SOUTH SAN JOAQUIN
IRRIGATION DISTRICT

# Annual Financial Report 2019

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South San Joaquin Irrigation District

# Annual Financial Report

December 31, 2019 and 2018

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# Independent Auditor's Report

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BROWN ARMSTRONG
*Certified Public Accountants*

# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
South San Joaquin Irrigation District
Manteca, California

## Report on the Financial Statements

We have audited the accompanying financial statements of the South San Joaquin Irrigation District (the District) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. The financial statements of the District as of December 31, 2018, and for the year then ended were audited by other auditors, whose report dated May 20, 2019, expressed an unmodified opinion.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

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

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

**Opinions**

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

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information (RSI) 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 management's discussion and analysis and RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

**Report on Summarized Comparative Information**

The financial statements of the District as of and for the year ended December 31, 2018, were audited by other auditors. Those auditors expressed an unmodified opinion on those audited financial statements in their report dated May 20, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent in all material respects with the audited financial statements from which it has been derived.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
June 5, 2020

# Management's Discussion and Analysis

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## Introduction

In this discussion and analysis, management provides an overview of the South San Joaquin Irrigation District's (District or SSJID) financial position at December 31, 2019 and 2018 and its financial performance for the years then ended. Condensed financial information from 2017 is also presented for comparison only. Limited information is presented about conditions and events that may affect the District's future financial position and performance. The intent is to provide context for understanding the financial statements and the District's prospects. This discussion and analysis presents management's perspective and should be read in conjunction with the District's financial statements and accompanying notes which follow this discussion and analysis.

## Financial Statements

The District's financial statements include a statement of net position; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These financial statements, together with the related notes, are known as the "basic financial statements" and comply with generally accepted accounting principles, which for all state and local governments including the District, are set forth in Governmental Accounting Standards Board (GASB) Statements. In many, but not all cases, GASB Statements incorporate the provisions of Financial Accounting Standards Board Statements which establish generally accepted accounting principles for nongovernmental entities. The District's activities are business type activities and are accounted for as an enterprise fund. The accounting principles for an enterprise fund more closely resemble those of a commercial entity than a government.

### Statement of Net Position

The statement of net position provides information about assets, deferred outflows of resources, obligations (liabilities), deferred inflows of resources, and the net position of the District, at a specific point in time. All amounts (except for investments in marketable debt securities) are shown at cost. Therefore, as a consequence of the cost basis reporting principle, the liabilities, deferred inflows of resources, and net position sections of this statement reveal the sources of the District's capital, and the assets and deferred outflows of resources section shows how the capital has been used. The net position section reveals the life-to-date results of operations. Current assets and current liabilities are shown separately from other assets and liabilities to enable the reader to evaluate the adequacy of the District's working capital. Working capital is the excess of current assets over current liabilities, and current assets and current liabilities are those unrestricted amounts which liquidate within one year.

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

The statement of revenues, expenses, and changes in net position provides information regarding the District's financial performance during the year. The difference between revenues (with capital contributions) and expenses is the change in net position for the period. The total net position in the statement of net position represents the life-to-date accumulation of changes in net position.

Revenues earned and expenses incurred during the year are presented in two categories: operating and nonoperating. This allows the reader to evaluate the financial results of operating activities separately from other sources of income and expense.

Income from the Tri-Dam entities is shown as nonoperating revenues because the District delegates operation of those activities to the joint venture organization (Tri-Dam Project) and the Tri-Dam Power Authority. The statement ends by showing how net income for the year, including capital contributions, accounts for the change in net position that occurred during the year.

### Statement of Cash Flows

Because revenues and expenses are not identical to cash flows, generally accepted accounting principles require the statement of cash flows. The statement of cash flows reports sources and uses of cash in four categories: operating activities, noncapital financing activities, capital and related financing activities, and investing activities. The statement also presents a reconciliation of the differences between net loss from operations and net cash used by operations.

## Financial Highlights

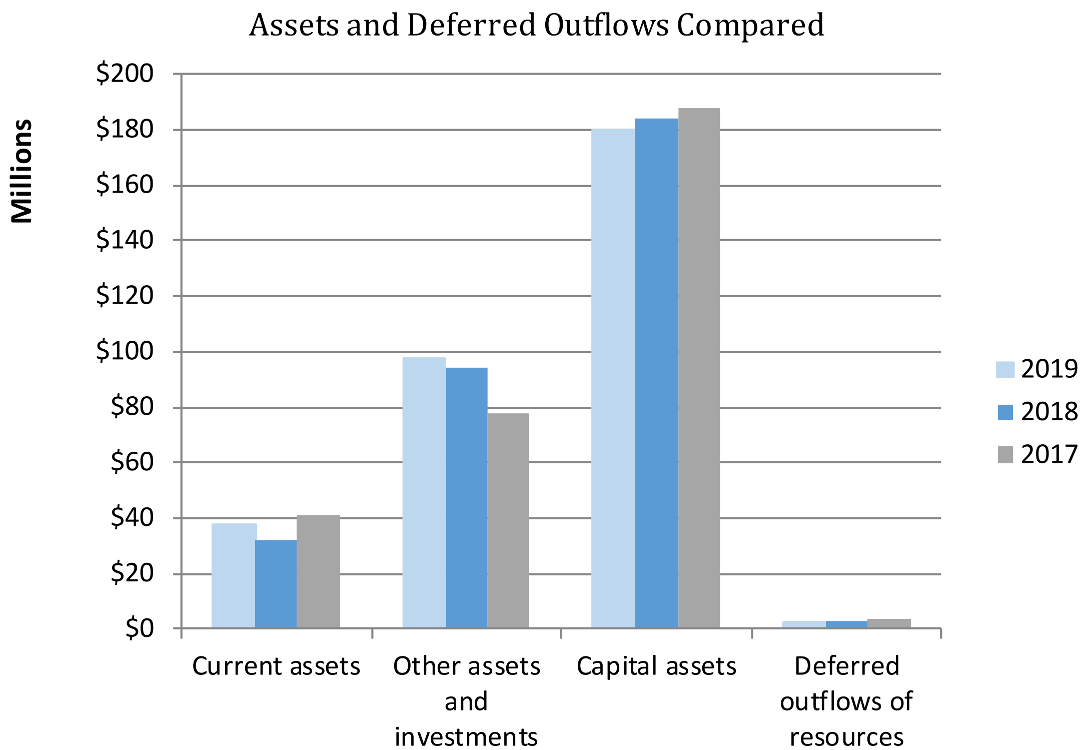
Highlights from the financial statements are discussed below.

### Statements of Net Position Discussion

Condensed Statement of Net Position

As of December 31

| | 2019 | 2018 | Restated 2017 |
|---|---|---|---|
| Current assets | $ 38,068,402 | $ 31,929,077 | $ 40,918,810 |
| Other assets and investments | 97,895,016 | 94,222,667 | 77,436,687 |
| Capital assets | 180,033,783 | 183,717,914 | 187,844,204 |
| **Total assets** | 315,997,201 | 309,869,658 | 306,199,701 |
| Deferred outflows of resources | 2,718,191 | 2,967,408 | 3,337,179 |
| **Total assets and deferred outflows** | $ 318,715,392 | $ 312,837,066 | $ 309,536,880 |
| Current liabilities | $ 3,813,964 | $ 5,694,501 | $ 6,453,372 |
| Long-term liabilities | 15,275,045 | 14,197,626 | 16,961,139 |
| **Total Liabilities** | 19,089,009 | 19,892,127 | 23,414,511 |
| Deferred inflows of resources | 639,399 | 732,144 | 499,938 |
| **Total liabilities and deferred inflows** | 19,728,408 | 20,624,271 | 23,914,449 |
| Net investment in capital assets | 180,033,783 | 181,133,280 | 182,756,899 |
| Restricted net position | 8,256,768 | 9,498,069 | 8,373,731 |
| Unrestricted position | 110,696,433 | 101,581,446 | 94,491,801 |
| **Total net position** | 298,986,984 | 292,212,795 | 285,622,431 |
| **Total liabilities, deferred inflows, and net position** | $ 318,715,392 | $ 312,837,066 | $ 309,536,880 |




- Total assets and deferred outflows of resources

  Total assets and deferred outflows of resources increased $5.9 million (2%) in 2019, mainly the result of the change in current assets, and increased $3.3 million (1%) in 2018 due to the change in other assets and investments.

- Current assets

  In 2019, current assets increased $6.1 million (19%); most of which is attributable to a $4.4 million (21%) increase in investments in securities with short term maturities. Also contributing to the current asset increase is the $955 thousand (41%) increase in accounts receivable, mainly due to treated water sales; and $844 thousand (11%) increase in unrestricted cash and cash equivalents.

  Current assets decreased $9.0 million (22%) in 2018 mostly because cash and investments were down by $5.9 million (17%) due to a shift of investments from short term to long term maturities. Also contributing to the decrease was the $2.3 million (85%) decline in the property tax revenue receivable. Typically, property tax revenue installments are received in January and April, though they are recognized as revenue and a correlating revenue receivable in the preceding year. At December 31, 2018, the property tax receivable consists of only the April 2019 installment as the January 2019 installment was actually received in December 2018. However, at December 31, 2017, the property tax receivable consists of both installments.

- Other assets and investments

  In 2019, other assets and investments increased $3.7 million (4%) due to a $5.2 million (13%) increase in the investment in the Tri-Dam Project (which is SSJID's share of the amount of 2019 earnings retained in the Tri-Dam Project) and a $1.5 million (3%) decrease in noncurrent cash and investments.

  Other assets and investments increased $16.8 million (22%) in 2018 due to a $21.6 million (67%) growth in noncurrent cash and investments and a $4.8 million (11%) decrease in the investment in the Tri-Dam Project. The Tri-Dam net position declined as cash distributions to member Districts exceeded net income.

- Capital assets

  Capital assets decreased $3.7 million (2%) in 2019 and $4.1 million (2%) in 2018 as additions were exceeded by depreciation expense. See Note 6 for further information about capital assets.

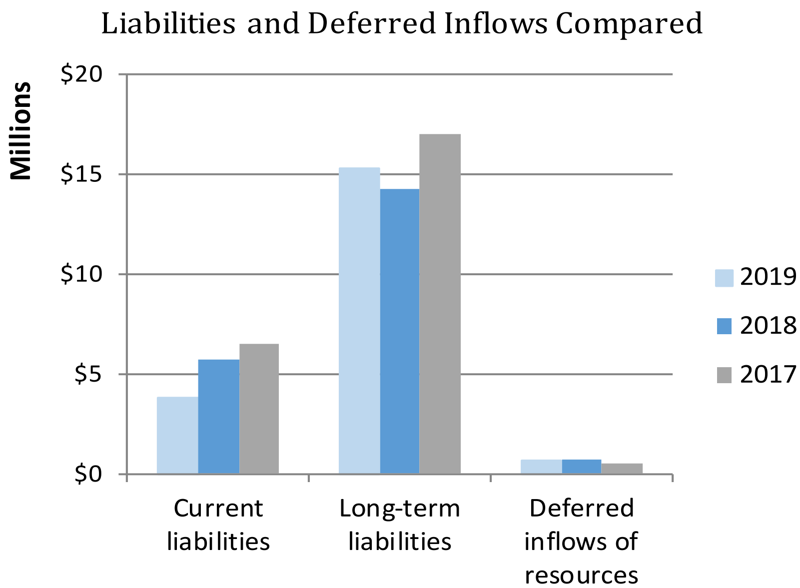
- Deferred outflows of resources

  In 2019, deferred outflows of resources decreased $249 thousand (8%) in 2019 as a result of a decrease in deferred outflow for the other post-employment benefit (OPEB) plan of $261 thousand (46%), a decrease in deferred outflow for refunding of long-term debt of $7 thousand (100%) due to scheduled amortization over the remaining term of the 2012A bonds, and an increase in deferred outflow for pension plans of $19 thousand (1%).

  Deferred outflows of resources decreased $370 thousand (11%) in 2018 as a result of a decrease in deferred outflow for pension plans of $739 thousand (24%), a decrease in deferred outflow for refunding of long-term debt of $50 thousand (87%) due to scheduled amortization over the remaining term of the 2012A bonds, and an increase in deferred outflow for OPEB of $419 thousand (272%).

  The deferred outflow for refunding of long-term debt arose in 2012 when the 2008A certificates of participation were refunded by the issuance of the 2012A bond series. The amount paid into escrow by the District to defease the 2008A certificates of participation exceeded the book value of the 2008A debt and this excess is the original amount of the deferred outflow. The 2008A debt was defeased more than a year in advance of the next available call date so the defeasing escrow had to be sufficient to cover some interest payments as well as the principal amount of the outstanding 2008A certificates of participation. Mostly for this reason, the payment to escrow was more than the book value of the 2008A debt.

  As required by GASB Statement No. 68 (GASB 68), the changes in certain components of the net pension liability are added to or subtracted from deferred outflows or inflows of resources and then amortized to pension expense over the estimated average remaining service life of the plan members (or 5 years for differences between projected and actual earnings on plan investments) in order to reduce year-to-year volatility of pension expense. The same method is applied to the net OPEB liability and OPEB expense, per GASB Statement No. 75 (GASB 75).




- Total liabilities and deferred inflows of resources

Total liabilities and deferred inflows of resources decreased $896 thousand (4%) in 2019, mostly the result of the change in current liabilities, and decreased $3.3 million (14%) in 2018 mainly due to the change in long-term liabilities.

- Current liabilities

The $1.9 million (33%) decrease in current liabilities in 2019 is mainly due to the District having made the final payment on its 2012A refunding bonds in 2019, which eliminated the current portion of outstanding debt and decreased current liabilities by $2.6 million (100%). The $2.6 million (100%) decrease was offset by a $457 thousand (113%) increase in accounts payable and the current portion of the liability for compensated absences rose by $220 thousand (26%).

Current liabilities decreased $759 thousand (12%) in 2018 as the current portion of the liability for compensated absences dropped $590 thousand (41%). The rest of the decrease in current liabilities was caused by accounts payable.

- Long-term liabilities

In 2019, long-term liabilities increased $1.1 million (8%) mainly the result of a $935 thousand (8%) increase in the net pension liability. Contributing to the increase was a

$156 thousand (31%) change in the long-term portion of the compensated absences liability.

Long-term liabilities decreased about $2.8 million (16%) in 2018 mainly as the result of a decrease in long-term debt from $2.6 million to zero as the final payment on the 2012A refunding bonds was due October 1, 2019. The final payment amount is reported in current liabilities. Though the net pension liability decreased $383 thousand in 2018, this was offset by an increase of $361 thousand (249%) in the long-term portion of compensated absences.

- Deferred inflows of resources

Deferred inflows of resources decreased $93 thousand (13%) in 2019 and increased $232 thousand (46%) in 2018 as consequences of certain changes in the net pension and net OPEB liabilities resulting from actuarial information provided by California Public Employees' Retirement System (CalPERS) and the District's actuary, respectively. Per GASB 68 and 75, these changes are added to deferred inflows of resources and then amortized to pension or OPEB expense over the estimated average remaining service life of the plan members (or 5 years for differences between projected and actual earnings on plan investments) in order to reduce year-to-year volatility of pension and OPEB expense.

- Net position

Total net position increased $6.8 million (2%) in 2019 and $6.6 million (2%) in 2018. The components of changes in net position for each year are detailed in the statement of revenues, expenses, and changes in net position. See Note 9 for further information on net position.

