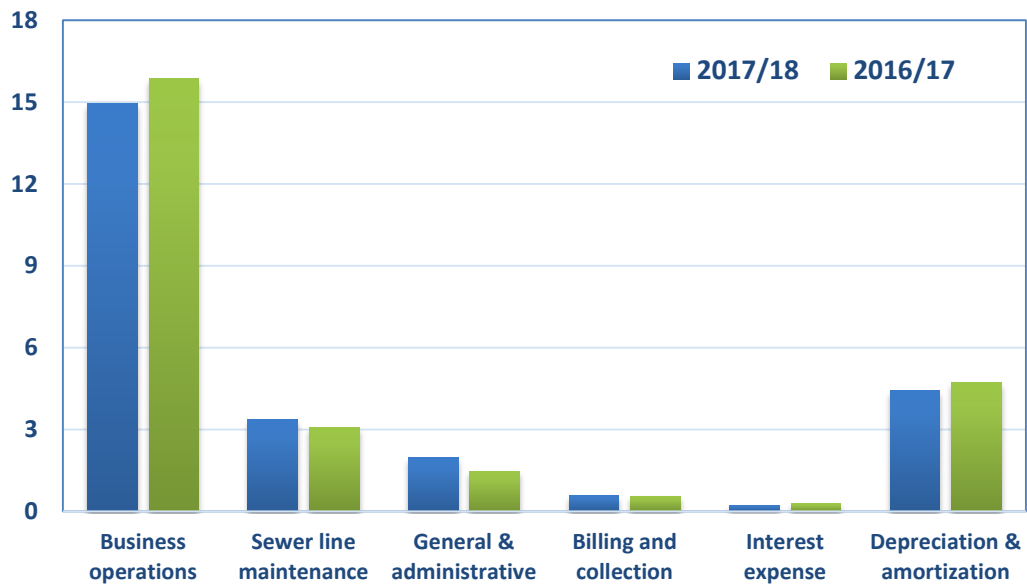
Sources of All Revenues for Fiscal Years 2017/18 and 2016/17

(\$ million)



Classification of All Expenses for Fiscal Years 2017/18 and 2016/17

(\$ million)



FAIRFIELD-SUISUN SEWER DISTRICT

Management's Discussion and Analysis

Capital Assets

The District's investment in capital assets, net of accumulated depreciation, was \$68.9 million as of June 30, 2018. 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. The \$3.7 million decrease in capital assets was mainly due to depreciation, as additional new capital project did not start until later in the fiscal year. Additional information on the District's capital assets can be found in Note 5, page 29.

Debt Administration

The District has a rating of "A+" from Standard and Poor's Corporation, which demonstrates its strong capacity to meet its financial obligations.

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

Additional information on the District's long-term debt can be found in Note 6, pages 30-31.

FAIRFIELD-SUISUN SEWER DISTRICT

Management's Discussion and Analysis

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, despite the fact that 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 Helen Gaumann, Director of Administrative Services, at 1010 Chadbourne Road, Fairfield, CA 94534-9700 or visit our website at <http://www.fssd.com/contact>.

FAIRFIELD-SUISUN SEWER DISTRICT
Statement of Net Position
June 30, 2018

ASSETS

Current assets:

Cash and investments (Note 3)	\$ 39,241,844
Accounts receivable, net	4,046,337
Interest receivable	154,238
Prepaid Items	<u>42,280</u>
Total current assets	<u>43,484,699</u>

Noncurrent assets:

Restricted assets (Note 3)	
State Revolving Fund reserve	<u>737,038</u>
Total restricted assets	<u>737,038</u>

Capital assets (Note 5):

Non-depreciable assets	4,312,344
Depreciable assets, net of depreciation	<u>64,547,696</u>
Total capital assets	<u>68,860,040</u>
Total noncurrent assets	<u>69,597,078</u>

Total assets	<u>113,081,777</u>
--------------	--------------------

DEFERRED OUTFLOWS OF RESOURCES

GASB 68 Pension Plan Changes (Note 10)	3,288,394
GASB 75 OPEB Plan Changes (Note 11)	<u>367,557</u>
Total deferred outflows	<u>3,655,951</u>

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

FAIRFIELD-SUISUN SEWER DISTRICT
Statement of Net Position
June 30, 2018

LIABILITIES

Current liabilities:

Accounts payable	1,442,893
Current portion of SRF loan (Note 6)	510,592
Current portion of compensated absences payable	700,477
Accrued interest payable	38,354

Total current liabilities	2,692,316
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Long-term liabilities:

State Revolving Fund loan (Note 6)	8,074,627
Compensated absences payable (Note 6)	175,119
Net other postemployment benefits obligation (Note 11)	1,592,361
Net pension liability (Note 10)	6,778,010

Total long-term liabilities	16,620,117
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Total liabilities	19,312,433
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DEFERRED INFLOWS OF RESOURCES

GASB 68 Pension Plan Changes (Note 10)	324,127
Total deferred inflows	324,127

NET POSITION

Net investment in capital assets	60,274,821
Restricted:	
Restricted for capital projects (Note 4)	5,249,817
Restricted for debt service (Note 4)	737,038
Restricted for major maintenance (Note 4)	14,951,000
Unrestricted	15,888,492
Total net position	\$ 97,101,168

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

FAIRFIELD-SUISUN SEWER DISTRICT
Statement of Revenue, Expense and Changes in Net Position
For the Year Ended June 30, 2018

Operating revenues:	
Sewer service charges	\$ 26,046,503
Drainage fees	1,598,012
Other	<u>1,775</u>
Total operating revenues	<u>27,646,290</u>
Operating expenses:	
Business operations	14,940,913
Sewer line maintenance	3,354,563
General and administrative	1,975,825
Billing and collection (Note 7)	594,247
Depreciation and amortization	<u>4,449,438</u>
Total operating expenses	<u>25,314,986</u>
Operating income	<u>2,331,304</u>
Nonoperating revenues (expenses):	
Interest income	519,249
Net decrease in fair value of investments	(182,477)
Interest expense	(238,540)
Other	<u>374,541</u>
Total nonoperating revenues	<u>472,773</u>
Net income before capital contributions	2,804,077
Capacity fees	<u>2,078,648</u>
Change in net position	4,882,725
Net position, beginning of period, as restated (Note 2)	<u>92,218,443</u>
Net position, end of period	<u><u>\$ 97,101,168</u></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, 2018

(page 1 of 2)

Cash flows from operating activities:	
Receipts from customers	\$ 27,555,040
Payments to suppliers & vendors	(10,870,801)
Payments for employees salaries & benefits	(9,002,243)
Other receipts	<u>376,316</u>
Net cash provided by operating activities	<u>8,058,312</u>
Cash flows from noncapital and related financing activities:	
OPEB Trust pre-funding	<u>(367,557)</u>
Net cash provided by noncapital and related financing activities	<u>(367,557)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(472,551)
Capacity fees	2,238,313
Proceeds from State Revolving Fund loan	650,000
Interest paid	(240,937)
Principal payment on the SRF loan	<u>(496,100)</u>
Net cash used for capital and related financing activities	<u>1,678,725</u>
Cash flows from investing activities:	
Purchase of investments	(16,838,724)
Proceeds from sale of investments	16,772,926
Interest received on investments	<u>435,993</u>
Net cash provided by investing activities	<u>370,195</u>
Net increase in cash and cash equivalents	9,739,675
Cash and cash equivalents, beginning of period	<u>30,239,207</u>
Cash and cash equivalents, end of period	<u>\$ 39,978,882</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, 2018

(page 2 of 2)

Reconciliation of operating income to net cash provided

by operating activities:

Operating income	\$ 2,331,304
Adjustments to reconcile operating income/(loss) to cash flows from operating activities:	
Depreciation and amortization expense	4,449,438
Net pension expense	740,306
Net OPEB expense	(146,723)
Miscellaneous non operating income	374,541
Changes in assets and liabilities:	
Decrease in receivables, net	89,899
Decrease in other assets	35,491
Increase in accounts payable	196,169
decrease in compensated absences	<u>(12,112)</u>
Net cash provided by operating activities	<u><u>\$ 8,058,312</u></u>

Noncash investing, capital, and financing activities:

Increase in Capacity fees net accruals	\$ 159,665
Decrease in fair value of investments	(204,916)
Decrease in Interest expense net accruals	(2,397)
Net increase in pension expense as result of GASB 68 and GASB 75 implementation	689,429

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

FAIRFIELD-SUISUN SEWER DISTRICT
Notes to Financial Statements
June 30, 2018

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 and 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 system is 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 in March 1988 with the cities of Fairfield and Suisun City, 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, 2018 was \$1,598,012.

2. Summary of Significant Accounting Policies

The Financial Reporting Entity—The District complies with GASB 14, "The Financial Reporting Entity." This statement establishes standards for defining and reporting on the financial reporting entity. It defines component units as legally separate organizations for which the elected officials of the primary government are financially accountable. Other organizations may also be designated as component units, particularly if the nature and significance of their relationship with a primary government are such that the organizations' exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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.

FAIRFIELD-SUISUN SEWER DISTRICT
Notes to Financial Statements
June 30, 2018

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

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

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

The District applies all applicable GASB pronouncements for certain accounting and financial reporting guidance. In December of 2010, GASB issued GASBS Number 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. This statement incorporates pronouncements issued on or before November 30, 1989 into GASB authoritative literature. This includes pronouncements by the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions (APB), and the Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure, unless those pronouncements conflict with or contradict with GASB pronouncements.

