SOUTH SAN JOAQUIN IRRIGATION DISTRICT

Annual Financial Report 2018

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South San Joaquin Irrigation District

Annual Financial Report

December 31, 2018 and 2017

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Independent Auditor’s Report

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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying basic financial statements of the South San Joaquin Irrigation District (District) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 opinion.

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, 2018 and 2017, and the respective changes in the financial positions and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

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Change in Accounting Principles

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which became effective during the year ended December 31, 2018 and required the restatement of net position as discussed in Note 2P to the financial statements.

The emphasis of this matter does not constitute a modification to our opinion.

Other Matters

Required Supplementary Information

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

Maze + Associates

Pleasant Hill, California
May 20, 2019

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, 2018 and 2017 and its financial performance for the years then ended. Condensed financial information from 2016 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 balance sheet; 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.

Balance Sheet

The balance sheet 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 balance sheet 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 financing activities, and investing activities. The statement also presents a reconciliation of the differences between net income from operations and net cash flows from operations.

Financial Highlights

Highlights from the financial statements are discussed below.

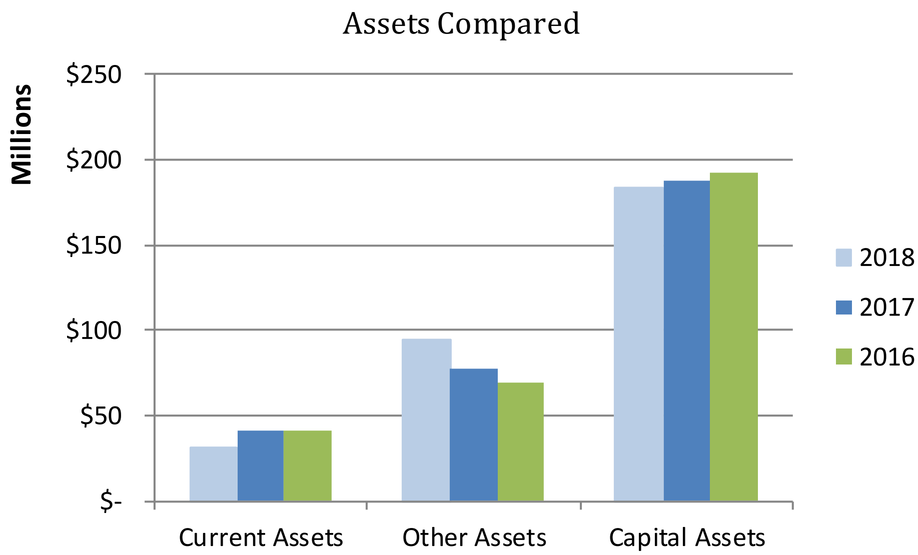
Balance Sheet Discussion

Condensed Balance Sheets

As of December 31

	2018	Restated 2017	2016
Current assets	$ 31,929,077	$ 40,918,810	$ 41,640,096
Other assets and investments	94,222,667	77,436,687	69,031,158
Capital assets	183,717,914	187,844,204	192,893,734
Total assets	309,869,658	306,199,701	303,564,988
Deferred outflows of resources	2,967,408	3,337,179	4,170,988
Total assets and deferred outflows	$ 312,837,066	$ 309,536,880	$ 307,735,976
Current liabilities	$ 5,694,501	$ 6,453,372	$ 6,197,440
Long-term liabilities	14,197,626	16,961,139	16,779,969
Total Liabilities	19,892,127	23,414,511	22,977,409
Deferred inflows of resources	732,144	499,938	750,202
Net investment in capital assets	181,133,280	182,756,899	185,362,447
Restricted net position	9,498,069	8,373,731	7,740,914
Unrestricted position	101,581,446	94,491,801	90,905,004
Total net position	292,212,795	285,622,431	284,008,365
Total liabilities, deferred inflows, and net position	$ 312,837,066	$ 309,536,880	$ 307,735,976

The balance sheet for December 31, 2017 is restated to show the effects of implementing a new accounting standard for other post-employment benefits (GASB Statement No. 75). The implementation of GASB 75 affects financial statements for all past years beginning with the inception of the other post-employment benefits plan. Restatement of past financial statements is not required when infeasible. It is not feasible to restate financial statements for years before 2017. Therefore, while 2017 has been restated, 2016 is not restated here. See Note 2.P. of the financial statements for additional information regarding this restatement.



- Current assets decreased $8.9 million in 2018 mostly because cash and investments are down by $5.8 million due to a shift of investments from short term to long term maturities. Also contributing to the decrease is the property tax revenue receivable. Typically, property tax revenue installments are received in January and April. At December 31, 2017, the property tax receivable consists of both installments. However, in 2018, the 1st installment was received in December 2018 rather than January 2019; therefore, the 2018 receivable consists only of the anticipated April 2019 installment.

