Comprehensive Annual Financial Report

For the Year Ended June 30, 2020

With Comparative Financial Statements for the Year Ended June 30, 2019

Fairfield-Suisun Sewer District

1010 Chadbourne Rd, Fairfield, CA 94534

This page is left blank intentionally

Comprehensive Annual Financial Report

For the Year Ended June 30, 2020

With Comparative Financial Statements for the Year Ended June 30, 2019

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

Finance Department
Fairfield-Suisun Sewer District
1010 Chadbourne Rd, Fairfield, CA 94534
www.fssd.com

Fairfield-Suisun Sewer District

Comprehensive Annual Financial Report
For the Year Ended June 30, 2020
With Comparative Financial Statements for the Year Ended June 30, 2019

Table of Contents

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 sloughted off Zooglial mass from the Oxidation Towers. After the solids are gathered and removed they are pumped into the Gravity Belt Thickener.

This page is left blank intentionally

Fairfield-Suisun Sewer District

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

November 6, 2020

Board of Directors
Fairfield-Suisun Sewer District
Fairfield, California

Subject: Letter of Transmittal
Comprehensive Annual Financial Report
For the Year Ended June 30, 2020

It is a pleasure to submit the Fairfield-Suisun Sewer District's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2020. 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 (MDA), to accompany the basic financial statements. This letter of transmittal is designed to complement the MDA and should be read in conjunction with it. The District's MDA can be found immediately following the independent auditor's report in the financial section.

The Reporting Entity

The Fairfield-Suisun Sewer District (District) is a special district which serves all territory within the cities of Fairfield and Suisun City. It was formed by an act of the California State Legislature on May 5, 1951. The 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.

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

The District has broad powers to finance, construct, and operate systems for the treatment, collection and disposal of sewage, stormwater, and recycled water systems within the District's jurisdiction. Its 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, extends from the city to San Francisco Bay.

The area is noted for its moderate climate. It is protected from ocean fog by a low range of hills and is cooled by prevailing sea breezes during the summer. Good visibility and a climate free from extremes were among the factors that influenced the location of Travis Air Force Base in Fairfield. Favorable climate, short drive to major cities, ocean, mountains, and affordable housing have been some of the factors in the 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, Producers Dairy Foods, North Bay Medical Center, Kaiser Permanente, other large manufacturers and industries, and shopping districts. The District's sewer service charges are stable with approximately 90% coming from residential customers who are billed a flat fee on a monthly basis. Revenues received from commercial and industrial customers comprise the remaining 10% of the total sewer service charges. Sewer service charges for residential customers increased by 3.6% 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.

Similar to the rest of the State and the nation, economic condition in Solano County, where the District is located, was continuing on a positive trend of recovery and growth with housing and real estate sales rising, robust consumer spending, and unemployment rate at its lowest level. And then, COVID-19 hit. In March 2020 COVID-19 was declared a pandemic and a national emergency was proclaimed in the United States concerning the COVID-19 outbreak. The results are an economic shutdown impacting all sectors of commerce simultaneously. As of June 30, 2020, approximately four months into the COVID-19 pandemic, Solano County, like the rest of the country is beginning to emerge from the Governor's shelter-at-home order as well as other associated directives. The true economic impact of the virus is still unknown.

Labor market condition in the District's service area, as well as the State went from close to full employment and record low to record high as follows:

Table 1

	6/30/19	03/31/20	04/30/20	05/31/20	06/30/20
Fairfield	3.9%	5.1%	15.1%	14.4%	13.7%
California	4.2%	5.5%	16.4%	16.4%	14.9%

The District, guided by its long-term financial planning and building healthy reserves policy, remains fiscally stable. It is closely watching the economic impact of COVID-19 on its fiscal operations. Ratepayers are continuing to pay their sewer service charge timely resulting in consistent revenue stream and tracking with budget as of June 30, 2020.

On the housing and real estate front, the City of Fairfield 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. Real estate cost in the District's service area is rising due to increased demand as more people can work from home and moving away from metropolitan cities. Even with the rising cost; however, prices remain relatively affordable compared to our neighbors in the San Francisco Bay Area. Commercial and industrial developments are continuing to be built, albeit at a 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, 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 updates and budgetary comparisons are 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. New construction projects are individually approved by the Board.

Major Initiatives

During fiscal year 2019/20, the District initiated and/or completed various major maintenance projects, mostly 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:

Digester Feedstock and Biogas Master Plan

The District's treatment plant utilizes an anaerobic digestion system to break down waste solids captured from the collection system and trucked to the plant site from local industries. This biological digestion produces biogas, which contains significant energy value. Currently, the biogas is combusted in an engine-generator system to produce 1) power to offset the District's electricity costs, and 2) heat to warm the digester contents to the optimal digestion temperature of 100℉. The digestion facilities were constructed in the early 1980s, and many of the original components are over 35 years old. The Digester Reliability Improvement Project is currently underway to update several support systems for the anaerobic digesters. The District's main cogeneration engine-generator is approaching 20 years old, and while District staff continues to maintain the engine's functionality and reliability, consideration must be given to future options for biogas utilization. Additionally, recent legislation, such as California Senate Bill 1383, mandate diversion of organic wastes away from landfill, and there may be opportunities for the District, in partnership with the Lystek Organic Material Recovery Center, to digest those wastes at the treatment plant. The design fee for professional services is approximately $315,000.

Heating, Ventilating and Air Conditioning Design Services and Upgrades

The District treatment plant includes three regularly occupied buildings of various ages with outdated and inefficient heating, ventilating and air conditioning (HVAC) systems. These buildings have experienced multiple instances of indoor air temperatures outside of normal comfort ranges caused by equipment failures and control issues. Each building utilizes fans and pumps that run at constant speed instead of ramping up and down to meet demand, consuming more energy than needed. Due to a lack of instrumentation and computer control, problems with the systems may not be noticed until after the occupied spaces become very uncomfortable. The systems also include failing components, with replacement parts becoming increasingly hard to source. In Fall 2018, the District hired a consultant to complete an assessment of the building HVAC systems and to make recommendations to increase energy efficiency and reliability. This assessment determined that a large energy savings could be realized if all three buildings were modified from constant to variable air volume control, including variable frequency drives for the fans and water pumps. To get better control of and feedback from the systems, the report recommended installing a new building automation system (BAS) to control all HVAC functions of all three buildings together from a single system. The assessment also recommends installing new boiler(s) to increase efficiency and reliability. Cost of design and upgrade is approximately $800,000 with fiscal year 2020/21 completion date.

Electrical Replacement Project

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

The District retained the services of a consultant to perform a pre-design study in which the electrical gear was inspected and evaluated, including prioritization for replacement. The scope of this project includes replacement of motor control centers, automatic transfer switches, variable frequency drives, and/or programmable logic controllers at the District's treatment plant (digester area, tertiary filters area, operations building), pump stations (Cordelia Pump Station, Suisun Pump Station, Lawler Ranch No. 2 Lift Station), and the City of Fairfield's stormwater pump station (Air Base Parkway Flood Station). Cost of this project including design and professional services during construction is approximately $4,000,000.

Internal Control Structure

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

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

Independent Audit

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

Awards and Recognition

The District is the recipient of numerous awards of excellence at the local, state, and national level for maintaining an efficient, well-run treatment plant. These awards are received from the local chapter of the California Water Environment Association (CWEA), the state CWEA, the national Water Environment Federation, and the National Association of Clean Water Agencies (NACWA). Awards regularly received are Plant of the Year, Collection System of the Year, 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, 2019. 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 and Administrative teams, 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,

Talyon Sortor

Talyon Sortor, P.E.
General Manager

Helen Gaumann

Helen Gaumann, CPA
Director of Administrative Services

Fairfield-Suisun Sewer District
Principal Officers for the Year Ended June 30, 2020

Board of Directors

Rick Vaccaro, President

Lori Wilson, Vice President

Anthony Adams

Pam Bertani

Jane Day

Catherine Moy

Harry Price

Michael Segala

Chuck Timm

Wanda Williams

Executive Staff

Greg Baatrup, General Manager

Talyon Sortor, Assistant General Manager

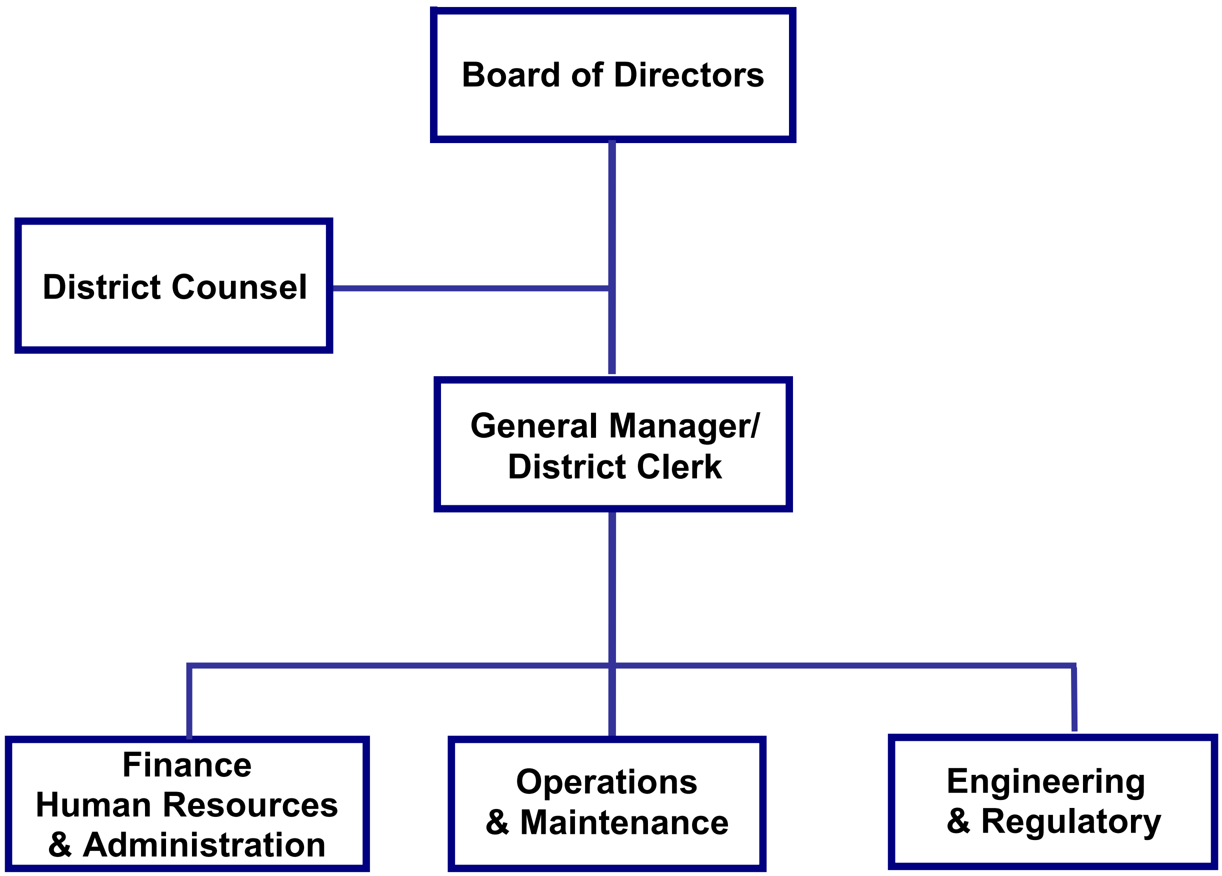
Helen Gaumann, Director of Administrative Services

Jordan Damerel, Director of Engineering

District Counsel

Carrie Scarlata

Fairfield-Suisun Sewer District
Organization



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Fairfield-Suisun Sewer District