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 a biennial budget and ten-year Long-Term financial plan. The long-term financial plan is in conjunction 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.

FAIRFIELD-SUISUN SEWER DISTRICT
Notes to Financial Statements
June 30, 2018

Budgetary control is maintained at the department level for administrative and operating expenses and at the project level for capital improvements. All new construction projects are individually approved by the Board.

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, 2018, all surplus cash was invested with the following:

State of California Local Agency Investment Fund (LAIF), is a voluntary program created by statute; began in 1977 as an investment alternative for California's local governments and special districts.

California Asset Management Program (CAMP) is a California Joint Powers Authority ("JPA") established in 1989 to provide California public agencies with professional investment services. The CAMP Pool is a permitted investment for all local agencies under California Government Code Section 53601. This program consists of a short-term money market fund rated AAA and separately managed portfolios of specific authorized securities (as specified in this policy).

Savings accounts, checking and money market investment securities.

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

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 Government Accounting Standards Board Statement 31.

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

FAIRFIELD-SUISUN SEWER DISTRICT

Notes to Financial Statements

June 30, 2018

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

Statement of Cash Flows—For purposes of the statement of cash flows, the District considers all cash and investments and all cash with fiscal agents with 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 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.

FAIRFIELD-SUISUN SEWER DISTRICT
Notes to Financial Statements
June 30, 2018

Restricted – This component of net position consists of constraints placed on an assets 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. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

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.

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

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

Trunk lines/pump stations and treatment plant	20 – 40 years
Buildings and improvements	20 – 40 years
Vehicles and equipment	5 – 10 years

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, the entire cost of the constructed asset is transferred to the capital assets account and depreciated over the estimated life of the asset.

Deferred Outflows/Inflows of Resources—The deferred outflows of resources is a separate financial position element which represents a consumption of net position that applies to future periods and so will not be recognized as an expense until then. This fiscal year’s deferred outflows represent the pension and other post-employment benefit (OPEB) expenses and changes to net pension and net OPEB liability.

This fiscal year’s deferred inflows of resources are the net difference between projected and actual earnings on pension plan investments, change of assumptions, and differences

FAIRFIELD-SUISUN SEWER DISTRICT
Notes to Financial Statements
June 30, 2018

between expected and actual experiences amortized over 3.8 years or less. More information can be found in Note 10, pages 34-40.

Implementation of New GASB 75 Statement – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District’s Retiree Benefits Plan and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the District. For this purpose, District recognizes benefit payments 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 this report, the following timeframes are used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 through June 30, 2017

This change in accounting principle was implemented retroactively as recognized in fiscal year ended June 30, 2018, as follows:

Net position, beginning of period	\$ 94,001,196
Less: Prior period adjustment, GASB 75	<u>(1,782,753)</u>
Net position, as restated	92,218,443
Change in net position FY 2017/18	<u>4,882,725</u>
Net position, end of period	<u><u>\$ 97,101,168</u></u>

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 CalPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

FAIRFIELD-SUISUN SEWER DISTRICT
Notes to Financial Statements
June 30, 2018

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.

Capacity Fees—Capacity fees, which represent a one-time fee for capacity in the sewer system, are legally restricted for growth-related projects.

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

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

3. Cash and Investments

A. Policies

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

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

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

FAIRFIELD-SUISUN SEWER DISTRICT
Notes to Financial Statements
June 30, 2018

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

GASB 72, Fair Value Measurements established a hierarchy of inputs to the valuation techniques above in Note 2. This hierarchy has three levels:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable

Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

The District has the following recurring fair value measurements as of June 30, 2018:

- 1) California Local Agency Investment Fund (LAIF) of \$5,592,845 were valued using Level 2 inputs.
- 2) California Asset Management Program balance of \$20,079,418 were valued using Level 2 inputs.
- 3) Certificate of deposits, savings account, checking account and money market accounts of \$4,566,944 were valued using Level 2 inputs.

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

FAIRFIELD-SUISUN SEWER DISTRICT
Notes to Financial Statements
June 30, 2018

B. Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of District debt instruments.

	June 30, 2018
Cash and investments	
Held by District	\$ 39,241,844
Restricted investments	
Held by District	737,038
Total cash and investments	\$ 39,978,882

C. Authorized Investments

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

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

(A) Nationally Recognized Statistical Rating Organization

FAIRFIELD-SUISUN SEWER DISTRICT
Notes to Financial Statements
June 30, 2018

The District does not enter into range notes, inverse floaters, mortgage-derived interest-only strips, or any security that could result in zero interest accrual if held to maturity. At June 30, 2018, the District's investments were in compliance with the above provisions.

D. Interest Rate Risk

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

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

	Fair Value	June 30, 2018					% of Portfolio
		Maturity Distribution					
		0-12 months	1-2 years	2-3 years	5	3-5 years	
U.S. Treasury Bond/Note	\$ 3,191,044	\$ 293,888	\$ -	\$ -	\$ -	\$ 2,897,156	8.16%
Federal Agency Bond/Note	511,513	-	-	414,565	-	96,948	1.31%
Federal Agency Mortgage-Backed Securities	297,040	-	-	-	-	297,040	0.76%
Supranationals	1,169,847	-	137,217	841,094	-	191,536	2.99%
Commercial Papers	2,282,110	2,282,110	-	-	-	-	5.83%
Negotiable Certificates of Deposits	3,862,617	1,198,533	1,711,805	952,279	-	-	9.87%
Medium-Term Corporate Notes	5,814,097	-	1,421,552	3,124,941	-	1,267,604	14.86%
Asset-Backed Securities	2,526,367	-	-	284,592	-	2,241,775	6.46%
Municipal Obligations	174,584	-	-	174,584	-	-	0.45%
CAMP	176,871	176,871	-	-	-	-	0.45%
Local Agency Investment Fund	14,667,349	-	-	-	-	-	37.49%
Money Market/Mutual Funds/Checking Account	4,445,871	-	-	-	-	-	11.36%
Total Investments	\$ 39,119,310	\$ 3,951,402	\$ 3,270,574	\$ 5,792,055	\$ -	\$ 6,992,059	100.00%

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

FAIRFIELD-SUISUN SEWER DISTRICT
Notes to Financial Statements
June 30, 2018

Powers Authority ("JPA") established in 1989 to provide California public agencies with professional investment services. The CAMP Pool is a permitted investment for all local agencies under California Government Code Section 53601. This program consists of a short-term money market fund rated AAA and separately managed portfolios of specific authorized securities as specified in the District's investment policy.

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 investments in these investment types to the top rating issued by the nationally-recognized statistical rating organization.

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

	June 30, 2018	
	Fair Value	Credit Rating
U.S. Treasury Bond/Note	\$ 3,191,044	AA+, AA, AA-
Federal Agency Bond/Note	511,513	AA+, AA, AA-
Federal Agency Mortgage-Backed Securities	297,040	AA+, AA, AA-
Supranationals	1,169,847	AAA
Commercial Papers	2,282,110	A-1+, A-1
Negotiable Certificates of Deposits	3,862,617	A-1, A+, AAA
Medium-Term Corporate Notes	5,814,097	A-1, A+, AAA
Asset-Backed Securities	2,526,367	AAA, NR
Municipal Obligations	174,584	AA+, AA, AA-
CAMP	176,871	AAAm
Local Agency Investment Fund	14,667,349	NR
Money Market/Mutual Funds/Checking Account	4,445,871	NR
Total	\$39,119,310	

F. Concentration of Credit Risk

Concentration of Credit Risk can arise in the wake of a failure to adequately diversify investments. GASB 40 requires disclosure of concentrations of investments greater than 5% in any one issuer (other than U.S. Treasury securities, mutual funds, and

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external investment pool). At June 30, 2018, the District investments that requires separate disclosure are as follows:

Issuer	Investment Type	Fair Value	Percent
Toyota Motor Corp.	Corporate Note	\$ 1,037,933	5.19%
United States Treasury	Note	\$ 3,191,044	15.95%

4. Restricted Net Position

Restricted net position at June 30, 2018, consist of the following:

Restricted for capital projects	\$ 5,249,817
Restricted for debt service	737,038
Restricted for major maintenance	<u>14,951,000</u>
	<u>\$ 20,937,855</u>

The restricted for capital projects is the unspent portion of capacity fees, which are legally restricted for growth-related projects.

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

As a condition of the original grant to finance the construction of the sewage treatment plant, the Environmental Protection Agency requires that wastewater funds be set aside for major maintenance. Additions to and charges against these restricted assets are recorded as transfers from or to unrestricted net position and are made in accordance with the major maintenance policy as adopted by the Board of Directors in 2005.

