Solano Irrigation District

Annual Financial Report

December 31, 2019 and 2018

Solano Irrigation District

Board of Directors as of December 31, 2019

Name	Division	Title
John D. Kluge	1	President
Lance Porter	2	Vice President
Michael J. Barrett	3	Director
Guido E. Colla	4	Director
Vacant	5	Director

Solano Irrigation District
Cary Keaten, General Manager
810 Vaca Valley Parkway, Suite 201
Vacaville, California 95688
(707) 448-6847 – www.sidwater.org

Solano Irrigation District

Annual Financial Report

For the Years Ended December 31, 2019 and 2018

Solano Irrigation District
Annual Financial Report
For the Years Ended December 31, 2019 and 2018

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Financial Section

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Certified Public Accountants

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Independent Auditor's Report

Board of Directors
Solano Irrigation District
Vacaville, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Solano Irrigation District (District), which comprises the statements of net position as of December 31, 2019 and 2018, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Solano Irrigation District as of December 31, 2019 and 2018, and the changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Restatement of Net Position

As discussed in Note 10 to the financial statements, in fiscal year 2018, the District implemented GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits other than Pensions.* As a result, the District has restated net position at January 1, 2018, in the amount of $7,539,484. Our opinion is not modified with respect to this matter.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 and the required supplementary schedules on pages 46 through 48 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated July 21, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance. This report can be found on pages 49 and 50.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
July 21, 2020

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Solano Irrigation District (District) provides an introduction to the financial statements of the District for the years ended December 31, 2019 and 2018. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- The District's net position increased 4.55% or $3,131,943 as a result of ongoing operations. In fiscal year 2018, the District's net position decreased 3.36% or $2,390,113 which was comprised of an increase of $5,149,371 from ongoing operations; which was offset by a one-time decrease of $7,539,484 as a result of implementing GASB 75.
- The District's operating revenues decreased 4.95% or $829,320. In fiscal year 2018, the District's operating revenues increased 10.19% or $1,548,886.
- The District's non-operating revenues decreased 8.07% or $768,590. In fiscal year 2018, the District's non-operating revenues increased 5.90% or $530,715.
- The District's total expenses increased 5.77% or $1,219,059. In fiscal year 2018, the District's total expenses decreased 1.24% or $264,334.

Required Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the District's investments in resources (assets), deferred outflows of resources, the obligations to creditors (liabilities), deferred inflows of resources, and net position. It also provides the basis for computing a rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities, and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

Financial Analysis of the District, continued

These two statements report the District's *net position* and changes in them. You can think of the District's net position – the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources – as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning, and new or changed government legislation, such as changes in Federal and State water quality standards.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 14 through 45.

Statements of Net Position

Condensed Statements of Net Position

	2019	2018	Change	2017	Change
Assets:					
Current assets	$ 26,109,382	23,259,524	2,849,858	19,870,206	3,389,318
Non-current assets	13,321,941	13,060,963	260,978	12,754,410	306,553
Capital assets, net	71,117,396	71,605,777	(488,381)	70,751,222	854,555
Total assets	110,548,719	107,926,264	2,622,455	103,375,838	4,550,426
Deferred outflows of resources	3,138,736	2,215,383	923,353	3,678,977	(1,463,594)
Liabilities:					
Current liabilities	7,708,636	7,158,412	550,224	6,674,949	483,463
Non-current liabilities	33,268,631	32,889,741	378,890	28,938,428	3,951,313
Total liabilities	40,977,267	40,048,153	929,114	35,613,377	4,434,776
Deferred inflows of resources:	792,517	1,307,766	(515,249)	265,597	1,042,169
Net position:					
Net investment in capital assets	68,606,144	66,713,273	1,892,871	63,607,466	3,105,807
Restricted	5,435,527	4,323,536	1,111,991	2,223,423	2,100,113
Unrestricted (deficit)	(2,124,000)	(2,251,081)	127,081	5,344,952	(7,596,033)
Total net position	$ 71,917,671	68,785,728	3,131,943	71,175,841	(2,390,113)

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $71,917,671 and $68,785,728 as of December 31, 2019 and 2018, respectively.

Statements of Net Position, continued

A portion of the District's net position, 95.40% and 96.99% as of December 31, 2019 and 2018, respectively, reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are *not* available for future spending.

At the end of years 2019 and 2018, the District showed a deficit balance in its unrestricted net position of $2,124,000 and $2,251,081, respectively.

Statements of Revenues, Expenses, and Changes in Net Position

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

	2019	2018	Change	2017	Change
Revenues:					
Operating revenues	$ 15,915,180	16,744,500	(829,320)	15,195,614	1,548,886
Non-operating revenues	8,754,849	9,523,439	(768,590)	8,992,724	530,715
Total revenues	24,670,029	26,267,939	(1,597,910)	24,188,338	2,079,601
Expenses:					
Operating expenses	18,926,686	17,902,008	1,024,678	18,073,496	(171,488)
Depreciation expense	3,181,023	2,856,643	324,380	2,817,486	39,157
Non-operating expenses	229,918	359,917	(129,999)	491,920	(132,003)
Total expenses	22,337,627	21,118,568	1,219,059	21,382,902	(264,334)
Net income before capital contributions	2,332,402	5,149,371	(2,816,969)	2,805,436	2,343,935
Capital contributions	799,541	-	799,541	1,204,539	(1,204,539)
Change in net position	3,131,943	5,149,371	(2,017,428)	4,009,975	1,139,396
Net position, beginning of year - as previously stated	68,785,728	71,175,841	(2,390,113)	67,165,866	4,009,975
Prior period adjustment	-	(7,539,484)	7,539,484	-	(7,539,484)
Net position, beginning of the year - as restated	68,785,728	63,636,357	5,149,371	67,165,866	(3,529,509)
Net position, end of year	$ 71,917,671	68,785,728	3,131,943	71,175,841	(2,390,113)

The statements of revenues, expenses, and changes in net position show how the District's net position changed during the years. In the case of the District, net position increased 4.55% or $3,131,943 from $68,78,728 to $71,917,671 in fiscal year 2019, as a result of ongoing operations. The District's net position decreased 3.36% or $2,390,113 from $71,175,841 to $68,785,728 in fiscal year 2018, due primarily to an increase of $5,149,371 as a result of ongoing operations; which was offset by a one-time decrease of $7,539,484 as a result of implementing GASB 75. See note 10 for further discussion.

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

A closer examination of the sources of changes in net position reveals that:

The District's operating revenue decreased 4.95% or $829,320, due primarily to a decrease of $1,019,562 in contracted reimbursement revenue; which was offset by an increase of $190,242 in water sales and services charges. In fiscal year 2018, the District's operating revenues increased 10.19% or $1,548.886, due primarily to increases of $720,305 in contracted reimbursement revenue, $460,265 in agriculture water sales, and $309,119 in municipal, industrial, and other water sales.

The District's non-operating revenues decreased 8.07% or $768,590 due primarily to decreases of $536,220 in detachment, easement/title, and annexation fees, $285,511 in PG&E – debt service reimbursement, $284,395 in gain from sale of capital assets, and $281,786 in other non-operating revenues; which were offset by increases of $288,445 in property taxes (ad valorum), $199,526 in rehabilitation and betterment assessment; and $118,301 in investment earnings. In fiscal year 2018, the District's non-operating revenues increased 5.90% or $530,715, due primarily to increases of $342,056 in other non-operating revenue, $324,417 in gain from sale of capital assets, $291,449 in detachment, easement title, and annexation fees, and $293,858 in change in investment in joint-powers authorities; which were offset by decreases of $443,653 in property taxes (ad valorum) and $283,368 in PG&E – debt service reimbursement.

The District's total expenses increased 5.77% or $1,219,059, due primarily to an increase of $1,732,208 in employee benefits; which were offset by a decrease of $622,276 in materials and services. In fiscal year 2018, the District's total expenses decreased 1.24% or $264,334, due primarily to decreases of $1,362,436 in employee benefits caused by a credit to OPEB expense based on positive changes in actuarial assumptions and $132,038 in interest expense from long-term debt; which were offset by increases of $855,539 in materials and services and $335,411 in salaries and wages. The net pension liability and net OPEB liability, and related outflows and inflows are required and are fully disclosed in the District's financial statements.