- Current assets decreased $721,000 in 2017. A $6.8 million increase in unrestricted cash and cash equivalents was offset by a $6.0 million decrease in current investments in marketable securities and a $1.8 million decrease in accounts receivable. The decrease in accounts receivable was due to the fact that, among other changes, we had a $2 million receivable at December 31, 2016 for a wholesale water transfer, whereas we had no such receivable at the end of 2017.

- Other assets and investments increased $16.8 million in 2018 due to a $21.3 million growth in noncurrent cash and investments and a $4.8 million decrease in the investment in the Tri-Dam Project. The Tri-Dam net position declined as cash distributions to member Districts exceeded net income.

- Other assets and investments increased $8.4 million in 2017 because of an increase of $6.2 million in noncurrent investments in marketable securities and an increase of $1.75 million in the balance of the investment in Tri-Dam Project.

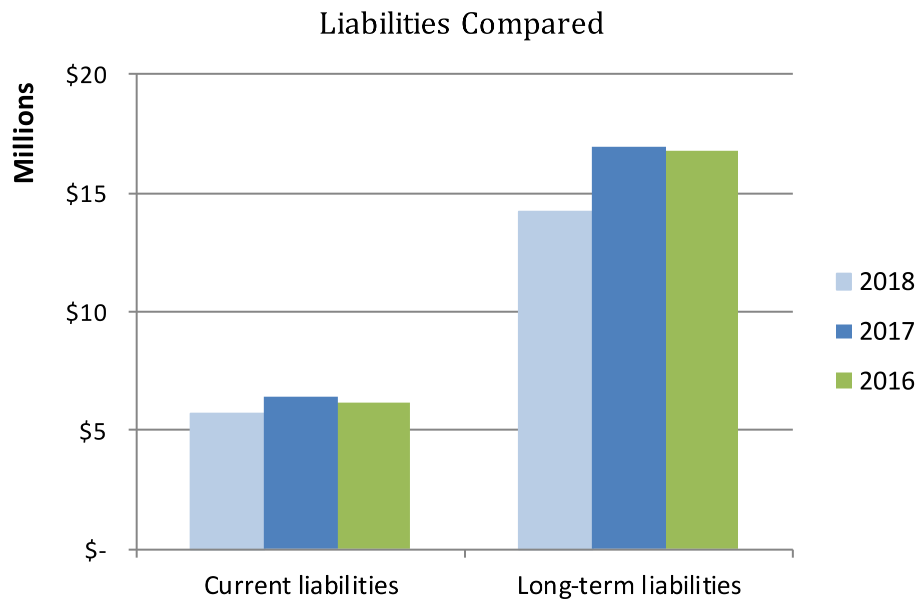
- Capital assets decreased $4.1 million in 2018 and $5 million in 2017 as additions were exceeded by depreciation expense.

- Deferred outflows of resources decreased $370,000 in 2018 as a result of a decrease in deferred outflow for pension plans of $739,000, a decrease in deferred outflow for refunding of long-term debt of $50,000 due to scheduled amortization over the remaining term of the 2012A bonds and an increase in deferred outflow for OPEB of $419,000.

- Deferred outflows of resources decreased about $833,000 in 2017 because the deferred outflow for refunding of long-term debt decreased $77,000 due to scheduled amortization over the remaining term of the 2012A bonds and the deferred outflow of resources for pension plans decreased $910,000 due to changes in certain components of the net pension liability as prescribed by GASB 68 netted with an increase in deferred outflow for OPEB of $153,000 due to the implementation of GASB 75.

  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.

  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 in order to reduce year-to-year volatility of pension expense. The same methodology is applied to the net OPEB liability and OPEB expense.



- Current liabilities decreased $759,000 in 2018 as the current portion of the liability for compensated absences dropped by nearly $600,000. The rest of the decrease in current liabilities was caused by accounts payable.

- In 2017 current liabilities increased by $256,000 due to the growth in liability for compensated absences; which was partially offset by small declines in AP.

- Long term liabilities decreased about $2.6 million in 2018 mainly as the result of a decrease in long term debt from $2.59 million to zero as the final payment on the 2012A refunding bonds will be due October 1, 2019. The final payment amount is reported in current liabilities. Though the net pension liability decreased $383,000 in 2018, this was offset by an increase of $361,000 in long-term compensated absences.

- Long term liabilities increased only about $25,000 in 2017 as restated due to the implementation of GASB 75. Though the non-current portion of long-term debt, comprising the 2012A revenue bonds, dropped by $2.6 million as a consequence of scheduled debt service, this was offset by the net pension liability increase of $1.6 million in accordance with actuarial information provided by CalPERS as well as a $1.1 million increase in the net obligation for other post-employment benefits.

- Deferred inflows of resources increased $232,000 in 2018 as a consequence of certain changes in the net pension and net OPEB liabilities resulting from actuarial information provided by CalPERS and the District's actuary, respectively. 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 in order to reduce year-to-year volatility of pension and OPEB expenses.