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5. Capital Assets

Changes in capital assets consisted of the following:

Asset Category	June 30, 2017	Additions	Adjustments/ Disposals	Transfers	June 30, 2018
Non-depreciable assets:					
Construction in progress	\$ 1,049,640	\$ 507,443	\$ -	\$ (37,642)	\$ 1,519,441
Land and improvements	2,792,903	-	-	-	\$ 2,792,903
Total non-depreciable assets	3,842,543	507,443	-	(37,642)	4,312,344
Depreciable assets:					
Buildings and improvements	11,710,029	-	-	-	11,710,029
Vehicles and equipment	2,814,815	108,575	(20,622)	-	2,902,768
Trunk lines/ pump station	53,362,001	-	-	-	53,362,001
Treatment plant	91,092,839	92,605	(134,367)	-	91,051,077
Total depreciable assets	158,979,684	201,180	(154,989)	-	159,025,875
Less: Accumulated depreciation					
Buildings and improvements	(9,747,260)	(284,354)	-	-	(10,031,614)
Vehicles and equipment	(2,628,473)	(77,429)	20,622	-	(2,685,280)
Trunk lines/pump station	(37,843,796)	(1,559,223)	-	-	(39,403,019)
Treatment plant	(39,964,201)	(2,528,432)	134,367	-	(42,358,266)
Total accumulated depreciation	(90,183,730)	(4,449,438)	154,989	-	(94,478,179)
Net capital assets	68,795,953	(4,248,258)	-	-	64,547,696
Total capital assets	\$ 72,638,496	\$ (3,740,815)	\$ -	\$ (37,642)	\$ 68,860,040

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6. Long-Term Liabilities

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

Description	June 30, 2017	Additions	Maturities	June 30, 2018	Current Portion
State Revolving Fund Loan	8,431,319	650,000	496,100	8,585,219	510,592
Compensated Absences	887,708	923,904	936,016	875,596	700,477
Total Long-term liabilities	<u>\$ 9,319,027</u>	<u>\$ 1,573,904</u>	<u>\$ 1,432,116</u>	<u>\$ 9,460,815</u>	<u>\$ 1,211,069</u>

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 financing of the Ultraviolet Disinfection Project. The District was approved for a loan amount of up to \$11,100,000, with an interest rate at 2.9%, payable over 20 years. Principal and interest payments, which are due semi-annually on May 1 and November 1, will commence one year following the completion of the project. Payment on this loan started on May 2012.

Future debt service payments on the SRF loan are as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 510,592	\$ 226,446	\$ 737,038
2020	525,507	211,532	737,039
2021	540,856	196,182	737,038
2022	556,655	180,383	737,038
2023	572,915	164,123	737,038
2024 - 28	3,125,593	559,597	3,685,190
2029 - 31	2,103,101	108,013	2,211,114
	<u>\$ 7,935,219</u>	<u>\$ 1,646,276</u>	<u>\$ 9,581,495</u>

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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 financing of the Blower Replacement Project. The District was approved for the total project cost of \$11,608,547. Out of the total loan amount, \$4,000,000 was declared as grant under the Environmental Protection Agency's program and was eligible for loan forgiveness. The estimated principal amount that will be due for repayment to the SWRCB under this Agreement is \$7,608,547, with interest rate at 1.8%, payable over 20 years, starting one year after project completion, which is projected to be December 2019.

Total long-term liability recognized as of June 30, 2018 was limited to the total of actual reimbursement received to date, which was \$650,000.

Future debt service payments on the SRF loan are projected as follows:

Year Ending	Principal	Interest	Total
June 30			
2020	\$ 307,065	\$ 98,773	\$ 405,838
2021	328,390	128,591	456,981
2022	331,465	125,516	456,981
2023	337,432	119,549	456,981
2024	343,505	113,476	456,981
2025 - 29	1,812,530	390,947	2,203,477
2030 - 34	1,981,637	338,308	2,319,945
2035 - 3039	2,166,523	164,770	2,331,293
	<u>\$ 7,608,547</u>	<u>\$ 1,479,930</u>	<u>\$ 9,088,477</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 payment is held in a restricted account held by the District. The SRF restricted amount is currently \$737,000. This restricted amount will increase when known for the blower replacement project

Compensated Absences

Compensated Absences activity during the fiscal year was as follows:

June 30, 2017	Additions	Reductions	June 30, 2018	Due Within One Year
\$ 887,708	\$ 923,904	\$ (936,016)	\$ 875,596	\$ 700,477

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7. Related Party Transactions

The District had existing financial transactions with the cities of Fairfield and Suisun City during fiscal year 2017/18. Sewer line maintenance represents amounts paid to the Cities for the maintenance of its sewer lines smaller than 12" in diameter. Sewer service charges and sewer capacity fees are collected by the Cities and are remitted to the District, net of billing and collection fees. Outstanding receivables include capacity fees collected by the Cities not yet remitted to the District and sewer service charges billed by the Cities on the District's behalf as of June 30, 2018.

These transactions are described below:

Sewer line maintenance	\$	3,354,563
Billing and collection	\$	594,247
Outstanding accounts receivable	\$	4,046,337

8. 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 selection of management and approval of operating budgets. Each member shares surpluses and deficiencies proportionate to its participation in CSRMA.

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Audited condensed financial information for CSRMA is presented below for the year ended June 30, 2017 (most recent information available):

Total assets	\$ 28,419,707
Total liabilities	\$ 17,241,037
Net Position	\$ 11,178,670
Total revenues	\$ 11,843,583
Total expenses	\$ 11,588,811

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

A summary of the insurance policies in force as of June 30, 2018 can be found in the Statistical Section of this report. Copy of CSRMA's annual financial report may be obtained from their website at: <http://www.csrma.org/docs/CSRMA-Annual-Report.pdf>.

9. Deferred Compensation

The District offers its employees two deferred compensation plans created in accordance with the Internal Revenue Code Section 457 and 401(a). These plans permit a pre-tax deferral of a portion of salary until future years. The deferred compensation is not available to employees until separation, retirement, death, or an unforeseeable emergency.

All employees are eligible to participate in the 457 plans. In addition, professional and management employees are eligible to participate in the 401(a) plan. The District contributes a specified amount to the 457 plan and specified percentages to the 401(a) plan. The District's contributions to the deferred compensation plans were \$344,290 for fiscal year June 30, 2018.

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.

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10. 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, 2018 are summarized as follows:

Miscellaneous

	Hired prior to January 1, 2013	Hired on or after January 1, 2013
Benefit vesting schedule	5 years service	5 years 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%	6.500%
Required employer contribution rates ¹	17.670%	6.642%

1. Employer Contribution rates includes UAL (unfunded accrued liability) percentage

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On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect 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. The District does not have a net pension obligation since it pays these actuarially required contributions bi-weekly.

Employees Covered

As of June 30, 2018, the following employees were covered by the benefit terms for each Plan:

Inactive employees or beneficiaries currently receiving benefits	33
Inactive employees entitled to but not yet receiving benefits	0
Active employees	57
Total	90

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 the 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

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contribute the difference between the actuarially determined rate and the contribution rate of employees.

Applicable Dates and Periods	Fiscal Year 2017/18
Actuarial Valuation Date:	June 30, 2016
Measurement Date:	June 30, 2017
Measurement Period:	July 1, 2016 to June 30, 2017

For measurement period ended June 30, 2017 (the measurement date), the active employee contribution rate is 7.771 percent of annual pay and the average employer's contribution rate is 17.670 percent of annual payroll. Employer contributions rates may change if plan contracts are amended.

For the fiscal year ended June 30, 2018, the contributions recognized as part of pension expense for were as follows:

Miscellaneous	Fiscal Year 2017/18
Contributions - ER	\$ 1,004,247
Total	\$ 1,004,247

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

As of June 30, 2018, the District's proportionate share of the net pension liability is \$6,778,010.

The District's net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures.

	Percentage Share of Risk Pool		Change: Increase/ (Decrease)
	6/30/2017	6/30/2016	
Measurement Date	6/30/2016	6/30/2015	
Percentage of Risk Pool NPL		0.154037%	-0.001711%
Percentage of Plan (PERF C) NPL	0.065564%	0.061568%	0.003996%

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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 6/30/16 (MD)	\$ 27,447,115	\$ 21,773,765	\$ 5,673,350
Balance at 6/30/17 (MD)	\$ 31,110,542	\$ 24,332,532	\$ 6,778,010
Net changes	\$ 3,663,427	\$ 2,558,767	\$ 1,104,660

Deferred Outflows/Inflows Balances

For the year ended June 30, 2018, the District recognized pension expense of \$1,840,399. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,463	\$ 149,897
Changes of assumptions	1,298,176	98,987
Net differences between projected and actual earnings on plan investments	293,594	-
Change in employer's proportion	592,758	75,243
Differences between the employer's contributions and the employer's proportionate share of contributions	89,156	-
Pension contributions subsequent to measurement date	1,004,247	-
Total	\$ 3,288,394	\$ 324,127

The District reported \$1,004,247 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, 2019.

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:

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Measurement Period Ending June 30:	Fiscal Year Ending June 30:	District's Proportionate Share Deferred Outflows/(Inflows)	Difference Between Actual & Proportionate Share of Employer Contributions	Change in Proportions	Net Total Deferred Outflows/(Inflows) of Resources
2018	2019	\$ 314,825	\$ 69,076	\$ 305,233	\$ 689,134
2019	2020	757,853	12,132	104,164	874,149
2020	2021	454,981	7,948	108,118	571,047
2021	2022	(174,312)	-	-	(174,312)
2022	2023	-	-	-	-
Thereafter	Thereafter	-	-	-	-

Actuarial Methods and Assumptions

The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Actuarial Cost Method	Entry-Age Normal Cost Method in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return	7.5%, Net of pension plan investment expenses, including inflation
Mortality	2014 CalPERS Active Mortality for Miscellaneous employees
COLA	up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2016 valuation were based on the results of April 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees

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Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

- (a) An expected inflation of 2.5% used for this period.
- (b) An expected inflation of 3.0% used for this period.