Capital Asset Administration

As of December 31, 2019 and 2018, the District's investment in capital assets (net of accumulated depreciation) amounted to $71,117,396 and $71,605,777, respectively. This investment in capital assets includes land, land rights, water distribution and treatment plant, a power plant, buildings and structures, equipment, vehicles, and construction-in-process. See note 5 for further discussion.

Change in capital asset amounts for 2019, was as follows:

	Balance 2018	Additions	Transfers/ Deletions	Balance 2019
Capital assets:				
Non-depreciable assets	$ 9,956,646	2,445,694	(2,087,114)	10,315,226
Depreciable assets	123,182,516	2,334,062	(185,478)	125,331,100
Accumulated depreciation	(61,533,385)	(3,181,023)	185,478	(64,528,930)
Total capital assets, net	$ 71,605,777	1,598,733	(2,087,114)	71,117,396

Capital Asset Administration, continued

Change in capital asset amounts for 2018, were as follows:

	Balance 2017	Additions	Transfers/ Deletions	Balance 2018
Capital assets:				
Non-depreciable assets	$ 16,754,497	2,944,883	(9,742,734)	9,956,646
Depreciable assets	112,809,168	10,509,049	(135,701)	123,182,516
Accumulated depreciation	(58,812,443)	(2,856,643)	135,701	(61,533,385)
Total capital assets, net	$ 70,751,222	10,597,289	(9,742,734)	71,605,777

Debt Administration

For the years ended December 31, 2019 and 2018, long-term debt decreased by $2,853,744 and $1,621,207, respectively, due primarily to regular principal payments on the District's outstanding debts.

Change in long-term debt amounts for 2019, was as follows:

	Balance 2018	Additions/ Deletions	Principal Payments	Balance 2019
Long-term debt:				
Bonds payable	$ 4,892,504	-	(2,381,252)	2,511,252
Capital lease	695,783	-	(102,067)	593,716
Loans payable	505,594	-	(370,425)	135,169
Total long-term debt	$ 6,093,881	-	(2,853,744)	3,240,137

Change in long-term debt amounts for 2018, was as follows:

	Balance 2017	Additions/ Deletions	Principal Payments	Balance 2018
Long-term debt:				
Bonds payable	$ 7,143,756	-	(2,251,252)	4,892,504
Capital lease	-	720,682	(24,899)	695,783
Loans payable	571,332	-	(65,738)	505,594
Total long-term debt	$ 7,715,088	720,682	(2,341,889)	6,093,881

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders, and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's Finance Manager at 801 Vaca Valley Parkway, Suite 201, Vacaville, California 95688 or by phone (707) 448-6847.

Basic Financial Statements

Solano Irrigation District
Statements of Net Position
December 31, 2019 and 2018

		2019	2018
Current assets:			
Cash and cash equivalents (note 2)	$	14,781,447	13,116,924
Restricted – cash and cash equivalents (note 2)		8,473,755	7,601,142
Accrued interest receivable		86,066	81,857
Accounts receivable – water sales and services		477,067	435,794
Accounts receivable – other		673,020	203,022
Due from other government agencies		742,452	945,272
Materials and supplies inventory		603,005	596,885
Prepaid expenses and other deposits		272,570	278,628
Total current assets		26,109,382	23,259,524
Non-current assets:			
Investment in joint-powers authorities (note 4)		13,321,941	13,060,963
Capital assets – not being depreciated (note 5)		10,315,226	9,956,646
Capital assets – being depreciated, net (note 5)		60,802,170	61,649,131
Total non-current assets		84,439,337	84,666,740
Total assets		110,548,719	107,926,264
Deferred outflows of resources:			
Deferred OPEB outflows (note 8)		1,180,291	-
Deferred pension outflows (note 9)		1,958,445	2,215,383
Total deferred outflows of resources	$	3,138,736	2,215,383

Continued on next page

See accompanying notes to the basic financial statements

Solano Irrigation District
Statements of Net Position, continued
December 31, 2019 and 2018

		2019	2018
Current liabilities:			
Accounts payable and accrued expenses	$	852,159	878,946
Accrued payroll and employee benefits		390,963	360,433
PG&E – debt service reimbursement advancement		2,834,000	2,637,450
Deposits for work-orders		349,914	293,433
Unearned revenue		60,004	44,117
Accrued interest payable		69,059	134,562
Long-term liabilities – due in one year:			
Compensated absences (note 6)		524,268	525,478
Bond payable (note 7)		2,511,252	2,150,000
Capital lease payable (note 7)		106,459	102,067
Loans payable (note 7)		10,558	31,926
Total current liabilities		7,708,636	7,158,412
Non-current liabilities:			
Long-term liabilities – due in more than one year:			
Compensated absences (note 6)		567,957	569,268
Bond payable, net of discount (note 7)		-	2,742,504
Capital lease payable (note 7)		487,257	593,716
Loans payable (note 7)		124,611	473,668
Net OPEB liability (note 8)		14,737,757	12,362,167
Net pension liability (note 9)		17,351,049	16,148,418
Total non-current liabilities		33,268,631	32,889,741
Total liabilities		40,977,267	40,048,153
Deferred inflows of resources:			
Deferred OPEB inflows (note 8)		-	741,945
Deferred pension inflows (note 9)		792,517	565,821
Total deferred inflows of resources		792,517	1,307,766
Net position:			
Net investment in capital assets (note 11)		68,606,144	66,713,273
Restricted (note 12)		5,435,527	4,323,536
Unrestricted (deficit)		(2,124,000)	(2,251,081)
Total net position	$	71,917,671	68,785,728

See accompanying notes to the basic financial statements

Solano Irrigation District
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2019 and 2018

		2019	2018
Operating revenues:			
Water sales and service charges:			
Agriculture water sales	$	3,623,607	3,817,014
Municipal, industrial, and other water sales		1,651,604	1,407,929
City water transfers		865,852	821,075
Standby charges		1,101,825	1,053,145
Capital replacement charge		385,915	349,604
Other water service charges		53,511	43,305
Total water service charges		7,682,314	7,492,072
Contracted reimbursement revenue:			
Suisun-Solano Water Authority		3,498,568	3,946,905
Suisun Valley Water System		87,469	99,881
Rural North Vacaville Water District		338,572	274,828
U.S. Bureau of Reclamation		680,549	713,493
Putah South Canal		1,888,079	1,725,713
Monticello Power Plant		1,356,476	1,937,426
Grants		92,075	134,442
Work completed for others		291,078	419,740
Total contracted reimbursement revenue		8,232,866	9,252,428
Total operating revenues		15,915,180	16,744,500
Operating expenses:			
Salaries and wages		7,622,973	7,708,227
Employee benefits		5,761,201	4,028,993
Materials and services		5,542,512	6,164,788
Total operating expenses		18,926,686	17,902,008
Operating loss before depreciation expense		(3,011,506)	(1,157,508)
Depreciation expense		(3,181,023)	(2,856,643)
Operating loss	$	(6,192,529)	(4,014,151)

Continued on next page

See accompanying notes to the basic financial statements

Solano Irrigation District
Statements of Revenues, Expenses, and Changes in Net Position, continued
For the Years Ended December 31, 2019 and 2018

		2019	2018
Non-operating revenue(expense):			
Property taxes – ad valorum	$	1,310,849	1,022,404
PG&E – debt service reimbursement		2,356,029	2,641,540
Rehabilitation and betterment assessment		3,414,390	3,214,864
Other special assessments		286,929	323,142
Power plant revenue		443,803	348,965
Investment earnings		377,057	258,756
Change in investment in joint-powers authorities		260,978	306,553
Interest expense – long-term debt		(182,659)	(305,176)
County administrative fees		(47,259)	(54,741)
Gain from sale of capital assets		77,987	362,382
Detachment, easement/title, and annexation fees		54,743	590,963
Other non-operating revenues(expense), net		172,084	453,870
Total non-operating revenues(expense), net		8,524,931	9,163,522
Net income before capital contributions		2,332,402	5,149,371
Capital contributions:			
Contributed capital		799,541	-
Total capital contributions		799,541	-
Changes in net position		3,131,943	5,149,371
Net position, beginning of year - as previously restated		68,785,728	71,175,841
Prior period adjustment (note 10)		-	(7,539,484)
Net position, beginning of the year - as restated		68,785,728	63,636,357
Net position, end of year	$	71,917,671	68,785,728