California

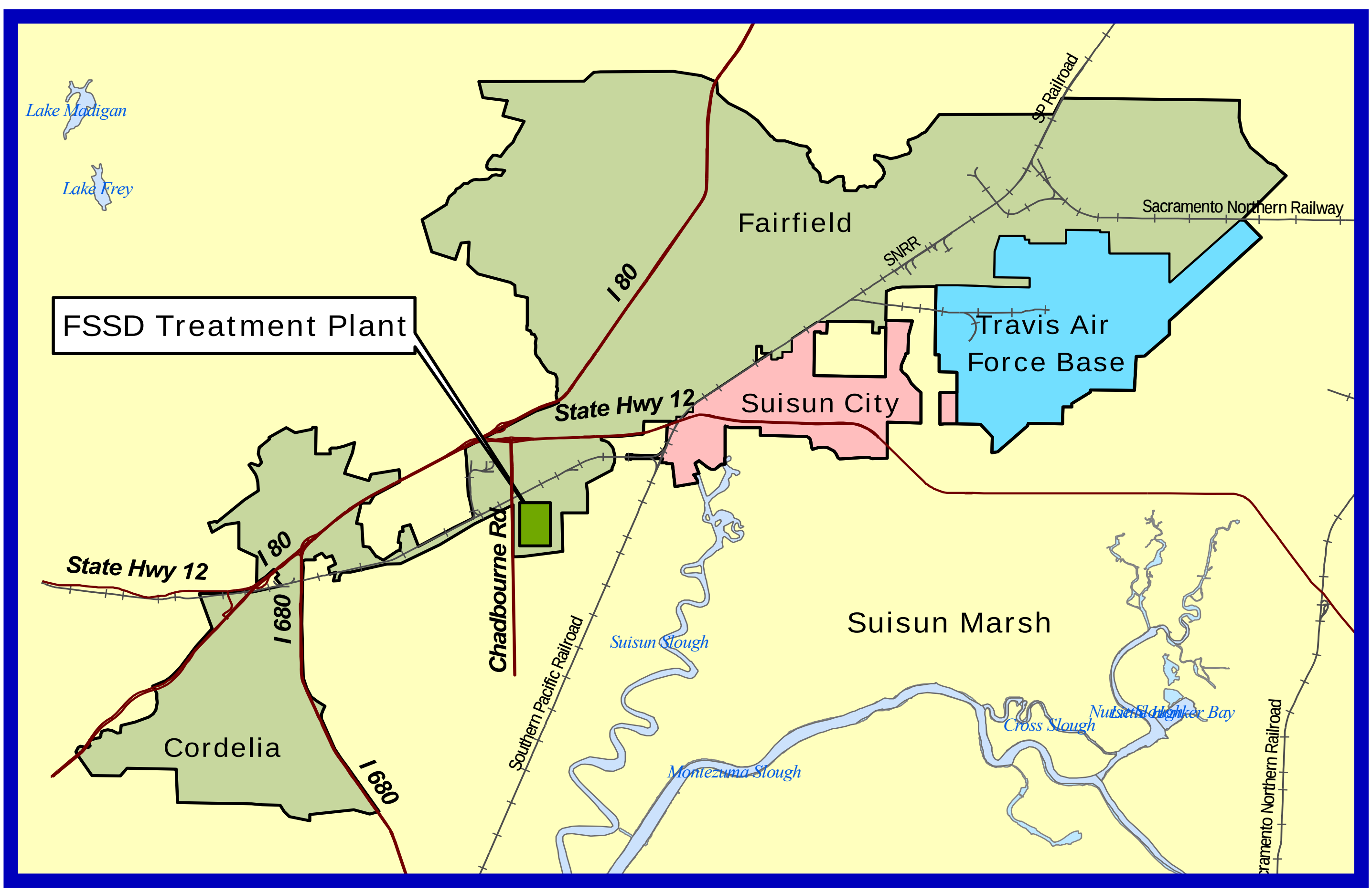
For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2019

Christopher P. Morrill

Executive Director/CEO

Fairfield-Suisun Sewer District
Location Map



This page is left blank intentionally

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.

CROPPER
an accountancy corporation
CERTIFIED PUBLIC ACCOUNTANTS

2700 Ygnacio Valley Road, Ste 270
Walnut Creek, CA 94598
(925) 932-3860 tel
(925) 476-9930 efax
www.cropperaccountancy.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Fairfield-Suisun Sewer District

We have audited the accompanying financial statements of Fairfield-Suisun Sewer District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fairfield-Suisun Sewer District, as of June 30, 2020, 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

The financial statements of Fairfield-Suisun Sewer District for the year ended June 30, 2019, were audited by us, and we expressed an unmodified opinion on those statements on October 4, 2019. Those financial statements are presented for comparative purposes only.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of Changes in Net OPEB Liability for Post-employment Benefits, Schedule of Employer Contributions – Last 10 years, Schedule of Proportionate Share of Net Pension

Liability, and Schedule of Proportionate of Employer Contributions – Last 10 years be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fairfield-Suisun Sewer District's basic financial statements. The introductory section and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole. 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 December 7, 2020, on our consideration of the Fairfield-Suisun Sewer District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fairfield-Suisun Sewer District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Fairfield-Suisun Sewer District's internal control over financial reporting and compliance.

Cropper Accountancy Corporation

CROPPER ACCOUNTANCY CORPORATION
Walnut Creek, California
December 7, 2020

This section of the District's Comprehensive Annual Financial Report presents management's discussion and analysis (MDA) of the District's financial performance during the fiscal year ended June 30, 2020. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements and accompanying notes, which follow this section.

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

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

Overview of the Basic Financial Statements

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

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

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

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

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

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

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

Financial Highlights and Analysis

Financial Highlights

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

- Total assets increased by 5.9%
- Deferred outflows of resources increased by 26.2%
- Other liabilities increased by 151.4%
- Total liabilities decreased by 7.1%
- Deferred inflows of resources increased by 8.3%
- Net position increased by 7.6%
- Total revenues increased by 6.7% while capacity fees decreased by 32.6%
- Total expenses increased by 19.0%.

FINANCIAL ANALYSIS

The following is the District's Condensed Statement of Net Position for fiscal year ended June 30, 2020 as compared to fiscal year ended June 30, 2019 and 2018:

($000)	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019	Increase (Decrease) 20 over 19	Percent Increase (Decrease)	June 30, 2018	Increase (Decrease) 19 over 18	Percent Increase (Decrease)
Current and other assets	$ 64,879	$ 55,214	$ 9,665	17.5%	$ 44,222	$ 10,992	24.9%
Capital assets	71,612	73,713	$ (2,101)	-2.9%	68,860	$ 4,853	7.0%
Total assets	136,491	128,927	7,564	5.9%	113,082	15,845	14.0%
Deferred outflow of resources	7,027	5,568	1,459	26.2%	3,655	1,913	52.3%
Long-term liabilities	23,439	25,185	(1,746)	-6.9%	16,620	8,565	51.5%
Other liabilities	9,454	3,760	5,694	151.4%	2,692	1,068	39.7%
Total liabilities	32,893	28,945	3,948	13.6%	19,312	9,633	49.9%
Deferred inflow of resources	600	554	46	8.3%	324	230	71.0%
Net position							
Net investment in capital assets	58,331	59,386	(1,055)	-1.8%	60,275	(889)	-1.5%
Restricted							
Restricted for capital projects	8,568	5,374	3,194	59.4%	5,250	124	2.4%
Restricted for debt service	1,069	737	332	45.0%	737	-	0.0%
Restricted for major maintenance	40,567	33,755	6,812	20.2%	14,951	18,804	125.8%
Unrestricted	4,490	5,744	(1,254)	-21.8%	15,888	(10,144)	-63.8%
Total net position	$ 113,025	$ 104,996	$ 8,029	7.6%	$ 97,101	$ 7,895	8.1%

- *Current and other assets* increased by 17.5%. This increase was primarily due to increase in Accounts Receivable and Cash and Investments balances at year-end. The increase in Accounts Receivable includes higher unbilled accounts at year-end. The increase in Cash and Investments was by design as the District is re-building its Major Maintenance Reserve to fund future major repairs and replacements of its aging facilities, as identified in the District's asset management program, which is part of its budget and long-range financial planning process. Cash increases includes final reimbursement from the State Revolving Fund loan related to the blower project.

- *Capital assets* decreased by 2.9% primarily due to completion of the Blower Project and smaller projects coming into the pipeline in the current fiscal year. The District's treatment plant is built out; therefore, it is anticipated that the net capital assets will 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 represents changes in actuarial assumptions, the difference between projected and actual experience, and other postemployment benefit contributions made subsequent to the measurement date.

The significant increase in Deferred outflows of resources related to pension plan was primarily due to the additional discretionary payment (ADP) of $2 million paid in the current fiscal year. In an effort to reduce long-term liability the District has committed a certain amount towards discretionary payment, which resulted in increase of 74.2% as compared to prior year. No additional payment was made towards OPEB.

- *Current/Other liabilities* increased by 151.4%. This significant increase was due to discovery of District's obligation to participate into the Social Security System in accordance with the 218 Agreement entered into in 1958. This Social Security tax liability was for the tax years 2017-2020, estimated at $3 million to cover both employer and employee portion. See Note on Subsequent Events on page 23 for more details.

- *Long-term liabilities* decreased by 7.1%, primarily due to the completion of the State Revolving Fund borrowing to fund the blower project, no new additional loan taken during the fiscal year, and loan reduction due to scheduled payments.

- *Deferred inflows of resources increased by 8.3%* are transactions related to GASB 68 and GASB 75 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 a cumulative unspent portion of capacity fees received increased by 59.4%. 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. The increase in restricted for debt service was due to a debt covenant related to the blower project requiring to set aside as a reserve, one-year worth of principal and interest payment. The r*estricted for major maintenance* is reserved for future plant upgrades and replacement as a condition of the original grant received from the Environmental Protection Agency. The amount set aside as major maintenance reserve each year is based on the total major maintenance projects identified in the District's asset management program, updated biennially as part of its budget and long-range planning process.

- 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.

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, 2020 as compared to fiscal year ended June 30, 2019 and 2018:

($000)	Fiscal Year Ended June 30, 2020	2019	Increase (Decrease) 20 Over 19	Percent Increase (Decrease)	June 30, 2018	Increase (Decrease) 19 Over 18	Percent Increase (Decrease)
Revenues:							
Sewer service charges	$ 29,028	$ 27,549	$ 1,479	5.4%	$ 26,046	$ 1,503	5.8%
Drainage fees	1,706	1,619	87	5.4%	1,598	21	1.3%
Interest income	1,164	923	241	26.1%	519	404	77.8%
Other	1,240	956	284	29.7%	194	762	392.8%
Total revenues	33,138	31,047	2,091	6.7%	28,357	2,690	9.5%
Expenses:							
Business operations	14,803	15,549	(746)	-4.8%	14,941	608	4.1%
Sewer line maintenance	3,345	3,060	285	9.3%	3,355	(295)	-8.8%
General and administrative	7,719	2,357	5,362	227.5%	1,976	381	19.3%
Billing and collection	647	621	26	4.2%	594	27	4.5%
Interest expense	260	224	36	16.1%	238	(14)	-5.9%
Depreciation	4,358	4,341	17	0.4%	4,449	(108)	-2.4%
Total expenses	31,132	26,152	4,980	19.0%	25,553	599	2.3%
Income (loss) before capital contributions	2,006	4,895	(2,889)	-59.0%	2,804	2,091	74.6%
Add: Capacity fees	2,023	3,000	(977)	-32.6%	2,079	921	44.3%
Add: Federal grant - loan forgiveness	4,000	-	4,000	100.0%	-	-	
Change in net position	8,029	7,895	134	1.7%	4,883	3,012	61.7%
Net position - beginning of period	104,996	97,101	7,895	8.1%	94,001	3,100	3.3%
Less: GASB 75 prior period adjustment	-	-	-	-100.0%	(1,783)	1,783	-100.0%
Net position, as restated	104,996	97,101	7,895	8.1%	92,218	4,883	5.3%
Net position - end of period	$ 113,025	$ 104,996	$ 8,029	7.6%	$ 97,101	$ 7,895	8.1%

Analysis of the condensed statement of revenues, expenses, and changes in net position for fiscal year ended June 30, 2020, as compared to fiscal year ended June 30, 2019 and 2018 are as follows:

- *Total revenues* for fiscal year ended June 30, 2020 increased by 6.7%. This increase was a combination of the following: 1) Annual sewer service rate increase of 3.6% in accordance with Proposition 218 Notice issued in January 2017. This annual sewer service charge rate increase, along with moderate growth increase resulted in increased sewer service revenue of 5.4%. 2) Other revenue increased by 29.7%, due to reclassification of Biosolids Host and Facility Charge (Biosolids Fee) previously recognized as non-operating revenue, included in *Other revenue*'s non-recurring service charge revenue that varies from year to year. *Interest Income* increased 26.1% due larger investment portfolio, combined with slightly higher interest yield earned on investment securities.