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Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability/(asset), calculated using the discount rate, as well as what the District’s proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Discount Rate		
	6.15% (1% Decrease)	7.15% (Current Rate)	8.15% (1% Increase)
■ Measurement Date	6/30/2017		
■ Fiscal Year End	6/30/2018		
■ Net Pension Liability	\$ 11,057,168	\$ 6,778,010	\$ 3,233,934

Pension Plan Fiduciary Net Position

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

C. Payable to the Pension Plan

The District has paid the plan required contributions for the fiscal year 2017/18 and has no outstanding pension payable.

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11. Other Postemployment Benefits (OPEB)

Plan Description

The District provides postemployment healthcare benefit for all its retired employees and their covered dependents as approved by District Resolution Number 03-36. 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

Section 22892 - Unequal Method

The District's contribution for each retired employee plus dependent is equal to 100% of their selected plan premium, up to \$1,513 per month. 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 before this date.

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:

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

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

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

Benefit under the vesting plan is based on weighted average of the premium of the 4 PEMHCA plans with highest enrollment each year. As of June 30, 2018, monthly employer contributions for fully vested annuitants are as follows:

Coverage	Formula	2018 Cap
Single	100% of weighted average	\$725
2-party	Amount of single, plus 90% of the increase in the 2-party weighted average over the single coverage weighted average	\$1,377
Family	Amount of single, plus 90% of the increase in the family weighted average over the single coverage weighted average	\$1,766

Employees Covered

As of June 30, 2017, actuarial valuation (most recent), the following current and retirees are covered by the benefit terms under the District's retiree health plan:

Active employee	57
Inactive employees or beneficiaries currently receiving benefits	19
Inactive employees entitled to, but not yet receiving benefits	0
Total	76

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Contributions

The annual contribution is based on the actuarially determined contribution. For fiscal year ended June 30, 2018, the District’s cash contributions were \$150,000 to the trust and \$217,557 in payments for retiree health premiums resulting in total payment of \$367,557.

Net OPEB Liability

The District’s net OPEB liability was measured as of June 30, 2017 and the total liability used to calculate the net OPEB liability was determined by an actuarial valuation date June 30, 2017 rolled back to June 30, 2016 based on the following actuarial methods and assumptions:

Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	2.75%
Salary Increases	2.75%
Investment Rate of Return	7.00%
Mortality Rate ¹	2014 CalPERS Active Mortality for Miscellaneous Employees
Pre-Retirement Turnover ²	2009 CalPERS Turnover for Miscellaneous Employees
Healthcare Trend Rate	4.00% per year

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. The expected investment return was offset by investment expenses of 25 basis points.

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

¹ The mortality assumptions are based on the 2014 CalPERS Active Mortality for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis. The Experience Study Reports may be accessed on the CalPERS website: www.calpers.ca.gov under Forms and Publications.

² The turnover assumptions are based on the 2009 CalPERS Turnover for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool. The Experience Study Reports may be accessed on the CalPERS website: www.calpers.ca.gov under Forms and Publications.

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June 30, 2018

Asset Class	Percentage of Portfolio	Long-term expected rate of return
US Large Cap	43.0000	7.7950
US Small Cap	23.0000	7.7950
Long-Term Corporate Bonds	12.0000	5.2950
Long-Term Government Bonds	6.0000	4.5000
Treasury Inflation-Protected Securities (TIPS)	5.0000	7.7950
US Real Estate	8.0000	7.7950
All Commodities	3.0000	7.7950
Total	100.0000	

Discount Rate

The discount rate to measure the total OPEB liability was 7.00 percent. 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 30 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 the OPEB Liability

The changes in the net OPEB liability are as follows:

	Total OPEB Liability June 30, 2016	Plan Fiduciary Net Position	Net OPEB Liability June 30, 2017
Roll back balance at June 30,2016	\$ 5,581,014	\$ 3,870,708	\$ 1,710,306
Service cost	239,761		239,761
Interest in TOL	392,225		392,225
Employer contributions	-	338,779	(338,779)
Employee contributions	-	-	-
Actual investment income	-	413,243	(413,243)
Administrative expenses	-	(2,091)	2,091
Benefit payments	(188,779)	(188,779)	-
Other	-	-	-
Net changes	443,207	561,152	(117,945)
Balance at June 30, 2017	\$ 6,024,221	\$ 4,431,860	\$ 1,592,361

FAIRFIELD-SUISUN SEWER DISTRICT
Notes to Financial Statements
June 30, 2018

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, 2017:

	Discount Rate		
	6%	7%	8%
	1% Decrease	Current Rate	1% Increase
Net OPEB Liability	\$ 2,362,127	\$ 1,592,361	\$ 949,463

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

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, 2017:

	Healthcare Cost Trend Rate		
	3%	4%	5%
	1% Decrease	Current Rate	1% Increase
Net OPEB Liability	\$ 948,108	\$ 1,592,361	\$ 2,349,430

OPEB Plan Fiduciary Net Position

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

Recognition of Expenses and 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. The recognition period differs depending on the source of the gain or loss as follows:

FAIRFIELD-SUISUN SEWER DISTRICT
Notes to Financial Statements
June 30, 2018

Net difference between projected and actual earnings on OPEB plan investments	5 years
All other amounts	Expected average remaining service lifetime (EARSL, 6 years at June 30, 2017)

For fiscal year June 30, 2018, the District recognized OPEB expense of \$220,834. The District opted to apply the transition approach provided by GASB 75, Paragraph 244, and not recognize beginning deferred inflows/outflows during this implementation year, except to recognize OPEB contribution made after the measurement date.

No separate post-employment benefit plan report is available.

12. Commitments and Contingencies

The District has a few ongoing major maintenance projects with commitment of approximately \$10,116,143 as of June 30, 2018.

13. New Governmental Accounting and Reporting Standards

In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement is effective for financial statements for fiscal years beginning after June 15, 2017. The District is currently evaluating the impact on the financial statements.

In December 2015, the GASB issued GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are

FAIRFIELD-SUISUN SEWER DISTRICT
Notes to Financial Statements
June 30, 2018

provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of the Statement.

This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This Statement is effective for financial statements for fiscal years beginning after December 15, 2015. The District is currently evaluating the impact on the financial statements.

In December 2015, the GASB issued GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should

FAIRFIELD-SUISUN SEWER DISTRICT
Notes to Financial Statements
June 30, 2018

measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. This Statement is effective for financial statements for fiscal years beginning after June 15, 2015. The District is currently evaluating the impact on the financial statements.

On January 2016, the GASB issued GASB 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*.

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. This Statement has no significant financial impact on the District's financial statements.

On March 2016 GASB issued GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement is effective for financial statements for fiscal years beginning after December 15, 2016. This Statement has no significant impact on the District financial statements.

On March 2016 GASB issued GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements

FAIRFIELD-SUISUN SEWER DISTRICT
Notes to Financial Statements
June 30, 2018

No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement is effective for financial statements for fiscal years beginning after December 15, 2016. The District is currently evaluating the impact on the financial statements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged. The District is currently evaluating the impact on the financial statements.

On November 2016 GASB issued GASB Statement No. 83, *Certain Asset Retirement Obligation*.

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

On January 2017 GASB issued GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

FAIRFIELD-SUISUN SEWER DISTRICT
Notes to Financial Statements
June 30, 2018

On January 2017 GASB issued GASB Statement No. 85, Omnibus 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

On May 2017 GASB issued GASB Statement No. 86, Certain Debt Extinguishment Issues. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

On June 2017 GASB issued GASB Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

On April 2018 GASB issued Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to

FAIRFIELD-SUISUN SEWER DISTRICT
Notes to Financial Statements
June 30, 2018

settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

On June 2018 GASB issued Statement No. 89, Accounting for Interest Cost Incurred Before the end of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

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

FAIRFIELD-SUISUN SEWER DISTRICT
Required Supplementary Information
June 30, 2018

Postemployment Benefits

Schedule of Changes in the Net OPEB Liability and Related Ratios for the Measurement
 Period Ended June 30

	2017
Total OPEB Liability	
Service cost	\$ 239,761
Interest in TOL	392,225
Benefit payments	(188,779)
Net change in total OPEB liability	443,207
Total OPEB liability - beginning	5,581,014
Total OPEB liability - ending	\$ 6,024,221
Plan Fiduciary Net Position	
Employer contributions	\$ 338,779
Benefit payments	(188,779)
Actual investment income	413,243
Administrative expenses	(2,091)
Net change in plan fiduciary net position	561,152
Plan fiduciary net position - beginning	3,870,708
Plan fiduciary net position - ending	\$ 4,431,860
Net OPEB liability - ending	\$ 1,592,361
Plan fiduciary net position as a percentage of the total OPEB liability	73.57%
Covered-employee payroll	\$ 6,092,493
Net OPEB liability as a percentage of covered-employee payroll	26.14%

Change in assumption: The discount rate was changed from 7.28 percent (net of administrative expense) to 7 percent for the measurement period ended June 30, 2017.

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

FAIRFIELD-SUISUN SEWER DISTRICT
Required Supplementary Information
June 30, 2018

Fiscal Year Ended June 30,	2018
Actuarially determined contribution (ADC)	\$ 225,228
Actual contribution in relation to ADC	367,557
Contribution deficiency (Excess)	\$ (142,329)

Covered payroll	\$ 6,092,493
Contribution as a percentage of payroll	6.03%

The actuarially determined contribution for fiscal year 2017/18 was from the June 30, 2016 actuarial valuation.