See accompanying notes to the basic financial statements

Solano Irrigation District
Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

		2019	2018
Cash flows from operating activities:			
Cash receipts from customers for water sales and services	$	7,713,409	7,524,014
Cash receipts from contracted reimbursement services		8,435,686	9,233,027
Cash receipts from others		28,548	1,725,012
Cash paid to vendors and suppliers for materials and services		(9,066,118)	(9,076,113)
Cash paid to employees for salaries and wages		(7,594,964)	(7,481,263)
Net cash provided by operating activities		(483,439)	1,924,677
Cash flows from non-capital financing activities:			
Proceeds from property taxes – ad valorum		1,310,849	1,022,404
Proceeds from rehabilitation and betterment assessment		3,414,390	3,214,864
Proceeds from other special assessments		286,929	323,142
Net cash provided by non-capital financing activities		5,012,168	4,560,410
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets		(2,692,642)	(3,711,198)
Proceeds from capital contributions		799,541	-
Proceeds from the sale of capital assets		77,987	362,382
PG&E – debt service reimbursement		2,552,579	2,813,690
Principal paid on long-term debt		(2,853,744)	(1,621,207)
Interest paid on long-term debt		(248,162)	(367,124)
Net cash used in capital and related financing activities		(2,364,441)	(2,523,457)
Cash flows from investing activities:			
Interest and investment earnings		372,848	208,740
Net cash provided by investing activities		372,848	208,740
Net increase in cash and cash equivalents		2,537,136	4,170,370
Cash and cash equivalents, beginning of year		20,718,066	16,547,696
Cash and cash equivalents, end of year	$	23,255,202	20,718,066

Reconciliation of cash and cash equivalents to statements of net position:

		2019	2018
Cash and cash equivalents	$	14,781,447	13,116,924
Restricted – cash and cash equivalents		8,473,755	7,601,142
Total cash and cash equivalents	$	23,255,202	20,718,066

Continued on next page

See accompanying notes to the basic financial statements

Solano Irrigation District
Statements of Cash Flows, continued
For the Years Ended December 31, 2019 and 2018

		2019	2018
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	$	(6,192,529)	(4,014,151)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation expense		3,181,023	2,856,643
Power plant revenue		443,803	348,965
County administrative fees		(47,259)	(54,741)
Detachment, easement/title, and annexation fees		54,743	590,963
Other non-operating revenues		172,084	453,870
Change in assets, liabilities, and deferred outflows/inflows:			
(Increase)Decrease in assets:			
Accounts receivable – water sales and services, net		(41,273)	35,649
Accounts receivable – other		(267,178)	765,683
Materials and supplies inventory		(6,120)	40,419
Prepaid expenses and other deposits		6,058	(10,683)
(Increase)Decrease in deferred outflows of resources:			
Deferred OPEB outflows		(1,180,291)	-
Deferred pension outflows		256,938	1,463,594
Increase(Decrease) in liabilities:			
Accounts payable and accrued expenses		(26,787)	116,309
Accrued payroll and employee benefits		30,530	70,312
Deposits for work-orders		56,481	118,567
Unearned revenue		15,887	(122,274)
Compensated absences		(2,521)	156,652
Other post-employment benefits payable		2,375,590	(544,180)
Net pension liability		1,202,631	(461,658)
Increase(Decrease) in deferred inflows of resources:			
Deferred OPEB inflows		(741,945)	(185,486)
Deferred pension inflows		226,696	300,224
Total adjustments		5,709,090	5,938,828
Net cash provided by operating activities	$	(483,439)	1,924,677

See accompanying notes to the basic financial statements

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Solano Irrigation District (District) was organized in 1948 under the provisions of the California Irrigation District Law, now codified as Division II of the water code of the State of California. It encompasses some 72,768 acres in Solano County midway between the San Francisco Bay Area and the City of Sacramento. The District provides water for agricultural, commercial, and residential purposes, as well as operates and maintains the Monticello Dam and other water distribution systems. The District is governed by a five-member board of directors elected by division within the District's service area.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity*. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and; 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

B. Basis of Accounting and Measurement Focus

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water to its service area on a continuing basis be financed or recovered primarily through user charges (water sales), capital grants, and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as water sales and water purchases, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

C. Financial Reporting

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the District's proprietary fund.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting, continued

The District has adopted the following GASB pronouncements in the current year:

In November 2016, the GASB issued Statement No. 83 – *Certain Asset Retirement Obligations.* This Statement (1) addresses accounting and financial reporting for certain asset retirement obligations (AROs), (2) establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, (3) requires that recognition occur when the liability is both incurred and reasonably estimable, (4) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred, (5) requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually, and (6) requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets.

In January 2017, the GASB issued Statement No. 84 – *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

In April 2018, the GASB issued Statement No. 88 – *Certain Disclosures Related to Debt Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting, continued

Governmental Accounting Standards Board Statement No. 90

In August 2018, the GASB issued Statement No. 90 – *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 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. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

1. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosures of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

3. Investments and Investment Policy

The District has adopted an investment policy directing management to deposit funds in financial institutions.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

3. Investments and Investment Policy, continued

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

4. Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset, as follows:

- **Level 1** – Valuation is based on quoted prices in active markets for identical assets.
- **Level 2** – Valuation is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.
- **Level 3** – Valuation is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity, and other assumptions that are internally generated and cannot be observed in the market.

5. Accounts Receivable and Allowance for Uncollectible Accounts

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the District uses the allowance method for the reservation and write-off of those accounts.

6. Property Taxes and Assessments

The County of Solano Assessor's Office assesses all real and personal property within the County each year. The County of Solano Tax Collector's Office bills and collects the District's share of property taxes and assessments. The County of Solano Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes receivable at year-end are related to property taxes collected by the County of Solano, which have not been credited to the District's cash balance as of December 31. The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

7. Materials and Supplies

Materials and supplies consist primarily of water pipe and pipefittings for construction and repair to the District's water treatment and distribution system. Materials and supplies are valued at cost using a weighted average method. Material and supply items are charged to expense at the time the items are consumed.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

8. Restricted Assets

Certain assets of the District are restricted for use by ordinance or debt covenant and, accordingly, are shown as restricted assets on the accompanying statements of net position. The District uses restricted resources, prior to using unrestricted resources, to pay expenditures meeting the criteria imposed on the use of restricted resources by a third party.

9. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at $5,000. Donated assets are recorded at estimated fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Water distribution plant	25-40 years
Monticello power plant	50 years
Water treatment plant	40 years
Buildings and structures	10-40 years
Machinery and equipment	4-20 years

10. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of resources applicable to future periods.

11. Unearned Revenue

Unearned revenue consists of customer and developer deposits held at year-end.

12. Compensated Absences

The District's personnel policies provide for accumulation of vacation and sick leave. Liabilities for vacation and sick leave are recorded when benefits are earned. Cash payment of unused vacation and sick is available to those qualified employees when retired or terminated.

13. Pensions

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 California Public Employees' Retirement System (CalPERS) plans (Plans) and addition to/deduction from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation Dates: June 30, 2018 and 2017
- Measurement Dates: June 30, 2019 and 2018
- Measurement Periods: July 1, 2018 to June 30, 2019 and July 1, 2017 to June 30, 2018

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

14. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of resources applicable to future periods.

15. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- **Net investment in capital assets component of net position** – consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against 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 included in this component of net position.
- **Restricted component of net position** – consists of restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets.
- **Unrestricted component of net position** – the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted components of net position.