- *Capacity fees* decreased by 32.6% as real estate development in the District's service area primarily due to timing. As expected, lesser connection permits were issued in the winter months followed by slower construction activities in April through June 2020.

- Overall *Expenses* increased by 19.0% due to combination of different factors as identified below:

    - *Sewer line* maintenance is the cost to maintain the sewer lines and collection system, both are contracted out and maintained by District staff. The operation and maintenance of pipelines smaller than 10" in diameter is performed by the cities of Fairfield and Suisun City within their city limits, through an agreement. Payments to both Cities increases by two components: Consumer Price Index and additional pipelines added during fiscal year. The 9.3% increase was primarily due to these factors.

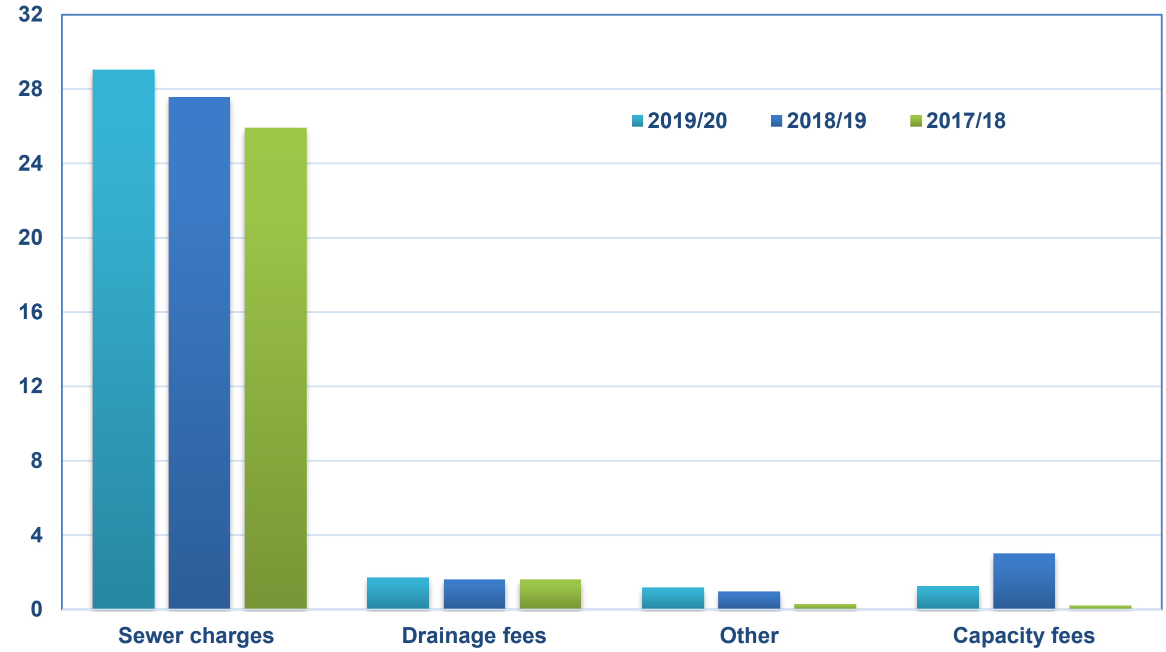
    - *General and Administrative* are expenses related to finance, administration, human resources, and others not directly related to operations and maintenance; the 227.5% increase was due to 1) $2 million additional discretionary payment made towards the pension plan, this was done in an effort to manage long-term liability; 2) $3 million Social Security taxes owed for tax years 2017-2020 for both employer and employee portion, which the District will pick up. See Note 2 on Subsequent Events for more information.

    - *Billing and collection* increased 4.2% which is consistent with annual *Consumer Price Index (CPI) increase and growth, as required by agreement.*

    - *Interest expense increased 16% represents interest expense related payment on the Blower Project.*

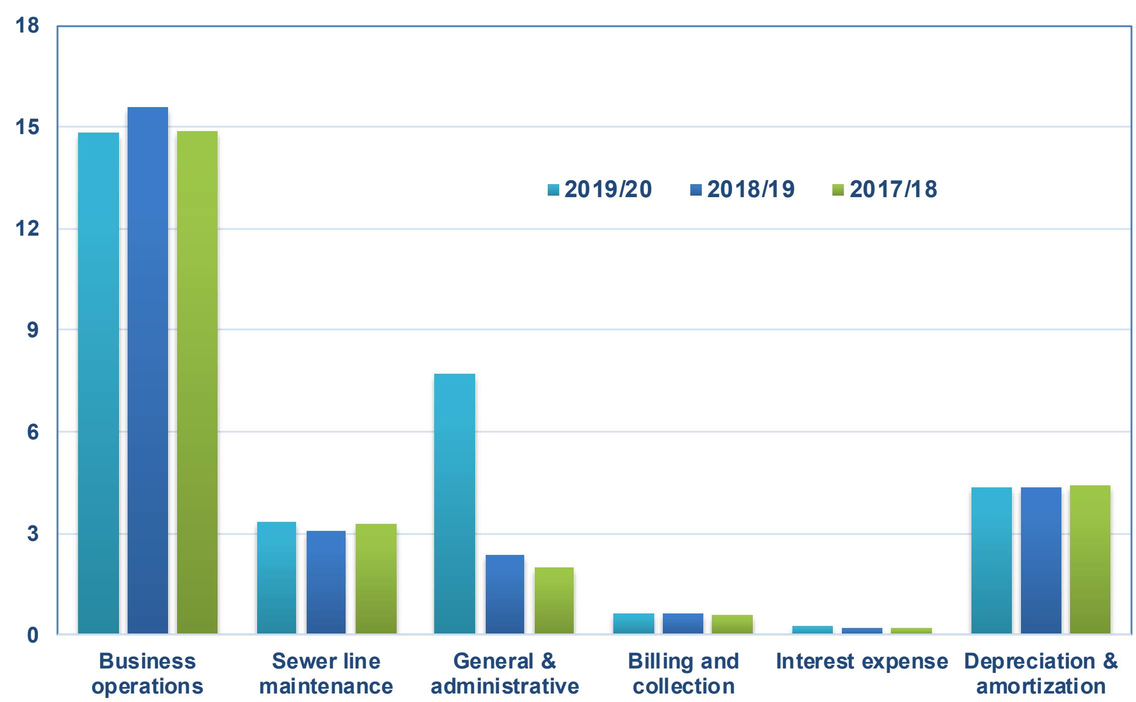
Sources of All Revenues for Fiscal Years 2019/20, 2018/19, and 2017/18

($ million)



Classification of All Expenses for Fiscal Years 2019/20, 2018/19, and 2017/18

($ million)



Capital Assets

The District's investment in capital assets, net of accumulated depreciation, was $71.6 million as of June 30, 2020. This investment in capital assets includes land and improvements, construction in progress, buildings and improvements, vehicles and equipment, trunk lines, pump stations, and treatment plant facilities. Additional information on the District's capital assets can be found in Note 5, page 30.

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 31-32.

General Enterprise Functions

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

Using This Annual Report

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

Requests for Information

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to 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, 2020
(With June 30, 2019 for Comparative Purposes Only)

	2020	2019
ASSETS		
Current assets:		
Cash and investments (Note 3)	$ 58,152,673	$ 50,029,816
Accounts receivable, net	5,369,237	4,147,027
Interest receivable	235,963	258,377
Prepaid Items	52,185	42,446
Total current assets	63,810,058	54,477,666
Noncurrent assets:		
Restricted assets (Note 3)		
State Revolving Fund reserve	1,068,895	737,038
Total restricted assets	1,068,895	737,038
Capital assets (Note 5):		
Non-depreciable assets	4,874,147	13,471,141
Depreciable assets, net of depreciation	66,738,334	60,241,400
Total capital assets	71,612,481	73,712,541
Total noncurrent assets	72,681,376	74,449,579
Total assets	136,491,434	128,927,245
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow related to Pension Plan (Note 10)	4,652,983	2,671,247
Deferred outflow related to OPEB (Note 11)	2,373,693	2,896,712
Total deferred outflows of resources	7,026,676	5,567,959

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

FAIRFIELD-SUISUN SEWER DISTRICT
Statement of Net Position
June 30, 2020
(With June 30, 2019 for Comparative Purposes Only)

	2020	2019
LIABILITIES		
Current liabilities:		
Accounts payable	$ 4,764,817	$ 2,442,371
Current portion of SRF loan (Note 6)	782,034	525,506
Current portion of compensated absences payable	841,293	756,705
Accrued interest payable	66,113	35,886
Total current liabilities	6,454,257	3,760,468
Long-term liabilities:		
State Revolving Fund loan (Note 6)	11,658,542	14,450,945
Compensated absences payable (Note 6)	210,323	189,176
Net OPEB liability (Note 11)	4,193,537	3,971,955
Net pension liability (Note 10)	7,376,274	6,572,464
Total long-term liabilities	23,438,676	25,184,540
Total liabilities	29,892,933	28,945,008
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow related to Pension Plan (Note 10)	432,503	340,278
Deferred inflow related to OPEB (Note 11)	168,037	214,280
Total deferred inflows of resources	600,540	554,558
NET POSITION		
Net investment in capital assets	58,330,612	59,386,089
Restricted:		
Restricted for capital projects (Note 4)	8,567,972	5,373,654
Restricted for debt service (Note 4)	1,068,895	737,038
Restricted for major maintenance (Note 4)	40,567,000	33,755,000
Unrestricted	4,490,158	5,743,857
Total net position	$ 113,024,637	$ 104,995,638

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 Years Ended June 30, 2020
(With June 30, 2019 for Comparative Purposes Only)

	2020	2019
Operating revenues:		
Sewer service charges	$ 29,028,821	$ 27,548,719
Drainage fees	1,706,076	1,618,819
Other	286,695	284,679
Total operating revenues	31,021,592	29,452,217
Operating expenses:		
Business operations	14,803,087	15,549,518
Sewer line maintenance	3,345,091	3,060,300
General and administrative	7,719,292	2,356,610
Billing and collection (Note 7)	647,226	620,929
Depreciation and amortization	4,357,994	4,340,674
Total operating expenses	30,872,690	25,928,031
Operating income	148,902	3,524,186
Nonoperating revenues (expenses):		
Interest income	1,164,907	922,968
Net increase in fair value of investments	737,044	484,450
Interest expense	(260,404)	(223,978)
Other	215,940	186,852
Total nonoperating revenues	1,857,487	1,370,292
Net income before capital contributions	2,006,389	4,894,478
Capacity fees	2,022,610	2,999,992
Federal Grant - Loan forgiveness	4,000,000	-
Change in net position	8,028,999	7,894,470
Net position, beginning of period	104,995,638	97,101,168
Net position, end of period	$ 113,024,637	$ 104,995,638

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

FAIRFIELD-SUISUN SEWER DISTRICT
Statement of Cash Flows
For the Years Ended June 30, 2020
(With June 30, 2019 for Comparative Purposes Only)
(Page 1 of 2)

	2020	2019
Cash flows from operating activities:		
Receipts from customers	$ 29,644,500	$ 29,025,280
Payments to suppliers & vendors	(12,784,723)	(11,082,902)
Payments for employees salaries & benefits	(11,830,687)	(8,918,195)
Other receipts	502,635	471,531
Net cash provided by operating activities	5,531,725	9,495,714
Cash flows from noncapital and related financing activities:		
OPEB Trust pre-funding	(310,045)	(542,716)
Net cash used by noncapital and related financing activities	(310,045)	(542,716)
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(2,150,219)	(8,600,386)
Capacity fees	1,797,369	3,023,679
Proceeds from State Revolving Fund loan	1,970,986	6,901,825
Escrow account held for project	-	427,170
Interest paid	(211,531)	(226,446)
Principal payment on the SRF loan	(525,506)	(510,592)
Net cash provided for capital and related financing activities	881,100	1,015,250
Cash flows from investing activities:		
Purchase of investments	(11,645,222)	(11,272,768)
Proceeds from sale of investments	11,880,891	10,811,794
Interest received on investments	2,116,266	1,280,697
Net cash provided by investing activities	2,351,935	819,724
Net increase in cash and cash equivalents	8,454,714	10,787,972
Cash and cash equivalents, beginning of period	50,766,854	39,978,882
Cash and cash equivalents, end of period	$ 59,221,568	$ 50,766,854

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

(Continued)

FAIRFIELD-SUISUN SEWER DISTRICT
Statement of Cash Flows
For the Years Ended June 30, 2020
(With June 30, 2019 for Comparative Purposes Only)
(Page 2 of 2)

	2020	2019
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 3,148,902	$ 3,524,186
Adjustments to reconcile operating income to cash flows from operating activities:		
Depreciation and amortization expense	4,357,994	4,340,674
Net pension expense	(1,085,701)	427,752
Net OPEB expense	698,358	64,719
Miscellaneous non operating income	215,940	186,852
Changes in assets and liabilities:		
Increase in receivables, net	(1,222,210)	(100,690)
Increase in other assets	(9,739)	(167)
Increase (Decrease) in accounts payable	(677,554)	982,103
Increase in compensated absences	105,735	70,285
Net cash provided by operating activities	$ 5,531,725	$ 9,495,714
Noncash investing, capital, and financing activities:		
Capacity fees net accruals	$ (225,241)	$ 23,687
Increase in fair value of investments	1,016,577	279,534
Interest expense net accruals	48,873	(2,397)
Loan forgiveness under EPA program	4,000,000	-
Net increase in pension expense as result of GASB 68 and GASB 75 implementation	(387,343)	492,471

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

1. Organization

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

A. Wastewater

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

B. Drainage Maintenance

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

Drainage fees, as established by the governing board, are collected on the Solano County tax roll pursuant to an agreement with Solano County. Total fees collected in fiscal year ended June 30, 2020 were $1,706,076 compared to June 30, 2019 that were $1,618,819.