Actuarial Methods and Assumptions Used to Determine Contributions

	Miscellaneous
Valuation Date:	June 30, 2017
Measurement Date:	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Amortization Period	30 years
Asset Valuation Method	Level percentage of payroll, closed
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	2.75%
Payroll Increases	2.75%
Investment Rate of Return	7.0%, Net of OPEB plan investment expenses, including inflation
Mortality	2014 CalPERS Active Mortality for Miscellaneous employees
Retirement	Hired <1/1/2013: CalPERS 3% @ 60 Rates for Miscellaneous Employees
	Hired >12/31/2012: CalPERS 2% @ 60 Rates for Miscellaneous Employess
Service Requirement	Either pension eligibility or Section 22893 depending on hire date and employee choice

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

FAIRFIELD-SUISUN SEWER DISTRICT
Required Supplementary Information
June 30, 2018

Pension Plan

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

Contributions for the fiscal year ending:	6/30/2018	6/30/2017	6/30/2016	6/30/2015 ¹
■ Actuarially determined contribution	\$ 1,004,247	\$ 958,408	\$ 822,449	\$ 975,423
■ Contributions in relation to the actuarially determined contribution	(1,004,247)	(958,408)	(822,449)	(975,423)
■ Contribution deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
■ District's covered-employee payroll ²	\$ 6,038,180	\$ 6,038,180	\$ 5,170,000	\$ 5,638,769
■ Contributions as a percentage of covered-employee payroll	16.59%	15.87%	15.91%	17.30%

Notes:

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

Schedule of Plan Contributions

	Fiscal Year End			
	6/30/2018	6/30/2017	6/30/2016	6/30/2015 ¹
■ Measurement Date	6/30/2017	6/30/2016	6/30/2015	6/30/2014
■ District's proportion of the net pension liability	0.068346%	0.065564%	0.061568%	0.061861%
■ District's proportionate share of the net pension liability	\$ 6,778,010	\$ 5,673,350	\$ 4,225,956	\$ 3,849,298
■ District's covered-employee payroll ²	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	112.25%	109.74%	74.94%	68.26%
■ Plan's fiduciary net position as a percentage of the plan's total pension liability	73.31%	74.06%	78.40%	79.82%

Notes:

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

2. For the year ending on the measurement date

OTHER INDEPENDENT AUDITOR'S REPORTS

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

To the Board of Directors
Fairfield-Suisun Sewer District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Fairfield-Suisun Sewer District (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 12, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 determination of financial statement amounts. 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.

C & A LLP

October 12, 2018
San Jose, California

Statistical Section

Water Recycling: The District has been producing and distributing recycled water since 1974. Water that leaves the plant is called Final Effluent. This treated water serves many purposes, such as irrigating nearby turf farms. The District has a Restricted Use Secondary 23 Recycled Water Permit, which can be used for irrigation of non-food crops, as well as freeway landscape and pasture.



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FAIRFIELD-SUISUN SEWER DISTRICT
Statistical Section

Contents	Page
Financial Trends	57-62
<p>These schedules contain trend information to help the reader understand how the District's financial operation and performance have changed over time.</p>	
Revenue Capacity	63-64
<p>These schedules contain information to help the reader assess the District's most significant revenue source.</p>	
Debt Capacity	65-67
<p>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.</p>	
Operating Information	68-70
<p>These schedules contain data to help the reader understand how the information in the District's financial report relates to the services it provides.</p>	
Economic and Demographic Information	71-74
<p>These schedules offer economic and demographic indicators to help the reader understand the environment within which the District's financial activities take place.</p>	

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FAIRFIELD-SUISUN SEWER DISTRICT

Financial Trends

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

	Fiscal Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Current and other assets	\$ 44,222	\$ 34,947	\$ 27,964	\$ 20,820	\$ 16,303	\$ 13,670	\$ 13,587	\$ 12,015	\$ 12,668	\$ 19,833
Capital assets	68,860	72,638	76,831	81,307	85,229	88,698	91,771	95,614	93,127	90,658
Total assets	113,082	107,585	104,795	102,127	101,532	102,368	105,358	107,629	105,795	110,491
Deferred charges on refunding	-	-	-	18	229	-	-	-	-	-
Deferred charge - GASB 68	3,288	3,134	1,946	1,425	-	-	-	-	-	-
Deferred charge - GASB 75	367	-	-	-	-	-	-	-	-	-
Total Deferred Outflows of Resources	3,655	3,134	1,946	1,443	229	-	-	-	-	-
Long-term liabilities	16,620	13,786	14,040	14,179	13,340	15,263	19,294	17,764	12,968	15,233
Other liabilities	2,692	2,494	2,252	4,542	4,522	4,992	4,346	4,375	5,131	4,939
Total liabilities	19,312	16,280	16,292	18,721	17,862	20,255	23,640	22,139	18,099	20,172
Deferred Inflows of Resources	324	438	886	1,048	-	-	-	-	-	-
Net position:										
Net investment in capital assets	60,275	64,207	66,632	68,306	69,507	71,649	72,261	77,298	80,274	73,851
Restricted										
Restricted for capital projects	5,250	3,876	785	1,078	313	265	542	1,685	2,051	7,683
Restricted for debt service	737	737	737	2,021	2,049	2,070	2,090	1,368	1,380	2,962
Restricted for major maintenance	14,951	15,390	9,730	5,690	2,487	951	1,095	1,724	2,007	2,285
Unrestricted	15,888	9,791	11,679	6,706	9,543	7,178	5,730	3,415	1,984	3,538
Total net position	\$ 97,101	\$ 94,001	\$ 89,563	\$ 83,801	\$ 83,899	\$ 82,113	\$ 81,718	\$ 85,490	\$ 87,696	\$ 90,319

Source: District Audited Financial Statements

Note: 1. Implemented Fiscal Year ending June 30, 2018.

FAIRFIELD-SUISUN SEWER DISTRICT

Financial Trends

Schedule 2

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

Last Ten Fiscal Years (\$000)

	Fiscal Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues:										
Service charges	\$ 26,046	\$ 25,904	\$ 23,351	\$ 23,067	\$ 20,881	\$ 19,445	\$ 19,115	\$ 18,895	\$ 18,014	\$ 16,960
Drainage fees	1,598	1,580	1,552	1,545	1,501	1,491	1,486	1,455	1,468	1,462
Interest income	519	260	96	61	50	50	52	72	157	589
Other (1)	194	222	212	219	596	178	248	97	316	39
Capacity fees	2,079	2,478	2,835	3,157	2,647	2,472	1,405	1,223	990	979
Total revenues	30,436	30,444	28,046	28,049	25,675	23,636	22,306	21,742	20,945	20,029
Expenses:										
Business operations	14,941	15,863	11,389	12,677	12,354	11,500	12,685	12,068	12,351	11,603
Sewer line maintenance	3,355	3,058	2,644	2,836	2,890	2,797	2,780	2,663	2,384	2,503
General and administrative	1,976	1,483	1,871	1,904	1,872	2,038	2,592	1,711	1,821	1,985
Billing and collection	594	572	549	528	511	493	474	459	446	476
Interest expense	238	311	404	489	526	606	655	403	767	833
Depreciation	4,449	4,719	4,911	5,370	5,736	5,807	6,892	6,644	5,799	4,600
Total expenses	25,553	26,006	21,768	23,804	23,889	23,241	26,078	23,948	23,568	22,000
Change in net position	4,883	4,438	6,278	4,245	1,786	395	(3,772)	(2,206)	(2,623)	(1,971)
Net position, beginning of period	94,001	89,563	83,801	83,899	82,113	81,718	85,490	87,696	90,319	92,290
Prior period adjustment, GASB 68	-	-	(516)	(4,343)	-	-	-	-	-	-
Prior period adjustment, GASB 75	(1,783)	-	-	-	-	-	-	-	-	-
Net position, as restated	92,218	89,563	83,285	79,556	82,113	81,718	85,490	87,696	90,319	92,290
Net position, end of period	\$ 97,101	\$ 94,001	\$ 89,563	\$ 83,801	\$ 83,899	\$ 82,113	\$ 81,718	\$ 85,490	\$ 87,696	\$ 90,319
Statement of Net Position										
Net investment in capital assets	\$ 60,275	\$ 64,207	\$ 66,632	\$ 68,306	\$ 69,507	\$ 71,649	\$ 72,261	\$ 77,298	\$ 80,284	\$ 73,851
Restricted										
Restricted for capital projects	\$ 5,250	\$ 3,876	\$ 785	1,078	313	265	542	1,685	2,051	7,683
Restricted for debt service	\$ 737	\$ 737	\$ 737	2,021	2,049	2,070	2,090	1,368	1,380	2,962
Restricted for major maintenance	\$ 14,951	\$ 15,390	\$ 9,730	5,690	2,487	951	1,095	1,724	2,007	2,285
Unrestricted	\$ 15,888	\$ 9,791	\$ 11,679	6,706	9,543	7,178	5,730	3,415	1,984	3,538
Total net position	\$ 97,101	\$ 94,001	\$ 89,563	\$ 83,801	\$ 83,899	\$ 82,113	\$ 81,718	\$ 85,490	\$ 87,706	\$ 90,319