(2) Cash and Cash Equivalents

Cash and cash equivalents as of December 31 are classified in the accompanying financial statements as follows:

	2019	2018
Cash and cash equivalents	$ 14,781,447	13,116,924
Restricted – cash and cash equivalents	8,473,755	7,601,142
Total	$ 23,255,202	20,718,066

Cash and cash equivalents as of December 31 consist of the following:

	2019	2018
Cash on hand	$ 750	750
Deposits with financial institutions	2,691,456	2,396,916
Investments	20,562,996	18,320,400
Total	$ 23,255,202	20,718,066

(2) Cash and Cash Equivalents, continued

Investments Authorized by the California Government Code and the District's Investment Policy

The following table identifies the investment types that are authorized by the District in accordance with the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District; rather, the table addresses the general provisions of the California Government Code or the District's investment policy.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage Of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (LAIF)	Upon Demand	None	None	$50 M
Interest Bearing Checking Accounts	N/A	None	None	100%
U.S. Treasuery Money-Market Fund	N/A	None	None	10%
Certificates of Deposit	5 years	IUQCI* of 85	None	$100,000
U.S. Treasuery Bills and Notes	5 years	None	None	100%
U.S. Government Sponsored Entities	5 years	None	None	100%
Banker's Acceptances	180 days	Moody's A	40%	30%
Commercial Paper	270 days	Moody's A	15%	10%
Repurchase Agreements	30 days	None	20%	100%
Medium Term Notes	5 years	Moody's AA	30%	10%
Negotiable Certificates of Deposit	2 years	Moody's A+	30%	10%

*Irwin Union Quality Code Index

Investments Authorized by Debt Agreements

Under the terms of the indentures of trust issued pursuant to the 2006 Monticello Power Project Refunding Hydroelectric Revenue Bonds (see note 7), a fiscal agent is holding funds for debt service reserves. The funds are to be used in the event the District lease payments are insufficient to pay debt service due on the bonds. As of December 31, 2019 and 2018, the balance with the fiscal agent had been invested in the First American Treasury Obligation Class D Money Market Fund.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

(2) Cash and Cash Equivalents, continued

Custodial Credit Risk, continued

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of December 31, 2019 and 2018, bank balances are federally insured up to $250,000. The remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

Investment in State Investment Pool

The District is a voluntary participant in the California Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The fair value factor for LAIF is reported on a quarterly basis. The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on an amortized cost basis.

The District's deposit and withdrawal restrictions and limitations are as follows:

- Same day transaction processing occurs for orders received before 10:00 a.m.
- Next day transaction processing occurs for orders received after 10:00 a.m.
- Maximum limit of 15 transactions (combination of deposits and withdrawals) per month.
- Minimum transaction amount requirement of $5,000, in increments of $1,000.
- Withdrawals of $10 million or more require 24 hours advance notice.
- Prior to funds transfer, an authorized person must call LAIF to do a verbal transaction.

Interest Rate Risk

Interest rate risk is the risk that the change in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the change in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations.

As of December 31, 2019, the District's investments are scheduled to mature as follows:

		Remaining Maturity (in Months)		
Investment Type	Amount	12 Months Or Less	13 to 24 Months	25 to 60 Months
Local Agency Investment Fund (LAIF)	$ 17,381,266	17,381,266	-	-
First American Treasury obligation	3,181,730	3,181,730	-	-
Total	$ 20,562,996	20,562,996	-	-

(2) Cash and Cash Equivalents, continued

Interest Rate Risk, continued

As of December 31, 2018, the District's investments are scheduled to mature as follows:

Investment Type		Amount	Remaining Maturity (in Months) 12 Months Or Less	13 to 24 Months	25 to 60 Months
Local Agency Investment Fund (LAIF)	$	14,976,104	14,976,104	-	-
First American Treasury obligation		3,344,296	3,344,296	-	-
Total	$	18,320,400	18,320,400	-	-

Credit Risk

Generally, 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. Presented below is the minimum rating required (where applicable) by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year ended for each investment type.

Credit ratings as of December 31, 2019, were as follows:

Investment Type		Amount	Minimum Legal Rating		Rating as of year-end Moody's Aaa	Not Rated
Local Agency Investment Fund (LAIF)	$	17,381,266	N/A	$	-	17,381,266
First American Treasury obligation		3,181,730	Aaa		3,181,730	-
Total	$	20,562,996		$	3,181,730	17,381,266

Credit ratings as of December 31, 2018, were as follows:

Investment Type		Amount	Minimum Legal Rating		Rating as of year-end Moody's Aaa	Not Rated
Local Agency Investment Fund (LAIF)	$	14,976,104	N/A	$	-	14,976,104
First American Treasury obligation		3,344,296	Aaa		3,344,296	-
Total	$	18,320,400		$	3,344,296	14,976,104

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments.

(3) Investment at Fair Value Hierarchy

Assets measured at fair value on a recurring basis, based on their fair value hierarchy at December 31, 2019, are as follows:

		Fair Value Measurement at Reporting Date using:		
Description	**December 31, 2019**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
First American Treasury obligation	$ 3,181,730	-	3,181,730	-

Assets measured at fair value on a recurring basis, based on their fair value hierarchy at December 31, 2018, are as follows:

		Fair Value Measurement at Reporting Date using:		
Description	**December 31, 2018**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
First American Treasury obligation	$ 3,344,296	-	3,344,296	-

(4) Investment in Joint-Powers Authorities

Jointly governed organizations are legal entities or other organizations that result from a contractual arrangement and that are owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility as permitted by the California Government Code. As of December 31, the District's participation in these jointly governed organizations consists of the following balance:

	2019	2018
Suisun-Solano Water Authority	$ 13,267,693	13,006,715
Solano Water Authority	54,248	54,248
Total investment in joint powers authorities	$ 13,321,941	13,060,963

The District has recorded its interest in the joint-powers authorities under the equity method of accounting whereby, the District's equity in the joint-powers authorities is equal to the original cost of assets contributed plus their pro rata share of the net position of the joint-powers authorities.

Suisun-Solano Water Authority

On May 17, 1976, the District and the City of Suisun City entered into a joint exercise powers agreement for the construction and operation of a domestic water system in the Tolenas and joint service area; and on May 1990, the District and the City of Suisun City entered into a joint powers agreement. Under the terms of the agreement, the District is responsible for the operation and maintenance of all water facilities. The City of Suisun City is responsible for all of the billing of water service and the collection and investment of all monies.

(4) Investment in Joint-Powers Authorities, continued

Suisun-Solano Water Authority, continued

Pursuant to the agreement, a Joint Executive Committee has been established consisting of one member of the City Council, the City Administrator, the Secretary-Manager, and one member of the Board from the District. On July 1, 1982, the day-to-day water service function was taken over by the District. The City is the treasurer of the joint authority and has the responsibility of billing the water customers. The cost of the water treatment plant is recorded as an asset of the District under property, plant, and equipment. Audited financial statements are available from the City of Suisun City at 701 Civic Center Boulevard, Suisun City, CA 94585.

Solano Water Authority

On September 22, 1987, the District entered into a joint powers agreement with various cities and other entities to form the Solano Water Authority (Authority). The joint powers was formed to acquire, construct, operate, and maintain any project for the purpose of providing water resources or water treatment for public or private uses and to enter into project agreements to provide security for the repayment of any revenue bonds issued to finance such project, subject to the conditions and restrictions contained in the project agreement. Audited financial statements are available from the Authority at 810 Vaca Valley Parkway, Suite 201, Vacaville, CA 95688.