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.

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.

Budgetary control is maintained at the department level for administrative and operating expenses and at the project level for capital improvements. 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, 2020, all surplus cash was invested in the following:

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

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

Savings accounts, checking and money market investment securities.

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

Cash and Investments—Funds are invested in accordance with Section 53601 of the Government Code of the State of California and the District's established investment policy. All monies not required for immediate expenses are invested to earn maximum yield consistent with safety and liquidity. All investments are kept in the custody of the District or a qualified safekeeping institution. A quarterly report is made to the Board of Directors showing a description of the investments, maturity date, par value, carrying value, market value, current yield, and estimated annual income. Investments are adjusted to fair value when material as required by the 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
- Warrants, Treasury Notes, or Bonds issued by the State of California
- Negotiable Certificates of Deposit issued by federally or state-chartered banks or associations
- Agencies and instrumentalities
- Prime commercial paper of U.S. corporations
- Bankers Acceptances with maturities not to exceed 180 days
- Medium-term notes issued by U.S. corporations
- The District may contract for the use of investment services subject to all other provisions of this Investment Policy
- Local Agency Investment Fund (LAIF) operated by the Treasurer's Office of the State of California
- Any other investment security authorized under the provisions of California Government Code Section 53601

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

Statement of Revenues, Expenses, and Changes in Net Position—The statement of revenues, expenses, and changes in net position is the operating statement for proprietary funds. This statement distinguishes between operating and non-operating revenues and expenses and presents a separate subtotal for operating revenues, operating expenses, and operating income. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues of the District are the charges to customers for services. Operating expenses include the cost of providing and delivering services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position, as applicable.

Restricted – This component of net position consists of constraints placed on an asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments, and reduced by liabilities and deferred inflows of resources related to those assets. It also pertains to constraints imposed by law or constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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

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

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

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 are 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 Postemployment 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 between expected and actual experiences amortized over 3.8 years or less. More information can be found in Note 10 and Note 11, pages 35-50.

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

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

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

Valuation date June 30, 2018
Measurement date June 30, 2019
Measurement period July 1, 2018 - June 30, 2019.

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

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

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.

On July 30, 2020, the District made a $2 million payment to CalPERS as an additional discretionary payment towards its unfunded pension liability, as approved by its Board on June 24, 2019.

At its November 23, 2020 Board Meeting District Board approved staff proposal to comply with the Social Security Administration and staff were directed to work with the Internal Revenue Service (IRS) and other agencies to ensure compliance with the 218 Agreement. Statute of limitations limit District's liability to "open tax years" plus current, which is from 2017 to 2019, plus 2020. The District is picking up the tax burden for both employer and employees, which is estimated to cost between $3 million to $3.5 million. It is the District's intent to get in full compliance through tax year 2020 and pay the back taxes owed by January 31, 2021.

3. Cash and Investments

A. Policies

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

The District invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable securities instruments, or by an electronic entry registering the owner in the records of the institution issuing the security, called the book entry system. In order to increase security, the District employs the Trust Department of a bank as the custodian of certain District-managed investments, regardless of their form. The District's investments are carried at fair value, as required by generally accepted accounting principles. The District adjusts the carrying value of its investments to reflect their fair value at each fiscal year-end, and it includes the effects of these adjustments in income for that fiscal year.

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, 2020:

1) California Local Agency Investment Fund (LAIF) of $31,733,200 was valued using Level 1 and Level 2 inputs.
2) California Asset Management Program balance of $21,952,383 was valued using Level 2 inputs.
3) Certificate of deposits, savings account, checking account and money market accounts of $5,580,356 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.

B. Classification

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

	June 30, 2020	June 30, 2019
Cash and investments		
Held by District	$ 58,152,673	$ 49,602,646
Held by escrow agent	-	427,170
Restricted investments		
Held by District	1,068,895	737,038
Total cash and investments	$ 59,221,568	$ 50,766,854

C. Authorized Investments

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum of Percentage Portfolio	Maximum Investment In One Issuer
U.S. Treasury Instruments	5 years	N/A	None	N/A
Federal Agency Issues	5 years	N/A	None	N/A
State of California Obligations	5 years	N/A	None	N/A
Bankers Acceptances	180 days	N/A	40%	30%
Commercial Paper	270 days	A	25%	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	A	30%	N/A
California Local Agency Investment Fund	Upon Demand	N/A	None	N/A
Mutual Funds	N/A	Top Ranking of 2 NRSRO (A)	20%	10%
Money Market Mutual Funds	N/A	Top Ranking of 2 NRSRO (A)	20%	N/A

(A) Nationally Recognized Statistical Rating Organization

The District does not enter into range notes, inverse floaters, mortgage-derived interest-only strips, or any security that could result in zero interest accrual if held to maturity. At June 30, 2020, 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:

		June 30, 2020			
		Remaining Maturity Distribution			
Investment Type	Fair Value	0-12 months	1-2 years	2-5 years	% of Portfolio
U.S. Treasury Instruments	$ 6,859,375	$ 308,560	$ 2,451,667	$ 4,099,148	11.60%
Federal Agency Issues	2,834,171	-	460,305	2,373,866	4.79%
Federal Agency Mortgage-Backed Securities	764,102	-	77,582	686,520	1.29%
Supranationals	213,075	-	92,369	120,706	0.36%
Negotiable Certificates of Deposit	2,888,219	2,067,142	201,242	619,835	4.88%
Medium-Term Corporate Notes	6,160,211	2,178,793	657,715	3,323,703	10.42%
Asset-Backed Securities	1,195,443	34,972	242,387	918,084	2.02%
Municipal Obligations	915,154	178,267	-	736,887	1.55%
Local Agency Investment Funds	31,733,200	31,733,200	-	-	53.65%
Money Market/Mutual Funds/Checking Account	5,580,346	5,580,346	-	-	9.44%
Total Investments	$ 59,143,296	$ 42,081,280	$ 4,183,267	$ 12,878,749	100.00%

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

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating 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, 2020	
Investment Type	Fair Value	Credit Rating
U.S. Treasury Instruments	$ 6,859,375	AA+, AA, AA-
Federal Agency Issues	2,834,171	AA+, AA, AA-
Federal Agency Mortgage-Backed Securities	764,102	AA+, AA, AA-
Supranationals	213,075	AAA
Negotiable Certificates of Deposit	2,888,219	A-1+, A-1
Medium-Term Corporate Notes	6,160,211	BBB+, BBB, BBB-
Asset-Backed Securities	1,195,443	AAA
Municipal Obligations	915,154	AA+, AA, AA-
Local Agency Investment Funds	31,733,200	NR
Money Market/Mutual Funds/Checking Account	5,580,346	NR
Total Investments	$ 59,143,296	

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 external investment pool). The District investments requiring disclosure at June 30, 2020 is as follows:

Issuer	Investment Type	Fair Value	Percent
Fannie Mae	Note	$ 1,213,336	5.53%

4. Restricted Net Position

Restricted net position at June 30, 2020 and 2019, consist of the following:

	2020	2019
Restricted for capital projects	$ 8,567,972	$ 5,373,654
Restricted for debt service	1,068,895	737,038
Restricted for major maintenance	40,567,000	33,755,000
	$ 50,203,867	$ 39,865,692

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.

5. Capital Assets

Changes in capital assets consisted of the following:

Asset Category	June 30, 2018	Additions	Adjustments/ Disposals	Transfers	June 30, 2019	Additions	Adjustments / Disposals	Transfers	June 30, 2020
Non-depreciable assets:									
Construction in progress	$ 1,519,441	$ 9,158,797	$ -	$ -	$ 10,678,238	$ 2,194,765	$ -	$ (10,791,759)	$ 2,081,244
Land and improvements	2,792,903	-	-	-	2,792,903	-	-	-	2,792,903
Total non-depreciable assets	4,312,344	9,158,797	-	-	13,471,141	2,194,765	-	(10,791,759)	4,874,147
Depreciable assets:									
Buildings and improvements	11,710,029	-	-	-	11,710,029	-	-	-	11,710,029
Vehicles and equipment	2,902,768	34,378	-	-	2,937,146	-	-	63,170	3,000,315
Trunk lines/ pump station	53,362,001	-	-	-	53,362,001	-	-	-	53,362,001
Treatment plant	91,051,077	-	-	-	91,051,077	-	-	10,791,759	101,842,836
Total depreciable assets	159,025,875	34,378	-	-	159,060,253	-	-	10,854,929	169,915,181
Less: Accumulated depreciation									
Buildings and improvements	(10,031,614)	(211,375)	-	-	(10,242,989)	(211,375)	-	-	(10,454,363)
Vehicles and equipment	(2,685,280)	(38,950)	-	-	(2,724,230)	(37,383)	-	-	(2,761,614)
Trunk lines/pump station	(39,403,019)	(1,559,223)	-	-	(40,962,242)	(1,559,211)	-	-	(42,521,453)
Treatment plant	(42,358,266)	(2,531,126)	-	-	(44,889,392)	(2,550,025)	-	-	(47,439,417)
Total accumulated depreciation	(94,478,179)	(4,340,674)	-	-	(98,818,853)	(4,357,994)	-	-	(103,176,847)
Net capital assets	64,547,696	(4,306,296)	-	-	60,241,400	(4,357,994)	-	10,854,929	66,738,334
Total capital assets	$ 68,860,040	$ 4,852,501	$ -	$ -	$ 73,712,541	$ (2,163,229)	$ -	$ 63,170	$ 71,612,481

6. Long-Term Liabilities

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

Description	June 30, 2019	Additions	Maturities/ Reduction	June 30, 2020	Current Portion	Long-Term Portion
State Revolving Fund Loans (SRF)						
Ultraviolet Project	$ 7,424,626	$ -	$ 525,506	$ 6,899,120	$ 540,856	$ 6,358,264
Blower Project	7,551,826	1,989,630	4,000,000	5,541,456	241,178	5,300,278
Total SRF Loans	14,976,452	1,989,630	4,525,506	12,440,576	782,034	11,658,542
Compensated Absences	945,881	969,862	864,127	1,051,616	841,293	210,323
Total Long-term liabilities	$ 15,922,333	$ 2,959,492	$ 5,389,633	$ 13,492,192	$ 1,623,327	$ 11,868,865

A. State Revolving Fund Loan

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

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

Year Ending June 30	Principal	Interest	Total
2021	$ 540,856	$ 196,182	$ 737,038
2022	556,655	180,383	737,038
2023	572,915	164,123	737,038
2024	589,650	147,389	737,039
2025	606,874	130,164	737,038
2026 - 31	4,032,171	390,057	4,422,228
	$ 6,899,120	$ 1,208,298	$ 8,107,419

Blower Replacement Project
On February 12, 2018, the District entered into a loan agreement with the California State Water Resources Control Board (SWRCB) under the Clean Water State Revolving Fund (SRF) loan program for the financing of the Blower Replacement Project. The District was approved for the total project cost of $11,608,547; however, only utilized $9,541,456. Out of the total loan

amount, $4,000,000 was declared a 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 $5,541,456, with interest rate at 1.8%, payable over 20 years starting in fiscal year 2020/21.