Restricted net position consists of restricted assets less associated liabilities of which there are none. Restricted net position for the years ending December 31 is equal to total restricted assets in the table below:

| **Restricted Assets** | **2019** | **2018** | **2017** |
|---|---|---|---|
| Debt service reserve fund | $ - | $ 1,815,403 | $ 1,802,137 |
| Capital replacement fund - water treatment plant | 8,202,488 | 7,632,073 | 6,504,498 |
| Accrued interest receivable on restricted investments | 54,280 | 50,593 | 67,096 |
| Total restricted assets | $ 8,256,768 | $ 9,498,069 | $ 8,373,731 |

## Revenues and Expenses Discussion

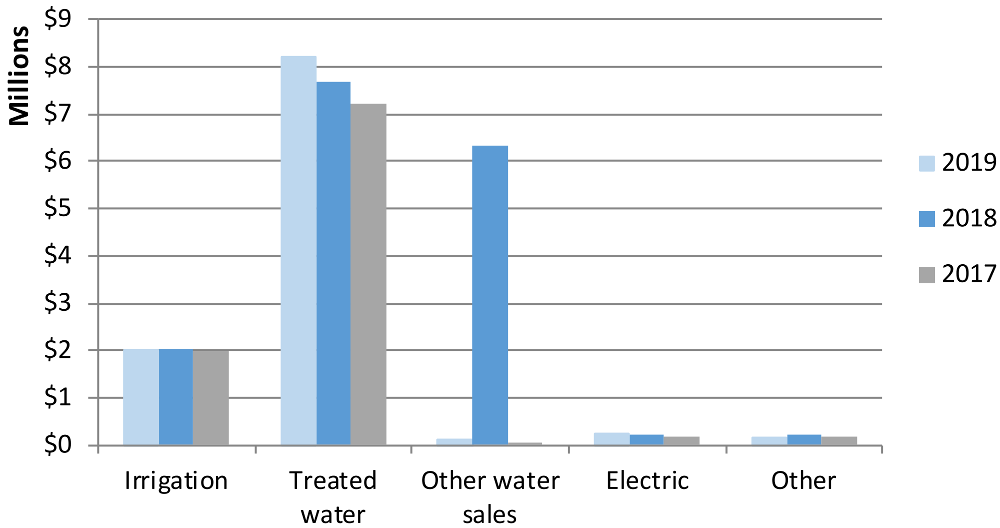
### Condensed Statements of Revenues, Expenses, and Changes in Net Position

For the Years Ended December 31

| | 2019 | 2018 | Restated 2017 |
|---|---|---|---|
| Irrigation sales | $ 2,000,274 | $ 2,033,942 | $ 1,990,097 |
| Treated water sales | 8,200,804 | 7,666,881 | 7,215,164 |
| Other water sales | 103,958 | 6,315,739 | 46,920 |
| Other income | 406,638 | 428,556 | 390,318 |
| **Total Operating Revenues** | 10,711,674 | 16,445,118 | 9,642,499 |
| Labor | 16,022,753 | 14,215,507 | 15,922,724 |
| Other operating and maintenance | 4,720,651 | 4,135,417 | 3,454,703 |
| General and administrative | 2,963,761 | 3,361,307 | 7,061,164 |
| Depreciation | 7,412,473 | 7,357,558 | 7,457,204 |
| **Total Operating Expenses** | 31,119,638 | 29,069,789 | 33,895,795 |
| **Net Income (Loss) From Operations** | (20,407,964) | (12,624,671) | (24,253,296) |
| Net nonoperating revenues | 25,402,165 | 16,843,981 | 24,916,170 |
| **Net Income (Loss) Before Contributions** | 4,994,201 | 4,219,310 | 662,874 |
| Capital contributions | 1,779,988 | 2,371,054 | 2,002,222 |
| **Change in Net Position** | 6,774,189 | 6,590,364 | 2,665,096 |
| Net Position, Beginning of Year as Previously Reported | 292,212,795 | 285,622,431 | 280,355,135 |
| Restatement | - | - | 2,602,200 |
| Net Position, Beginning of Year Restated | 292,212,795 | 285,622,431 | 282,957,335 |
| **Net Position, End of Year** | $ 298,986,984 | $ 292,212,795 | $ 285,622,431 |

In the statement of revenues, expenses, and changes in net position for the year ended December 31, 2017, beginning net position is restated to show the effects of implementing a new accounting standard for OPEB, GASB 75. The implementation of GASB 75 affects financial statements for all past years beginning with the inception of the OPEB plan. Restatement of past financial statements is not required when infeasible. It is not feasible to restate financial statements for years before 2017.

Operating Revenues Compared




- Total operating revenues

  Total operating revenues fell by $5.7 million (35%) in 2019 after rising $6.8 million (71%) in 2018. The wide swing was the result of other water sales in 2018.

- Other water sales

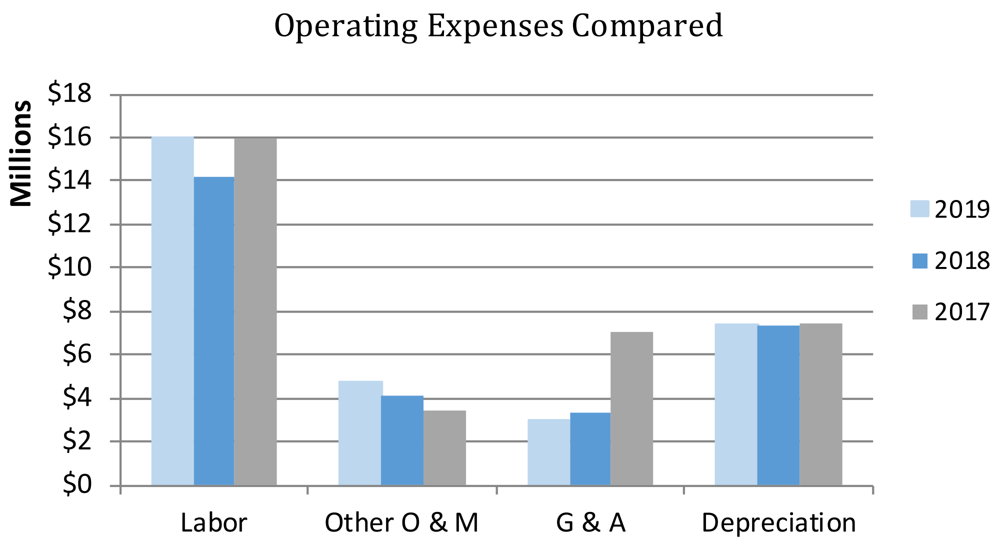
  Other water sales dropped $6.2 million (98%) in 2019 as the water sales which occurred in 2018 did not occur in 2019.

  Other water sales increased $6.3 million (13,361%) in 2018 due to a water transfer to the California Department of Water Resources and the San Luis & Delta-Mendota Water Authority. The purpose of these reservoir releases was to aid fish survival. The water sales which occurred in 2018 did not occur in 2017.

- Treated water sales

  Treated water sales to the cities of Manteca, Lathrop, and Tracy grew by $534 thousand (7%) in 2019 and by $452 thousand (6%) in 2018 as a consequence of growing demand.

- Irrigation, electric, and other income were nearly unchanged in 2019 and 2018.




- Total operating expenses

  Total operating expenses rose by $2 million (7%) in 2019 after falling $4.8 million (14%) in 2018. This fluctuation is mostly the result of pension and OPEB expense reporting under GASB 68 and 75, respectively. Further contributing to the decrease in 2018 was a decline in general and administrative expenses.

- Labor

  Total labor expense, and particularly employee benefits expense, has become much more volatile from year to year, starting in 2015, because of the new accounting standards for pension expense, net pension liability, OPEB expense and net OPEB liability promulgated as GASB 68 and GASB 75. This is why labor expense, including payroll taxes and benefits, rose $1.8 million (13%) in 2019 after falling $1.7 million (11%) in 2018. The largest component of these changes is pension and OPEB expense.

  Payroll rose $521,000 (7%) in 2019 and only $209,000 (3%) in 2018. Increases in both years are attributable to cost of living adjustments and in 2019, filling new and open positions as well.

  GASB 68 requires an annual adjustment to reflect the annual fluctuation in the estimated amount of the net pension liability and related deferred outflows and inflows of resources. Likewise, GASB 75 requires the same treatment for the net OPEB liability. These annual adjustments can either decrease or increase a year's pension and OPEB expenses by a material amount.

  In 2019, the GASB 68 adjustment increased pension expense $1.9 million above the amount of the District's pension contributions for the year. In 2018, the GASB 68 adjustment increased pension expense $1.3 million above the amount of the District's pension contributions for the year. These additions to pension expense do not represent any additional cash outlay or change in benefits in 2019 or 2018. They do represent growth in the net pension liability which will paid over a period of years or may be reduced by future changes in the actuarial estimate of the net pension liability. Employer contributions for normal cost run only about $1.2 million per year.

GASB 75 has similar effects. The annual GASB 75 adjustment increased the expense for OPEB by $118 thousand for 2019 and decreased expense by $289 thousand in 2018.

The wide year-to-year fluctuations of the GASB 68 adjustment are a direct result of wide year-to-year fluctuations in the estimated amount of the net pension liability. The amount of the net pension liability is a rough estimate provided to the District by CalPERS actuaries based on a number of critical assumptions that consistently materialize differently than expected. These differences from expectations are more volatile from year-to-year than over a much longer period. Likewise, there are wide fluctuations in the net other post-employment benefits liability as estimated by the District's actuary.

- Other operating and maintenance (O&M)

The $585 thousand (14%) increase in other operating and maintenance expenses in 2019 is mostly the result of a geotechnical study conducted as part of a feasibility analysis for a proposed tunnel to replace an unstable section of the District's supply canal between Goodwin and Woodward reservoirs, and repairs to an unstable rock slope above the same canal.

Other operating and maintenance expenses rose by $681 thousand (20%) in 2018. Purchases of certain supplies were accelerated late in 2018 to occur before significant price increases. Fuel and electricity costs also increased significantly.

- General and administrative (G&A)

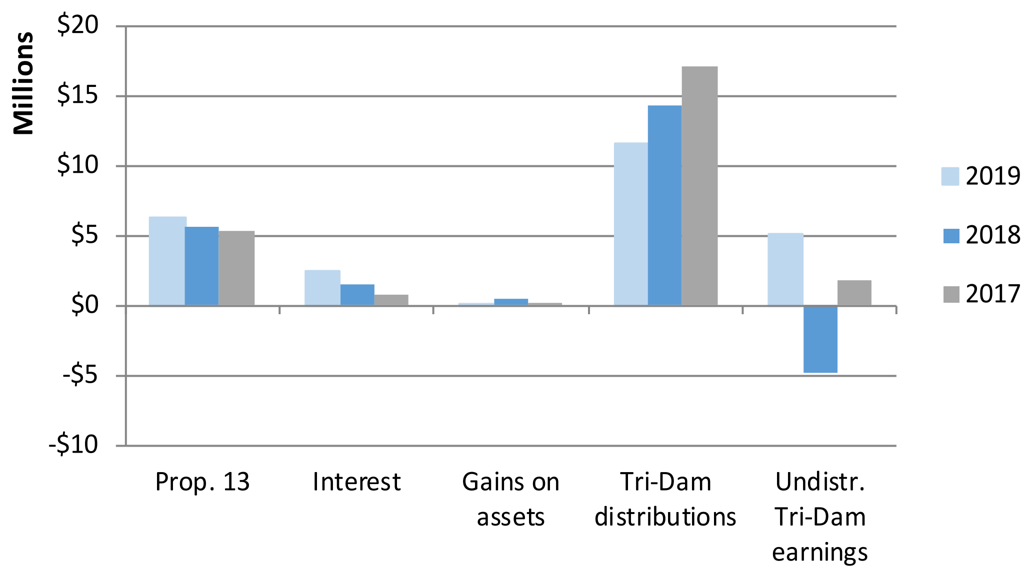
General and administrative expense fell by $398 thousand (12%) in 2019 mostly due to consultations that occurred in 2018, but not 2019, for irrigation distributions system improvement concepts and for water treatment plant operation.

General and administrative expense decreased $3.7 million (52%) in 2018 mainly due to a decline in legal fees related to the process to acquire electric distribution assets from Pacific Gas and Electric Company.

- Depreciation

Depreciation expense increased $55 thousand (less than 1%) in 2019 and decreased $100 thousand (1%) in 2018. The decrease in 2018 was due to the restatement of 2017 capital assets and depreciation.

Net Nonoperating Revenues Compared




- Net nonoperating revenues

  Overall net nonoperating revenues increased $8.6 million (51%) in 2019 after decreasing $8.1 million (32%) in 2018. The changes to net nonoperating revenues are the result of changes in undistributed earnings at Tri-Dam and distributions from Tri-Dam to SSJID.

- Tri-Dam earnings and distributions

  In 2019, SSJID's share of undistributed Tri-Dam earnings increased nearly $10 million (207%) while Tri-Dam distributions fell by $2.7 million (19%). These two causes net to $7.3 million and comprise 85% of the $8.6 million increase in net nonoperating revenues.

  In 2018, the Tri-Dam undistributed earnings were down $6.6 million (375%) and distributions were down $2.8 million (17%). These changes comprise $9.4 million, or 86%, of the $8.1 million decrease in net nonoperating revenues.

- Property tax (Prop. 13) and interest

  Property tax increased $648 thousand (12%) in 2019 and $291 thousand (6%) in 2018. Interest increased $139 thousand (6%) in 2019 and $218 thousand (11%) in 2018. All increases are reflections of economic conditions: increased local property valuations, rising interest rates, and increased reserve balances.

- Capital contributions

  Capital contributions decreased $591 thousand (25%) in 2019 and increased $369 thousand (18%) in 2018 due to variations in the amounts of new capital assets built by real estate developers and contributed to the District. See Note 10 for further information about capital contributions.

- Change in net position

  Change in net position increased $184 thousand (3%) in 2019 due mostly to earnings at Tri-Dam and increased $3.9 million (147%) in 2018; which was mainly the result of other water sales. See Note 9 for further information about change in net position.

## Capital Assets and Debt Discussion

### Summary of Capital Assets

For the Years Ended December 31

| | 2019 | 2018 | Restated 2017 |
|---|---|---|---|
| Land | $ 7,730,310 | $ 7,730,310 | $ 7,730,310 |
| Construction in progress | 1,281,448 | 740,127 | 263,628 |
| Water treatment plant & transmission line | 127,885,858 | 127,563,050 | 127,459,902 |
| Other buildings | 2,142,414 | 1,906,486 | 1,735,707 |
| Solar generating plant | 11,975,754 | 11,974,734 | 11,974,734 |
| Irrigation system | 116,257,260 | 114,643,696 | 112,850,442 |
| Vehicles and equipment | 16,643,285 | 16,277,215 | 15,945,706 |
| Total | 283,916,329 | 280,835,618 | 277,960,429 |
| Less: accumulated depreciation | (103,882,546) | (97,117,704) | (90,116,225) |
| Net capital assets | $ 180,033,783 | $ 183,717,914 | $ 187,844,204 |

- Capital assets

  Net capital assets showed a net decrease of $3.7 million (2%) in 2019 and $4.1 million (2%) in 2018 as depreciation exceeded additions in both years. In 2019, the net amount of additions and disposals were $3.1 million, or 1.1%, and mostly related to the irrigation distribution system. In 2018, the net amount of additions and disposals was $2.9 million, or 1%, and were also mostly for improvements to the irrigation distribution system. See Note 6 for additional information about capital assets.