(5) Capital Assets

The change in capital assets for 2019, was as follows:

	Balance 2018	Additions/ Transfers	Deletions/ Transfers	Balance 2019
Non-depreciable assets:				
Land and land rights	$ 3,619,706	-	(1,812,640)	1,807,066
Construction-in-process	6,336,940	2,445,694	(274,474)	8,508,160
Total non-depreciable assets	9,956,646	2,445,694	(2,087,114)	10,315,226
Depreciable assets:				
Water distribution plant	79,903,678	102,959	-	80,006,637
Monticello power plant	15,527,224	-	-	15,527,224
Water treatment plant	7,809,177	16,598	-	7,825,775
Buildings and structures	12,869,447	1,812,640	-	14,682,087
Machinery and equipment	7,072,990	401,865	(185,478)	7,289,377
Total depreciable assets	123,182,516	2,334,062	(185,478)	125,331,100
Accumulated depreciation:				
Water distribution plant	(39,201,918)	(2,044,644)	-	(41,246,562)
Monticello power plant	(10,714,592)	(310,550)	-	(11,025,142)
Water treatment plant	(3,849,011)	(91,445)	-	(3,940,456)
Buildings and structures	(2,764,535)	(367,437)	-	(3,131,972)
Machinery and equipment	(5,003,329)	(366,947)	185,478	(5,184,798)
Total accumulated depreciation	(61,533,385)	(3,181,023)	185,478	(64,528,930)
Total depreciable assets, net	61,649,131	(846,961)	-	60,802,170
Total capital assets, net	$ 71,605,777	1,598,733	(2,087,114)	71,117,396

(5) Capital Assets, continued

The change in capital assets for 2018, was as follows:

	Balance 2017	Additions/ Transfers	Deletions/ Transfers	Balance 2018
Non-depreciable assets:				
Land and land rights	$ 3,619,706	-	-	3,619,706
Construction-in-process	13,134,791	2,944,883	(9,742,734)	6,336,940
Total non-depreciable assets	16,754,497	2,944,883	(9,742,734)	9,956,646
Depreciable assets:				
Water distribution plant	73,278,316	6,625,362	-	79,903,678
Monticello power plant	15,527,224	-	-	15,527,224
Water treatment plant	4,699,372	3,109,805	-	7,809,177
Buildings and structures	12,862,167	7,280	-	12,869,447
Machinery and equipment	6,442,089	766,602	(135,701)	7,072,990
Total depreciable assets	112,809,168	10,509,049	(135,701)	123,182,516
Accumulated depreciation:				
Water distribution plant	(37,469,410)	(1,732,508)		(39,201,918)
Monticello power plant	(10,404,041)	(310,551)		(10,714,592)
Water treatment plant	(3,746,723)	(102,288)		(3,849,011)
Buildings and structures	(2,435,187)	(329,348)		(2,764,535)
Machinery and equipment	(4,757,082)	(381,948)	135,701	(5,003,329)
Total accumulated depreciation	(58,812,443)	(2,856,643)	135,701	(61,533,385)
Total depreciable assets, net	53,996,725	7,652,406	-	61,649,131
Total capital assets, net	$ 70,751,222	10,597,289	(9,742,734)	71,605,777

(6) Compensated Absences

The change in compensated absences for 2019, was as follows:

Balance 2018	Earned	Taken	Balance 2019	Current Portion	Long-term Portion
$ 1,094,746	209,819	(212,340)	1,092,225	524,268	567,957

The change in compensated absences for 2018, was as follows:

Balance 2017	Earned	Taken	Balance 2018	Current Portion	Long-term Portion
$ 938,094	274,729	(118,077)	1,094,746	525,478	569,268

(7) Long-term Debt

Changes in long-term debt for 2019, were as follows:

	Balance 2018	Additions/ Deletions	Principal Payments	Balance 2019
Long-term debt:				
Bonds payable:				
2006 – Revenue refunding bonds – MPP	$ 4,920,000	-	(2,395,000)	2,525,000
Less: Unamortized bond discount	(27,496)	-	13,748	(13,748)
Total bonds payable	4,892,504	-	(2,381,252)	2,511,252
Capital lease:				
Caterpillar backhoe loader	137,523	-	(20,085)	117,438
Caterpillar wheeled excavator	259,452	-	(38,374)	221,078
Caterpillar hydraulic excavator	298,808	-	(43,608)	255,200
Total capital lease	695,783	-	(102,067)	593,716
Loans payable:				
2004 DWR – Blue Ridge Improvement District	349,675	-	(349,675)	-
2004 DWR – Peabody Improvement District	155,919	-	(20,750)	135,169
Total loans payable	505,594	-	(370,425)	135,169
Total long-term debt	5,398,098	-	(2,853,744)	3,240,137
Less: current portion	(2,272,699)			(2,628,269)
Total non-current portion	$ 3,125,399			611,868

(7) Long-term Debt, continued

Changes in long-term debt for 2018, were as follows:

		Balance 2017	Additions/ Deletions	Principal Payments	Balance 2018
Long-term debt:					
Bonds payable:					
2006 – Revenue refunding bonds – MPP	$	7,185,000	-	(2,265,000)	4,920,000
Less: Unamortized bond discount		(41,244)	-	13,748	(27,496)
Total bonds payable		7,143,756	-	(2,251,252)	4,892,504
Capital lease:					
Caterpillar backhoe loader		-	142,416	(4,893)	137,523
Caterpillar wheeled excavator		-	268,803	(9,351)	259,452
Caterpillar hydraulic excavator		-	309,463	(10,655)	298,808
Total capital lease		-	720,682	(24,899)	695,783
Loans payable:					
2004 DWR – Blue Ridge Improvement District		395,141	-	(45,466)	349,675
2004 DWR – Peabody Improvement District		176,191	-	(20,272)	155,919
Total loans payable		571,332	-	(65,738)	505,594
Total long-term debt		7,715,088	-	(2,341,889)	5,398,098
Less: current portion		5,442,389			(2,272,699)
Total non-current portion	$	13,157,477			3,125,399

2006 Bonds Payable – Monticello Power Project 2006 Refunding Hydroelectric Revenue Bonds

In February 6, 2006, the District issued $19,015,000 in bonds with an average interest rate of 5.39% to advance refund $15,185,000 of outstanding Monticello Power Project 1986 Refunding Hydroelectric Revenue Bonds with an average interest rate of 9.18%. The net proceeds of $18,263,595 (after payment of $751,405 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for the future debt service payments on the 1986 series bonds. As a result, a portion ($15,185,000) of the 1986 Series bonds are considered to be defeased and the liability for those bonds has been removed from the District's long-term debt.

The District has pledged future revenue to be received from PG&E to repay the Refunding Hydroelectric Revenue Bonds through 2020. Projected revenue from PG&E is expected to provide coverage over debt service of 1.15% over the life of the bonds. Principal payments are due annually on January 1st and interest payments are due semi-annually on January 1st and July 1st. Bond payments are due through January 1, 2020.

(7) Long-Term Debt, continued

2006 Bonds Payable – Monticello Power Project 2006 Refunding Hydroelectric Revenue Bonds, continued

Annual debt service requirements for the 2006 bonds payable are as follows:

Year		Principal	Interest	Total
2020	$	2,525,000	69,059	2,594,059
Total		2,525,000	69,059	2,594,059
Discount		(13,748)		
Current		(2,511,252)		
Non-current	$	-		

Caterpillar Backhoe Loader

In September 2018, the District entered into a capital lease agreement for the lease and purchase of a Caterpillar backhoe loader. The capital lease obligation upon the execution of the contract totaled $142,416 (including tax), bearing an interest rate of 4.50%, with a five-year term. Principal (including tax) and interest payments are due on a monthly basis with a final lump sum payment due on September 2023.

Annual debt service requirements for the capital lease payable are as follows:

Year		Principal	Interest	Total
2020	$	20,925	3,083	24,008
2021		21,803	2,205	24,008
2022		22,722	1,286	24,008
2023		51,988	336	52,324
Total		117,438	6,910	124,348
Current		(20,925)		
Non-current	$	96,513		

Caterpillar Wheeled Excavator

In September 2018, the District entered into a capital lease agreement for the lease and purchase of a Caterpillar wheeled excavator. The capital lease obligation upon the execution of the contract totaled $268,803 (including tax), bearing an interest rate of 4.50%, with a five-year term. Principal (including tax) and interest payments are due on a monthly basis with a final lump sum payment due on September 2023.

(7) Long-Term Debt, continued

Caterpillar Wheeled Excavator, continued

Annual debt service requirements for the capital lease payable are as follows:

Year		Principal	Interest	Total
2020	$	39,978	5,920	45,898
2021		41,656	4,242	45,898
2022		43,412	2,487	45,899
2023		96,032	665	96,697
Total		221,078	13,314	234,392
Current		(39,978)		
Non-current	$	181,100		

Caterpillar Hydraulic Excavator

In September 2018, the District entered into a capital lease agreement for the lease and purchase of a Caterpillar hydraulic excavator. The capital lease obligation upon the execution of the contract totaled $309,463 (including tax), bearing an interest rate of 4.50%, with a five-year term. Principal (including tax) and interest payments are due on a monthly basis with a final lump sum payment due on September 2023.