Total liability recognized as of June 30, 2020 was $5,541,456, net of loan forgiveness.

Future debt service payments on the SRF loan related to the Blower Project as of June 30, 2020 are as follows:

Year Ending June 30	Principal	Interest	Total
2021	$ 241,178	$ 90,680	$ 331,858
2022	236,452	95,405	331,857
2023	240,709	91,149	331,858
2024	245,041	86,816	331,857
2025	249,452	82,405	331,857
2026 - 30	1,316,251	343,036	1,659,287
2031 - 35	1,439,055	220,232	1,659,287
2036 - 40	1,573,318	85,969	1,659,287
	$ 5,541,456	$ 1,095,692	$ 6,637,148

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

B. Compensated Absences

Compensated Absences activity during the fiscal year was as follows:

June 30, 2019	Additions	Reductions	June 30, 2020	Due Within One Year
$ 945,881	$ 969,862	$ (864,127)	$ 1,051,616	$ 841,293

7. Related Party Transactions

The District had existing financial transactions with the cities of Fairfield and Suisun City during fiscal year 2019/20 and 2018/19. 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, 2020.

These transactions are described below:

	2020		2019	
Sewer line maintenance	$	3,345,091	$	3,060,300
Billing and collection	$	647,226	$	620,929
Outstanding accounts receivable	$	5,369,237	$	4,147,027

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

Audited condensed financial information for CSRMA is presented below for the year ended June 30, 2019 (most recent information available):

Total assets	$	26,991,334
Total liabilities	$	20,588,497
Net Position	$	6,402,837
Total revenues	$	13,274,331
Total expenses	$	14,577,244

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, 2020, 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 $345,894 and $353,251 for fiscal years June 30, 2019 and June 30, 2020, respectively.

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

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, 2020 are summarized as follows:

Miscellaneous	**Hired prior to January 1, 2013 Classic**	**Hired on or after January 1, 2013 PEPRA**
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	60	62
Monthly benefits, as a % of annual salary	3%	2%
Required employee contribution rates	8.000%	7.000%
Required employer contribution rates	14.691%	7.026%

Employer payment of unfunded liability	$437,652	$621

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

Key components of the legislation are as follows:

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

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

CalPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the District’s total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the employer must pay annually to fund an employee’s projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial accrued liability.

Employees Covered

As of June 30, 2020, and 2019, the following employees were covered by the benefit terms for each Plan:

	2020	2019
Inactive employees or beneficiaries currently receiving benefits	38	33
Inactive employees entitled to but not yet receiving benefits	0	0
Active employees – Classic and PEPRA	56	57
Total	94	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 July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions were as follows:

Miscellaneous	Fiscal Year 2019/20	Fiscal Year 2018/19
Employer Contributions	$3,253,996	$1,099,426

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

The District's proportionate share of the net pension liability is $6,572,464 and $7,376,274 for fiscal years ended June 30, 2019 and June 30, 2020.

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, 2019, using an annual actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, using standard update procedures.

The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the plan as of June 30, 2019 and 2018 measurement date were as follows:

	Percentage Share of Risk Pool		Change: Increase/ (Decrease)
Fiscal Year	6/30/2020	6/30/2019	
Measurement Date	6/30/2019	6/30/2018	

Percentage of Plan (PERF C) NPL	0.07198%	0.06821%	0.00377%

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 6/30/18 (MD)	$ 34,356,606	$ 27,784,142	$ 6,572,464
Balance at 6/30/19 (MD)	$ 37,628,317	$ 30,252,043	$ 7,376,274
Net changes	$ (3,271,711)	$ (2,467,901)	$ (803,810)

Deferred Outflows/Inflows Balances

The District recognized pension expense of $1,527,178 and $2,168,295 for the fiscal years ended June 30, 2019 and June 30, 2020.

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows/Inflows Balances at June 30, 2020	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 512,313	$ (39,694)
Changes of assumptions	351,735	(124,687)
Net difference between projected and actual earnings on plan investments	-	(128,960)
Change in employer's proportion	526,991	-
Difference between the employer's contributions and the employer's proportionate share of contributions	7,948	139,162)
Pension contributions subsequent to measurement date	3,253,996	-
Total	$ 4,652,983	$ (432,503)

The District reported $1,099,426 and $3,253,996 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the fiscal years ending June 30, 2020 and June 30, 2021, respectively.

Recognition of Deferrals in Future Pension Expense

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

Measurement Period Ending June 30:	Fiscal Year Ending June 30:	Net Total Deferred Outflows/(Inflows) of Resources
2020	2021	$ 788,651
2021	2022	53,889
2022	2023	97,885
2023	2024	26,059
2024	2025	-
Thereafter	Thereafter	-

Actuarial Methods and Assumptions

The total pension liabilities in the June 30, 2018, actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date:	June 30, 2018
Measurement Date:	June 30, 2019
Measurement Period:	July 1, 2018 to June 30, 2019
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	Varies by entry age and service
Mortality Rate Table[1]	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase:	Contract COLA up to 2.0% until Purchasing Power Protection Allowance Floor on Purchasing Power applies.

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

Long-term Expected Rate of Return

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

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

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

(a) An expected inflation of 2.0% used for this period.
(b) An expected inflation of 2.92% used for this period.

Discount Rate

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

Amortization of Deferred Outflows and Deferred Inflows of Resources
Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

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

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

Net difference between projected and actual earnings on pension plan investments	5 years straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period

Sensitivity of the Proportionate Share of the Net Pension Liability 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	6/30/2019		
Fiscal Year End	6/30/2020		
Net Pension Liability	$ 12,437,398	$ 7,376,274	$ 3,198,674

	Discount Rate		
	6.15% (1% Decrease)	**7.15% (Current Rate)**	**8.15% (1% Increase)**
Measurement Date	6/30/2018		
Fiscal Year End	6/30/2019		
Net Pension Liability	$ 11,219,922	$ 6,572,464	$ 2,736,063

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 2019/20 and has no outstanding pension payable.

11. Other Postemployment Benefits (OPEB)

A. General Information about the OPEB Plan

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

Benefits Provided
Section 22892 - Unequal Method
The District's contribution for each retired employee plus dependent is equal to 100% of their selected plan premium, up to $1,713 per month for 2020 and $1,613 per month for 2019. The District contribution will continue to increase by the lesser of 5% or $100 each year until it equals that of active employees' premium.

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

Section 22893 – State 100/90 Vesting
A second-tier retiree health benefit was established in November 2012, when District Board adopted Resolution No. 2012-19 electing to establish a health benefit vesting requirement for future employees pursuant to Government Code Section (GCS) 22893 of the Public Employees' Medical and Hospital Care Act. The effective date of this participation is March 1, 2013, and the vesting requirement will be applied to employees hired on or after this date.

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

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

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

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

Benefit under the vesting plan is based on weighted average of the premium of the 4 PEMHCA plans with highest enrollment each year. As of June 30, 2020, and June 30, 2019, monthly employer contributions for fully vested annuitants are as follows:

Coverage	Formula	2020 Cap	2019 Cap
Single	100% of weighted average	$ 767	$ 734
2-party	Amount of single, plus 90% of the increase in the 2-party weighted average over the single coverage weighted average	$ 1,461	$ 1,398
Family	Amount of single, plus 90% of the increase in the family weighted average over the single coverage weighted average	$ 1,868	$ 1,788

Employees Covered
As of June 30, 2020, and June 30, 2019, actuarial valuation (most recent), the following current and retirees are covered by the benefit terms under the District's retiree health plan:

	2020	2019
Active employees	56	57
Inactive employee or beneficiaries currently receiving benefits	26	24
Inactive employees entitled to, but not yet receiving benefits	4	2
Total	86	83

Contributions
The annual contribution is based on the actuarially determined contribution.

	Measurement Period	**Measurement Date to FY**
	7/1/18 to 6/30/19	**7/1/19 to 6/30/20**
Cash Benefits	$ 270,431	$ 310,045
Implied subsidy benefit payment	42,818	60,366
Total benefit payments	313,249	370,411
Trust reimbursements	-	-
Benefits payments paid outside of trust	313,249	370,411
Administrative expenses paid outside of trust	655	829
Trust contributions	272,285	-
Total employer contributions	$ 586,189	$ 371,240

B. Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2019, and the total liability used to calculate the net OPEB liability was determined by an actuarial valuation date as of June 30, 2018.

Actuarial Methods and Assumptions

The total OPEB liability as of June 30, 2018, actuarial valuation was determined using the following actuarial methods and assumptions:

	Miscellaneous
Valuation Date:	June 30, 2018
Measurement Date:	June 30, 2019
Actuarial Cost Method:	Entry-Age Normal Level Percentage of Payroll
Amortization Period:	19-year fixed period for FY 2019/20
Asset Valuation Method:	Market value of assets
Actuarial Assumptions:	
Discount Rate	6.75%
Inflation	2.75%
Mortality	CalPERS 1997-2015 Experience Study
Mortality Improvement	Post-retirement mortality projected with Mortality Improvement Society of Actuaries Scale MP-2018
Service Requirement	Either pension eligibility or Section 22893 depending on hire date and employee choice
Medical Trend	• Non-Medicare - 7.5% for 2020, decreasing to an ultimate rate of 4% in 2076 • Medicare – 6.5% for 2020, decreasing 4% in 2076

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

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

Asset Class Component	Target Allocation	Expected Real Rate of Return
Global Equity	59%	4.82%
Fixed Income	25%	1.47%
TIPS	5%	1.29%
Commodities	3%	0.84%
REITs	8%	3.76%
Assumed Long-Term Rate of Inflation		2.75%
Expected Long-Term Net Rate of Return, Rounded		6.75%

Discount Rate

The discount rate to measure the total OPEB liability was 6.75%. 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 20 years. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in Net OPEB Liability
The changes in the net OPEB liability are as follows for June 30, 2020:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2019 (MD 6/30/18)	$ 8,897,256	$ 4,925,301	$ 3,971,955
Service cost	504,802	-	504,802
Interest in TOL	624,067	-	624,067
Actual vs. expected experience	-	-	-
Assumption changes	-	-	-
Employer contributions	-	586,189	(586,189)
Employee contributions	-	-	-
Actual investment income	-	322,833	(322,833)
Administrative expenses	-	(1,735)	1,735
Benefit payments	(313,249)	(313,249)	-
Net changes	815,620	594,038	221,582
Balance at June 30, 2020 (MD 6/30/19)	$ 9,712,876	$ 5,519,339	$ 4,193,537

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, 2019:

	Discount Rate		
	5.75% (1% Decrease)	6.75% Current Rate	7.75% (1% Increase)
Net OPEB Liability	$ 5,601,470	$ 4,193,537	$ 3,050,992

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates
The following presents the District's net OPEB liability if it were calculated using a health care cost trend rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2019:

	Healthcare Trend Rate		
	3.0% (1% Decrease)	4.00%	5.0% (1% Increase)
Net OPEB Liability	$ 2,863,419	$ 4,193,537	$ 5,834,163

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

Recognition of Deferred Outflows/Inflows of Resources
Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

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

The recognition period differs depending on the source of the gain or loss as follows:

Net difference between projected and actual earnings on OPEB plan investments	5 years
All other amounts	8.5 years from the initial recognition period of 2018/19

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB
For the fiscal years ended June 30, 2020 and June 30, 2019, the District recognized OPEB expense of $1,069,598 and $650,908, respectively.

At June 30, 2020, the District reported deferred outflows and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 157,285
Changes of assumptions	2,002,453	
Net difference between project and actual earnings on plan investments	-	10,752
Change in employer's proportion	-	-
Difference between the employer's contributions and the employer's proportionate share of contributions	-	-
Pension contributions subsequent to measurement date	371,240	
Total	$ 2,373,693	$ 168,037

Recognition of Deferrals in Future OPEB Expense
The $371,240 reported as deferred outflow of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the Net OPEB liability in the year ended in June 30, 2021.

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

FYE June 30	Deferred Outflows/(Inflows) of Resources
2021	$279,135
2022	279,135
2023	279,134
2024	287,332
2025	283,872
Thereafter	425,808

No separate postemployment benefit plan report is available.