### Summary of Long Term Debt

For the Years Ended December 31

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| 2012A bonds incl. original issue premium | $ - | $ 2,591,882 | $ 5,144,431 |

- Long-term debt

  Long-term debt decreased $2.6 million in 2019 and 2018, 100% and 50%, respectively, as consequences of scheduled debt service and amortization of the original issue premium. The current portion of the long-term debt shown above is $0 for 2019 and $2,591,882 for 2018. Debt service coverage ratios were 370% for 2019 and 763% for 2018. See Note 8 for additional information about long-term debt.

## Expectations for 2020

As of the date of this report, distributions of the Tri-Dam organizations are expected to increase about $1.3 million from the level of 2019. We do not expect any material effects from the coronavirus pandemic on SSJID's results of operations or financial position. Growth in demand for SSJID's potable water is expected to continue. Financial reserves are expected to increase during 2020.

## Requests for Information

This discussion is intended to provide management's perspective on the District's financial position and results of operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Assistant General Manager, PO Box 747, Ripon, CA 95366.

# Basic Financial Statements

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# South San Joaquin Irrigation District
## Statements of Net Position
December 31, 2019 and 2018

| | 2019 | 2018 |
|---|---|---|
| **ASSETS AND DEFERRED OUTFLOWS OF RESOURCES** | | |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash & cash equivalents - unrestricted | $ 8,184,144 | $ 7,340,514 |
| Investments in marketable securities | 25,494,197 | 21,063,214 |
| Accounts receivable | 3,266,963 | 2,311,656 |
| Accrued interest receivable - unrestricted | 381,876 | 471,954 |
| Prepaid expenses | 689,546 | 688,240 |
| Inventories | 51,676 | 53,499 |
| **Total Current Assets** | 38,068,402 | 31,929,077 |
| **Other Assets and Investments** | | |
| Cash & cash equivalents - restricted | 1,158,401 | 2,207,735 |
| Accrued interest receivable - restricted | 54,280 | 50,593 |
| Investments in securities - unrestricted (net of current amounts) | 44,306,520 | 44,557,363 |
| Investments in securities - restricted (reserves for debt service, water treatment plant) | 7,044,087 | 7,239,741 |
| Investment in Tri-Dam Project | 45,331,728 | 40,167,235 |
| **Total Other Assets and Investments** | 97,895,016 | 94,222,667 |
| **Capital Assets** | | |
| Non-depreciable | 9,011,758 | 8,470,437 |
| Depreciable | 274,904,571 | 272,365,181 |
| Less accumulated depreciation | (103,882,546) | (97,117,704) |
| **Total Capital Assets** | 180,033,783 | 183,717,914 |
| **TOTAL ASSETS** | 315,997,201 | 309,869,658 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Refunding of long term debt | - | 7,248 |
| Pension | 2,406,307 | 2,387,505 |
| Other post-employment benefits | 311,884 | 572,655 |
| **TOTAL DEFERRED OUTFLOWS OF RESOURCES** | 2,718,191 | 2,967,408 |
| **TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES** | $ 318,715,392 | $ 312,837,066 |

*The accompanying notes to the financial statements are an integral part of this statement.*

# South San Joaquin Irrigation District
## Statements of Net Position
December 31, 2019 and 2018

| | 2019 | 2018 |
|---|---|---|
| **LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION** | | |
| **LIABILITIES** | | |
| **Current Liabilities** | | |
| Accounts payable | $ 862,334 | $ 405,514 |
| Construction contract retentions payable | 27,033 | 2,747 |
| Accrued expenses | 523,479 | 510,782 |
| Unearned revenue | 1,317,713 | 1,320,432 |
| Current portion of long-term debt | - | 2,591,882 |
| Compensated absences | 1,083,405 | 863,144 |
| **Total Current Liabilities** | 3,813,964 | 5,694,501 |
| **Long-Term Liabilities** | | |
| Net other post-employment benefits liability | 1,304,934 | 1,319,080 |
| Compensated absences | 662,436 | 506,167 |
| Net pension liability | 13,307,675 | 12,372,379 |
| **Total Long-Term Liabilities** | 15,275,045 | 14,197,626 |
| **TOTAL LIABILITIES** | 19,089,009 | 19,892,127 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Pension | 639,399 | 603,530 |
| Other post-employment benefits | - | 128,614 |
| **TOTAL DEFERRED INFLOWS OF RESOURCES** | 639,399 | 732,144 |
| **NET POSITION** | | |
| Net investment in capital assets | 180,033,783 | 181,133,280 |
| Restricted | 8,256,768 | 9,498,069 |
| Unrestricted | 110,696,433 | 101,581,446 |
| **TOTAL NET POSITION** | 298,986,984 | 292,212,795 |
| **TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION** | $ 318,715,392 | $ 312,837,066 |

*The accompanying notes to the financial statements are an integral part of this statement.*

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

| | 2019 | 2018 |
|---|---|---|
| **OPERATING REVENUES** | | |
| Irrigation sales | $ 2,000,274 | $ 2,033,942 |
| Treated water sales | 8,200,804 | 7,666,881 |
| Other water sales | 103,958 | 6,315,739 |
| Electric sales | 227,181 | 213,919 |
| Other | 179,457 | 214,637 |
| **Total Operating Revenues** | 10,711,674 | 16,445,118 |
| **OPERATING EXPENSES** | | |
| Wages | 7,908,318 | 7,387,348 |
| Payroll taxes and benefits | 8,114,435 | 6,828,159 |
| Materials and supplies | 2,101,052 | 1,955,426 |
| Maintenance, repairs, and improvements | 1,360,661 | 928,739 |
| Utilities | 1,258,938 | 1,251,252 |
| General and administrative | 2,963,761 | 3,361,307 |
| Depreciation | 7,412,473 | 7,357,558 |
| **Total Operating Expenses** | 31,119,638 | 29,069,789 |
| **NET LOSS FROM OPERATIONS** | (20,407,964) | (12,624,671) |
| **NONOPERATING REVENUES (EXPENSES)** | | |
| Proposition 13 subvention property taxes | 6,263,117 | 5,615,353 |
| Interest income | 2,360,097 | 2,220,769 |
| Changes in fair value of investments | 84,577 | (720,551) |
| Interest expense | (47,086) | (117,480) |
| Gain (loss) on property and equipment | 16,967 | 404,085 |
| Tri-Dam Power Authority distributions | 2,434,000 | 3,691,500 |
| Tri-Dam Project distributions | 9,126,000 | 10,559,500 |
| Undistributed earnings of Tri-Dam Project | 5,164,493 | (4,809,195) |
| **Total Nonoperating Revenues (Expenses)** | 25,402,165 | 16,843,981 |
| **NET INCOME BEFORE CAPITAL CONTRIBUTIONS** | 4,994,201 | 4,219,310 |
| **CAPITAL CONTRIBUTIONS** | 1,779,988 | 2,371,054 |
| **CHANGE IN NET POSITION** | 6,774,189 | 6,590,364 |
| **NET POSITION, BEGINNING OF YEAR** | 292,212,795 | 285,622,431 |
| **NET POSITION, END OF YEAR** | $ 298,986,984 | $ 292,212,795 |

*The accompanying notes to the financial statements are an integral part of this statement.*

# South San Joaquin Irrigation District
## Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

| | 2019 | 2018 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Receipts from customers | $ 11,603,608 | $ 19,090,094 |
| Other receipts | 30,801 | 10,640 |
| Payments for goods and services | (14,437,761) | (15,272,716) |
| Payments to employees for services | (9,190,240) | (8,624,836) |
| **Cash Used by Operating Activities** | (11,993,592) | (4,796,818) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | |
| Property tax receipts | 6,233,642 | 7,912,513 |
| Tri Dam Power Authority cash distributions | 2,434,000 | 3,691,500 |
| **Cash Provided by Noncapital Financing Activities** | 8,667,642 | 11,604,013 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | |
| Capital contributions | 1,503,282 | 1,138,567 |
| Proceeds from the sale of capital assets | 154,211 | 434,900 |
| Purchase of capital assets | (3,552,659) | (2,046,621) |
| Principal payments on long-term debt | (2,545,000) | (2,445,000) |
| Interest payments on long-term debt | (112,170) | (199,600) |
| **Cash Used by Capital and Related Financing Activities** | (4,552,336) | (3,117,754) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Interest received | 2,599,628 | 1,463,514 |
| Purchases of investment securities | (90,084,285) | (63,931,220) |
| Proceeds from sales and maturities of investment securities | 86,031,239 | 45,356,507 |
| Tri Dam Project cash distributions | 9,126,000 | 10,559,500 |
| **Cash Provided (Used) by Investing Activities** | 7,672,582 | (6,551,699) |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | (205,704) | (2,862,258) |
| Cash and Cash Equivalents at Beginning of Year | 9,548,249 | 12,410,507 |
| **Cash and Cash Equivalents at End of Year** | $ 9,342,545 | $ 9,548,249 |
| | | |
| **RECONCILIATION OF CASH TO BALANCE SHEET** | | |
| Cash & cash equivalents - unrestricted | $ 8,184,144 | $ 7,340,514 |
| Cash & cash equivalents - restricted | 1,158,401 | 2,207,735 |
| Cash & cash equivalents - total | $ 9,342,545 | $ 9,548,249 |

*The accompanying notes to the financial statements are an integral part of this statement.*

# Statements of Cash Flows

For the Years Ended December 31, 2019 and 2018

| | 2019 | 2018 |
|---|---|---|
| **RECONCILIATION OF NET LOSS FROM OPERATIONS TO CASH USED BY OPERATING ACTIVITIES** | | |
| **Net Loss From Operations** | $ (20,407,964) | $ (12,624,671) |
| Depreciation | 7,412,473 | 7,357,558 |
| **(Increase) Decrease in Operating Assets** | | |
| Accounts receivable | (925,833) | 902,415 |
| Prepaid expenses | (1,306) | (57,426) |
| Inventories | 1,823 | 1,568 |
| Deferred outflows of resources - pension | (18,802) | 738,737 |
| Deferred outflows of resources - other post empoyment benefits | 260,771 | (418,844) |
| **Increase (Decrease) in Operating Liabilities** | | |
| Accounts payable | 444,883 | (284,762) |
| Accrued expenses | 38,147 | 122,306 |
| Unearned revenue | (2,719) | (4,293) |
| Compensated absences | 376,530 | (228,887) |
| Deferred inflows of resources - pension | 35,869 | 103,592 |
| Deferred inflows of resources - other post employment benefits | (128,614) | 128,614 |
| Net pension liability | 935,296 | (383,016) |
| Net other post employment benefits liability | (14,146) | (149,709) |
| **Cash Used by Operating Activities** | $ (11,993,592) | $ (4,796,818) |
| **SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES** | | |
| Assets received as capital contributions | $ 276,706 | $ 1,232,487 |
| Increase (Decrease) in fair value of investments in marketable securities | 84,577 | (720,551) |
| Increase (Decrease) in investment in Tri Dam Project, net of cash received | 5,164,493 | (4,809,195) |

*The accompanying notes to the financial statements are an integral part of this statement.*

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# Notes to the Financial Statements

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# Notes to the Financial Statements

***NOTE 1 – Organization and Description of Business***

The South San Joaquin Irrigation District (District) was formed in 1909 and operates as a special district of the State of California under the California Water Code, which authorizes the District to provide water, electricity, drainage, and related recreational facilities. The District provides and distributes irrigation water from the Stanislaus River and from groundwater, to a region surrounding the cities of Manteca, Escalon and Ripon. The boundaries encompass about 72,200 acres. The District also owns and operates the Nick C. DeGroot Water Treatment Plant which processes potable water for the cities of Manteca, Escalon, Tracy, and Lathrop. The South San Joaquin Irrigation District also operates three dams and four hydroelectric generating plants on the Stanislaus River jointly with the Oakdale Irrigation District through a joint venture called the Tri-Dam Project and a joint powers authority called the Tri-Dam Power Authority.

The District is governed by an elected five-member board of directors. The board of directors has the authority to fix rates and charges for the District's commodities and services. The District may also incur indebtedness, including issuing bonds and certificates of participation, and is exempt from federal and state income taxes.

***NOTE 2 – Summary of Significant Accounting Policies***

Significant accounting policies are those where generally accepted accounting principles require the District to choose from allowable alternative methods as required by GASB code sec. 2300.

**A. Reporting Entity**

Tri-Dam Project is a joint venture formed in 1948 under a joint cooperation agreement between the District and the Oakdale Irrigation District for the purpose of operating the dams, reservoirs, canals, and hydroelectric generating plants jointly and equally owned by the District and the Oakdale Irrigation District. As required by Governmental Accounting Standards Board Statement numbers 14 and 61, these financial statements present the District as well as the District's one half share of the Tri-Dam Project because the District has an equity interest in Tri-Dam Project. Tri-Dam Project also issues separate financial statements which may be obtained by writing to PO Box 1158, Pinecrest, CA 95364-0158 or by sending an email message to clerk@tridamproject.com or on the internet at http://www.tridamproject.com/reports.aspx.

The District is a member, with the Oakdale Irrigation District, in the Tri-Dam Power Authority which owns and operates a hydroelectric generating plant at Sandbar on the Stanislaus River. The Tri-Dam Power Authority is a joint powers authority and issues its own audited financial statements which may be obtained by writing to PO Box 1158, Pinecrest, CA 95364-0158 or by sending an email message to clerk@tridamproject.com or on the internet at http://www.tridamproject.com/reports.aspx. These financial statements do not include the Tri-Dam Power Authority because the District has only a residual interest, not an equity interest, in the assets of Tri-Dam Power Authority.

The District is a member of the San Joaquin River Group Authority (SJRGA), and also of the San Joaquin Tributaries Authority (SJTA). The SJRGA was created in 1996 as a joint powers authority consisting of the District, Modesto Irrigation District, Oakdale Irrigation District, Turlock Irrigation District, Friant Water Users Authority, and San Joaquin River Exchange Contractors Water Authority in order to represent these organizations in the monitoring and mitigation of regulatory issues involving water rights and supply, including the environmental conditions in the Delta which impact the members. The agreement terminates in December 2036, unless extended by the participants. The SJTA was formed in 2012 for similar purposes with the District, Modesto Irrigation District, Oakdale Irrigation District, Turlock Irrigation District, and the City and County of San Francisco as members. These financial statements do not include the SJRGA or the SJTA because the District has only a residual interest, not an equity interest, in the assets of these entities. Both the SJRGA and the SJTA issue financial statements which can be obtained by contacting the executive director of the SJTA at http://calsmartwater.org/contact/.

The District is a member of the South San Joaquin Groundwater Sustainability Agency (SSJGSA). The SSJGSA was formed April 5, 2017 by the execution of a memorandum of understanding among SSJID, the City of Ripon, and the City of Escalon, who are the three members of the SSJGSA. The SSJGSA is a groundwater sustainability agency formed pursuant to California's Sustainable Groundwater Management Act of 2014 for the purpose of developing and administering a groundwater sustainability plan in compliance with the Sustainable Groundwater Management Act. The memorandum of understanding provides that the members shall mutually develop a cost sharing agreement covering the costs of operating the SSJGSA. Effective for the year ending December 31, 2018, members developed the following cost sharing agreement:

| Member | Member's share of responsibility |
|---|---|
| SSJID | 85% |
| City of Ripon | 10% |
| City of Escalon | 5% |
| Total | 100% |

The SSJGSA had no assets, liabilities, or revenues as of December 31, 2018 or December 31, 2019 and issued no financial statements for 2018 or 2019.