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

Source: District Audited Financial Statements

FAIRFIELD-SUISUN SEWER DISTRICT

Financial Trends

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

	Fiscal Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues:										
Service charges	\$ 26,046	\$ 25,904	\$ 23,351	\$ 23,067	\$ 20,881	\$ 19,445	\$ 19,115	\$ 18,895	\$ 18,014	\$ 16,960
Drainage fees	1,598	1,580	1,552	1,545	1,501	1,491	1,486	1,455	1,468	1,462
Interest income	519	260	96	61	50	50	52	72	157	589
Other (1)	194	222	212	219	596	178	248	97	316	39
Capacity fees	2,079	2,478	2,835	3,157	2,647	2,472	1,405	1,223	990	979
Total revenues	30,436	30,444	28,046	28,049	25,675	23,636	22,306	21,742	20,945	20,029
Expenses:										
Business operations	14,941	15,863	11,389	12,677	12,354	11,500	12,685	12,068	12,351	11,603
Sewer line maintenance	3,355	3,058	2,644	2,836	2,890	2,797	2,780	2,663	2,384	2,503
General and administrative	1,976	1,483	1,871	1,904	1,872	2,038	2,592	1,711	1,821	1,985
Billing and collection	594	572	549	528	511	493	474	459	446	476
Interest expense	238	311	404	489	526	606	655	403	767	833
Depreciation	4,449	4,719	4,911	5,370	5,736	5,807	6,892	6,644	5,799	4,600
Total expenses	25,553	26,006	21,768	23,804	23,889	23,241	26,078	23,948	23,568	22,000
Change in net position	\$ 4,883	\$ 4,438	\$ 6,278	\$ 4,245	\$ 1,786	\$ 395	\$ (3,772)	\$ (2,206)	\$ (2,623)	\$ (1,971)

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

Source: District Audited Financial Statements

FAIRFIELD-SUISUN SEWER DISTRICT
Financial Trends

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

	Fiscal Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Net position:										
Net investment in capital assets	\$ 60,275	\$ 64,207	\$ 66,632	\$ 68,306	\$ 69,507	\$ 71,649	\$ 72,261	\$ 77,298	\$ 80,274	\$ 73,851
Restricted	20,938	20,003	11,252	8,789	4,849	3,286	3,727	4,777	5,438	12,930
Unrestricted	15,888	9,791	11,679	6,706	9,543	7,178	5,730	3,415	1,984	3,538
 Total net position	 \$ 97,101	 \$ 94,001	 \$ 89,563	 \$ 83,801	 \$ 83,899	 \$ 82,113	 \$ 81,718	 \$ 85,490	 \$ 87,696	 \$ 90,319

Source: District Audited Financial Statements

FAIRFIELD-SUISUN SEWER DISTRICT
Financial Trends

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

Year Ended June 30,	Total	Operating Expenses					Nonoperating
		Business Operations	Sewer Line Maintenance	General & Administrative	Billing & Collection	Depreciation & Amortization	Interest Expense
2009	\$ 22,000,411	\$ 11,603,093	\$ 2,503,475	\$ 1,984,562	\$ 476,049	\$ 4,600,548	\$ 832,684
2010	23,568,436	12,350,882	2,384,373	1,821,312	445,842	5,798,862	767,165
2011	23,947,279	12,068,443	2,662,722	1,710,678	458,838	6,643,608	402,990
2012	26,079,154	12,685,852	2,779,967	2,592,127	474,598	6,892,033	654,577
2013	23,241,874	11,500,305	2,797,256	2,037,747	493,560	5,806,604	606,402
2014	23,890,305	12,353,729	2,890,484	1,872,155	510,901	5,736,618	526,418
2015	23,804,570	12,676,976	2,836,351	1,904,179	527,945	5,369,653	489,466
2016	21,767,976	11,388,630	2,644,369	1,871,275	548,613	4,911,240	403,849
2017	26,004,419	15,863,010	3,057,863	1,482,397	572,075	4,718,543	310,531
2018	25,553,526	14,940,913	3,354,563	1,975,825	594,247	4,449,438	238,540

Source: District Audited Financial Statements

FAIRFIELD-SUISUN SEWER DISTRICT
Financial Trends

Schedule 6
Revenues by Sources
Last Ten Fiscal Years

Year Ended June 30,	Total	Operating Revenues			Nonoperating Revenues		Contributed Capital
		Sewer Service Charges	Drainage Fees	Other	Interest Income	Other (1)	Capacity Fees
2009	\$ 20,029,267	\$ 16,960,299	\$ 1,462,322	\$ 16,742	\$ 588,560	\$ 22,157	\$ 979,187
2010	20,945,019	18,014,176	1,467,904	9,558	157,162	306,135	990,084
2011	21,742,376	18,894,915	1,454,574	-	72,481	97,754	1,222,652
2012	22,305,730	19,114,963	1,486,129	1,684	51,669	246,076	1,405,209
2013	23,637,581	19,445,408	1,491,470	50,675	50,574	127,667	2,471,787
2014	25,676,277	20,881,091	1,501,074	485,290	49,759	111,506	2,647,557
2015	28,049,378	23,066,724	1,545,538	34,596	61,196	184,481	3,156,843
2016	28,028,751	23,351,121	1,551,786	3,654	95,688	191,437	2,835,065
2017	30,442,600	25,904,084	1,580,378	28,981	259,750	191,084	2,478,323
2018	30,618,728	26,046,503	1,598,012	1,775	519,249	374,541	2,078,648

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

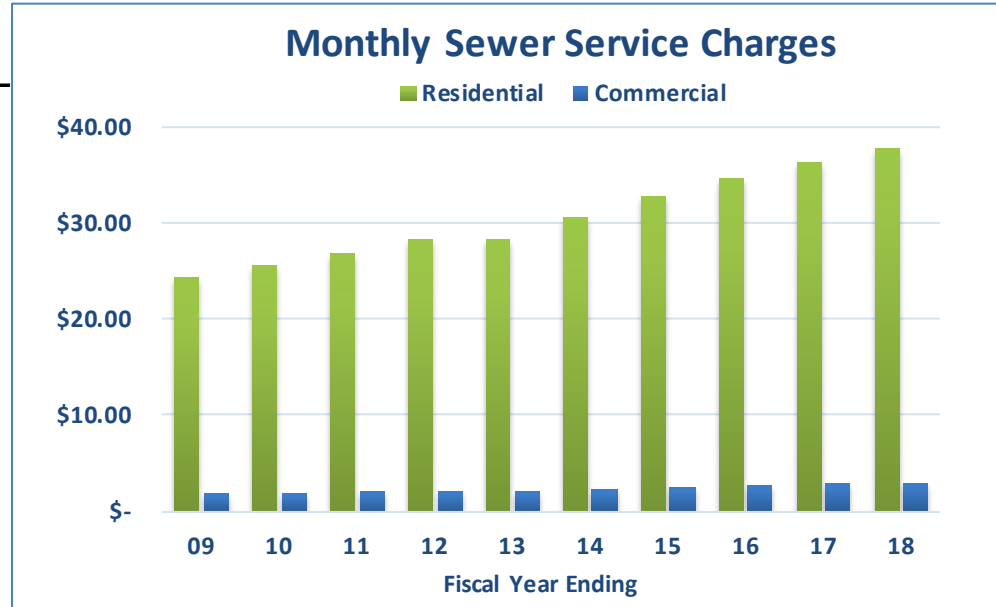
Source: District Audited Financial Statements

FAIRFIELD-SUISUN SEWER DISTRICT

Revenue Capacity

Schedule 7 Sewer Service Charges

Fiscal Year	Residential (a)	Commercial (b)
2008/09	\$ 24.23	\$ 1.78
2009/10	25.49	1.89
2010/11	26.82	2.01
2011/12	28.21	2.14
2012/13	28.21	2.14
2013/14	30.46	2.35
2014/15	32.71	2.56
2015/16	34.56	2.73
2016/17	36.35	2.90
2017/18	37.65	3.00



- (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.

A cost of service and rate study is performed once every few years. The above rates are based on the rate study performed in 2004. A more recent rate study was conducted in 2016, results of which are effective starting fiscal year 2017-18. Sewer service charges are the primary revenue source for operations and the major maintenance/replacement reserve.