12. Commitments and Contingencies

The District has one major maintenance project with commitment of approximately $2,688,376 for June 30, 2020 and $843,169 as of June 30, 2019.

On December 2019, the District responded to an Annual Information Request (AIR) from the California State Social Security Administrator (SSSA). The SSSA is the federally designated official who is the liaison between CalPERS, a governmental employer, the Internal Revenue Service, and the Social Security Administration (SSA). The AIR process brought to light discrepancy in records and potential compliance issue with the Social Security Program.

During this AIR process the District learned that in September 1958 the District has entered into a Section 218 Agreement with the SSA. The District was not offering public retirement at that time. On December 31, 1960, the District entered into a retirement contract with CalPERS which was terminated on January 24, 1974, because the District has not had any employees. Once the District hired its own employees, the District re-entered a new retirement benefits contract with CalPERS in March 1994, and this contract is still in effect. Unaware of the 218 Agreement, the District has not been withholding Social Security taxes from its employees.

As of June 30, 2020, District team is in discussions with representatives from the SSA and CalPERS in finding the best possible resolution for all parties. Discussions-to-date have been preliminary and outcome cannot be reasonably determined at this time.

13. New Governmental Accounting and Reporting Standards

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. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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.

On August 2018 GASB issued Statement No. 90, *Majority Equity Interests* – an amendment of GASB Statement No. 14 and 61. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In May 2019 GASB issued Statement No. 91*, Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

On January 2020 GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statements are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement will have varying effective dates.

On March 2020 GASB issued Statement No. 93, *Replacement of Interbank Offered Rates.* The purpose of this Statement is to address accounting and financial reporting implications that result from the removal of LIBOR as an appropriate benchmark interest rate. The requirements of this Statement are effective for reporting periods beginning after June 15, 2020.

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

On May 2020 GASB issued Statement No. 95*, Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statement and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later.

On May 2020 GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements.* This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases,* as amended*.* The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter

On June 2020 GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* An amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. The requirements of this Statement are effective as follows: The requirements in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately. The requirements in paragraphs 6–9 of this Statement are effective for fiscal years beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

The above listed Statements will have no significant impact on the District's operations.

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

Postemployment Benefits

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

Changes in Total OPEB Liability	2020 (MD 6/30/19)	2019 (MD 6/30/18)	2018 (MD 6/30/17)
Service cost	$ 504,802	$ 246,354	$ 239,761
Interest in TOL	624,067	431,326	392,225
Actual vs. expected experience	-	(205,681)	-
Assumption changes	-	2,618,593	-
Benefit payments	(313,249)	(217,557)	(188,779)
Net change in total OPEB liability	815,620	2,873,035	443,207
Total OPEB liability - beginning	8,897,256	6,024,221	5,581,014
Total OPEB liability - ending	9,712,876	8,897,256	6,024,221

Changes in Fiduciary Net Position			
Employer contributions	$ 586,189	$ 367,557	$ 338,779
Benefit payments	(313,249)	(217,557)	(188,779)
Net investment income	322,833	351,673	413,243
Administrative expenses	(1,735)	(8,232)	(2,091)
Net change in plan fiduciary net position	594,038	493,441	561,152
Plan fiduciary net position - beginning	4,925,301	4,431,860	3,870,708
Plan fiduciary net position - ending	5,519,339	4,925,301	4,431,860

Net OPEB Liability/(Asset) - ending	$ 4,193,537	$ 3,971,955	$ 1,592,361
Plan fiduciary net position as a percentage of the total OPEB liability	56.82%	55.36%	73.57%
Covered payroll	$ 6,525,667	$ 6,092,493	$ 6,092,493
Net OPEB liability as a percentage of covered payroll	64.26%	65.19%	26.14%

*GASB 75 was implemented in fiscal year ended June 30, 2018. Additional years will be added up to10 years when information becomes available.

Schedule of Employer Contributions

Last Ten Fiscal Years*

Fiscal Year Ended June 30,	2020	2019	2018
Actuarially determined contribution (ADC)	$ 855,033	$ 833,721	$ 225,228
Actual contribution in relation to ADC	371,240	586,189	367,557
Contribution deficiency (Excess)	$ 483,793	$ 247,532	$ (142,329)
Covered payroll	$ 6,855,796	$ 6,525,667	$ 6,092,493
Contribution as a percentage of payroll	5.41%	8.98%	6.03%

The actuarially determined contribution for fiscal year 2019/20 was from the actuarial valuation of June 30, 2018 and 2018/19 was from the June 30, 2018 actuarial valuation.

Actuarial Methods and Assumptions Used to Determine Contributions

	Miscellaneous
Valuation Date:	June 30, 2018
Measurement Date:	June 30, 2019
Actuarial Cost Method:	Entry-Age Normal, Level Percent of pay
Amortization Period:	19-year fixed period for FY 2019/20
Asset Valuation Method:	Market value of assets
Actuarial Assumptions:	
Discount Rate	6.75%
Inflation	2.75%
Mortality	CalPERS 1997-2015 Experience Study
Mortality Improvement	Post-retirement mortality projected with Mortality Improvement Society of Actuaries Scale MP-2018
Service Requirement	Either pension eligibility or Section 22893 depending on hire date and employee choice
Medical Trend	• Non-Medicare – 7.5% for 2020, decreasing to an ultimate rate of 4% in 2076 • Medicare – 6.5% for 2020, decreasing 4% in 2076

*GASB 75 was implemented in fiscal year ended June 30, 2018. Additional years will be added up to10 years when information becomes available.

Pension Plan

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

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

*GASB 68 was implemented in fiscal year ended June 30, 2015. Additional years will be added up to10 years when information becomes available.

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

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

Notes:
1. Fiscal year ending June 30, 2015 was the 1st year of implementation
2. For the fiscal year ending on the date shown.

*GASB 68 was implemented in fiscal year ended June 30, 2015. Additional years will be added up to10 years when information becomes available.

OTHER INDEPENDENT AUDITORS' REPORTS

CROPPER
an accountancy corporation
CERTIFIED PUBLIC ACCOUNTANTS

2700 Ygnacio Valley Road, Ste 270
Walnut Creek, CA 94598
(925) 932-3860 tel
(925) 476-9930 efax
www.cropperaccountancy.com

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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Fairfield-Suisun Sewer District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Fairfield-Suisun Sewer District's basic financial statements, and have issued our report thereon dated December 7, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fairfield-Suisun Sewer District's internal control over financial reporting (internal control) 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 Fairfield-Suisun Sewer District's internal control. Accordingly, we do not express an opinion on the effectiveness of Fairfield-Suisun Sewer District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fairfield-Suisun Sewer District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

Cropper Accountancy Corporation

CROPPER ACCOUNTANCY CORPORATION
Walnut Creek, California
December 7, 2020

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.

Table of Contents

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

	Fiscal Year Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Current and other assets	$ 64,879	$ 55,214	$ 44,222	$ 34,947	$ 27,964	$ 20,820	$ 16,303	$ 13,670	$ 13,587	$ 12,015
Capital assets	71,612	73,713	68,860	72,638	76,831	81,307	85,229	88,698	91,771	95,614
Total assets	136,491	128,927	113,082	107,585	104,795	102,127	101,532	102,368	105,358	107,629
Deferred charges on refunding	-	-	-	-	-	18	229	-	-	-
Deferred outlfow - GASB 68	4,653	2,671	3,288	3,134	1,946	1,425	-	-	-	-
Deferred outflow - GASB 75[1]	2,374	2,897	367	-	-					
Total deferred outflows of resources	7,027	5,568	3,655	3,134	1,946	1,443	229			
Long-term liabilities	23,439	25,185	16,620	13,786	14,040	14,179	13,340	15,263	19,294	17,764
Other liabilities	6,454	3,760	2,692	2,494	2,252	4,542	4,522	4,992	4,346	4,375
Total liabilities	29,893	28,945	19,312	16,280	16,292	18,721	17,862	20,255	23,640	22,139
Deferred inflow - GASB 68	432	340	324	438	886	1,048				
Deferred inflow - GASB 75	168	214								
Total deferred outflows of resources	600	554	324	438	886	1,048	-	-	-	-
Net position:										
Net investment in capital assets	58,331	59,386	60,275	64,207	66,632	68,306	69,507	71,649	72,261	77,298
Restricted										
Restricted for capital projects	8,568	5,374	5,250	3,876	785	1,078	313	265	542	1,685
Restricted for debt service	1,069	737	737	737	737	2,021	2,049	2,070	2,090	1,368
Restricted for major maintenance	40,567	33,755	14,951	15,390	9,730	5,690	2,487	951	1,095	1,724
Unrestricted	4,490	5,744	15,888	9,791	11,679	6,706	9,543	7,178	5,730	3,415
Total net position	$ 113,025	$ 104,996	$ 97,101	$ 94,001	$ 89,563	$ 83,801	$ 83,899	$ 82,113	$ 81,718	$ 85,490

Note: 1. Implemented Fiscal Year ending June 30, 2018.
Source: District Audited Financial Statements

Schedule 2
Condensed Statements of Revenues, Expenses, and Changes in Net Position
Last Ten Fiscal Years ($000)

	Fiscal Year Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues:										
Service charges	$ 29,028	$ 27,549	$ 26,046	$ 25,904	$ 23,351	$ 23,067	$ 20,881	$ 19,445	$ 19,115	$ 18,895
Drainage fees	1,706	1,619	1,598	1,580	1,552	1,545	1,501	1,491	1,486	1,455
Interest income	1,164	923	519	260	96	61	50	50	52	72
Other[1]	1,240	956	194	222	212	219	596	178	248	97
Capacity fees	2,023	3,000	2,079	2,478	2,835	3,157	2,647	2,472	1,405	1,223
Federal grant - loan forgiveness	4,000	-	-	-	-	-	-	-	-	-
Total revenues	39,161	34,047	30,436	30,444	28,046	28,049	25,675	23,636	22,306	21,742
Expenses:										
Business operations	14,803	15,549	14,941	15,863	11,389	12,677	12,354	11,500	12,685	12,068
Sewer line maintenance	3,345	3,060	3,355	3,058	2,644	2,836	2,890	2,797	2,780	2,663
General and administrative	7,719	2,357	1,976	1,483	1,871	1,904	1,872	2,038	2,592	1,711
Billing and collection	647	621	594	572	549	528	511	493	474	459
Interest expense	260	224	238	311	404	489	526	606	655	403
Depreciation	4,358	4,341	4,449	4,719	4,911	5,370	5,736	5,807	6,892	6,644
Total expenses	31,132	26,152	25,553	26,006	21,768	23,804	23,889	23,241	26,078	23,948
Change in net position	8,029	7,895	4,883	4,438	6,278	4,245	1,786	395	(3,772)	(2,206)
Net position, beginning of period	104,996	97,101	94,001	89,563	83,801	83,899	82,113	81,718	85,490	87,696
Prior period adjustment, GASB 68	-	-	-	-	(516)	(4,343)	-	-	-	-
Prior period adjustment, GASB 75	-	-	(1,783)	-	-	-	-	-	-	-
Net position, as restated	104,996	97,101	92,218	89,563	83,285	79,556	82,113	81,718	85,490	87,696
Net position, end of period	$ 113,025	$ 104,996	$ 97,101	$ 94,001	$ 89,563	$ 83,801	$ 83,899	$ 82,113	$ 81,718	$ 85,490
Statement of Net Position										
Net investment in capital assets	$ 58,331	$ 59,386	$ 60,275	$ 64,207	$ 66,632	$ 68,306	$ 69,507	$ 71,649	$ 72,261	$ 77,298
Restricted										
Restricted for capital projects	8,568	5,374	5,250	3,876	785	1,078	313	265	542	1,685
Restricted for debt service	1,069	737	737	737	737	2,021	2,049	2,070	2,090	1,368
Restricted for major maintenance	40,567	33,755	14,951	15,390	9,730	5,690	2,487	951	1,095	1,724
Unrestricted	4,490	5,744	15,888	9,791	11,679	6,706	9,543	7,178	5,730	3,415
Total net position	$ 113,025	$ 104,996	$ 97,101	$ 94,001	$ 89,563	$ 83,801	$ 83,899	$ 82,113	$ 81,718	$ 85,490