**B. Basis of Accounting**

These financial statements are prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for accounting standards followed by governmental entities in the United States. The District is presented as a single enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business where activities are financed in whole or in substantial part by fees charged in exchange for goods and services provided by the District. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. For example, revenues are recognized when earned rather than when received, and expenses are recorded when incurred rather than when paid.

Internal transactions between operating divisions of the District have been recorded for management purposes. These internal transactions have been eliminated to avoid double counting of revenues and expenses in the consolidated financial statements.

GASB requires a distinction in the financial statements between operating and nonoperating revenues and expenses, but GASB has not established a standard for the distinction. The District classifies as operating revenues those charges for goods and services which constitute the primary business activities of the District. Operating expenses are those required to provide the primary goods and services of the District and to earn the operating revenues.

**C. Cash and Cash Equivalents**

GAAP allows a financial statement issuer to choose the focus of the statement of cash flows as either cash or “cash and cash equivalents”. The District reports restricted and unrestricted cash, including bank deposits and the District’s investment in the State of California Local Agency Investment Fund (LAIF), as well as cash equivalents in the statement of cash flows. The District defines cash equivalents as certain highly liquid investments with an original maturity of three months or less, including only money market mutual funds. Other securities with an original maturity of three months or less not meeting this definition are not reported as cash equivalents.

**D. Investment Basis**

All investments are carried at their fair value. Fair values may have changed significantly after year-end.

**E. Restricted Assets**

The use of some assets can be restricted to certain purposes by law, by grantors of the assets, by enforceable legislative acts of the District’s board of directors, or by contracts to which the District is a party. When the District has a choice to use either restricted or unrestricted funds, the District’s policy is normally to use restricted funds first. The debt service reserve is established under the terms of the 2012A Revenue Refunding Bonds to be used in the event of inadequate funds to pay debt service. The capital replacement reserve of the water treatment plant is funded by the municipal wholesale customers under an agreement that limits the use of those funds to the cost of capital assets of the water treatment plant.

**F. Accounts Receivable**

Trade and property tax receivables are not shown net of an allowance for uncollectible amounts because the amounts estimated by management to be uncollectible are deemed immaterial. State statute provides that only the county may levy property taxes. The county is responsible for the collection of taxes and the allocation of tax revenues to applicable jurisdictions. Property taxes are levied, collected and allocated on a fiscal year (July to June) basis. Property taxes are levied in September and are due to the county on November 1 and March 1. The District receives property tax revenues pursuant to an arrangement with San Joaquin County known as the “Teeter Plan”. Under the plan, the County pays the full tax allocation to the District, regardless of tax revenue actually collected, and assumes responsibility for the collection of delinquent taxes. The District recognizes property tax revenues in the year for which they are levied.

**G. Inventory**

Inventories are valued at cost based upon physical determinations made at the end of each year. Inventories are assumed to be consumed on the “last in, first out” basis.

**H. Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid expenses in the financial statements.

**I. Capital Assets**

Property, plant, equipment and infrastructure are reported at historical cost. Items costing at least $10,000 with an estimated useful life of more than one year are capitalized. Donated property and assets constructed by developers are recorded at their acquisition value at the date of donation. Depreciation is provided using the straight-line method for capital assets other than land and construction work in progress. Estimated useful lives as are follows:

| Assets | Years |
|---|---|
| Dams, canals and distribution laterals | 25-100 |
| Pumping equipment and turbines | 10-50 |
| Drainage laterals | 40-100 |
| Buildings | 19-40 |
| Machinery and equipment | 5-20 |
| Office equipment | 3-15 |
| Vehicles and trucks | 4-10 |

**J. Compensated Absences**

The total amount of liability for compensated absences is reflected in the basic financial statements. It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is liability for all unpaid vacation time and for varying portions of unpaid accumulated sick leave. According to the District's collective bargaining agreements with its employees, upon retirement or other termination of employment, the value of an employee's unused vacation time, and a varying portion of unused sick leave, will be paid to the employee. Instead of receiving cash for unused sick leave upon retirement, qualified employees may elect to exchange some or all of their unused sick leave for other post-employment benefits (OPEB). The financial statements report the amount of the liability for OPEB estimated by a professional actuary as explained in Note 12. The amount of the OPEB liability depends on an actuarial estimate of how many sick leave hours, attributable to past service as of the statement of net position date, will eventually be exchanged for OPEB. This quantity of sick leave hours is excluded from the estimation of the compensated absences liability.

**K. Long-Term Debt**

Bond premiums and deferred amounts on refunding are deferred and amortized over the life of the related debt. Bonds payable are reported inclusive of the applicable bond premium. Deferred amounts on refunding are reported as deferred inflows or outflows of resources on the statement of net position. Debt issuance costs have been expensed as incurred.

**L. Pensions**

For purposes of measuring the net pension liability and deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's CalPERS plan and additions to and deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by

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

**M. Other Post-Employment Benefits (OPEB)**

For purposes of measuring the net OPEB liability and deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's OPEB plan and additions to and deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS who administers the District's OPEB trust. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value.

**N. Deferred Inflows and Outflows of Resources**

In addition to assets and liabilities, the statement of net position reports separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources represent an acquisition of net position that is applicable to a future reporting period. These amounts will not be recognized as an outflow of resources (expense) or an inflow of resources (revenue) until the earnings process is complete. Deferred outflows and inflows of resources include amounts deferred related to the District's pension plans under GASB Statement No. 68 as described in Note 11, the District's other post-employment benefits plan under GASB 75 as described in Note 12 as well as the District's refunded long-term bonds as described in Management's Discussion and Analysis.

**O. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**P. Reclassifications**

Certain accounts presented in the year ended December 31, 2018, financial statements may have been reclassified to be consistent with the current year's presentation. Such reclassifications have no effect on the net position.

***NOTE 3 – Cash and Investments***

### A. Classification

Cash and investments are classified in the financial statements as shown below at December 31:

| | 2019 | 2018 |
|---|---|---|
| **Cash and cash equivalents** | | |
| Cash and cash equivalents - unrestricted | $ 8,184,144 | $ 7,340,514 |
| Cash and cash equivalents - restricted | 1,158,401 | 2,207,735 |
| Total | 9,342,545 | 9,548,249 |
| **Investments in marketable securities** | | |
| Investments in marketable securities - current portion, unrestricted | 25,494,197 | 21,063,214 |
| Investments in marketable securities - noncurrent portion, unrestricted | 44,306,520 | 44,557,363 |
| Investments in securities - restricted (reserves for debt service, water treatment plant) | 7,044,087 | 7,239,741 |
| Total investments in marketable securities | 76,844,804 | 72,860,318 |
| **Total cash and investments** | $ 86,187,349 | $ 82,408,567 |

**B. Investment Policy**

Under the provisions of the District's investment policy, and in accordance with the California Government Code, the following investments are authorized:

| Authorized Investment Type | Maximum Maturity | Minimum Credit Quality | Maximum Percentage of Portfolio | Maximum Investment in One issuer |
|---|---|---|---|---|
| Bonds issued by the District | 5 years | None | None | N/A |
| Obligations issued by United States government or its agencies | 5 years | None | None | None |
| Obligations of any state or any local agency within any state in the United States | 5 years | None | None | None |
| Bankers acceptances | 180 days | None | 40% | 30% |
| Commercial paper | 270 days | A* | 25% | 10% |
| Negotiable certificates of deposits | 5 years | None | 30% | None |
| Medium term corporate notes | 5 years | A | 30% | None |
| California Local Agency Investment Fund | N/A | None | None | $ 65,000,000 |
| Collateralized obligations and mortgage backed bonds | 5 years | AA | 20% | None |
| Repurchase agreements | 1 year | None | None | None |
| Money market funds | N/A | AAA/Aaa** | 20% | 10% |
| Obligations of International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank | 5 years | AA | 30% | None |

* Must have highest rating from a nationally recognized statistical rating organization.

** Must have highest rating from no less than 2 nationally recognized statistical rating organizations.

The following table summarizes investments that are authorized by the District's long-term debt agreement, which are not subject to the limitations of the California Government Code:

| Authorized Investment Type | Maximum Maturity | Minimum Credit Quality | Maximum Percentage of Portfolio | Maximum Investment in One issuer |
|---|---|---|---|---|
| Cash | N/A | FDIC insured or collateralized | N/A | N/A |
| US Treasury obligations | N/A | N/A | N/A | N/A |
| US agency obligations representing full faith and credit of United States | N/A | N/A | N/A | N/A |
| Federal National Mortgage Association | N/A | N/A | N/A | N/A |
| Federal Home Loan Mortgage Corporation | 3 years | AAA/Aaa | N/A | N/A |
| Deposit accounts, CDs, federal funds and banker's acceptances with domestic banks | 360 days | FDIC insured or: A-1, A-1+, or P-1 | N/A | N/A |
| Commercial paper | 270 days | A-1+/P-1 | N/A | N/A |
| Money market fund | N/A | AAAm/AAArn-G | N/A | N/A |
| Pre-refunded municipal obligations from any US state | N/A | Highest of Moody's or S & P | N/A | N/A |
| Investment Agreements supported by opinions of counsel | N/A | AA by S&P | N/A | N/A |
| Local Agency Investment Fund | N/A | N/A | N/A | N/A |

### C. Interest Rate Risk and Credit Risk

Interest rate risk is the risk that increases in market interest rates will decrease the fair value of an investment. Normally, the longer the remaining maturity of an investment, the greater is the sensitivity of its fair value to changes in market interest rates. The District's investment policy limits exposure to interest rate risk by requiring that maturities be planned to accommodate the District's operating cash flow forecast so that securities can be held to maturity to avoid realizing losses on premature sales. Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations.

# Notes to the Financial Statements

Information about the interest rate risk and the credit risk of the District's investments is provided by the following tables that show the District's investments by maturity as of December 31 and the credit ratings assigned:

Investments by Maturity and Credit Rating

**2019**

| **Category**<br>Lower of Moody's or S&P Rating | **Year of Maturity**<br>**2020** | **2021** | **2022** | **2023** | **2024** | **Total** |
|---|---|---|---|---|---|---|
| **Federal, state and municipal** | | | | | | |
| AA- | $ 707,174 | $ - | $ - | $ - | $ - | $ 707,174 |
| AA+ | - | - | 1,915,192 | - | - | 1,915,192 |
| Aa3 | 774,943 | - | - | - | - | 774,943 |
| Aaa | 15,130,057 | 4,160,596 | 1,593,259 | - | 21,387,725 | 42,271,637 |
| Total | 16,612,174 | 4,160,596 | 3,508,451 | - | 21,387,725 | 45,668,946 |
| **Negotiable certificates of deposit** | | | | | | |
| FDIC Insured | 986,848 | 999,293 | - | - | - | 1,986,141 |
| Total | 986,848 | 999,293 | - | - | - | 1,986,141 |
| **Corporate debt** | | | | | | |
| A | 3,005,760 | 5,955,709 | - | - | - | 8,961,469 |
| A- | 780,250 | - | 6,740,182 | - | - | 7,520,432 |
| A+ | - | 365,504 | - | - | - | 365,504 |
| A1 | - | 1,005,850 | - | - | - | 1,005,850 |
| AA | 499,910 | 510,690 | - | - | - | 1,010,600 |
| AA- | 2,249,745 | 2,133,152 | - | - | - | 4,382,897 |
| AA+ | 500,365 | 502,975 | - | - | - | 1,003,340 |
| Aa3 | - | 405,400 | - | - | - | 405,400 |
| Aaa | 1,009,580 | - | - | - | - | 1,009,580 |
| A3 | 2,011,180 | 513,325 | - | - | - | 2,524,505 |
| BBB | 1,000,140 | - | - | - | - | 1,000,140 |
| Total | 11,056,930 | 11,392,605 | 6,740,182 | - | - | 29,189,717 |
| **Total** | $ 28,655,952 | $ 16,552,494 | $ 10,248,633 | $ - | $ 21,387,725 | $ 76,844,804 |

Investments by Maturity and Credit Rating

**2018**

| **Category** Lower of Moody's or S&P Rating | **Year of Maturity** 2019 | 2020 | 2021 | 2022 | 2023 | **Total** |
|---|---|---|---|---|---|---|
| **Federal, state and municipal** | | | | | | |
| A | $ 1,598,523 | $ - | $ - | $ - | $ - | $ 1,598,523 |
| AA- | 7,840,379 | - | - | - | - | 7,840,379 |
| AA+ | 192,879 | 1,992,520 | 2,139,043 | - | 26,235,507 | 30,559,949 |
| Aa3 | 4,173,157 | - | - | 1,486,408 | - | 5,659,565 |
| AAA | 2,270,071 | 1,489,595 | - | 9,609,893 | - | 13,369,559 |
| A3 | 31,463 | - | - | - | - | 31,463 |
| Total | 16,106,472 | 3,482,115 | 2,139,043 | 11,096,301 | 26,235,507 | 59,059,438 |
| **Negotiable certificates of deposit** | | | | | | |
| FDIC Insured | 4,387,065 | 976,356 | - | 978,207 | - | 6,341,628 |
| Total | 4,387,065 | 976,356 | - | 978,207 | - | 6,341,628 |
| **Corporate debt** | | | | | | |
| A | 167,292 | - | - | - | - | 167,292 |
| A- | - | - | - | 774,907 | - | 774,907 |
| A1 | 1,055,755 | 358,254 | - | - | - | 1,414,009 |
| A2 | 944,269 | - | - | - | - | 944,269 |
| AA | - | 503,555 | - | - | - | 503,555 |
| AA- | 566,854 | 596,616 | - | - | - | 1,163,470 |
| AA+ | - | 494,140 | - | - | - | 494,140 |
| AAA | - | - | - | 1,006,760 | - | 1,006,760 |
| A3 | - | - | - | 990,850 | - | 990,850 |
| Total | 2,734,170 | 1,952,565 | - | 2,772,517 | - | 7,459,252 |
| **Total** | $ 23,227,707 | $ 6,411,036 | $ 2,139,043 | $ 14,847,025 | $ 26,235,507 | $ 72,860,318 |

The District is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429.1 under the oversight of the Treasurer of the State of California. The District reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, notes and bills of the United States Treasury, and of corporations. The maximum investment allowed per the State Treasurer is $65 Million.

**D. Concentration of Credit Risk**

Investments in the securities of any individual issuer, other than U.S. Treasury securities, mutual funds, and external investment funds, which represent 5% or more of total District-wide investments were as follows at December 31:

**2019**

| Issuer | Investment Type | | Amount |
|---|---|---|---|
| Federal Home Loan Mortgage Corporation | U. S. Agencies | $ | 20,803,667 |
| Bank of America Corp | Corporate Notes | | 6,740,182 |

**2018**

| Issuer | Investment Type | | Amount |
|---|---|---|---|
| Federal Home Loan Mortgage Corporation | U. S. Agencies | $ | 30,367,072 |
| State Of California | Municipal Bonds | | 10,915,529 |

At December 31, 2019 cash and investments included $3,842,891 held in commercial banks and at December 31, 2018 cash and investments included $10,195,719 held in commercial banks, all of which was either insured by the Federal Deposit Insurance Corporation or collateralized as required by State Law (Government Code Section 53630).