Source: District rate ordinance

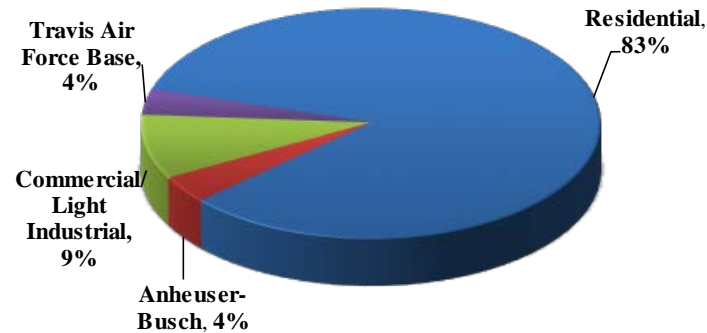
FAIRFIELD-SUISUN SEWER DISTRICT

Revenue Capacity

Schedule 8 Service Area of Principal Customers and Percentage of Total Sewer Service Charges

		Fiscal Years Ended June 30,									
		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total sewer service charges											
\$000		\$ 26,047	\$ 25,904	\$ 23,351	\$ 23,067	\$ 20,881	\$ 19,445	\$ 19,115	\$ 18,895	\$ 18,014	\$ 16,960
User	Type										
Travis Air Force Base	Military Base	3.87%	4.76%	3.73%	3.92%	4.18%	4.58%	4.60%	4.85%	5.69%	5.57%
Anheuser-Busch	Brewery	3.65%	5.86%	4.21%	4.39%	5.43%	5.94%	6.98%	6.71%	9.61%	9.18%
Courage Production	Manufacturing	0.79%	0.47%	1.08%	0.54%	0.93%	0.85%	0.31%	0.31%	0.27%	0.28%
Producers Dairy Foods	Dairy	0.77%	0.95%	1.06%	0.73%	1.82%	0.97%	1.03%	0.88%	0.94%	0.86%
Paradise Valley Estates	Housing	0.56%	0.46%	0.58%	0.55%	0.57%	0.57%	0.58%	0.56%	0.51%	0.61%
Pointe Fairfield Venture, LLC	Housing	0.49%	0.49%	0.52%	0.50%	0.51%	0.51%	0.52%	0.50%	0.50%	0.58%
Rolling Oaks 88 LP	Housing	0.46%	0.49%	0.51%	0.49%	0.51%	0.51%	0.00%	0.00%	0.00%	0.00%
Verdant at Green Valley	Housing	0.45%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Ball Metal Corporation	Manufacturing	0.42%	0.66%	0.79%	0.85%	0.74%	0.69%	0.72%	0.48%	0.57%	0.58%
Dover Woods Senior Apts.	Housing	0.33%	0.34%	0.00%	0.34%	0.34%	0.35%	0.35%	0.34%	0.34%	0.34%
United Mobile Homeowners	Housing	0.33%	0.35%	0.37%	0.36%	0.36%	0.37%	0.37%	0.35%	0.36%	0.42%
Jelly Belly Candy Co.	Manufacturing	0.32%	0.34%	0.35%	0.32%	0.32%	0.33%	0.34%	0.32%	0.33%	0.38%
Amcor Pet Packing	Manufacturing	0.31%	0.74%	0.70%	0.58%	0.58%	0.51%	0.52%	0.48%	0.36%	0.41%
Pacific Estates	Housing	0.28%	0.29%	0.31%	0.29%	0.30%	0.30%	0.31%	0.30%	0.28%	0.30%
		13.05%	17.44%	14.21%	13.86%	16.61%	16.50%	16.31%	15.78%	19.48%	19.22%

Customers by Category FY 2017/2018



Source: City of Fairfield and District Finance Department

FAIRFIELD-SUISUN SEWER DISTRICT
Debt Capacity

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)
2009	\$ 20,029,267	\$ 16,112,679	\$ 3,916,588	\$ 2,962,684	132%
2010	20,945,019	16,532,809	4,412,210	2,427,153	182%
2011	21,742,376	16,415,781	5,326,595	2,426,600	220%
2012	22,305,730	17,742,762	4,562,968	3,166,843	144%
2013	23,637,581	16,466,332	7,171,249	3,163,638	227%
2014	25,676,277	17,297,759	8,378,518	3,160,188	265%
2015	28,049,378	17,649,451	10,399,927	3,244,839	321%
2016	28,028,751	21,767,976	6,260,775	3,242,767	193%
2017	30,442,600	26,004,419	4,438,181	2,080,299	213%
2018	30,618,728	25,553,526	5,065,202	737,038	687%

(1) Includes capacity fees.

(2) Does not include depreciation, amortization, and other postemployment benefits.

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

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

Source: District's Audited Financial Statements and Accounting Records

FAIRFIELD-SUISUN SEWER DISTRICT
Debt Capacity

Schedule 10
Summary of Debt Service Payments
Last Ten Fiscal Years

Year	City of Fairfield Reimbursement Agreement	State Revolving Fund Loan	2010 Sewer Refunding Bonds	Sewer Refunding Bonds, 2001 Series A	Sewer Refunding Bonds, 1991 Series A	Total Debt Service
2009	\$ -	\$ -	\$ -	\$ 882,684	\$ 2,080,000	\$ 2,962,684
2010		-	-	2,960,684	-	2,960,684
2011		-	2,427,153	-	-	2,427,153
2012		742,253	2,424,590	-	-	3,166,843
2013		737,038	2,426,600	-	-	3,163,638
2014		737,038	2,423,150	-	-	3,160,188
2015	81,651	737,038	2,426,150	-	-	3,244,839
2016	81,651	737,038	2,424,078	-	-	3,242,767
2017	1,343,261	737,038	-	-	-	2,080,299
2018	-	737,038	-	-	-	737,038
Total	\$ 1,506,563	\$ 5,164,481	\$ 14,551,721	\$ 3,843,368	\$ 2,080,000	\$ 27,146,133

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

Source: District's Audited Financial Statements and Accounting Records

FAIRFIELD-SUISUN SEWER DISTRICT
Debt Capacity

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

Year Ended June 30,	City of Fairfield Reimbursement Agreement (4)	State Revolving Fund Loan	2010 Sewer Refunding Bonds (1)	Sewer Refunding Bonds, 2001 (1), (2)	Sewer Refunding Bonds, 1991 (1)	Total Outstanding Debt	Population Served (3)	Debt per Capita
2009	\$ -	\$ -	\$ -	\$ 17,064,464	\$ -	\$ 17,064,464	135,296	126
2010	-	1,073,624	12,899,074	-	-	\$ 13,972,698	134,917	104
2011	-	7,445,654	10,907,949	-	-	\$ 18,353,603	133,027	138
2012	-	10,708,446	8,831,822	-	-	\$ 19,540,268	134,357	145
2013	-	10,278,861	6,708,276	-	-	\$ 16,987,137	136,441	125
2014	1,330,000	9,836,728	4,783,581	-	-	\$ 15,950,309	133,432	120
2015	1,308,199	9,381,681	2,311,516	-	-	\$ 13,001,396	138,567	94
2016	1,285,417	8,913,340	-	-	-	\$ 10,198,757	141,728	72
2017	-	8,431,319	-	-	-	\$ 8,431,319	143,452	59
2018	-	8,585,219	-	-	-	\$ 8,585,219	145,348	59

- (1) Final payment in 2016
- (2) Refunded in fiscal year 2009/10
- (3) Refer to page 63, Schedule 15
- (4) Paid in full in July 2017

Source: District's Audited Financial Statements and Accounting Records

FAIRFIELD-SUISUN SEWER DISTRICT

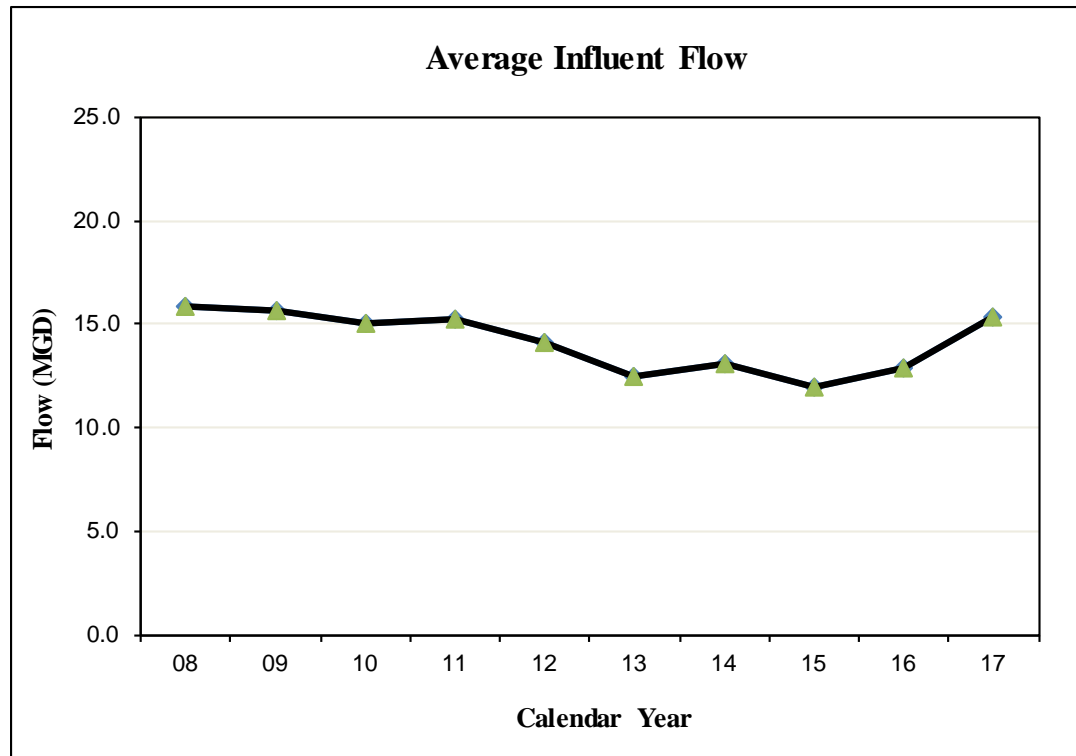
Operating Information

Schedule 12 Average Annual Influent Flow

Average Annual Influent Flow

Year (Calendar)	Flow (MGD)*
2008	15.9
2009	15.7
2010	15.0
2011	15.3
2012	14.1
2013	12.5
2014	13.1
2015	12.0
2016	12.9
2017	15.4

*Million gallons per day



Source: District's Regulatory Department
Data for 2018 is not available as of fiscal year-end date.