- The amount of deferred inflows of resources declined $250,000 in 2017 due to changes in the net pension liability resulting from actuarial information provided by CalPERS.

- The components of changes in net position for each year are detailed in the statement of revenues, expenses, and changes in net position.

- Restricted net position consists of restricted assets less associated liabilities of which there are none. Restricted net position is equal to total restricted assets in the table below.

Restricted Assets	2018	2017	2016
Debt service reserve fund	$ 1,815,403	$ 1,802,137	$ 1,797,969
Capital replacement fund - water treatment plant	7,632,073	6,504,498	5,908,968
Accrued interest receivable on restricted investments	50,593	67,096	33,977
Total restricted assets	$ 9,498,069	$ 8,373,731	$ 7,740,914

Revenues and Expenses Discussion

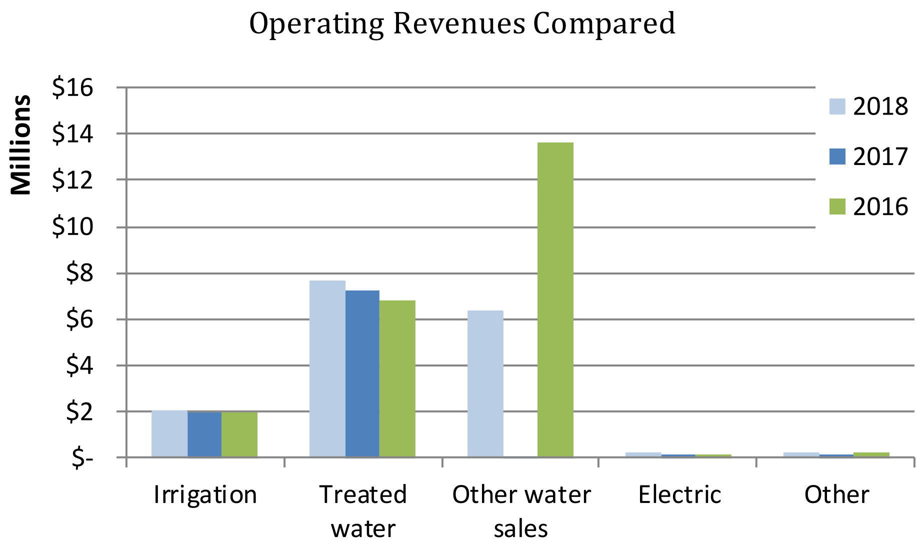
Condensed Statement of Revenues, Expenses, and Changes in Net Position

For the Years Ended December 31

	2018	Restated 2017	Restated 2016
Treated water sales	$ 7,666,881	$ 7,215,164	$ 6,777,879
Other water sales	8,349,681	2,037,017	$ 15,571,683
Other income	428,556	390,318	$ 443,528
Total Operating Revenues	16,445,118	9,642,499	22,793,090
Labor	14,215,507	15,922,724	13,872,774
Other operating and maintenance	4,135,417	3,454,703	3,848,242
General and administrative	3,361,307	7,061,164	5,787,293
Depreciation	7,357,558	7,457,204	7,356,554
Total Operating Expenses	29,069,789	33,895,795	30,864,863
Net loss from operations	(12,624,671)	(24,253,296)	(8,071,773)
Net nonoperating revenues	16,843,981	24,916,170	17,238,545
Net Income (Loss) before Contributions	4,219,310	662,874	9,166,772
Capital contributions	2,371,054	2,002,222	2,742,648
Change in Net Position	6,590,364	2,665,096	11,909,420
Net position, beginning of year as previously reported	285,622,431	280,355,135	269,102,365
Net position, beginning of year restated	285,622,431	282,957,335	272,098,945
Net Position, End of Year	$ 292,212,795	$ 285,622,431	$ 284,008,365

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 other post-employment benefits (GASB Statement No. 75). The implementation of GASB 75 affects financial statements for all past years beginning with the inception of the other post-employment benefits plan. Restatement of past financial statements is not required when infeasible. It is not feasible to restate financial statements for years before 2017. Therefore, while 2017 has been restated, 2016 is not restated here. See Note 2.P. of the financial statements for additional information regarding this restatement.

Year 2016 was restated when 2017 financial statements were issued due to Tri-dam restatement of their financial statements as well as to correct depreciation expense, capital contributions, gain or loss on property and equipment, depreciable capital assets, accumulated depreciation, and net position due to the discovery of un-recorded capital assets during the period of 1997 to 2016, inclusive. Year 2016 was not restated due to the implementation of GASB 75 in 2018.