Annual debt service requirements for the capital lease payable are as follows:

Year		Principal	Interest	Total
2020	$	45,556	6,717	52,273
2021		47,468	4,805	52,273
2022		49,469	2,805	52,274
2023		112,707	736	113,443
Total		255,200	15,063	270,263
Current		(45,556)		
Non-current	$	209,644		

2004 Department of Water Resources Blue Ridge Improvement District Loan

In January 2004, the District entered into a contract to borrow funds from the Department of Water Resources. The loan totaled $866,000 bearing an interest rate of 2.34%, with a 20-year term. The funds were used to finance the construction of a project to improve water quality. Principal payments and interest payments are due semi-annually on January 1st and July 1st. During the year ended of December 31, 2019, the District paid the loan in full.

(7) Long-Term Debt, continued

2004 Department of Water Resources Peabody Improvement District Loan

In January 2004, the District entered into a contract to borrow funds from the Department of Water Resources. The loan totaled $386,000 bearing an interest rate of 2.34%, with a 20-year term. The funds were used to finance construction of a project to improve water quality. Principal payments and interest payments are due semi-annually on January 1st and July 1st. Loan payments are due through January 1, 2026.

Annual debt service requirements for the loan payable are as follows:

Year		Principal	Interest	Total
2020	$	10,558	1,581	12,139
2021		21,487	2,791	24,278
2022		21,993	2,285	24,278
2023		22,510	1,768	24,278
2024		23,040	1,238	24,278
2025-2026		35,581	836	36,417
Total		135,169	10,499	145,668
Current		(10,558)		
Non-current	$	124,611		

(8) Other Post-Employment Benefits Liability

Plan Description

The District's defined benefit OPEB plan (Plan) provides OPEB for all employees that satisfy the following requirements: (1) Attainment of age 55, and 20 years of full-time service, and (2) Retirement from the District (the District must be the last employer prior to retirement).

The Plan is a single-employer defined benefit OPEB plan administered by the District. The District's Board of Directors has the authority to establish and amend the benefit terms and financing requirements of the Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The Plan provides medical coverage to retirees through ACWA-JPIA programs. Employees retiring from the District and PERS on or after age 50 (age 52 for PEPRA employees) may continue coverage at retirement. Employees hired on or after February 1, 2013, must have at least 10 years of service to receive a District contribution. The District contribution amount is based on single premium amount for the lowest cost plan provided to active employees. Eligible employees hired prior to February 1, 2013, receive 100% of the District contribution. Employees hired on or after February 1, 2013, receive 50% of the District contribution if retiring with at least 10 years but less than 15 years of service, and 100% of the District contribution if retiring with 15 or more years of service. The District's contributions are never to exceed 100% of the premium rate for single coverage and retirees are expected to contribute the difference between the premium rate and District contributions.

(8) Other Post-Employment Benefits Liability, continued

Employees Covered by Benefit Terms

At December 31, the following employees were covered by the benefit terms:

	2019	2018
Inactive employees or beneficiaries currently receiving benefit payments	47	47
Active employees	81	81
Total plan membership	128	128

Total OPEB Liability

As of December 31, 2019 and 2018, the District's total OPEB liability were $14,737,757 and $12,362,167, respectively. The total OPEB liability was measured as of December 31, 2019 and 2018 for the fiscal years ended December 31, 2019 and 2018, respectively, and was determined by an actuarial valuation as of December 31, 2018.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.75% per annum
Salary increases	3.00% per annum, in aggregate
Discount rate	3.80% per annum
Healthcare cost trend rates	HMO – 6.00% for 2019 decrease 0.50% per year through 2021; then 5.00% thereafter
	PPO – 6.50% for 2019 decrease 0.50% per year through 2021; then 5.50% thereafter
Retirees' share of benefit related cost	Retiree contributions are assumed to increase according to health care trend rates

The turnover rates and retirement rates applied to the December 31, 2018, valuation is based on the most recent CalPERS pension plan valuation. The turnover rates are as follows:

	Entry Age			
Service	20	30	40	50
0	17.42 %	16.06 %	14.68 %	13.32 %
5	8.68	7.11	5.54	0.97
10	6.68	5.07	0.71	0.38
15	5.03	3.47	0.23	0.04
20	3.70	0.21	0.05	0.01
25	2.29	0.05	0.01	0.01
30	0.05	0.01	0.01	0.01

(8) Other Post-Employment Benefits Liability, continued

Actuarial Assumptions and Other Inputs, continued

Retirement rates are: 1) Miscellaneous Tier 1 (2.0% @60) and 2) Miscellaneous Tier 2 (2.0% @62).

The discount rate is the average, rounded to 5 basis points, of the range of 3 to 20 year municipal bond rate indices: S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO Index, Fidelity GO AA 20 Year Bond Index.

Mortality rates were based on the RPH 2014 mortality table with generational improvements using scale MP 2018.

Changes is the Total OPEB Liability

During the years ended December 31, changes in total OPEB liability were as follows:

	2019	2018
Balance at beginning of year	$ 12,362,167	12,906,347
Changes for the year:		
Service cost	398,507	436,592
Interest	474,948	438,746
Changes in assumptions or other inputs	2,026,208	(927,431)
Benefit payments	(524,073)	(492,087)
Net change	2,375,590	(544,180)
Balance at end of year	$ 14,737,757	12,362,167

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

As of December 31, 2019, the District's total OPEB liability, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate, are as follows:

	Discount Rate 1% Lower	Valuation Discount Rate	Discount Rate 1% Higher
Total OPEB liability	$ 17,603,549	14,737,757	12,512,809

As of December 31, 2018, the District's total OPEB liability, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate, are as follows:

	Discount Rate 1% Lower	Valuation Discount Rate	Discount Rate 1% Higher
Total OPEB liability	$ 14,573,824	12,362,167	10,628,402

(8) Other Post-Employment Benefits Liability, continued

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

As of December 31, 2019, the District's total OPEB liability, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates, are as follows:

	Trend 1% Lower	Valuation Trend	Trend 1% Higher
Total OPEB liability	$ 12,161,485	14,737,757	18,179,360

As of December 31, 2018, the District's total OPEB liability, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates, are as follows:

	Trend 1% Lower	Valuation Trend	Trend 1% Higher
Total OPEB liability	$ 10,459,390	12,362,167	14,856,676

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

For the years ended December 31, 2019 and 2018, the District recognized an OPEB expense of $977,427 and $689,852, respectively. At December 31, the District's deferred outflows of resources and deferred inflows of resources related OPEB were as follows:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions or other inputs	$ 1,180,291	-	-	(741,945)
Total	$ 1,180,291	-	-	(741,945)

As of December 31, 2019, deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Fiscal Year Ending December 31,	Deferred Net Outflows(Inflows) of Resources
2019	$ 103,972
2020	103,972
2021	103,971
2022	289,458
2023	289,458
2024	289,460

(9) Defined Benefit Pension Plan

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Pension Plan (Plan or PERF C) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of a miscellaneous risk pool and a safety risk pool, which are comprised of individual employer miscellaneous and safety plans, respectively. Benefit provisions under the Plan are established by State statute and the District's resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website or may be obtained from their executive office at 400 P Street, Sacramento, California 95814.

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 year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for 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 cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the District's CalPERS 2.0% at 60 Risk Pool Retirement Plan to new employee entrants effective December 31, 2012. All employees hired after January 1, 2013, are eligible for the District's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

The District participates in the Plan's miscellaneous risk pool. The provisions and benefits for the Plan's miscellaneous pool in effect at December 31, are summarized as follows:

	2019			2018		
	Classic	**New Classic**	**PEPRA**	**Classic**	**New Classic**	**PEPRA**
Hire date	Prior to January 1, 2011	On or after January 1, 2011 - December 31, 2012	On or after January 1, 2013	Prior to January 1, 2011	On or after January 1, 2011 - December 31, 2012	On or after January 1, 2013
Benefit formula	2.7% @ 55	2.0% @ 60	2.0% @ 62	2.7% @ 55	2.0% @ 60	2.0% @ 62
Benefit vesting schedule		5 years of service			5 years of service	
Benefit payments		monthly for life			monthly for life	
Retirement age	50 - 55	60 - 65	52 - 67	50 - 55	60 - 65	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.1% to 2.4%	1.0% to 2.5%	2.0% to 2.5%	1.1% to 2.4%	1.0% to 2.5%
Required employee contribution rates	8.00%	7.00%	6.75%	8.00%	7.00%	6.25%
Required employer contribution rates	12.51%	8.08%	6.99%	11.05%	7.20%	6.53%

(9) Defined Benefit Pension Plan

Contributions

Section 20814(c) of the California Public Employees' Retirement Law 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 are 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.