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

Source: District Audited Financial Statements

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

	Fiscal Year Ended June 30, 2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues:										
Service charges	$ 29,028	$ 27,549	$ 26,046	$ 25,904	$ 23,351	$ 23,067	$ 20,881	$ 19,445	$ 19,115	$ 18,895
Drainage fees	1,706	1,619	1,598	1,580	1,552	1,545	1,501	1,491	1,486	1,455
Interest income	1,164	923	519	260	96	61	50	50	52	72
Other[1]	1,240	956	194	222	212	219	596	178	248	97
Capacity fees	2,023	3,000	2,079	2,478	2,835	3,157	2,647	2,472	1,405	1,223
Federal grant - loan forgiveness	4,000	-	-	-	-	-	-	-	-	-
Total revenues	39,161	34,047	30,436	30,444	28,046	28,049	25,675	23,636	22,306	21,742
Expenses:										
Business operations	14,803	15,549	14,941	15,863	11,389	12,677	12,354	11,500	12,685	12,068
Sewer line maintenance	3,345	3,060	3,355	3,058	2,644	2,836	2,890	2,797	2,780	2,663
General and administrative	7,719	2,357	1,976	1,483	1,871	1,904	1,872	2,038	2,592	1,711
Billing and collection	647	621	594	572	549	528	511	493	474	459
Interest expense	260	224	238	311	404	489	526	606	655	403
Depreciation	4,358	4,341	4,449	4,719	4,911	5,370	5,736	5,807	6,892	6,644
Total expenses	31,132	26,152	25,553	26,006	21,768	23,804	23,889	23,241	26,078	23,948
Change in net position	8,029	7,895	4,883	4,438	6,278	4,245	1,786	395	(3,772)	(2,206)
Net position, beginning of period	104,996	97,101	94,001	89,563	83,801	83,899	82,113	81,718	85,490	87,696
Prior period adjustment, GASB 68	-	-	-	-	(516)	(4,343)	-	-	-	-
Prior period adjustment, GASB 75	-	-	(1,783)	-	-	-	-	-	-	-
Net position, as restated	104,996	97,101	92,218	89,563	83,285	79,556	82,113	81,718	85,490	87,696
Net position, end of period	$ 113,025	$ 104,996	$ 97,101	$ 94,001	$ 89,563	$ 83,801	$ 83,899	$ 82,113	$ 81,718	$ 85,490

Note: Includes net increase (decrease) in fair value of investments
Source: District Audited Financial Statements

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

Statement of Net Position										
Net investment in capital assets	$ 58,331	$ 59,386	$ 60,275	$ 64,207	$ 66,632	$ 68,306	$ 69,507	$ 71,649	$ 72,261	$ 77,298
Restricted										
Restricted for capital projects	8,568	5,374	5,250	3,876	785	1,078	313	265	542	1,685
Restricted for debt service	1,069	737	737	737	737	2,021	2,049	2,070	2,090	1,368
Restricted for major maintenance	40,567	33,755	14,951	15,390	9,730	5,690	2,487	951	1,095	1,724
Unrestricted	4,490	5,744	15,888	9,791	11,679	6,706	9,543	7,178	5,730	3,415
Total net position	$ 113,025	$ 104,996	$ 97,101	$ 94,001	$ 89,563	$ 83,801	$ 83,899	$ 82,113	$ 81,718	$ 85,490

Source: District Audited Financial Statements

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

		Operating Expenses					Nonoperating Expenses
Year Ended June 30,	Total	Business Operations	Sewer Line Maintenance	General & Administrative	Billing & Collection	Depreciation & Amortization	Interest Expense
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
2019	26,152,009	15,549,518	3,060,300	2,356,610	620,929	4,340,674	223,978
2020	31,133,094	14,803,087	3,345,091	7,719,292	647,226	4,357,994	260,404

Source: District Audited Financial Statements

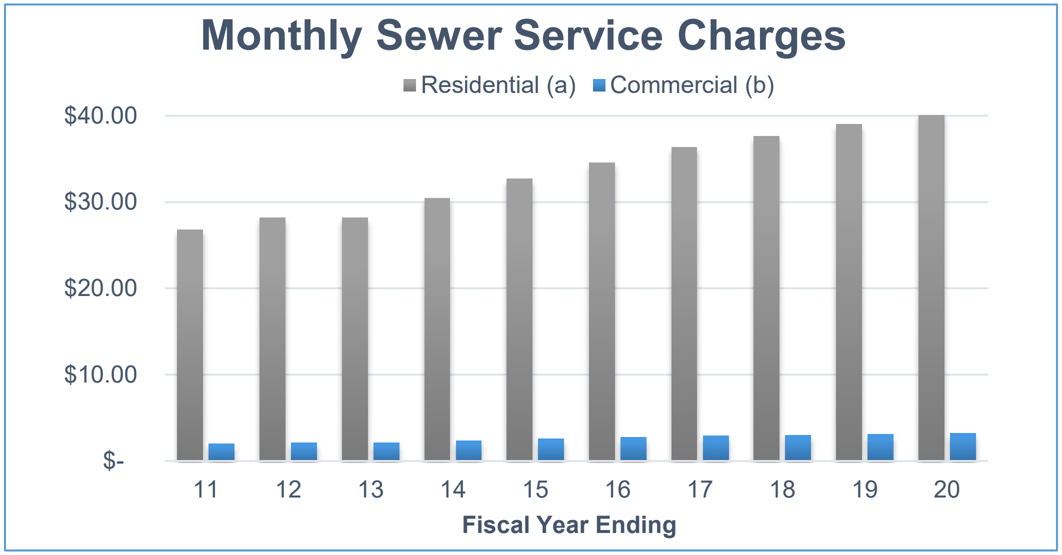
Schedule 6
Revenues by Sources
Last Ten Fiscal Years
(Including interest)

		Operating Revenues			Nonoperating Revenues		Contributed Capital	Federal Grant
Year Ended June 30,	Total	Sewer Service Charges	Drainage Fees	Other	Interest Income	Other (1)	Capacity Fees	Loan Forgiveness
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	-
2019	34,046,479	27,548,719	1,618,819	284,679	922,968	671,302	2,999,992	-
2020	39,162,093	29,028,821	1,706,076	286,695	1,164,907	952,984	2,022,610	4,000,000

(1) Includes net increase (decrease) in fair value of investments.
Source: District Audited Financial Statements

Schedule 7
Monthly Sewer Service Charges
Last Ten Fiscal Years

Fiscal Year	Residential (a)	Commercial (b)
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
2018/19	39.00	3.11
2019/20	40.40	3.22



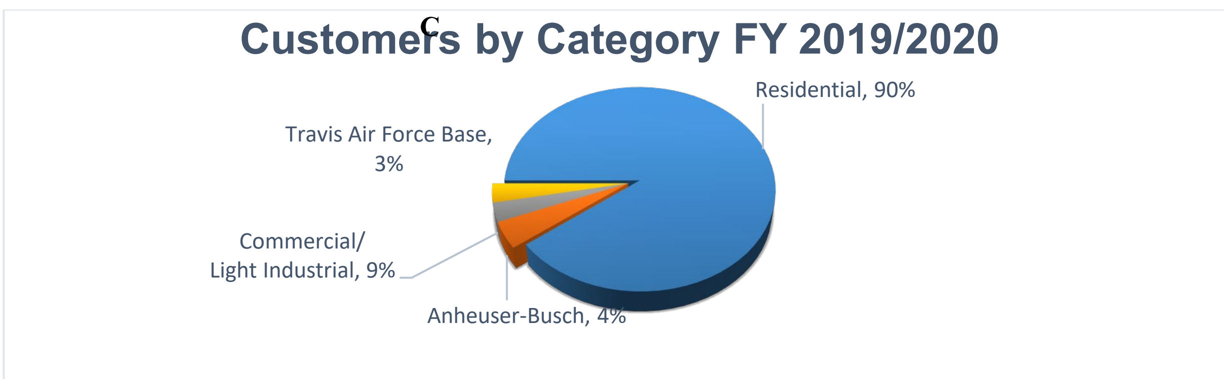
(a) Residential customers are billed a flat rate per month, per dwelling unit.
(b) Commercial customers are billed based on water usage, per hundred cubic feet.

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

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

		Fiscal Years Ended June 30,									
		2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total sewer service charges $000		$ 29,028	$ 27,549	$ 26,047	$ 25,904	$ 23,351	$ 23,067	$ 20,881	$ 19,445	$ 19,115	$ 18,895
User	Type										
Travis Air Force Base	Military Base	3.31%	4.75%	3.87%	4.76%	3.73%	3.92%	4.18%	4.58%	4.60%	4.85%
Anheuser-Busch	Brewery	3.93%	4.23%	3.65%	5.86%	4.21%	4.39%	5.43%	5.94%	6.98%	6.71%
Courage Production	Manufacturing	0.47%	0.36%	0.79%	0.47%	1.08%	0.54%	0.93%	0.85%	0.31%	0.31%
Producers Dairy Foods	Dairy	1.82%	1.06%	0.77%	0.95%	1.06%	0.73%	1.82%	0.97%	1.03%	0.88%
Paradise Valley Estates	Housing	0.54%	0.58%	0.56%	0.46%	0.58%	0.55%	0.57%	0.57%	0.58%	0.56%
Pointe Fairfield Venture, LLC	Housing	0.49%	0.53%	0.49%	0.49%	0.52%	0.50%	0.51%	0.51%	0.52%	0.50%
Rolling Oaks 88 LP	Housing	0.48%	0.52%	0.46%	0.49%	0.51%	0.49%	0.51%	0.51%	0.00%	0.00%
Verdant at Green Valley	Housing	0.46%	0.51%	0.45%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Ball Metal Corporation	Manufacturing	0.35%	0.29%	0.42%	0.66%	0.79%	0.85%	0.74%	0.69%	0.72%	0.48%
Dover Woods Senior Apts.	Housing	0.36%	0.36%	0.33%	0.34%	0.00%	0.34%	0.34%	0.35%	0.35%	0.34%
United Mobile Homeowners	Housing	0.34%	0.38%	0.33%	0.35%	0.37%	0.36%	0.36%	0.37%	0.37%	0.35%
Jelly Belly Candy Co.	Manufacturing	0.29%	0.30%	0.32%	0.34%	0.35%	0.32%	0.32%	0.33%	0.34%	0.32%
Amcor Pet Packing	Manufacturing	0.54%	0.59%	0.31%	0.74%	0.70%	0.58%	0.58%	0.51%	0.52%	0.48%
Pacific Estates	Housing	0.29%	0.31%	0.28%	0.29%	0.31%	0.29%	0.30%	0.30%	0.31%	0.30%
		13.68%	14.76%	13.05%	17.44%	14.21%	13.86%	16.61%	16.50%	16.31%	15.78%



Source: City of Fairfield and District Finance Department

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)
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%
2019	34,046,479	26,152,009	7,894,470	737,038	1071%
2020	39,162,093	31,133,094	8,028,999	1,068,895	751%

(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

Schedule 10
Summary of Debt Service Payments
Last Ten Fiscal Years

Year Ended June 30,	City of Fairfield Reimbursement Agreement	State Revolving Fund Loan	2010 Sewer Refunding Bonds	Total Debt Service
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
2019	-	737,038	-	737,038
2020	-	737,038	-	737,038
Total	$ 1,506,563	$ 6,638,557	$ 14,551,721	$ 22,696,841

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

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

Year Ended June 30,	City of Fairfield Reimbursement Agreement (3)	State Revolving Fund Loan	2010 Sewer Refunding Bonds (1)	Total Outstanding Debt	Population Served (2)	Debt per Capita
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
2019	-	14,976,452	-	$ 14,976,452	148,991	101
2020	-	12,440,576	-	$ 12,440,576	146,100	85

(1) Refunded in fiscal year 2009/10
(2) Refer to page 69, Schedule 15
(3) Paid in full in July 2017