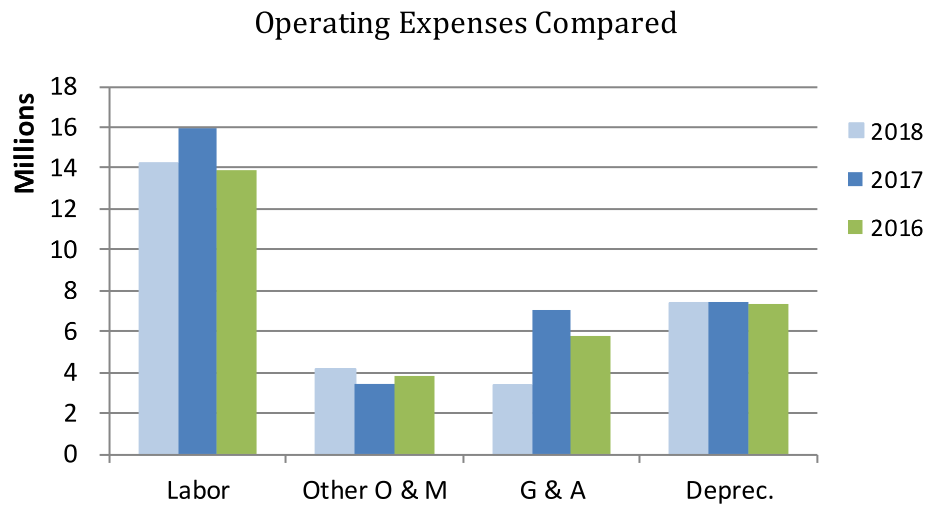


- Treated water sales to the cities of Manteca, Lathrop, and Tracy grew by $452,000 (6.3%) in 2018 and by $437,000 (6.5%) in 2017.

- Other water sales increased $6.3 million 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.

- Other water sales fell by $13.5 million in 2017 because of water transfers to the California Department of Water Resources and the San Luis & Delta-Mendota Water Authority that occurred in 2016 but not in 2017.

- Irrigation, electric, and other income were nearly unchanged in 2018 and 2017.



- 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, other post-employment benefits expense and net other post-employment benefits liability promulgated as GASB 68 and GASB 75. This is why labor expense, including taxes and benefits, fell by $1.7 million (11%) in 2018 after rising $2 million (15%) in 2017 and almost $3 million (27%) in 2016. The largest component of these changes is pension and other post-employment benefit expense.

- Payroll rose only $208,000 (2.9%) in 2018 and $315,000 in 2017 (4.6%). Increases in both years are attributable to cost of living adjustments as well as filling open positions.

- Governmental Accounting Standards Board Statement No. 68 (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, Governmental Accounting Standards Board Statement No. 75 (GASB 75) requires the same treatment for the net other post-employment benefit liability. These annual adjustments can either decrease or increase a year's pension and other post-employment benefit expenses by a material amount.

  In 2018, the GASB 68 adjustment increased pension expense $1.3 million above the amount of the District's pension contributions for the year. In 2017, the GASB 68 adjustment increased pension expense $2.9 million above the amount the District actually contributed. These additions ($1.3 million in 2018 and $2.9 million in 2017) to pension expense do not represent any additional cash outlay in 2017 or 2018. They do represent growth in the pension liability which will paid over a period of years. Employer contributions for normal cost run only about $1.1 million per year.

  GASB 75 has similar effects. In 2018, the GASB 75 adjustment increased by $133,000 the expense for other post-employment benefits.

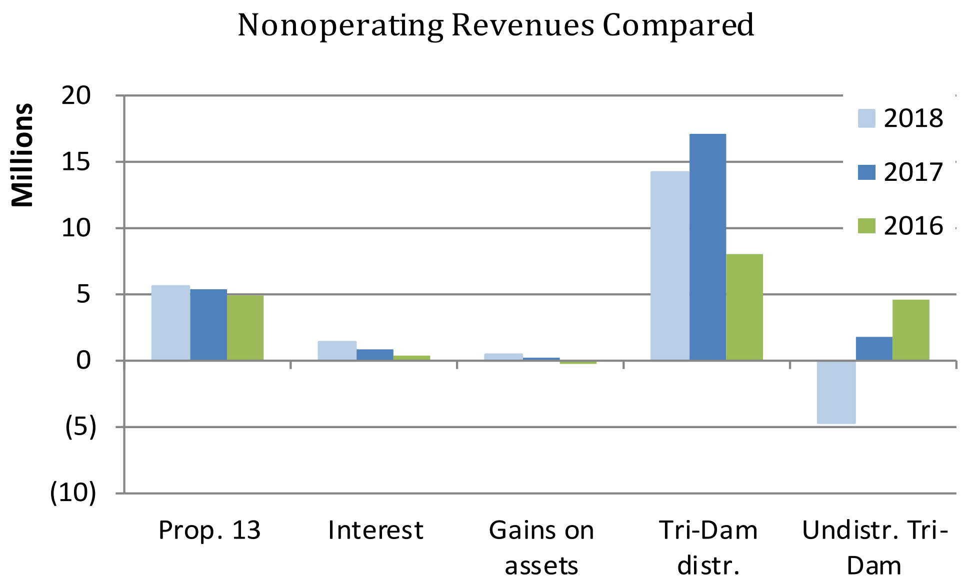
The wide year-to-year fluctuations of the GASB 68 adjustment are a direct result of wide year-to-year fluctuations in the estimated amount of the net pension liability. The amount of the net pension liability is a rough estimate provided to the District by PERS actuaries based on a number of critical 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 expenses rose by $681,000 in 2018 over 2017, which is about 20%. There were increases in 2018 for maintenance and community relations.