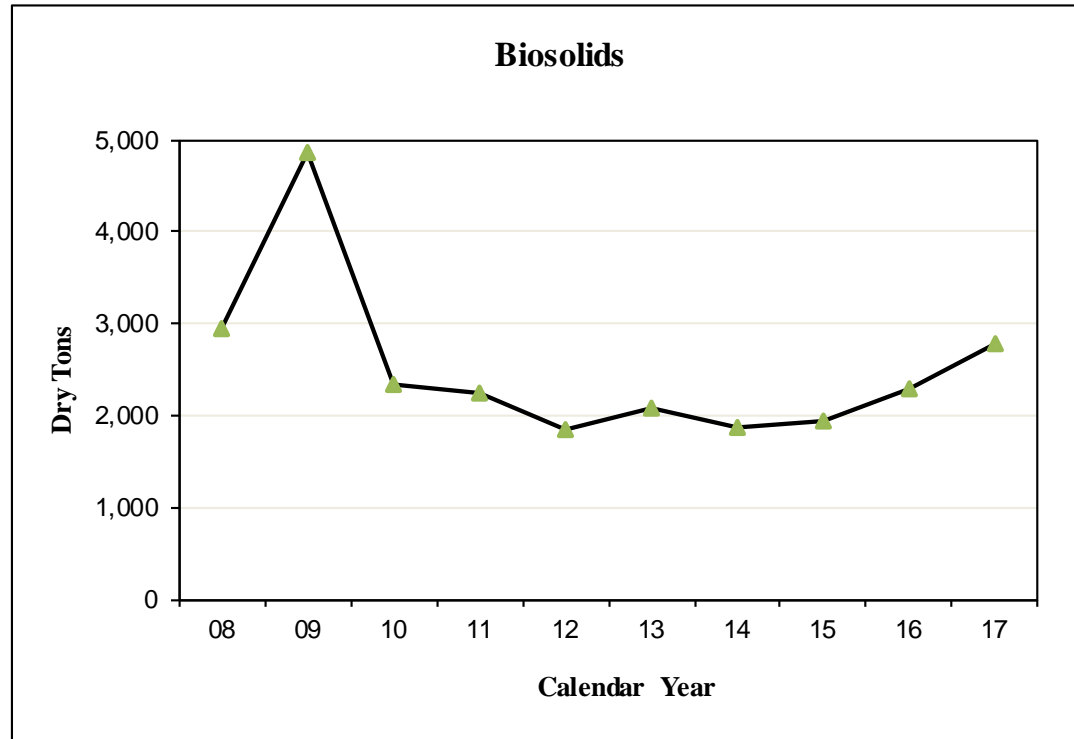
FAIRFIELD-SUISUN SEWER DISTRICT

Operating Information

Schedule 13 Biosolids Disposal

Biosolids (Sludge) Hauled

<u>Year</u> <u>(Calendar)</u>	<u>Dry Metric Tons</u>
2008	2,945
2009	4,856
2010	2,339
2011	2,250
2012	1,845
2013	2,073
2014	1,859
2015	1,939
2016	2,284
2017	2,777



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.

Higher biosolids removal in 2009 was due to maintenance work being performed on the digester and sludge lagoon.

Source: District's Regulatory Department

Data for 2018 is not available as of fiscal year-end date.

FAIRFIELD-SUISUN SEWER DISTRICT

Operating Information

Schedule 14 Schedule of Insurance Coverage June 30, 2018

Nature of Insurance	Policy Number	Effective Date 17-18	Insurance Company	Limits	Deductible	Cost
GL/AL (including Errors & Omissions and Employment Practices Liability EPL)	CSL FSSD 1718 1	12/31/17-18	CSRMA Pooled Liability Munich American Reinsurance Co.	\$15,000,000 \$500,000	\$50,000 DED \$2,500 E&O DED \$25,000 EPL DED \$50,000 Sewer Backup DED	\$93,884
Excess Liability	3342504	12/31/17-18	Ironshore Specialty Insurance Co.	\$10,000,000 Limits XS \$15,000,000 XS \$500,000		Included above
Special Form Property	017471589/04	7/01/17-18	Alliant Property Insurance Program (APIP)	\$291,503,043 TIV	\$25,000 DED	\$86,548
Public Entity Pollution Insurance Program	PPL G24544837 0004	7/01/17-18	Illinois Union Insurance Company (APIP)	\$25,000,000 Policy AGG	\$2,000,000 per Pollution Condition Limit/Member AGG: \$75,000 per Pollution Condition	Included above
Cyber Liability Coverage	PH1433938	7/01/17-18	Lloyd's of London-Beazley Syndicate 2623-623 - 100% (APIP)	\$2,000,000 Third Party/ \$2,000,000 AGG/ \$100,000 Retention		Included above
Primary Insurance Program >General Liability	5105-1158-04	12/31/17-18	Allied World Assurance Company	\$1,000,000 OCC \$3,000,000 AGG	\$0 DED	\$3,264
Excess Liability	5107-1158-04	12/31/17-18	Allied World Assurance Company	\$4,000,000 Employers' Liab. Excluded		Included above
Workers' Compensation Employers' Liability	CSWC FSSD 1718 1	7/01/17-18	CSRMA Pooled Workers' Compensation	\$750,000	\$0 DED	\$105,534
Excess Workers' Compensation Employers' Liability	SP 4057065	7/01/17-18	Safety National Casualty Corp.	Statutory XS \$750,000 \$1,000,000 XS \$750,000		Included above
Auto Physical Damage Policy	MXI 93058679	7/01/17-18	AGCS Marine Insurance Company	\$448,600 Total Value	\$25,000/25,000 Comp & Collision DED	\$1,490
ID Fraud Master Policy	106007331	10/13/17-18	Travelers Insurance Company	\$25,000 Limit	\$0 DED	No Charge

Source: California Sanitation and Risk Management Authority

FAIRFIELD-SUISUN SEWER DISTRICT
 Economic and Demographic Information

Schedule 15
Population Served

Year	City of Fairfield	City of Suisun City	Total Served	% Change
2009	106,440	28,856	135,296	0.3%
2010	105,955	28,962	134,917	-0.3%
2011	104,815	28,212	133,027	-1.4%
2012	106,379	27,978	134,357	-0.4%
2013	108,207	28,234	136,441	2.6%
2014	105,321	28,111	133,432	-0.7%
2015	110,018	28,549	138,567	1.6%
2016	112,637	29,091	141,728	6.2%
2017	114,157	29,295	143,452	3.5%
2018	116,156	29,192	145,348	2.6%

The above table sets forth population figures for both cities for the last ten years.

Source: State of California Department of Finance

FAIRFIELD-SUISUN SEWER DISTRICT
Economic and Demographic Information

Schedule 16
Major Employers (Current year compared to nine years ago)

Firm Name	Type of Business	2018			2009		
		Employees	Ranking	% of Total City of Fairfield Employment	Employees	Ranking	% of Total City of Fairfield Employment
Travis Air Force Base	Military Base	14,353	1	21%	14,353	1	31%
County of Solano	Government	2,850	2	4%	3,000	2	6%
Fairfield-Suisun Unified School District	Education	2,000	3	4%	2,120	3	7%
NorthBay Medical Center	Hospital	1,115	4	3%	1,119	4	3%
Solano Community College	Education	650	5	1%	650	5	1%
City of Fairfield	Government	571	6	1%	606	6	2%
Sutter Regional Medical Foundation	Medical	475	7	1%	-	-	-
Jelly Belly Candy Co.	Candy & Confections	461	8	1%	480	7	1%
Partnership HealthPlan	Insurance	435	9	1%	330	12	-
Westamerica Bank	Corporate Headquarters	407	10	1%	360	10	1%

Source: City of Fairfield and California Employment Development Department

FAIRFIELD-SUISUN SEWER DISTRICT
Economic and Demographic Information

Schedule 17
Full-Time District Employees by Program
Last Ten Fiscal Years

Function/Program	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Engineering and Construction (1)	6	6	6	6	7	7	7	9	9	12
Finance and Administration	6	6	7.5	7	7	7	8	7	8	9
Regulatory (2)	4	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4	4
Information Systems (3)	0	0	0	0	0	0	0	0	2	2
Safety	1	1	1	1	1	1	1	1	1	1
Operation and Maintenance	40	40	39	40.5	41	41	41	42	39	37
Total	57	57.5	58.0	59.0	60.5	60.5	61.5	63.5	63	65

Billing and collection functions are contracted out to third parties.

- (1) This includes engineering technicians/inspectors.
- (2) This includes laboratory and source control.
- (3) Contracted out starting fiscal year 2010/11.

Source: Fairfield-Suisun Sewer District

FAIRFIELD-SUISUN SEWER DISTRICT

Economic and Demographic Information

Schedule 18 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	57.0
District population	143,452

Wastewater Facilities

Area served (square miles)	41
Number of treatment plant(s)	1
Number of pump stations	13
Permitted dry weather capacity	23.70 MGD
Average dry weather flow	11.00 MGD
Miles of sewer (12-inch and larger)	70

Stormwater Facilities

Area served (square miles)	41
Number of pump stations	7

Source: Fairfield-Suisun Sewer District