**E. Fair Value Hierarchy**

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

The following is a summary of the fair value hierarchy of the fair value of investments of the District as of December 31:

## Investments by Fair Value Level

**2019**

| | Exempt | Level 1 | Level 2 | Total |
|---|---|---|---|---|
| U. S. agency securities | $ - | $ - | $ 20,803,668 | $ 20,803,668 |
| U. S. treasury notes | - | 20,883,912 | - | 20,883,912 |
| State and municipal debt | - | - | 3,981,366 | 3,981,366 |
| Negotiable certificates of deposit | - | - | 1,986,141 | 1,986,141 |
| Medium term corporate notes | - | - | 29,189,717 | 29,189,717 |
| Local Agency Investment Fund | 4,280,535 | - | - | 4,280,535 |
| Money market mutual funds | - | 3,204,460 | - | 3,204,460 |
| Total investments | $ 4,280,535 | $ 24,088,372 | $ 55,960,892 | 84,329,799 |
| Cash in banks and on hand | | | | 1,857,550 |
| Total cash & investments | | | | $ 86,187,349 |

**2018**

| | Exempt | Level 1 | Level 2 | Total |
|---|---|---|---|---|
| U. S. agency securities | $ - | $ - | $ 30,367,072 | $ 30,367,072 |
| U. S. treasury notes | - | 12,092,219 | - | 12,092,219 |
| State and municipal debt | - | - | 16,600,147 | 16,600,147 |
| Negotiable certificates of deposit | - | - | 6,341,628 | 6,341,628 |
| Medium term corporate notes | - | - | 7,459,252 | 7,459,252 |
| Local Agency Investment Fund | 3,180,807 | - | - | 3,180,807 |
| Money market mutual funds | - | 2,512,551 | - | 2,512,551 |
| Total investments | $ 3,180,807 | $ 14,604,770 | $ 60,768,099 | 78,553,676 |
| Cash in banks and on hand | | | | 3,854,891 |
| Total cash & investments | | | | $ 82,408,567 |

U.S. Treasury notes, classified in Level 1 of the fair value hierarchy, are valued using unadjusted qualified prices in an active market for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Money market funds, classified in level 1 of the fair value hierarchy, are valued by Cantella & Co., Inc., U.S. agency securities, state and municipal debt, negotiable certificates of deposit, and medium-term corporate notes, classified in level 2 of the fair value hierarchy, are valued using one of the following: quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or significant other observable inputs. These prices are obtained from various pricing sources by the custodian bank.

### *NOTE 4 – Accounts Receivable*

Accounts receivable are composed of the following elements at December 31:

| | 2019 | 2018 |
|---|---|---|
| Proposition 13 subvention property taxes | $ 420,660 | $ 391,185 |
| Water treatment plant sales to cities | 1,879,987 | 1,265,681 |
| Irrigation charges | 608,330 | 611,923 |
| Water transfer | 173,414 | 32,478 |
| Joint supply canal maintenance | 151,842 | - |
| LAFCO fees | 24,325 | - |
| Miscellaneous | 8,405 | 10,389 |
| Total | $ 3,266,963 | $ 2,311,656 |

### *NOTE 5 – Investment in the Tri-Dam Project*

The District has a fifty percent (50%) investment in the Tri-Dam Project. The Tri-Dam Project's condensed audited financial data is presented below.

Tri Dam Project
Condensed Statements of Net Position
December 31, 2019 and 2018

| | 2019 | 2018 |
|---|---|---|
| Current assets | $ 27,015,049 | $ 12,282,763 |
| Long-term investments | 6,762,622 | 8,788,768 |
| Capital assets | 62,001,043 | 63,334,217 |
| Deferred outflows of resources | 3,095,459 | 4,182,070 |
| **Total assets and deferred outflows of resources** | $ 98,874,173 | $ 88,587,818 |
| Current liabilities | $ 1,086,064 | $ 886,106 |
| Noncurrent liabilities | 4,548,255 | 7,097,221 |
| Deferred inflows of resources | 2,576,399 | 270,021 |
| **Total liabilities and deferred inflows of resources** | 8,210,718 | 8,253,348 |
| Net investment in capital assets | 62,001,043 | 63,334,217 |
| Unrestricted net position | 28,662,412 | 17,000,253 |
| **Total net position** | 90,663,455 | 80,334,470 |
| **Total liabilities, deferred inflows of resources, and net position** | $ 98,874,173 | $ 88,587,818 |

# Notes to the Financial Statements

Tri Dam Project

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

For the Years Ended December 31, 2019 and 2018

| | 2019 | 2018 |
|---|---|---|
| Operating revenues | $ 39,670,771 | $ 21,651,773 |
| Operating expenses | 11,890,714 | 9,282,683 |
| **Net Income from Operations** | 27,780,057 | 12,369,090 |
| Nonoperating Revenues (Expenses) | | |
| Reimbursements | 1,786,648 | 189,729 |
| Water sales | 172,592 | 167,417 |
| Rental of equipment and facilities | 100,234 | 95,067 |
| Investment earnings | 522,112 | 261,214 |
| Other nonoperating revenue | 822,774 | 1,085,627 |
| River habitat studies | (2,164,124) | (1,593,254) |
| Goodwin Dam expenses | (412,834) | (283,056) |
| (Loss) gain on disposal of capital assets | (26,474) | 11,159 |
| **Total Nonoperating Revenues (Expenses)** | 800,928 | (66,097) |
| **Change in Net Position** | 28,580,985 | 12,302,993 |
| Net position, beginning of year | 80,334,470 | 89,150,477 |
| Less: distributions to member districts | (18,252,000) | (21,119,000) |
| **Net Position, End of Year** | $ 90,663,455 | $ 80,334,470 |

***NOTE 6 – Capital Assets***

Changes in capital assets accounts for the years ended December 31 are summarized on the following pages.

## Changes in Capital Assets

**2019**

| | December 31, 2018 | Additions | Disposals | Transfers and Adjustments | December 31, 2019 |
|---|---|---|---|---|---|
| **Capital assets not being depreciated:** | | | | | |
| Land: | | | | | |
| Irrigation | $ 1,382,984 | $ - | $ - | $ - | $ 1,382,984 |
| Water treatment plant | 5,834,926 | - | - | - | 5,834,926 |
| Solar plant | 512,400 | - | - | - | 512,400 |
| Construction in progress: | | | | | |
| Irrigation | 675,943 | 2,247,265 | - | (1,653,694) | 1,269,514 |
| Water treatment plant | 64,184 | 169,221 | - | (221,471) | 11,934 |
| Solar plant | - | 2,841 | - | (2,841) | - |
| Total | 8,470,437 | 2,419,327 | - | (1,878,006) | 9,011,758 |
| **Capital assets being depreciated:** | | | | | |
| Irrigation: | | | | | |
| Improvements | 1,139,187 | - | - | - | 1,139,187 |
| Dams, canals, and laterals | 113,504,509 | 336,818 | (91,569) | 1,368,315 | 115,118,073 |
| Buildings | 1,906,486 | - | - | 235,928 | 2,142,414 |
| Vehicle and excavators | 4,323,904 | 195,774 | (93,716) | - | 4,425,962 |
| Machinery and equipment | 11,451,089 | 100,023 | (38,111) | 49,451 | 11,562,452 |
| Water treatment plant: | | | | | |
| Vehicles | 502,222 | 166,070 | (13,421) | - | 654,871 |
| Improvements | 1,132,570 | - | - | - | 1,132,570 |
| Building and equipment | 51,017,320 | 647,574 | (437,281) | 201,428 | 51,429,041 |
| Original construction | 65,667,847 | - | (108,956) | - | 65,558,891 |
| Pump stations (orig. constr.) | 9,745,313 | - | - | 20,043 | 9,765,356 |
| Solar plant | 11,974,734 | - | (1,821) | 2,841 | 11,975,754 |
| Total | 272,365,181 | 1,446,259 | (784,875) | 1,878,006 | 274,904,571 |
| **Less accumulated depreciation:** | | | | | |
| Irrigation: | | | | | |
| Improvements | (353,337) | (26,484) | - | - | (379,821) |
| Dams, canals, and laterals | (42,694,118) | (2,538,450) | 69,310 | - | (45,163,258) |
| Buildings | (748,440) | (65,819) | - | - | (814,259) |
| Vehicle and excavators | (3,485,152) | (253,652) | 93,715 | - | (3,645,089) |
| Machinery and equipment | (3,224,356) | (310,394) | 32,082 | - | (3,502,668) |
| Water treatment plant: | | | | | |
| Vehicles | (378,372) | (38,070) | 13,421 | - | (403,021) |
| Improvements | (412,096) | (73,610) | - | - | (485,706) |
| Building and equipment | (15,021,423) | (1,333,401) | - | - | (16,354,824) |
| Original construction | (21,664,183) | (1,979,527) | 437,282 | - | (23,206,428) |
| Pump stations (orig. constr.) | (3,905,852) | (325,198) | - | - | (4,231,050) |
| Solar plant | (5,230,375) | (467,868) | 1,821 | - | (5,696,422) |
| Total | (97,117,704) | (7,412,473) | 647,631 | - | (103,882,546) |
| **Net Depreciable Capital Assets** | 175,247,477 | (5,966,214) | (137,244) | 1,878,006 | 171,022,025 |
| **Net Capital Assets** | $ 183,717,914 | $ (3,546,887) | $ (137,244) | $ - | $ 180,033,783 |

# Notes to the Financial Statements

## Changes in Capital Assets

**2018**

| | Restated December 31, 2017 | Additions | Disposals | Transfers and Adjustments | December 31, 2018 |
|---|---|---|---|---|---|
| **Capital assets not being depreciated:** | | | | | |
| Land: | | | | | |
| Irrigation | $ 1,382,984 | $ - | $ - | $ - | $ 1,382,984 |
| Water treatment plant | 5,834,926 | - | - | - | 5,834,926 |
| Solar plant | 512,400 | - | - | - | 512,400 |
| Construction in progress: | | | | | |
| Irrigation | 263,628 | 1,193,162 | - | (780,847) | 675,943 |
| Water treatment plant | - | 167,332 | - | (103,148) | 64,184 |
| Total | 7,993,938 | 1,360,494 | | (883,995) | 8,470,437 |
| **Capital assets being depreciated:** | | | | | |
| Irrigation: | | | | | |
| Improvements | 1,139,187 | - | - | - | 1,139,187 |
| Dams, canals, and laterals | 111,711,255 | 1,289,059 | (81,415) | 585,610 | 113,504,509 |
| Buildings | 1,735,707 | 9,177 | (33,635) | 195,237 | 1,906,486 |
| Vehicle and excavators | 4,161,174 | 297,162 | (134,432) | - | 4,323,904 |
| Machinery and equipment | 11,334,803 | 219,651 | (103,365) | - | 11,451,089 |
| Water treatment plant: | | | | | |
| Vehicles | 449,729 | 86,540 | (34,047) | - | 502,222 |
| Improvements | 1,132,570 | - | - | - | 1,132,570 |
| Building and equipment | 50,914,172 | - | - | 103,148 | 51,017,320 |
| Original construction | 65,667,847 | - | - | - | 65,667,847 |
| Pump stations (orig. constr.) | 9,745,313 | - | - | - | 9,745,313 |
| Solar plant | 11,974,734 | - | - | - | 11,974,734 |
| Total | 269,966,491 | 1,901,589 | (386,894) | 883,995 | 272,365,181 |
| **Less accumulated depreciation:** | | | | | |
| Irrigation: | | | | | |
| Improvements | (315,637) | (37,700) | - | - | (353,337) |
| Dams, canals, and laterals | (40,322,436) | (2,453,097) | 81,415 | - | (42,694,118) |
| Buildings | (707,885) | (57,092) | 16,537 | - | (748,440) |
| Vehicle and excavators | (3,382,393) | (237,191) | 134,432 | - | (3,485,152) |
| Machinery and equipment | (2,995,597) | (318,407) | 89,648 | - | (3,224,356) |
| Water treatment plant: | | | | | |
| Vehicles | (380,462) | (31,957) | 34,047 | - | (378,372) |
| Improvements | (338,486) | (73,610) | - | - | (412,096) |
| Building and equipment | (13,701,914) | (1,319,509) | - | - | (15,021,423) |
| Original construction | (19,629,893) | (2,034,290) | - | - | (21,664,183) |
| Pump stations (orig. constr.) | (3,578,494) | (327,358) | - | - | (3,905,852) |
| Solar plant | (4,763,028) | (467,347) | - | - | (5,230,375) |
| Total | (90,116,225) | (7,357,558) | 356,079 | | (97,117,704) |
| **Net Depreciable Capital Assets** | 179,850,266 | (5,455,969) | (30,815) | 883,995 | 175,247,477 |
| **Net Capital Assets** | $ 187,844,204 | $ (4,095,475) | $ (30,815) | $ - | $ 183,717,914 |

***NOTE 7 – Operating Leases***

The District utilizes various pieces of equipment that are leased under a number of non-cancelable operating leases. These leases contain renewal options for additional future periods. The District incurred $22,694 in lease equipment rental expense in 2019 and $21,108 in 2018. Minimum rental payments due under the leases for future calendar years are as follows:

| **Year Ending December 31,** | **Minimum Operating Lease Payments** | |
|---|---|---|
| 2020 | $ | 19,296 |
| 2021 | | 17,604 |
| 2022 | | 13,810 |
| 2023 | | 3,753 |
| 2024 | | 0 |
| Total | $ | 54,463 |

***NOTE 8 – Long-term Liabilities***

**A. Description of Individual Long-term Debt Issues No Longer Outstanding**

Long-term debt at December 31, 2018 consisted of Refunding Revenue Bonds Series 2012A issued on May 3, 2012 in an advance refunding of all the outstanding Revenue Certificates of Participation Series 2008A. The Series 2008A Revenue Certificates of Participation were issued on July 1, 2008 in the original amount of $25,000,000 and the proceeds were for construction of a solar power generating plant and capital improvements to the District's irrigation transmission and distribution system. Series 2012A was issued in the original face amount of $17,975,000 plus an original issue premium of $1,751,145. The Bonds are secured by a lien on the net water system revenues. The terms of the Bonds required the District to annually collect net revenues of at least 125% of annual debt service, after subtracting operating and maintenance expenses. Coupon rates are 4.0% per annum. The final principal payment of $2,545,000 was due on October 1, 2019, and semi-annual interest payments of $50,900 were due on April 1 and October 1, 2019. Having made all such payments, the District's long-term debt as of December 31, 2019 is zero.

**B. Required Disclosure of Long-term Debt Activity**

Activity in the long-term debt accounts during the years ended December 31 was as shown in the following tables:

Changes in Long-Term Liabilities

| 2019 | | | | | | |
|---|---|---|---|---|---|---|
| **Long-Term Liabilities** | **December 31, 2018** | **Additions** | **Reductions** | **December 31, 2019** | **Current Portion** | **Long-Term Portion** |
| 2012A refunding bonds | $ 2,545,000 | $ - | $ (2,545,000) | $ - | $ - | $ - |
| Original issue premium on 2012 refunding bonds | 46,882 | - | (46,882) | - | - | - |
| **Subtotal long-term debt** | 2,591,882 | - | (2,591,882) | - | - | - |
| Net other post-employment benefits liability | 1,319,080 | 558,509 | (572,655) | 1,304,934 | - | 1,304,934 |
| Compensated absences | 1,369,311 | 1,479,371 | (1,102,841) | 1,745,841 | 1,083,405 | 662,436 |
| Net pension liability | 12,372,379 | 935,296 | - | 13,307,675 | - | 13,307,675 |
| **Subtotal long-term liabilities** | 15,060,770 | 2,973,176 | (1,675,496) | 16,358,450 | 1,083,405 | 15,275,045 |
| **Total long-term liabilities** | $ 17,652,652 | $ 2,973,176 | $ (4,267,378) | $ 16,358,450 | $ 1,083,405 | $ 15,275,045 |

Changes in Long-Term Liabilities

2018

| Long-Term Liabilities | Restated [1] December 31, 2017 | Additions | Reductions | December 31, 2018 | Current Portion | Long-Term Portion |
|---|---|---|---|---|---|---|
| 2012A refunding bonds | $ 4,990,000 | $ - | $ (2,445,000) | $ 2,545,000 | $ 2,545,000 | $ - |
| Original issue premium on 2012 refunding bonds | 154,431 | - | (107,549) | 46,882 | 46,882 | - |
| **Subtotal long-term debt** | 5,144,431 | - | (2,552,549) | 2,591,882 | 2,591,882 | - |
| Net other post-employment benefits liability | 1,468,789 | 551,560 | (701,269) | 1,319,080 | - | 1,319,080 |
| Compensated absences | 1,598,198 | 535,507 | (764,394) | 1,369,311 | 863,144 | 506,167 |
| Net pension liability | 12,755,395 | - | (383,016) | 12,372,379 | - | 12,372,379 |
| **Subtotal long-term liabilities** | 15,822,382 | 1,087,067 | (1,848,679) | 15,060,770 | 863,144 | 14,197,626 |
| **Total long-term liabilities** | $ 20,966,813 | $ 1,087,067 | $ (4,401,228) | $ 17,652,652 | $ 3,455,026 | $ 14,197,626 |

[1] December 31, 2017 restated for implementation of GASB 75 in year 2018.