- In 2017 other operating and maintenance expense declined by $394,000 or 10%. The main component of this decline was less use of outside contractors than in 2016 as certain special projects were completed in 2016 or early 2017.

- General and administrative expense increased $1.3 million (22%) in 2017 as SSJID stepped up the legal process to acquire electric distribution assets from PG&E after obtaining regulatory approval for the District's electric utility project in 2014. General and administrative expense then decreased $3.7 million (52%) in 2018 mainly due to a decline in related legal activity.

- Depreciation expense decreased $100,000 in 2018 and increased $100,000 in 2017 due to adjustments in 2017 to fixed assets and depreciation.



- Net nonoperating revenues fell by $8 million, or 32%, in 2018 because of smaller Tri-Dam distributions, and grew $7.6 million in 2017, or 44%, entirely because of increased earnings at Tri-Dam.

- Capital contributions increased nearly $369,000 in 2018 and decreased more than $700,000 in 2017 due to variations in the amounts of new capital assets built and contributed by real estate developers to the District.

- Change in net position increased $3.9 million in 2018 and fell by $9.2 million in 2017.

Capital Assets and Debt Discussion

Summary of Capital Assets

For the Years Ended December 31

	2018	2017	2016
Land	$ 7,730,310	$ 7,730,310	$ 7,730,310
Construction in progress	740,127	263,628	1,926,848
Water treatment plant & transmission line	127,563,050	127,459,902	127,640,690
Other buildings	1,906,486	1,735,707	1,559,475
Solar generating plant	11,974,734	11,974,734	11,974,734
Irrigation system	114,643,696	112,850,442	110,621,822
Vehicles and equipment	16,277,215	15,945,706	15,208,286
Total	280,835,618	277,960,429	276,662,165
Less: accumulated depreciation	(97,117,704)	(90,116,225)	(83,768,431)
Net capital assets	$ 183,717,914	$ 187,844,204	$ 192,893,734

- Net capital assets showed a net decrease of $4 million in 2018 and $5 million in 2017 as depreciation exceeded additions in both years. In 2018, additions were $2.9 million, or 1%, and mostly related to the irrigation distribution system. In 2017, the additions of $1.3 million, or 0.5%, 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

	2018	2017	2016
2012A bonds incl. original issue premium	$ 2,591,882	$ 5,144,431	$ 7,665,375

- Long-term debt decreased $2.6 million in 2018 as well as $2.5 million in 2017 as a consequence of scheduled debt service and amortization of the original issue premium.

- The current portion of the long-term debt shown above is $2,591,882 for 2018 and $2,552,549 for 2017.

- Debt service coverage ratios were 763% for 2018 and 529% for 2017.

- See Note 8 for additional information about long-term debt.

Expectations for 2019

As of the date of this report, distributions of the Tri-Dam organizations are expected to decrease about $1.3 million from the level of 2018. There are no expectations for wholesale water transfers in 2019 at this time.

SSJID is pursuing the purchase of the PG&E utility assets within the District. In July, 2016 the District filed an eminent domain complaint against PG&E. The length and ultimate cost of these processes are not known. In 2009 the District filed an application with the San Joaquin County Local Agency Formation Commission ("LAFCo") for permission to provide retail electric distribution service within the District. LAFCo approved the application in December, 2014. PG&E has filed a lawsuit to modify or overturn the LAFCo decision. The District has been participating in the defense of the LAFCo decision. This case has been decided largely, but not entirely, in favor of SSJID. One of LAFCo's approval conditions was invalidated by the court. SSJID, jointly with LAFCo, is pursuing an appeal of that decision. Following this invalidation of a LAFCO approval condition, the court has granted PG&E's petition to dismiss SSJID's eminent domain complaint. SSJID is appealing the dismissal.