For the years ended December 31, the contributions recognized as part of pension expense for the Plan were as follows:

	2019	2018
Contributions – employer	$ 1,709,001	1,551,146

Net Pension Liability

As of December 31, the District reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	2019	2018
Proportionate share of net pension liability	$ 17,351,049	16,148,418

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability for the miscellaneous risk pool. As of December 31, 2019 and 2018, the net pension liability of the Plan is measured as of June 30, 2019 and 2018 (the measurement dates), respectively. The total pension liability for the Plan's miscellaneous risk pool used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 and 2017 (the valuation dates), rolled forward to June 30, 2019 and 2018, respectively, 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's miscellaneous risk pool as of the measurement dates June 30, 2019 and 2018, was as follows:

	Proportionate Share
Proportion – June 30, 2017	0.16749 %
Increase in proportion	0.00009
Proportion – June 30, 2018	0.16758 %
Increase in proportion	0.00175
Proportion – June 30, 2019	0.16933 %

(9) Defined Benefit Pension Plan, continued

Deferred Outflows(Inflows) of Resources Related to Pensions

For the years ended December 31, 2019 and 2018, the District recognized pension expense of $3,370,875 and $2,396,591, respectively.

As of December 31, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019		2018	
Description	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 312,632	-	337,023	-
Differences between actual and expected experience	1,111,733	-	408,744	-
Changes in assumptions	534,080	-	1,389,783	-
Net differences between projected and actual earnings on plan investments	-	(303,350)	79,833	-
Adjustment due to changes in proportions and difference in employer contributions	-	(489,167)	-	(565,821)
Total	$ 1,958,445	(792,517)	2,215,383	(565,821)

As of December 31, 2019, the District reported $312,632 as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the year ended December 31, 2020. As of December 31, 2018, the District reported $337,023 as deferred outflows of resources related to contributions subsequent to the measurement date and was recognized as a reduction of the net pension liability for the year ended December 31, 2019.

As of December 31, 2019, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending December 31,	Deferred Net Outflows(Inflows) of Resources
2020	$ 996,661
2021	(313,218)
2022	108,555
2023	61,298

(9) Defined Benefit Pension Plan, continued

Actuarial Assumptions

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

Valuation Date	June 30, 2018 and 2017
Measurement Date	June 30, 2019 and 2018
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by Entry Age and Service
Mortality table*	Derived using CalPERS membership data
Period upon which actuarial experience survey assumptions were based	1997 - 2015
Post-retirement benefit increase	Contract COLA up to 2.50% until PPPA floor on purchasing power applies; 2.50% thereafter

* The mortality table was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent 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) available online on the CalPERS website.

On December 21, 2016, the Board lowered the discount rate for the PERF C for funding purposes from 7.50% to 7.00% percent using a three-year phase-in beginning with the June 30, 2016 actuarial valuations.

On December 19, 2017, the Board of Administration adopted new actuarial assumptions based on the recommendations in the December 2017 CalPERS Experience Study and Review of Actuarial Assumptions. This study reviewed the retirement rates, termination rates, mortality rates, rates of salary increases, and inflation assumption. These new assumptions are incorporated into the June 30, 2017 actuarial valuations.

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2019, for the PERF C was 7.15%. This discount rate is not adjusted for administrative expenses.

The PERF C 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 for those pension plans' investments were applied to all periods of projected benefit payments to determine the total pension liability.

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.

(9) Defined Benefit Pension Plan, continued

Discount Rate, continued

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 and forecasted information for all 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 table below reflects long-term expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate.

Asset Class	Target Allocation	Real Return Years 1-10	Real Return Years 11+
Global Equity	50.00 %	4.80 %	5.38 %
Global 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 Asset	13.00	3.75	4.93
Infrastructure and Forestland	0.00	0.00	0.00
Liquidity	1.00	0.00	(0.92)
Total	100.00 %		

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 for the Plan's miscellaneous risk pool, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower or one-percentage point higher than the current rate.

As of December 31, 2019, the District's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, are as follows:

	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
District's net pension liability	$ 26,272,298	17,351,049	9,987,187

(9) Defined Benefit Pension Plan, continued

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

As of December 31, 2018, the District's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, are as follows:

	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
District's Net Pension Liability	$ 24,600,669	16,148,418	9,171,224

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 46 and 47 for the Required Supplementary Information.

(10) Restatement

Net OPEB Liability – GASB 75 Implementation

In fiscal year 2018, the District implemented GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits other than Pensions.* As a result, the District has restated net position at January 1, 2018, in the amount of $7,539,484.

The effect of the implementation of GASB 75 is recorded as an adjustment to the beginning net position at January 1, 2018. The effect of the above changes is summarized as follows:

Net position at December 31, 2017, as previously stated	$ 71,175,841
Effect of adjustment to record deferred OPEB inflows	(927,431)
Effect of adjustment to net pension liability as a result of GASB 75	(6,612,053)
Total adjustment to net position	(7,539,484)
Net position at January 1, 2018, as restated	$ 63,636,357

(11) Net Investment in Capital Assets

The balance at December 31, consists of the following:

	2019	2018
Capital assets – not being depreciated	$ 10,315,226	9,956,646
Capital assets – being depreciated, net	60,802,170	61,649,131
Bonds payable	(2,525,000)	(4,920,000)
Bonds payable – discount	13,748	27,496
Net investment in capital assets	$ 68,606,144	66,713,273

(12) Restricted Net Position

The balance at December 31, consists of the following:

		2019	2018
Restricted – cash and cash equivalents	$	8,473,755	7,601,142
PG&E – debt service reimbursement advancement		(2,834,000)	(2,637,450)
Accrued interest payable		(69,059)	(134,562)
Loans payable – Improvement Districts		(135,169)	(505,594)
Total restricted net position	$	5,435,527	4,323,536

(13) Deferred Compensation Savings Plan

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program (Program). The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death, or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District and are not subject to claims of the District's general creditors.

The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statements of net position. As of December 31, 2019 and 2018, the assets of the deferred compensation savings plan totaled $6,432,836 and $5,209,840, respectively.

(14) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase the appropriate amount of insurance coverage. At December 31, 2019, the District participated in the liability and property programs of the ACWA/JPIA as follows:

- General liability: The general liability insurance covers amounts payable to third party by reason of liability (1) imposed by law or (2) assumed by contract, for damages from bodily injury, property damage, public official's errors and omission, personal injury, or employment practices. The District has a zero deductible for general liability. Limits of liability total $5 million for any occurrence within the JPIA pooled layer with additional excess coverage up to $60 million.

(14) Risk Management

- Property: The property insurance coverage is as follows: 1) Buildings, personal property, fixed equipment, and on premise vehicle coverage with a deductible of $10,000; 2) Mobile equipment and vehicle with a deductible of $1,000; 3) Boiler and machinery accidental breakdown with a deductible of $50,000 for turbine units and associated equipment, electrical generators, and electrical power distribution, and a deductible of $25,000 for all other objects; 4) Flood with a deductible of $100,000; and 5) Earthquake with a deductible equivalent to 5% per unit of insurance, subject to a $75,000 minimum. ACWA/JPIA will reimburse the District for losses to scheduled property that is insured by the terms and conditions of the purchased insurance or reinsurance, less any applicable deductible.
- Crime and fidelity: Crime and fidelity covers employee theft, forgery or alteration theft of money and securities and robbery or safe burglary of other property inside the premises, computer fraud, fraudulent fund transfer and money orders and counterfeit money up to $250,000 subject to a deductible of $25,000.
- Employee dishonesty coverage up to $100,000 per loss and includes public employee dishonesty, forgery or alteration, and computer fraud coverages.
- Workers' compensation insurance provides coverage with a self-insured retention limit of $2 million for all work-related injuries/illnesses covered by California law. The ACWA/JPIA has purchased an excess insurance policy for an additional $2 million to statutory limits.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ended December 31, 2019 and 2018. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of December 31, 2019 and 2018.