### C. Rate Stabilization Fund

The District's debt agreement allows the District to establish a rate stabilization fund to assist in meeting the required debt service coverage ratio. Amounts deposited in the rate stabilization fund are included as expenses for purposes of the debt service coverage ratio in the year deposited and amounts withdrawn from the rate stabilization fund are included as revenues for purposes of the debt service coverage ratio in the year withdrawn. Nothing was deposited or withdrawn from the rate stabilization fund during 2018 or 2019. The balance of this fund was zero on December 31, 2019 and $1,885,191 on December 31, 2018.

***NOTE 9 – Net Position***

Net position is the excess of all the District's assets and deferred outflows of resources over all its liabilities and deferred inflows of resources. Net position is divided into three components: net investment in capital assets, restricted net position and unrestricted net position.

Net investment in capital assets describes the portion of net position which represents the net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets. If some of the proceeds of such debt remain unspent, that amount is not used to reduce the amount of debt considered in the calculation of net investment in capital assets.

Net investment in capital assets is made up of the following components as of December 31:

| | 2019 | 2018 |
|---|---|---|
| Total capital assets, net of accumulated depreciation | $ 180,033,783 | $ 183,717,914 |
| Less current portion LT debt | - | (2,591,882) |
| Add deferred amount on refunding of 2012A Refunding Revenue Bonds | - | 7,248 |
| Total | $ 180,033,783 | $ 181,133,280 |

The second component of net position is restricted net position, which consists of restricted assets less related liabilities. Restricted assets are assets whose use has been restricted to certain purposes by law, by grantors of the assets, by enforceable legislative acts of the District's board of directors, or by contracts to which the District is a party.

The following table shows the composition of restricted net position for December 31:

| | 2019 | 2018 |
|---|---|---|
| Debt service reserve | $ - | $ 1,815,403 |
| Water treatment plant funds | 8,202,488 | 7,632,073 |
| Accrued interest receivable on restricted investments | 54,280 | 50,593 |
| Total | $ 8,256,768 | $ 9,498,069 |

The third component of net position is unrestricted net position, which is simply the amount of net position that does not qualify as either restricted net position, nor as net investment in capital assets. Included in the amount of unrestricted net position at December 31, 2018 is the rate stabilization fund which had a balance of $1,885,191. The rate stabilization fund was established by the board of directors under the provisions of the indenture of trust for the Refunding Revenue Bonds Series 2012A and designated by the board to supplement the debt service coverage ratio as necessary and as permitted by the bond indenture. The rate stabilization fund expired when the 2012A bonds were paid-off in 2019, and the money in the fund became undesignated. See also Note 8C above.

***NOTE 10 – Capital Contributions***

Capital contributions consist of cash and other property contributed to the District. Noncash contributed assets are recorded at estimated fair market value at the date of donation. The District recognized capital contributions from various sources for the years ended December 31 as follows:

| | 2019 | 2018 |
|---|---|---|
| Real estate developers | $ 468,687 | $ 1,232,487 |
| Municipal customers of water treatment plant | 1,311,301 | 1,113,448 |
| Groundwater Sustainability Agency | - | 25,119 |
| Total | $ 1,779,988 | $ 2,371,054 |

***NOTE 11 – Retirement Plan***

**A. Plan Description**

All qualified permanent and probationary employees are eligible to participate in the District's cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). The District participates in the Miscellaneous Risk Pool and the following rate plans:

- Miscellaneous Plan
- PEPRA Miscellaneous Plan

The Miscellaneous Plan is closed to new members that were not already CalPERS eligible participants as of January 1, 2013. Benefit provisions under the plans are established by state statute and SSJID board resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

**B. Benefits Provided**

CalPERS provide 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. Members of the Miscellaneous Plan with five years of total service are eligible to retire at age 50, and at age 62 for the PEPRA Miscellaneous Plan, with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

Plan provisions and benefits in effect for the years ended December 31 are summarized as follows:

### Summary of Plan Benefits

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Miscellaneous Plan** | **PEPRA Plan** | **Miscellaneous Plan** | **PEPRA Plan** |
| Hire date | Before 2013 | After 2012 | Before 2013 | After 2012 |
| Benefit formula at full retirement | 2.5% @ 55 | 2.0% @ 62 | 2.5% @ 55 | 2.0% @ 62 |
| Benefit vesting schedule | 5 years service | 5 years service | 5 years service | 5 years service |
| Benefit payments | Monthly for life | Monthly for life | Monthly for life | Monthly for life |
| Retirement age | 50 - 55 | 52 - 67 | 50 - 55 | 52 - 67 |
| Monthly benefits as % of eligible compensation | 2.0 - 2.5% | 1.0 - 2.5% | 2.0 - 2.5% | 1.0 - 2.5% |
| Required employee contribution rates: | | | | |
| July 1 to December 31 | 8% | 6.75% | 8% | 6.25% |
| January 1 to June 30 | 8% | 6.25% | 8% | 6.25% |
| Required employer contribution rates: | | | | |
| July 1 to December 31 | 11.432% | 6.985% | 10.609% | 6.842% |
| January 1 to June 30 | 10.609% | 6.842% | 10.110% | 6.533% |

### C. Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers shall be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the rate plans 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. There is an additional amount billed to the employer 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 for the rate plans were as follows:

Employer Contributions to the Plan

**2019**

| | Misc. Plan | PEPRA Plan | Total |
|---|---|---|---|
| Employer contributions | $ 1,610,089 | $ 132,891 | $ 1,742,980 |
| Employee contributions, paid by employer | 342,543 | - | 342,543 |
| Total | $ 1,952,632 | $ 132,891 | $ 2,085,523 |

**2018**

| | Misc. Plan | PEPRA Plan | Total |
|---|---|---|---|
| Employer contributions | $1,495,193 | $ 86,412 | $1,581,605 |
| Employee contributions, paid by employer | 343,206 | - | 343,206 |
| Total | $1,838,399 | $ 86,412 | $1,924,811 |

The 2019 employer contributions above include payment of a $969,762 invoice from CalPERS to amortize the net pension liability. This amount was billed for the year ending June 30, 2020. The 2018 employer contributions above include payment of an $829,555 invoice from CalPERS to amortize the net pension liability. This amount was billed for the year ending June 30, 2019.

## D. Employees Covered by Benefit Terms

Membership in the plan consisted of the following at the measurement dates of June 30, 2019 and June 30, 2018:

Membership in the Plan

| | Miscellaneous & PEPRA Plans | |
|---|---|---|
| | 2019 | 2018 |
| Valuation Date | June 30, 2018 | June 30, 2017 |
| Measurement Date | June 30, 2019 | June 30, 2018 |
| Report Date | December 31, 2019 | December 31, 2018 |
| Active employees | 104 | 106 |
| Inactive employees and beneficiaries currently receiving benefit payments | 76 | 68 |
| Inactive employees entitled to but not yet receiving benefit payments | 32 | 30 |
| Total | 212 | 204 |

## E. Proportionate Share of Net Pension Liability

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

| | Miscellaneous & PEPRA Plans | |
|---|---|---|
| | 2019 | 2018 |
| Proportion of Net Pension Liability | $ 13,307,675 | $ 12,372,379 |

The District's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability as of December 31, 2019 and 2018 is measured as of June 30, 2019 and 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 and 2017, rolled forward to June 30, 2019 and 2018 using standard update procedures as required by GASB 68. 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 plans relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability as of December 31 was as follows:

| | Miscellaneous & PEPRA Plans | |
|---|---|---|
| | 2019 | 2018 |
| Proportion at June 30, 2017 | | 0.3235730% |
| Proportion at June 30, 2018 | 0.3282919% | 0.3282919% |
| Proportion at June 30, 2019 | 0.3323179% | |
| Increase (Decrease) | 0.0040260% | 0.0047189% |

### F. Changes in Net Pension Liability

The changes in the net pension liability for the years ended December 31 are as follows:

Changes in Net Pension Liability

**2019**

| | Miscellaneous & PEPRA Plans | | |
|---|---|---|---|
| | Increase (Decrease) | | |
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balance at measurement date June 30, 2018 | $ 47,859,394 | $ 35,487,015 | $ 12,372,379 |
| Changes in proportion | 1,261,769 | $ 1,114,095 | $ 147,674 |
| Adjusted balance at June 30, 2018 | $ 49,121,163 | $ 36,601,110 | $ 12,520,053 |
| Changes Recognized for the Measurement Period: | | | |
| Service Cost | $ 1,218,769 | $ - | $ 1,218,769 |
| Interest on the total Pension liability | 3,526,006 | $ - | $ 3,526,006 |
| Changes in benefit terms | 3,734 | $ - | $ 3,734 |
| Changes of assumptions | - | $ - | $ - |
| Differences between expected and actual experience | 730,824 | $ - | $ 730,824 |
| Net plan to plan resource movement | - | $ 78,781 | $ (78,781) |
| Contributions - employer | - | $ 1,615,679 | $ (1,615,679) |
| Contributions - employee | - | $ 515,068 | $ (515,068) |
| Net investment income | - | $ 2,414,401 | $ (2,414,401) |
| Benefit payments | (2,300,676) | $ (2,206,611) | $ (94,065) |
| Administrative expenses | - | $ (26,368) | $ 26,368 |
| Other miscellaneous income (expense) | - | $ 85 | $ (85) |
| Net Changes | 3,178,657 | $ 2,391,034 | $ 787,623 |
| Balance at measurement date June 30, 2019 | $ 52,299,819 | $ 38,992,144 | $ 13,307,675 |

## Changes in Net Pension Liability

**2018**

| | Miscellaneous & PEPRA Plans | | |
|---|---|---|---|
| | Increase (Decrease) | | |
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balance at measurement date June 30, 2017 | $ 45,381,285 | $ 32,653,070 | $ 12,728,215 |
| Changes Recognized for the Measurement Period: | | | |
| Service Cost | $ 1,153,409 | $ - | $ 1,153,409 |
| Interest on the total Pension liability | 3,223,582 | - | 3,223,582 |
| Changes in benefit terms | 1,894 | - | 1,894 |
| Changes of assumptions | (404,904) | - | (404,904) |
| Differences between expected and actual experience | 556,030 | - | 556,030 |
| Net plan to plan resource movement | - | 317,869 | (317,869) |
| Contributions - employer | - | 1,351,738 | (1,351,738) |
| Contributions - employee | - | 478,204 | (478,204) |
| Net investment income | - | 2,790,060 | (2,790,060) |
| Benefit payments | (2,051,902) | (1,958,410) | (93,492) |
| Administrative expenses | - | (50,195) | 50,195 |
| Other miscellaneous income (expense) | - | (95,321) | 95,321 |
| Net Changes | 2,478,109 | 2,833,945 | (355,836) |
| Balance at measurement date June 30, 2018 | $ 47,859,394 | $ 35,487,015 | $ 12,372,379 |

**G. Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions**

For the years ended December 31, 2019 and 2018 the District recognized pension expense of $1,918,245 and $1,288,867, respectively. At December 31, the District reported deferred outflows of resources and deferred inflows of resources from the following sources:

Sources of Deferred Outflows (Inflows) of Resources

| | Miscellaneous & PEPRA Plans | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Contributions after measurement date | $ 609,657 | $ - | $ 551,363 | $ - |
| Differences between actual and expected experience | 924,274 | (71,613) | 409,706 | (139,421) |
| Change in assumptions | 634,571 | (224,950) | 1,217,355 | (298,350) |
| Differences between employer's contributions and employer's proportionate share of contributions | 65,880 | (3,811) | 148,334 | - |
| Change in employer's proportion | 171,925 | (106,366) | 7,956 | (165,759) |
| Net differences between projected and actual earnings on plan investments | - | (232,659) | 52,791 | - |
| Total | $ 2,406,307 | $ (639,399) | $ 2,387,505 | $ (603,530) |

The $609,657 reported at December 31, 2019 as deferred outflows of resources related to contributions after the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020.

Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows as of December 31:

Amortization of Deferred Outflows
(Inflows) of Resources

| Miscellaneous & PEPRA Plans | | |
|---|---|---|
| Year of Expense Recognition | 2019 | 2018 |
| 2019 | $ - | $ 1,030,123 |
| 2020 | 990,299 | 576,371 |
| 2021 | (23,961) | (277,836) |
| 2022 | 143,901 | (96,046) |
| 2023 | 47,012 | - |
| Total | $ 1,157,251 | $ 1,232,612 |

**H. Actuarial Methods and Assumptions**

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

Actuarial Methods and Assumptions

| | Miscellaneous & PEPRA Plans | |
|---|---|---|
| | 2019 | 2018 |
| Report date | December 31, 2019 | December 31, 2018 |
| Valuation date | June 30, 2018 | June 30, 2017 |
| Measurement date | June 30, 2019 | June 30, 2018 |
| Actuarial cost method | Entry-age normal | Entry-age normal |
| Actuarial assumptions: | | |
| Discount rate | 7.15% | 7.15% |
| Inflation | 2.50% | 2.50% |
| Payroll growth | 2.75% | 2.75% |
| Projected salary increase[1] | 3.15% - 11.25% | 3.2% - 11.3% |
| Investment rate of return[2] | 7.38% | 7.50% |
| Mortality derived using | CalPERS membership for all funds | CalPERS membership for all funds |

(1) Depending on entry age and service.

(2) Net of pension plan investment expenses, including inflation.

The underlying mortality assumptions were developed based on CalPERS specific data. The table includes 15 years of mortality improvement using the 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) that can be found on the CalPERS website.