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
Balance Sheets
December 31, 2018 and 2017

	2018	Restated 2017
ASSETS AND DEFERRED OUTFLOWS		
ASSETS		
Current Assets		
Cash & cash equivalents - unrestricted	$ 7,340,514	$ 10,494,794
Investments in marketable securities	21,063,214	23,798,452
Accounts receivable	2,311,656	5,511,231
Accrued interest receivable - unrestricted	471,954	428,454
Prepaid expenses	688,240	630,813
Inventories	53,499	55,066
Total Current Assets	31,929,077	40,918,810
Other Assets and Investments		
Cash & cash equivalents - restricted	2,207,735	1,915,713
Accrued interest receivable - restricted	50,593	67,096
Investments in securities - unrestricted (net of current amounts)	44,557,363	24,086,526
Investments in securities - restricted (reserves for debt service, water treatment plant)	7,239,741	6,390,922
Investment in Tri-Dam Project	40,167,235	44,976,430
Total Other Assets and Investments	94,222,667	77,436,687
Capital Assets		
Non-depreciable	8,470,437	7,993,938
Depreciable	272,365,181	269,966,491
Less accumulated depreciation	(97,117,704)	(90,116,225)
Total Capital Assets	183,717,914	187,844,204
TOTAL ASSETS	309,869,658	306,199,701
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding of long term debt	7,248	57,126
Pension	2,387,505	3,126,242
Other post-employment benefits	572,655	153,811
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,967,408	3,337,179
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 312,837,066	$ 309,536,880

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

South San Joaquin Irrigation District
Balance Sheets
December 31, 2018 and 2017

	2018	Restated 2017
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
LIABILITIES		
Current Liabilities		
Accounts payable	$ 405,514	$ 704,885
Construction contract retentions payable	-	5,162
Accrued expenses	513,529	412,926
Unearned revenue	1,320,432	1,324,725
Current portion of long-term debt	2,591,882	2,552,549
Compensated absences	863,144	1,453,125
Total Current Liabilities	5,694,501	6,453,372
Long-Term Liabilities		
Long-term debt	-	2,591,882
Net other post-employment benefits liability	1,319,080	1,468,789
Compensated absences	506,167	145,073
Net pension liability	12,372,379	12,755,395
Total Long-Term Liabilities	14,197,626	16,961,139
TOTAL LIABILITIES	19,892,127	23,414,511
DEFERRED INFLOWS OF RESOURCES		
Pension	603,530	499,938
Other post-employment benefits	128,614	-
TOTAL DEFERRED INFLOWS OF RESOURCES	732,144	499,938
NET POSITION		
Net investment in capital assets	181,133,280	182,756,899
Restricted	9,498,069	8,373,731
Unrestricted	101,581,446	94,491,801
TOTAL NET POSITION	292,212,795	285,622,431
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	$ 312,837,066	$ 309,536,880

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, 2018 and 2017

	2018	Restated 2017
OPERATING REVENUES		
Irrigation sales	$ 2,033,942	$ 1,990,097
Treated water sales	7,666,881	7,215,164
Other water sales	6,315,739	46,920
Electric sales	213,919	198,375
Other	214,637	191,943
Total Operating Revenues	16,445,118	9,642,499
OPERATING EXPENSES		
Wages	7,387,348	7,178,654
Payroll taxes and benefits	6,828,159	8,744,070
Materials and supplies	1,955,426	1,569,721
Maintenance, repairs, and improvements	928,739	794,661
Utilities	1,251,252	1,090,321
General and administrative	3,361,307	7,061,164
Depreciation	7,357,558	7,457,204
Total Operating Expenses	29,069,789	33,895,795
Net Loss From Operations	(12,624,671)	(24,253,296)
NONOPERATING REVENUES (EXPENSES)		
Proposition 13 subvention property taxes	5,615,353	5,324,105
Interest income	2,220,769	2,002,481
Changes in market value of investments	(720,551)	(1,241,319)
Interest expense	(117,480)	(181,267)
Gain (loss) on property and equipment	404,085	77,901
Tri-Dam Power Authority distributions	3,691,500	692,000
Tri-Dam Project distributions	10,559,500	16,386,500
Undistributed earnings of Tri-Dam Project	(4,809,195)	1,748,730
Other nonoperating revenues	-	107,039
Total Nonoperating Revenues (Expenses)	16,843,981	24,916,170
Net Income before Capital Contributions	4,219,310	662,874
Capital contributions	2,371,054	2,002,222
Change in Net Position	6,590,364	2,665,096
Net Position, Beginning of Year as Previously Reported	285,622,431	280,355,135
Restatement	-	2,602,200
Net Position, Beginning of Year Restated	285,622,431	282,957,335
NET POSITION, END OF YEAR	$ 292,212,795	$ 285,622,431