(15) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the report date, that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 87

In June 2017, the GASB issued 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. Earlier application is encouraged.

(15) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 89

In June 2018, the 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.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

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.

Governmental Accounting Standards Board Statement No. 91

In May 2019, the 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. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

(15) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 92

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

The requirements of this Statement are as follows: (1) The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance; (2) The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020; (3) The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020; and (4) The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020. Earlier application is encouraged and is permitted by topic.

Governmental Accounting Standards Board Statement No. 93

In March 2020, the GASB issued Statement No. 93 – *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by: (1) Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap;(6) Clarifying the definition of reference rate, as it is used in Statement 53, as amended; and (7) Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The requirements of this Statement are effective as follows: (1) The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021; and (2) All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Earlier application is encouraged.

(16) Commitments and Contingencies

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement, or modification of water facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's replacement reserves and advances for construction.

(16) Commitments and Contingencies, continued

Other Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes that these actions, when finally concluded and determined, are not likely to have a material adverse effect on the District's financial position, results of operations, or cash flows.

Putah Creek

The District, in prior years, was involved in litigation known as *Putah Creek Council v. Solano Irrigation District, et al.,* Sacramento County Superior Court Case No. 515766. This matter was coordinated with the matter of *Solano Irrigation District, et al. v. All Interested Appropriative Water Rights Holders in Upper Basin, et al.,* Solano County Superior Court Case No. 108552. The Trial Court rendered judgment in favor of requiring additional amounts of water to be released down the Putah Creek and awarded attorneys' fees of approximately $2,000,000, against the Solano interests including the District. A settlement was then entered into under which the participants agreed that the amounts of attorney fees ordered will finally be payable by the Solano County Water Agency, which the District landowners contribute to through taxes and water charges.

The Settlement Agreement terms permit the lawsuit's reopening under certain conditions. Substantial reduction in water yields in the Solano Project will be encountered due to the settlement and substantial costs of enforcement and compliance of the Settlement Agreement terms. The District receives in excess of 70% of its water from the Solano Project and, therefore, would suffer a loss of revenues and its landowners will be less able to financially support the District. This may have a potential detrimental financial impact to the District and the significance and the possibility of a reopening most likely would relate to a claim that further amounts of water should be released for flooding areas for fish habitat, thus further reducing reliable future water yields to the District and others.

Taxing Authority

Proposition 13, Proposition 4, and Proposition 218, each provide limitations upon the use of funds acquired from property-related assessments, shares of property tax, and limitations upon charges and rates for service or the like for the operation, maintenance, and rehabilitation of the District's facilities. At the time the Solano Project was built, which facilities provide water service with the District, it was anticipated that substantial rehabilitation would be required from year 30 to year 50, and it is now in the latter portion of that period of time. The availability of funds to provide for that rehabilitation is essential to the continued financial viability of the District. These restrictions enacted upon collection of funds require that rehabilitation of the facilities by delayed or deferred.

Court decisions regarding Proposition 13 limits voter-approved initiatives, such as Proposition 218, relating to standby charges, property tax, levies, and benefit assessments regarding powers to charge the District occur from time to time, resulting in new legal interpretations and principles applicable as a result of these voter initiatives. These Court decisions often alter or constrain the ability of the District to obtain the funds necessary to rehabilitate or operate the water distribution system and may require that monies by reimbursed. As a result, the District is unable at this time to assure that it will have the funds necessary to provide for operation, reconstruction, and rehabilitation of these aging facilities which are deteriorating rapidly. Rehabilitation and reconstruction of aging water conveyance, storage, measurement, and operation facilities are essential for the continued viability of the District.

(17) Subsequent Events

Events occurring after December 31, 2019, have been evaluated for possible adjustment to the financial statements or disclosure as of July 21, 2020, which is the date the financial statements were available to be issued. The District is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

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Required Supplementary Information

Solano Irrigation District
Schedules of the District's Proportionate Share of the Net Pension Liability
As of December 31, 2019
Last Ten Years*

Description		Measurement Dates 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		0.16933%	0.16758%	0.16749%	0.16802%	0.41830%	0.37694%
District's proportionate share of the net pension liability	$	17,351,049	16,148,418	16,610,076	14,538,896	11,476,022	9,315,995
District's covered-employee payroll	$	7,009,809	6,289,000	6,282,178	6,310,270	5,985,527	5,775,666
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		247.53%	256.77%	264.40%	230.40%	191.73%	161.30%
Plan's fiduciary net position as a percentage of the total pension liability		75.26%	75.26%	73.31%	74.06%	78.40%	79.82%

Notes to the Schedules of the District's Proportionate Share of the Net Pension Liability

Changes in Benefit Terms – The District can make changes to their plan provisions, and such changes occur on an ongoing basis. A summary of the plan provisions that were used for the District's plan can be found in the plan's annual valuation report.

Changes of Assumptions – In December 2017, the CalPERS Board adopted new mortality assumptions for plans participating in the PERF. The new mortality table was developed from the December 2017 experience study and includes 15 years of projected ongoing mortality improvement using 90% of scale MP 2016 published by the Society of Actuaries. The inflation assumption is reduced from 2.75% to 2.50%.

The assumptions for individual salary increases and overall payroll growth are reduced from 3.00% to 2.75%. These changes will be implemented in two steps commencing in the June 30, 2017 funding valuation. However, for financial reporting purposes, these assumption changes are fully reflected in the results for fiscal year 2018.

In fiscal year 2017, the financial reporting discount rate for the PERF C was lowered from 7.65% to 7.15%. In December 2016, the CalPERS Board approved lowering the funding discount rate used in the PERF C from 7.50% to 7.00%, which is to be phased in over a three-year period (7.50% to 7.375%, 7.375% to 7.25%, and 7.25% to 7.00%) beginning with the June 30, 2016, valuation reports. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate.

In fiscal year 2015, the financial reporting discount rate was increased from 7.50% to 7.65% resulting from eliminating the 15 basis-point reduction for administrative expenses. The funding discount rate remained at 7.50% during this period and remained adjusted for administrative expenses.

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

Solano Irrigation District
Schedules of Pension Plan Contributions
As of December 31, 2019
Last Ten Years*

Description		12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Actuarially determined contribution	$	1,779,456	1,588,055	1,436,959	1,307,732	1,039,516	961,166
Contributions in relation to the actuarially determined contribution		(1,779,456)	(1,588,055)	(1,436,959)	(1,307,732)	(1,039,516)	(961,166)
Contribution deficiency (excess)	$	-	-	-	-	-	-
District's covered payroll	$	7,009,809	6,289,000	6,282,178	6,310,270	5,985,527	5,775,666
Contribution's as a percentage of covered-employee payroll		25.39%	25.25%	22.87%	20.72%	17.37%	16.64%

Notes to the Schedules of Pension Plan Contributions

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

Solano Irrigation District
Schedules of Changes in the District's Total OPEB Liability and Related Ratios
For the Year End December 31, 2019
Last Ten Years*

	2019	2018
Total OPEB liability		
Service cost	$ 398,507	436,592
Interest	474,948	438,746
Changes of assumptions or other inputs	2,026,208	(927,431)
Benefit payments	(524,073)	(492,087)
Net change in total OPEB liability	2,375,590	(544,180)
Total OPEB liability – beginning	12,362,167	12,906,347
Total OPEB liability – ending	$ 14,737,757	12,362,167
Covered-employee payroll	$ 7,188,370	6,979,000
Total OPEB liability as a percentage of covered-employee payroll	205.02%	177.13%

Note to Schedule:

Changes in Benefit Terms – There were no changes to benefit terms.

Changes of Assumptions – There were no changes of assumption.

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

Report on Internal Controls and Compliance

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Certified Public Accountants

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on the Audits of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Solano Irrigation District
Vacaville, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Solano Irrigation District (District), which comprise the statements of net position as of December 31, 2019 and 2018, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon date July 21, 2020.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control 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 audits 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 the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits 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*.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on the Audits of Financial Statements Performed in Accordance with *Government Auditing Standards,* continued

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls 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.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
July 21, 2020