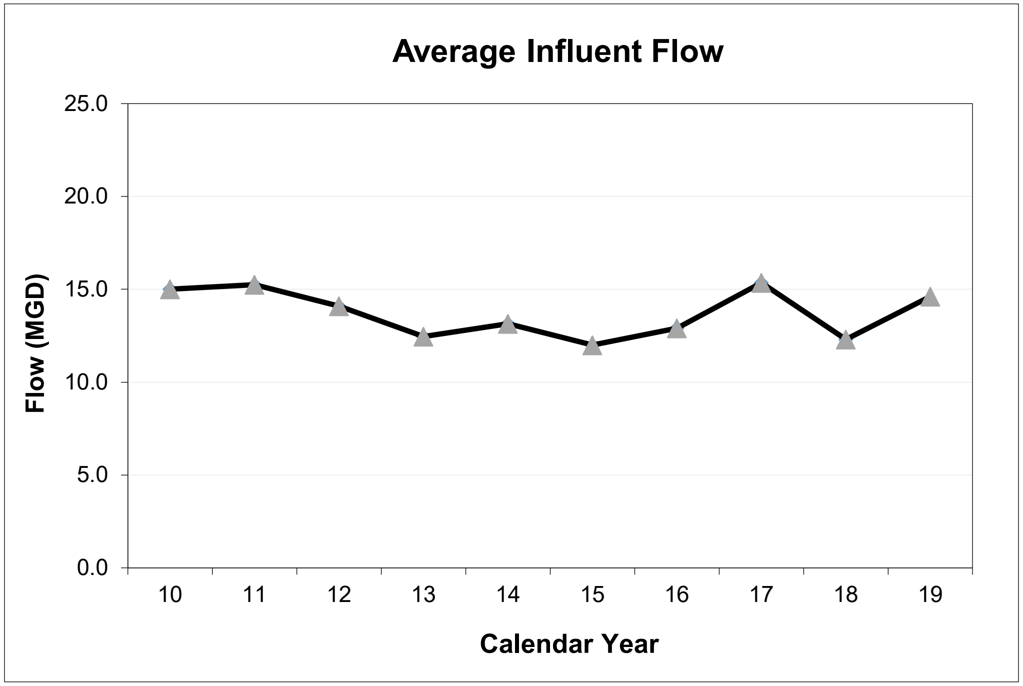
Source: District’s Audited Financial Statements and Accounting Records

Schedule 12
Average Annual Influent Flow

Average Annual Influent Flow

Year (Calendar)	Flow (MGD)*
2010	15.0
2011	15.3
2012	14.1
2013	12.5
2014	13.1
2015	12.0
2016	12.9
2017	15.4
2018	12.3
2019	14.6

*Million gallons per day

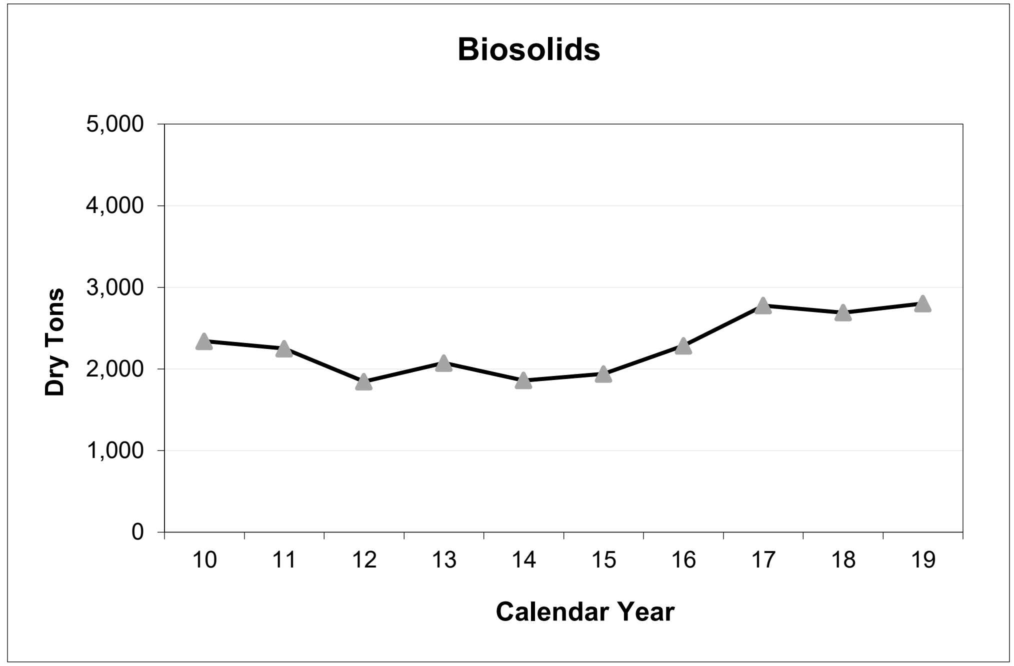


Source: District's Regulatory Department
Data for 2020 is not available as of fiscal year-end date.

Schedule 13
Biosolids Disposal

Biosolids (Sludge) Hauled/Produced

Year (Calendar)	Dry Metric Tons
2010	2,339
2011	2,250
2012	1,845
2013	2,073
2014	1,859
2015	1,939
2016	2,284
2017	2,777
2018	2,691
2019	2,802



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

Source: District's Regulatory Department
Data for 2020 is not available as of fiscal year-end date.

Schedule 14
Schedule of Insurance Coverage
June 30, 2020

Nature of Insurance	Policy Number	Effective Date 19-20	Insurance Company	Limits	Deductible	Cost
GL/AL (including Errors & Omissions and Employment Practices Liability EPL)	CSL FSSD 1920 1	12/31/19-20	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	$99,997
Excess Liability	3342505	12/31/19-20	Ironshore Specialty Insurance Co.	$10,000,000 Limits XS $15,000,000 XS $500,000		Included above
Special Form Property	017471589/06	7/01/19-20	Alliant Property Insurance Program (APIP)	$301,339,865 TIV	$25,000 DED	$130,827
Public Entity Pollution Insurance Program	EIL 1000037	7/01/19-20	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	7/01/19-20	Lloyd's of London-Beazley Syndicate 2623-623 - 100% (APIP)	$2,000,000 Third Party/ $2,000,000 AGG/ $50,000 Retention		Included above
Primary Insurance Program >General Liability	5105-1158-06	12/31/19-20	Allied World Assurance Company	$1,000,000 OCC $3,000,000 AGG	$0 DED	$4,371
Excess Liability	5107-1158-06	12/31/19-20	Allied World Assurance Company	$4,000,000 Employers' Liab. Excluded		Included above
Workers' Compensation Employers' Liability	CSWC FSSD 1920 1	7/01/19-20	CSRMA Pooled Workers' Compensation	$750,000	$0 DED	$127,043
Excess Workers' Compensation Employers' Liability	SP 4058685	7/01/19-20	Safety National Casualty Corp.	Statutory XS $750,000 $1,000,000 XS $750,000		Included above
Auto Physical Damage Policy	MXI 93058679	7/01/19-20	AGCS Marine Insurance Company	$527,050 Total Value	$25,000/25,000 Comp & Collision DED	$1,789
ID Fraud Master Policy	106007331	10/13/19-20	Travelers Insurance Company	$25,000 Limit	$0 DED	No Charge
Deadly Weapsons Response	PJ1900050	07/01/19-20	Lloyd's of London-Beazley	$25,000 Limit	Limits of Liability (100%) $500,000 each and every event $2,500,000 AGG $250,000 various sublimits	No Charge

Source: California Sanitation and Risk Management Authority

Schedule 15
Population Served
Last Ten Fiscal Years

Year	City of Fairfield	City of Suisun City	Total Served	% Change
2011	104,815	28,212	133,027	-1.4%
2012	106,379	27,978	134,357	1.0%
2013	108,207	28,234	136,441	1.6%
2014	105,321	28,111	133,432	-2.2%
2015	110,018	28,549	138,567	3.8%
2016	112,637	29,091	141,728	2.3%
2017	114,157	29,295	143,452	1.2%
2018	116,156	29,192	145,348	1.3%
2019	119,544	29,447	148,991	2.5%
2020	116,981	29,119	146,100	-1.9%

Source: State of California Department of Finance

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

Firm Name	Type of Business	Employees 2020	Ranking	% of Total City of Fairfield Employment	Employees 2011	Ranking	% of Total City of Fairfield Employment
Travis Air Force Base	Military Base	13,414	1	21%	14,353	1	31%
County of Solano	Government	2,633	2	4%	2,850	2	6%
Fairfield-Suisun Unified School Distric	Education	2,213	3	4%	2,000	3	7%
NorthBay Medical Center	Hospital	1,969	4	3%	1,115	4	3%
Solano Community College	Education	750	5	1%	650	5	1%
City of Fairfield	Government	680	6	1%	560	6	2%
Sutter Regional Medical Foundation	Medical	475	9	1%	475	7	0%
Jelly Belly Candy Co.	Candy & Confections	489	8	1%	461	8	1%
Partnership HealthPlan	Insurance	561	7	1%	-	-	0%
Westamerica Bank	Corporate Headquarters	418	10	1%	407	10	1%
Copart		-	-	0%	450	9	1%

Source: City of Fairfield and California Employment Development Department

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

Function/Program	Fiscal Year Ended June 30, 2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Engineering and Construction (1)	6	6	6	6	6	6	7	7	7	9
Finance and Administration	5	5	6	6	7.5	7	7	7	8	7
Regulatory (2)	4	4	4	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Information Systems (3)	0	0	0	0	0	0	0	0	0	0
Safety	1	1	1	1	1	1	1	1	1	1
Operation and Maintenance	40	40	40	40	39	40.5	41	41	41	42
	56	56	57	57.5	58.0	59.0	60.5	60.5	61.5	63.5

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

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	56.0
District population	146,100
Wastewater Facilities	
Area served (square miles)	41
Number of treatment plant(s)	1
Number of pump stations	12
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

SINGLE AUDIT REPORT

CROPPER
an accountancy corporation
CERTIFIED PUBLIC ACCOUNTANTS

2700 Ygnacio Valley Road, Ste 270
Walnut Creek, CA 94598
(925) 932-3860 tel
(925) 476-9930 efax
www.cropperaccountancy.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Fairfield-Suisun Sewer District

Report on Compliance for Each Major Federal Program

We have audited Fairfield-Suisun Sewer District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Fairfield-Suisun Sewer District's major federal programs for the year ended June 30, 2020. Fairfield-Suisun Sewer District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Fairfield-Suisun Sewer District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Fairfield-Suisun Sewer District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Fairfield-Suisun Sewer District's compliance.

Opinion on Each Major Federal Program

In our opinion, Fairfield-Suisun Sewer District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of Fairfield-Suisun Sewer District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Fairfield-Suisun Sewer District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Fairfield-Suisun Sewer District's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cropper Accountancy Corporation

CROPPER ACCOUNTANCY CORPORATION
Walnut Creek, California
December 7, 2020

FAIRFIELD-SUISUN SEWER DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Grantor and Number	Passed through to Subrecipients	Federal Expenditures ($)
Clean Water State Revolving Fund Cluster-Cluster				
United States Environmental Protection Agency				
Capitalization Grants for Clean Water State Revolving Funds	66.458	California State Water Resources Control Board, D17-01020	$ -	$ 1,970,986
Total Capitalization Grants for Clean Water State Revolving Funds			-	1,970,986
Total United States Environmental Protection Agency			-	1,970,986
Total Clean Water State Revolving Fund Cluster-Cluster			-	1,970,986
Total Expenditures of Federal Awards			$ -	$ 1,970,986

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

FAIRFIELD-SUISUN SEWER DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2020

1. The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the Fairfield-Suisun Sewer District (the "District"). The District's reporting entity is defined in Note 1 to the financial statements.

2. The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

3. The Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting. This is the same method of accounting as was used in the preparation of the District's basic financial statements.

4. The District did not pass-through any federal awards to subrecipients during the fiscal year ended June 30, 2020.

5. The total amount expended for this project through June 30, 2020 was $1,970,986, which includes both State and Federal funds.

FAIRFIELD-SUISUN SEWER DISTRICT
STATUS OF PRIOR AUDIT FINDINGS
JUNE 30, 2020

The previous audit report for the year ended June 30, 2019, contained no audit findings.

FAIRFIELD-SUISUN SEWER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2020

Financial Statements

Type of auditors' report issued:	unmodified
Internal control over financial reporting:	
Material weaknesses identified?	no
Reportable conditions identified not considered material weaknesses?	none reported
Noncompliance material to financial statements?	no

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	no
Reportable conditions identified not considered material weaknesses?	none reported
Type of auditors' report issued on compliance for major programs:	unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516?	no
Identification of major programs:	
Clean Water State Revolving Fund Cluster:	
Capitalization Grants for Clean Water State Revolving Funds	66.458
Dollar threshold to distinguish between Type A and Type B programs	$750,000
Auditee qualified as low risk auditee?	no

Section II - Financial Statement Findings	n/a
Section III - Federal Award Findings	n/a