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, 2018 and 2017

	2018	Restated 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 19,090,094	$ 13,212,643
Other receipts	10,640	35,266
Payments for goods and services	(15,272,716)	(17,150,579)
Payments to employees for services	(8,624,836)	(8,337,839)
Cash Used by Operating Activities	(4,796,818)	(12,240,509)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property tax receipts	7,912,513	5,181,088
Tri Dam Power Authority cash distributions	3,691,500	692,000
Other nonoperating revenue	-	107,039
Cash Provided by Noncapital Financing Activities	11,604,013	5,980,127
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions	2,371,054	2,002,222
Proceeds from the sale of capital assets	434,900	79,500
Purchase of capital assets	(3,279,108)	(2,749,557)
Principal payments on long-term debt	(2,445,000)	(2,355,000)
Interest payments on long-term debt	(199,600)	(293,800)
Cash Used by Capital and Related Financing Activities	(3,117,754)	(3,316,635)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	2,184,065	1,888,254
Purchases of investment securities	(63,931,220)	(44,653,579)
Proceeds from sales and maturities of investment securities	44,635,956	41,914,700
Decrease (Increase) in notes and loans receivable	-	195,594
Tri Dam Project cash distributions	10,559,500	16,386,500
Cash Provided (Used) by Investing Activities	(6,551,699)	15,731,469
Net Increase (Decrease) in Cash and Cash Equivalents	(2,862,258)	6,154,452
Cash and Cash Equivalents at Beginning of Year	12,410,507	6,256,055
Cash and Cash Equivalents at End of Year	$ 9,548,249	$ 12,410,507
RECONCILIATION OF CASH TO BALANCE SHEET		
Cash & cash equivalents - unrestricted	$ 7,340,514	$ 10,494,794
Cash & cash equivalents - restricted	2,207,735	1,915,713
Cash & cash equivalents - total	$ 9,548,249	$ 12,410,507

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, 2018 and 2017

	2018	Restated 2017
RECONCILIATION OF NET LOSS FROM OPERATIONS TO CASH USED FOR OPERATING ACTIVITIES		
Net Loss From Operations	$ (12,624,671)	$ (24,253,296)
Depreciation	7,357,558	7,457,205
(Increase) Decrease in operating assets		
Accounts receivable	902,415	1,897,562
Prepaid expenses	(57,426)	(110,126)
Inventories	1,568	(9,287)
Deferred outflows of resources - pension	738,737	2,233,899
Deferred outflows of resources - other post empoyment benefits	(418,844)	(153,811)
Increase (Decrease) in operating liabilities		
Accounts payable	(284,762)	198,042
Accrued expenses	122,306	20,429
Unearned revenue	(4,293)	1,792
Net obligation for other post-employment benefits	-	(169,207)
Compensated absences	(228,887)	226,821
Deferred inflows of resources - pension	232,206	(1,573,505)
Net pension liability	(383,016)	1,575,214
Net other post employment benefits liability	(149,709)	1,468,789
Effect of restating balance sheet but not expenses for GASB 75 implementation		(1,051,030)
Cash Used by Operating Activities	$ (4,796,818)	$ (12,240,509)
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Assets received as capital contributions	$ 1,232,487	$ 1,015,630
Decrease in fair value of investments in marketable securities	(720,551)	(1,241,319)
Increase (decrease) in investment in Tri Dam Project, net of cash received	(4,809,195)	1,748,730
Discontinued capital improvement project charged to operating expense		(761,570)

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

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Notes to the Basic Financial Statements

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Notes to the Basic Financial Statements

NOTE 1 – Organization and Description of Business

The South San Joaquin Irrigation 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, 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.

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 web 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 web 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 SJJGSA. 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. As of December 31, 2017 the cost sharing agreement had not yet been developed and SSJID bore all the costs of the SSJGSA for the year then ended. Costs of the SSJGSA for 2017 borne by SSJID totaled $41,572. Total operating costs of the SSJGSA in 2018 were $29,800. Effective for the year ending December 31, 2018, members developed the following cost sharing agreement:

Member	**Member's share of responsibility**	
SSJID	85%	$25,330
City of Ripon	10%	$2,980
City of Escalon	5%	$1,490
Total	100%	$29,800

The SSJGSA had no assets, liabilities, or revenues as of December 31, 2017 or December 31, 2018 and issued no financial statements for 2017 or 2018.

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 service 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 market value. Market 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. The property tax rate is limited by state statute to generally one percent plus an applicable rate for voter-approved debt. 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 balance sheet 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 balance sheet. 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 (including refunds of employee contributions) 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 balance sheet 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 Statement No. 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 the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

P. Restatement

A new accounting standard for other post-employment benefits (GASB Statement No. 75) took effect for District financial statements beginning with the year ended December 31, 2018. GASB 75 requires restatement of prior financial statements presented if feasible. Therefore, according to feasibility, the balance sheet for December 31, 2017 is restated, and in the statement of revenues, expenses, and changes in net position, beginning net position is restated to show the effects of implementing the new accounting standard for other post-employment benefits. The balance sheet restatement involves the replacement of the net obligation for other post-employment benefits of $263,948 with the net other post-employment benefits liability of $1,468,789, and the addition of $153,811 of deferred outflows of resources. Due to the implementation of GASB 75, unrestricted net position at December 31, 2017 is reduced by $1,051,030 to reflect the cumulative increase in other post-employment benefits expense since the inception of the other post-employment benefit plan.