**I. Discount Rate**

The discount rate used by CalPERS to measure the total pension liability was 7.15% in the June 30, 2019 and 2018 valuations. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans are projected to run out of assets. Therefore, the current discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate will be applied to all plans in the Public Employees' Retirement Fund. The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

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

The table below reflects the long-term expected real rate of return by asset class for each of the plans as of the measurement dates of June 30. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Expected Rate of Return

| Asset Class | Miscellaneous & PEPRA Plans | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | |
| | Strategic Allocation | Real Return Years 1-10 [(a)] | Real Return Years 11+ [(b)] | Strategic Allocation | Real Return Years 1-10 [(a)] | Real Return Years 11+ [(b)] |
| Global equity | 50.00% | 4.80% | 5.98% | 50.00% | 4.80% | 5.98% |
| Global fixed income | 28.00% | 1.00% | 2.62% | 28.00% | 1.00% | 2.62% |
| Inflation sensitive | 0.00% | 0.77% | 1.81% | 0.00% | 0.77% | 1.81% |
| Private equity | 8.00% | 6.30% | 7.23% | 8.00% | 6.30% | 7.23% |
| Real assets | 13.00% | 3.75% | 4.93% | 13.00% | 3.75% | 4.93% |
| Liquidity | 1.00% | 0.00% | -0.92% | 1.00% | 0.00% | -0.92% |
| Total | 100.00% | | | 100.00% | | |

[(a)] An expected inflation rate of 2.0% used for this period in both years, 2019 and 2018.

[(b)] An expected inflation rate of 2.92% used for this period in both years, 2019 and 2018.

### J. 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 calculated using the discount rate for the plans, 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 1-percentage point lower or 1-percentage point higher than the current rate:

Sensitivity to Discount Rate

| | Miscellaneous & PEPRA Plans | |
|---|---|---|
| | 2019 | 2018 |
| Discount decreased 1 percentage point | 6.15% | 6.15% |
| Resulting net pension liability | $ 21,346,207 | $ 19,873,475 |
| Current discount rate | 7.15% | 7.15% |
| Resulting net pension liability | $ 13,307,675 | $ 12,372,379 |
| Discount increased 1 percentage point | 8.15% | 8.15% |
| Resulting net pension liability | $ 6,672,434 | $ 6,180,348 |

### K. Pension Plan Fiduciary Net Position

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

### L. Payable to the Pension Plan

At December 31, 2019 and 2018, the District had no amounts payable to CalPERS for the outstanding amount of contributions to the pension plans including employee withholdings.

## *NOTE 12 – Other Post-employment Benefits (OPEB) Plan*

### A. Plan Description

The District's OPEB plan is a single-employer defined benefit OPEB plan that allows employees to convert accrued, but unused, sick leave hours at the time of retirement to partial, or full, payments toward health insurance premiums for a pre-determined period of time during retirement. Employee participation in the Plan is optional.

### B. Funding Policy

The District adopted a funding policy in 2018 which directs the District to contribute annually the amount of the normal cost, excluding the implicit subsidy. The annual contribution has two components: the first is direct payment of member benefits by the District, the second is a contribution to the OPEB trust sufficient to eliminate the net OPEB liability, if any, excluding the implicit subsidy component of the liability.

# Notes to the Financial Statements

### C. Benefits Provided

The following is a summary of Plan benefits by employee group as of December 31, 2019:

Summary of Plan Benefits by Employee Group

| | Management | IBEW [2] |
|---|---|---|
| **Eligibility** | Members who retire at age 50-64 | Members who retire at age 50-64 |
| **Benefit** | The District provides 50%-100% of the member's monthly healthcare premium, depending on years of service and bargaining group, thru age 64. | The District provides 50%-100% of the member's monthly healthcare premium, depending on years of service and bargaining group, thru age 64. |
| **Surviving Spouse Benefit** | If surviving spouse was covered pursuant to the Benefit above, he/she may continue coverage until the balance of sick leave is exhausted [1]. In the event that the retiree and surviving spouse die before using the balance of sick leave for health insurance premiums, the retiree's beneficiary shall receive an amount equal to 50% of the monthly premiums for the plan the decedents were covered by at the time of death times the number of months of eligibility remaining. | If surviving spouse was covered pursuant to the Benefit above, he/she may continue coverage until the balance of sick leave is exhausted [1]. In the event that the retiree and surviving spouse die before using the balance of sick leave for health insurance premiums, the retiree's beneficiary shall receive an amount equal to 50% of the current Blue Cross/65 Extra Care Plan premium times the number of months of eligibility remaining. |
| **Other** | Retiring member can elect to receive a lump-sum payout at retirement instead of payments toward healthcare premiums. | Retiring member can elect to receive a lump-sum payout at retirement instead of payments toward healthcare premiums. |

[1] Surviving spouse may continue to collect benefits until sick leave is exhausted or thru the age of 64; whichever event occurs first.

[2] International Brotherhood of Electrical Workers (IBEW)

### D. Employees Covered by Benefit Terms

Membership in the plan consisted of the following at the measurement dates of December 31, 2018 and December 31, 2017:

Membership in Plan

| | 2019 | 2018 |
|---|---|---|
| Valuation Date | June 30, 2017 | June 30, 2017 |
| Measurement Date | December 31, 2018 | December 31, 2017 |
| Report Date | December 31, 2019 | December 31, 2018 |
| Active employees | 87 | 87 |
| Inactive employees and beneficiaries currently receiving benefit payments | 19 | 19 |
| Inactive employees entitled to but not yet receiving benefit payments | 0 | 0 |
| Total | 106 | 106 |

**E. Actuarial Methods and Assumptions**

For the report dates of December 31, 2019 and December 31, 2018, the District's net OPEB liability was measured as of December 31, 2018 and December 31, 2017, respectively. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017 which was rolled forward using standard update procedures to determine the total OPEB liability as of measurement dates December 31, 2018 and December 31, 2017 based on the following actuarial methods and assumptions:

Actuarial Methods and Assumptions

| | 2019 | 2018 |
|---|---|---|
| Valuation Date | June 30, 2017 | June 30, 2017 |
| Measurement Date | December 31, 2018 | December 31, 2017 |
| Report Date | December 31, 2019 | December 31, 2018 |
| Actuarial Cost Method | Entry-Age Normal, Level Percentage of Salary | Entry-Age Normal, Level Percentage of Salary |
| Actuarial Assumptions: | | |
| Discount Rate | 7.01% | 6.73% |
| Inflation | 2.50% | 2.75% |
| Payroll Growth | 2.750% | 2.875% |
| Investment Rate of Return | 7.01% | 6.73% |
| Mortality Rate | CalPERS [1] | CalPERS [1] |
| Pre-Retirement Turnover | CalPERS [1] | CalPERS [1] |
| Healthcare Trend Rate | 6.50% in the first year, trending down to 3.84% over 58 years. | 7.00% in the first year, trending down to 3.84% over 58 years. |

[1] Determined using CalPERS' OPEB Assumption Model, revised March 7, 2014, "Mort and Disb Rates_PA Misc" table.

The underlying mortality assumptions were based on the CalPERS OPEB Assumption Model, "Mort and Disb Rates_PA Misc", revised March 7, 2014. All other actuarial assumptions used in the June 30, 2017 valuation were based on the CalPERS studies and information provided by SSJID.

**F. Discount Rate**

The discount rate used to measure the total OPEB liability was 7.01% as of measurement date December 31, 2018 and 6.73% as of measurement date December 31, 2017. The projection of cash flows used to determine the discount rate assumed that the District contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to cover all future OPEB payments. Therefore, the discount rate was set equal to the long-term expected rate of return.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of December 31 are summarized in the following table:

Expected Rate of Return

| | 2019 | | 2018 | |
|---|---|---|---|---|
| **Asset Class** | **Target Allocation** | **Long-Term Expected Real Rate of Return** | **Target Allocation** | **Long-Term Expected Real Rate of Return** |
| Global Equity | 40.0% | 6.4% | 40.0% | 9.9% |
| Fixed Income | 43.0% | 4.6% | 39.0% | 4.2% |
| Treasury Inflation-Protected Securities (TIPS) | 5.0% | 1.7% | 10.0% | 1.6% |
| Real Estate Investment Trusts (REIT) | 8.0% | 5.4% | 8.0% | 6.2% |
| Commodities | 4.0% | -13.2% | 3.0% | -9.6% |
| Total | 100.0% | 4.9% | 100.0% | 6.2% |

### G. Changes in Net OPEB Liability

The changes in the net OPEB liability for the years ended December 31 are as follows:

Changes in Net OPEB Liability

**2019**

| | Increase (Decrease) | | |
|---|---|---|---|
| | **Total OPEB Liability (a)** | **Plan Fiduciary Net Position (b)** | **Net OPEB Liability (a) - (b)** |
| Balance at measurement date 12/31/17 | $ 4,150,902 | $ 2,831,822 | $ 1,319,080 |
| Changes Recognized for the Measurement Period: | | | |
| Service Cost | 222,537 | - | 222,537 |
| Interest on the total OPEB liability | 286,539 | - | 286,539 |
| Changes in benefit terms | - | - | - |
| Differences between expected and actual experience | - | - | - |
| Changes of assumptions | 13,092 | - | 13,092 |
| Contributions: | | | - |
| Employer - District contribution | | 572,655 | (572,655) |
| Employer - Implicit subsidy | - | 97,025 | (97,025) |
| Net investment income | - | (132,663) | 132,663 |
| Administrative expenses | | (703) | 703 |
| Benefit payments | (160,748) | (160,748) | - |
| Implicit rate subsidy fulfilled | (97,025) | (97,025) | - |
| Net Changes | 264,395 | 278,541 | (14,146) |
| Balance at measurement date 12/31/18 | $ 4,415,297 | $ 3,110,363 | $ 1,304,934 |

## Changes in Net OPEB Liability

**2018**

| | Increase (Decrease) | | |
|---|---|---|---|
| | **Total OPEB Liability (a)** | **Plan Fiduciary Net Position (b)** | **Net OPEB Liability (a) - (b)** |
| Balance at measurement date 12/31/16 | $ 3,966,228 | $ 2,497,439 | $ 1,468,789 |
| Changes Recognized for the Measurement Period: | | | |
| Service Cost | 212,375 | - | 212,375 |
| Interest on the total OPEB liability | 271,322 | - | 271,322 |
| Changes in benefit terms | - | - | - |
| Differences between expected and actual experience | - | - | - |
| Changes of assumptions | - | - | - |
| Contributions from the employer | - | 208,115 | (208,115) |
| Implicit subsidy | - | 90,908 | (90,908) |
| Net investment income | - | 335,690 | (335,690) |
| Administrative expenses | - | (1,307) | 1,307 |
| Benefit payments | (208,115) | (208,115) | - |
| Implicit rate subsidy fulfilled | (90,908) | (90,908) | - |
| Net Changes | 184,674 | 334,383 | (149,709) |
| Balance at measurement date 12/31/17 | $ 4,150,902 | $ 2,831,822 | $ 1,319,080 |

### H. OPEB Plan's Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the District's separately issued GASB 75 OPEB Valuation Report and in the Schedule of Changes in Fiduciary Net Position by Employer available on the CalPERS website.

### I. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.01%) or 1-percentage-point higher (8.01%) than the current discount rate:

Sensitivity to Discount Rate

| | 2019 | 2018 |
|---|---|---|
| Discount decreased 1 percentage point | 6.01% | 5.73% |
| Resulting net OPEB liability | $1,675,925 | $1,612,861 |
| Current discount rate | 7.01% | 6.73% |
| Resulting net OPEB liability | $1,304,934 | $1,319,080 |
| Discount increase 1 percentage point | 8.01% | 7.73% |
| Resulting net OPEB liability | $969,848 | $1,054,013 |

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.50% - 2.84%) or 1-percentage-point higher (7.50% - 4.84%) than the current healthcare cost trend rates:

Sensitivity to Healthcare Cost Trend

| | 2019 | 2018 |
|---|---|---|
| Discount decreased 1 percentage point | 5.50% - 2.84% | 6.00% - 2.84% |
| Resulting net OPEB liability | $887,761 | $953,909 |
| Healthcare Cost Trend Rates | 6.50% - 3.84% | 7.00% - 3.84% |
| Resulting net OPEB liability | $1,304,934 | $1,319,080 |
| Discount increase 1 percentage point | 7.50% - 4.84% | 8.00% - 4.84% |
| Resulting net OPEB liability | $1,790,089 | $1,746,477 |

J. **OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB**

For the years ended December 31, 2019 and December 31, 2018, the District recognized OPEB expense of $240,743 and $155,008, respectively. At December 31, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

Sources of Deferred Outflows (Inflows) of Resources

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Employer contributions made subsequent to the measurement date | $ 122,732 | $ - | $ 572,655 | $ - |
| Changes of assumptions | 11,620 | - | - | - |
| Net differences between projected and actual earnings on OPEB plan investments | 177,532 | - | - | (128,614) |
| Total | $ 311,884 | $ - | $ 572,655 | $ (128,614) |

The $122,732 and $572,655 reported as deferred outflows of resources related to contributions made subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the years ended December 31, 2020 and December 31, 2019, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as part of OPEB expense as follows:

Amortization of Deferred Outflows (Inflows) of Resources

| Year of Expense Recognition | 2019 | 2018 |
|---|---|---|
| 2019 | $ - | $ (32,153) |
| 2020 | 37,817 | (32,153) |
| 2021 | 37,817 | (32,153) |
| 2022 | 37,819 | (32,155) |
| 2023 | 69,967 | - |
| 2024 | 1,472 | - |
| Thereafter | 4,260 | - |
| Total | $ 189,152 | $ (128,614) |

**K. Payable to the OPEB Plan**

At December 31, 2019, the District had no amounts payable to the Plan for the outstanding amount of contributions to the OPEB plan.

***NOTE 13 – Risk Management***

The District is a member of the Special Districts Risk Management Authority (SDRMA). SDRMA is a risk pooling self-insurance authority, created under the provisions of California Government Code Section 6500, et seq. The purpose of SDRMA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage.

# Notes to the Financial Statements

The following is a summary of the insurance policies in force carried by the District as of December 31, 2019:

| Type of Coverage | Limit per Occurrence | Aggregate Limit | Deductible |
|---|---|---|---|
| Property | $ 1,000,000,000 | None | $ 10,000 |
| Boiler & Machinery | 100,000,000 | None | 10,000 |
| Flood | 1,000,000 | None | 250,000 |
| Pollution | 2,000,000 | None | 10,000 |
| Cyber | 2,000,000 | None | 25,000 |
| Mobile/Contractors Equipment | 1,000,000,000 | None | 10,000 |
| General Liability - Bodily | 10,000,000 | None | - |
| General Liability - Property Damage | 10,000,000 | None | 500 |
| Public Officials Personal | 500,000 | None | 500 |
| Employment Benefits | 10,000,000 | None | - |
| Employee/Public Officials E&O | 10,000,000 | None | - |
| Employment Practices Liability | 10,000,000 | None | - |
| Employee/Public Officials Dishonesty | 1,000,000 | None | - |
| Auto Bodily Injury | 10,000,000 | None | - |
| Auto Property Damage | 10,000,000 | None | 1,000 |
| Uninsured Motorist | 1,000,000 | None | - |
| Auto Physical Damage | 100,000 | None | - |
| Auto Physical Damage - High dollar vehicles | 1,000,000,000 | None | - |
| Trailer | 100,000 | None | 250 |
| Worker's Compensation - Liability | 5,000,000 | None | - |
| Worker's Compensation | Statutory | None | - |
| Excess insurance | 40,000,000 | 40,000,000 | - |

The District paid no material uninsured losses during the last three fiscal years and had no significant reductions in coverage during the year. Liabilities of the District are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The District considers claims incurred and reported, as well as claims incurred but not reported, to be immaterial and has not accrued an estimate of such claims payable.

***NOTE 14 – Commitments and Contingencies***

**A. Litigation**

The District is a defendant in a number of lawsuits which have arisen in the normal course of business. The outcome of the lawsuits cannot be determined at this time. The following lawsuits were outstanding at December 31, 2019.

<u>South san Joaquin Irrigation District v. Pacific Gas & Electric Company (PG&E)</u>
The District filed an eminent domain action in July, 2016, to acquire PG&E's retail electric distribution system within the District's boundaries. PG&E filed a motion to dismiss the case which was granted in January, 2018, and SSJID has filed an appeal. The basis of the dismissal is the court's decision in the PG&E v. LAFCo case described below. If SSJID ultimately loses, SSJID may be responsible for PG&E's litigation costs in this case which could exceed $10 million.

<u>PG&E v. San Joaquin County Local Agency Formation Commission (LAFCo)</u>
The San Joaquin County LAFCo approved the District's plan to provide electric utility distribution services in December, 2014. PG&E filed a lawsuit in February, 2015, to modify or overturn LAFCo's decision. SSJID is defending the case through outside counsel and is also paying the defense costs incurred by LAFCo. One of the three issues asserted by PG&E was decided adversely to the District in a decision dated October 31, 2017. The District has filed an appeal, which is pending. If SSJID ultimately loses, the District's probability of prevailing in the District's eminent domain action against PG&E could be reduced.

**B. Regulatory**

<u>State Water Resources Control Board</u>
On December 12, 2018, the State Water Resources Control Board adopted Phase I of the Water Quality Control Plan for the Bay-Delta Estuary. Phase I requires the bypass or release of 40% of the unimpaired flow on the Stanislaus River from February 1 to June 30 for the ostensible protection of fish and wildlife resources. SSJID, Oakdale Irrigation District, Turlock Irrigation District, the City and County of San Francisco and the San Joaquin Tributaries Authority sued the State Water Resources Control Board in Tuolumne County Superior Court, challenging the adoption of Phase I of the Water Quality Control Plan and the related substitute environmental document. Litigation is expected to take 8-10 years. Also, the federal government has challenged the State Water Resources Control Board's adoption of Phase I of the Water Quality Control Plan in the U.S. District Court for the Eastern District of California. If the State Water Resources Control Board ultimately prevails, it is possible that income from hydroelectric generation and water transfers could be reduced by amounts which are not now estimable.

<u>United States Department of Commerce's National Marine Fisheries Service (NMFS)</u>
In June 2009, United States Department of Commerce's NMFS imposed new flow requirements on the United States Bureau of Reclamation in its operation of New Melones Reservoir. Reclamation has initiated a new consultation with NMFS regarding flow requirements for New Melones and is proposing New Melones reservoir releases less than the current flow requirements. If the consultation process ends with reduced reservoir releases it is possible that income from hydroelectric generation and water transfers could be reduced by amounts which are not now estimable.

<u>San Joaquin County Environmental Health Department</u>
SSJID received a complaint from San Joaquin County Environmental Health Department in January, 2017, due to the presence of lead-shot pellets along the District's canal banks and below the water line of the District's main distribution canal, located adjacent to the Escalon Sportsman's Club's target range. The San Joaquin County Environmental Health Department and the state Department of Toxic Substances Control have agreed to allow SSJID to remove the lead pellet-containing soil from its main canal area and deposit it onto Escalon Sportsman's Club's adjacent land (where the lead originated). The lead shot upon District property is a trespass by Escalon Sportsman's Club, and Escalon Sportsman's Club remains liable for the costs of clean-up. It is reasonably possible both that Escalon Sportsman's Club may not possess the means to pay for the clean-up of District property, and that the club may not possess sufficient insurance to pay for the clean-up. Should this be the case, the District may incur costs in the range of $400,000 to $1,000,000. The District may be able to recover the costs through litigation.

### C. Contract Commitments

As of December 31, the District had the following significant contracts:

| Project Description | 2019 Total Contract Amount | 2019 Remaining Commitment at December 31 |
|---|---|---|
| Membrane filter module replacements to be installed at Water Treatment Plant facility | $ 4,802,400 | $ 4,284,341 |
| Consultation to recommend future capital improvements to the District's irrigation distribution system | $ 899,234 | $ 788,564 |
| Consultation to recommend design of a future bypass of a portioin of the Joint Supply Canal | $ 702,740 | $ 223,372 |
| Maintenance on the face of the rockslope above the Joint Supply Canal | $ 700,000 | $ 205,374 |

| Project Description | 2018 Total Contract Amount | 2018 Remaining Commitment at December 31 |
|---|---|---|
| Slipmeters to be installed at Water Treatment Plant facility | $ 205,168 | $ 168,832 |
| Modular office building for installation at the irrigation distriubtion system's Control Room | $ 248,581 | $ 248,581 |
| Consultation to recommend future capital improvements to the District's irrigation distribution system | $ 124,478 | $ 124,478 |
| Modular building to serve as employee locker room facility | $ 166,870 | $ 166,870 |

### D. Concentration of Revenues

The District receives a significant portion of its revenue from Tri-Dam Project. A significant reduction in this revenue for a prolonged period could have an impact on the District’s operations.

***NOTE 15 – Subsequent Events***

The District has evaluated events subsequent to the statement of net position dates through June 5, 2020. GASB Statement No. 56 requires consideration of subsequent "events that provide evidence with respect to conditions that did not exist at the date of the statement of net position, but arose subsequent to that date." These subsequent events must be disclosed if their disclosure is essential to the user's understanding of the financial statements.

No disclosable subsequent events have occurred.

***NOTE 16 – New Accounting Standards***

New accounting standards which may affect the District's financial statements in the future are described below.

In November 2016, the GASB issued Statement No. 83, "Certain Asset Retirement Obligations", which addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in Statement No. 83. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. For the District, GASB 83 first became effective for the calendar year 2019. GASB 83 has had no effect on the District's financial statements.

In January 2017, the GASB issued Statement No. 84, "Fiduciary Activities", which 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. For the District, GASB 84 first became effective for the calendar year 2019. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. GASB 84 has had no effect on the District's financial statements.

In June 2017, the GASB issued Statement No. 86, "Certain Debt Extinguishment Issues", which requires that debt be considered defeased in substance when the debtor irrevocably places cash or other monetary assets acquired with refunding debt proceeds in a trust to be used solely for satisfying scheduled payments of both principal and interest of the defeased debt. The trust also is required to meet certain conditions for the transaction to qualify as an in-substance defeasance. This Statement establishes essentially the same requirements for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt. However, in financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of the defeasance. Governments that defease debt using only existing resources should provide a general description of the transaction in the notes to financial statements in the period of the defeasance. In all periods following an in-substance defeasance of debt using only existing resources, the amount of that debt that remains outstanding at period-end should be disclosed. For the District, GASB 86 will first become effective for the calendar year 2020.

In June 2017, the GASB issued Statement No. 87, "Leases", which 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. For the District, GASB 87 will first become effective for the calendar year 2020.

In April 2018 the GASB issued Statement No. 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements". 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. For the

District, GASB 88 first became effective for the calendar year 2019. GASB 88 has had no effect on the District's financial statements.

In June 2018 the GASB issued Statement No. 89, "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. For the District, GASB 89 will first become effective for the calendar year 2020.

In August 2018, the GASB issued Statement No. 90, "Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61". This statement 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. For the District, GASB 90 first became effective for the calendar year 2019. GASB 90 has had no effect on the District's financial statements.

In May 2019, the GASB issued Statement No. 91, "Conduit Debt Obligations". This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates 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. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

In January 2020, the GASB issued GASB Statement No. 92, "Omnibus 2020". This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports. This provision was effective upon issuance in January 2020.
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan. These provisions are effective for fiscal years beginning after June 15, 2020.
- The applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits. These provisions are effective for fiscal years beginning after June 15, 2020.
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements. These provisions are effective for fiscal years beginning after June 15, 2020.
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition. These provisions are effective for fiscal years beginning after June 15, 2020.
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers. This provision was effective upon issuance in January 2020.

- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. This provision is effective for fiscal years beginning after June 15, 2020.
- Terminology used to refer to derivative instruments. This provision was effective upon issuance in January 2020.

In March 2020, the GASB issued GASB Statement No. 93, "Replacement of Interbank Offered Rates". Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No. 87, Leases, as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR.

The District will fully analyze the impact of these new Statements prior to the effective dates listed above.

# Required Supplementary Information

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## Schedule of the Proportionate Share of the Miscellaneous Risk Pool Net Pension Liability and Related Ratios as of the Measurement Date [1] (Unaudited)

## Last 10 Years [2]

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Percentage share of the net pension liability | 0.3323179% | 0.3282919% | 0.1286182% |
| SSJID share of the net pension liability | $ 13,307,675 | $ 12,372,379 | $ 12,755,395 |
| Covered payroll | $ 7,919,542 | $ 7,153,342 | $ 7,034,742 |
| SSJID share of the net pension liability as a percentage of covered payroll | 168.04% | 172.96% | 181.32% |
| Plan fiduciary net position | $ 13,979,687,268 | $ 13,122,440,092 | $ 12,074,499,781 |
| Plan total pension liability | $ 17,984,188,264 | $ 16,891,153,209 | $ 16,016,547,402 |
| Plan fiduciary net position as a percentage of the total pension liability | 77.73% | 77.69% | 75.39% |

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Percentage share of the net pension liability | 0.3218358% | 0.3397980% | 0.3141800% |
| SSJID share of the net pension liability | $ 11,180,181 | $ 9,322,253 | $ 7,764,910 |
| Covered payroll | $ 6,808,761 | $ 6,864,271 | $ 6,226,062 |
| SSJID share of the net pension liability as a percentage of covered payroll | 164.20% | 135.81% | 124.72% |
| Plan fiduciary net position | $ 10,923,476,287 | $ 10,896,036,068 | $ 10,639,461,174 |
| Plan total pension liability | $ 14,397,353,530 | $ 13,639,503,084 | $ 13,110,948,452 |
| Plan fiduciary net position as a percentage of the total pension liability | 75.87% | 79.89% | 81.15% |

**Notes to Schedule:**

(1) CalPERS provides information based on a June 30 fiscal year end.

(2) Omitted Years: GASB Statement No. 68 was implemented during the year ended December 31, 2014.

## Schedule of Contributions to the Miscellaneous Risk Pool Pension Plan (unaudited)

## Last 10 Years [1]

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Valuation date | June 30, 2018 | June 30, 2017 | June 30, 2016 |
| Contractually required contribution (actuarially determined) | $ 1,742,980 | $ 1,581,605 | $ 743,871 |
| Contributions in relation to the actuarially determined | (1,742,980) | (1,581,605) | (743,871) |
| Contribution deficiency (excess) | $ - | $ - | $ - |
| Covered payroll | $ 7,919,542 | $ 7,153,342 | $ 7,034,742 |
| Contributions as a percentage of covered - employee payroll | 22.01% | 22.11% | 10.57% |

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Valuation date | June 30, 2015 | June 30, 2014 | June 30, 2013 |
| Contractually required contribution (actuarially determined) | $ 1,290,528 | $ 1,666,160 | $ 1,241,360 |
| Contributions in relation to the actuarially determined | (1,290,528) | (1,666,160) | (1,241,360) |
| Contribution deficiency (excess) | $ - | $ - | $ - |
| Covered payroll | $ 6,808,761 | $ 6,864,271 | $ 6,226,062 |
| Contributions as a percentage of covered - employee payroll | 18.95% | 24.27% | 19.94% |

Methods and assumptions used to determine contribution rates:

| | |
|---|---|
| Actuarial method | Entry age normal cost method |
| Amortization method | Difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over average remaining service life of participants. |
| Remaining amortization period | Not stated |
| Asset valuation method | 5-year smoothed market |
| Inflation | 2.50% for 2019 and 2018 |
| Salary increases | For 2019, 2.75% and additional merit-based increases based on CalPERS merit salary increase tables. For 2018, 3.2% to 11.3%. |
| Investment rate of return | 7.01% for 2019, and 7.15% for 2018, including inflation. |
| Retirement age | Based on CalPERS tables for Public Agencies - Miscellaneous. |
| Mortality | Based on CalPERS tables for Public Agencies - Miscellaneous. |

**Notes to Schedule:**

[1] Omitted Years: GASB Statement No. 68 was implemented during the year ended December 31, 2014.

## Schedule of Changes in the Net Other Post-Employment Benefits Liability and Related Ratios (unaudited)
## Last 10 Years [1]

| | 2019 | Restated 2018 |
|---|---|---|
| **Measurement Date** | December 31, 2018 | December 31, 2017 |
| **Total OPEB Liability** | | |
| Service Cost | $ 222,537 | $ 212,375 |
| Interest | 286,539 | 271,322 |
| Changes in benefit terms | - | - |
| Differences between expected and actual experience | - | - |
| Changes of assumptions | 13,092 | - |
| Benefit payments | (160,748) | (208,115) |
| Implicit rate subsidy fulfilled | (97,025) | (90,908) |
| **Net change in total OPEB liability** | 264,395 | 184,674 |
| **Total OPEB liability - beginning** | 4,150,902 | 3,966,228 |
| **Total OPEB liability - ending [a]** | $ 4,415,297 | $ 4,150,902 |
| **Plan Fiduciary Net Position** | | |
| Contributions - employer | $ 572,655 | $ 208,115 |
| Contributions - employer implicit subsidy | 97,025 | 90,908 |
| Net investment income (loss) | (132,663) | 335,690 |
| Administrative expense | (703) | (1,307) |
| Benefit payments | (160,748) | (208,115) |
| Implicit rate subsidy fulfilled | (97,025) | (90,908) |
| **Net change in plan fiduciary net position** | 278,541 | 334,383 |
| **Plan fiduciary net position - beginning** | 2,831,822 | 2,497,439 |
| **Plan fiduciary net position - ending [b]** | $ 3,110,363 | $ 2,831,822 |
| **Net OPEB liability - ending [(a)-(b)]** | $ 1,304,934 | $ 1,319,080 |
| Plan fiduciary net position as a percentage of the total OPEB liability [(b) / (a)] | 70.4% | 68.2% |
| Covered-employee payroll | $ 7,091,347 | $ 6,901,554 |
| Net OPEB liability as a percentage of covered-employee payroll | 18.4% | 19.1% |

**Notes to schedule:**

(1) Omitted Years: GASB Statement No. 75 was implemented during the year ended December 31, 2018.

## Schedule of Contributions to the Other Post-Employment Benefits Plan (unaudited)
## Last 10 Years [1]

| | 2019 | Restated 2018 |
|---|---|---|
| Valuation Date | June 30, 2017 | June 30, 2017 |
| Actuarially determined contribution | $ 338,628 | $ 335,378 |
| Contributions in relation to the actuarially determined contribution | 669,680 | 299,023 |
| Contribution deficiency (excess) | $ (331,052) | $ 36,355 |
| | | |
| Covered-employee payroll | $ 7,091,347 | $ 6,901,554 |
| Contributions as a percentage of covered-employee payroll | 9.44% | 4.33% |
| | | |
| Methods and assumptions used to determine contribution rates: | | |
| Discount Rate | 7.01% | 6.73% |
| Inflation | 2.50% | 2.75% |
| Payroll Growth | 2.75% | 2.88% |
| Investment Rate of Return | 7.01% | 6.73% |
| Mortality Rate | CalPERS [2] | CalPERS [2] |
| Pre-Retirement Turnover | CalPERS [2] | CalPERS [2] |
| Healthcare Trend Rate | 6.50% in the first year, trending down to 3.84% over 58 years. | 7.00% in the first year, trending down to 3.84% over 58 years. |

**Notes to schedule:**

[1] Omitted Years: GASB Statement No. 75 was implemented during the year ended December 31, 2018.

[2] Determined using CalPERS' OPEB Assumption Model, revised December 20, 2017, "Mort and Disb Rates_PA Misc" table.