NOTE 3 – Cash and Investments

A. Classification

Cash and investments are classified in the financial statements as shown below at December 31, 2018 and 2017:

	2018	2017
Cash and cash equivalents - unrestricted	$ 7,340,514	$ 10,494,794
Cash and cash equivalents - restricted	2,207,735	1,915,713
Total cash and cash equivalents	9,548,249	12,410,507
Investments in marketable securities - current portion, unrestricted	21,063,214	23,798,452
Investments in marketable securities - noncurrent portion, unrestricted	44,557,363	24,086,526
Investments in securities - restricted (reserves for debt service, water treatment plant)	7,239,741	6,390,922
Total investments in marketable securities	72,860,318	54,275,900
Total cash and investments	$ 82,408,567	$ 66,686,407

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 market value of an investment. Normally, the longer the remaining maturity of an investment, the greater is the sensitivity of its market 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.

Information about the interest rate risk and the credit risk of the District's investments is provided by the following table that shows the District's investments by maturity as of December 31, 2018 and the credit ratings assigned:

2018 Investments by Maturity and Rating

		Year of Maturity					
Category	**Moody's or S&P Rating**	**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 Investments		$ 23,227,707	$ 6,411,036	$ 2,139,043	$ 14,847,025	$ 26,235,507	$ 72,860,318

Information about the interest rate risk and the credit risk of the District's investments is provided by the following table that shows the District's investments by maturity as of December 31, 2017 and the credit ratings assigned:

2017 Investments by Maturity and Rating

Category	Moody's or S&P Rating	Year of Maturity 2018	2019	2021	2022	Total
State and municipal debt						
	A	$ -	$ 81,300	$ -	$ -	$ 81,300
	A-	-	1,005,510	-	-	1,005,510
	A Insured	348,093	-	-	-	348,093
	A+	843,330	550,220	-	-	1,393,550
	A1	205,408	-	-	-	205,408
	A2	9,313,985	-	-	-	9,313,985
	A2 Insured	3,742,480	-	-	-	3,742,480
	AA	100,809	-	-	-	100,809
	AA-	1,013,962	10,700,418	-	-	11,714,380
	AA Insured	662,412	-	-	-	662,412
	AA+	319,450	199,069	1,992,360	2,143,301	4,654,180
	Aa1	124,871	517,070	-	-	641,941
	Aa2	335,188	-	-	-	335,188
	Aa3	2,090,732	1,101,201	-	-	3,191,933
	AAA	-	928,845	-	-	928,845
	A3	340,898	-	-	-	340,898
	A3 Insured	49,406	-	-	-	49,406
	Total	19,491,024	15,083,633	1,992,360	2,143,301	38,710,318
Negotiable certificates of deposit						
	FDIC Insured	5,819,567	3,415,682	-	-	9,235,249
	Total	5,819,567	3,415,682	-	-	9,235,249
Corporate debt						
	A-	500,525	897,694	-	-	1,398,219
	A+	2,064,094	-	-	-	2,064,094
	A1	-	679,249	-	-	679,249
	A2	-	942,112	-	-	942,112
	AA-	679,315	567,344	-	-	1,246,659
	Total	3,243,934	3,086,399	-	-	6,330,333
Total Investments		$ 28,554,525	$ 21,585,714	$ 1,992,360		$ 54,275,900

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, 2018:

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

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, 2017:

Issuer	Investment Type	Amount
State Of Michigan	Municipal Bonds	$ 7,481,606
State Of California	Municipal Bonds	10,700,418

At December 31, 2018 cash and investments included $10,195,719 held in commercial banks and at December 31, 2017 cash and investments included $9,694,097 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, 2018:

Investments by Fair Value Level

	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. and by Blackrock. 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:

	2018	2017
Proposition 13 subvention property taxes	$ 391,185	$ 2,688,345
Water treatment plant sales to cities	1,265,681	1,508,332
Irrigation charges	611,923	1,306,018
Water transfer	32,478	861
Miscellaneous	10,389	7,675
Total	$ 2,311,656	$ 5,511,231

NOTE 5 – Investment in the Tri-Dam Project

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

Tri Dam Project
Condensed Balance Sheets
December 31, 2018 and 2017

	2018	2017
Current assets	$ 21,071,531	$ 31,951,561
Capital assets	63,334,217	64,082,991
Deferred outflows	4,182,070	1,498,764
Total assets and deferred outflows	$ 88,587,818	$ 97,533,316
Current liabilities	$ 886,106	$ 1,138,336
Noncurrent liabilities	7,097,221	6,164,420
Deferred inflows	270,021	277,700
Total liabilities and deferred inflows	8,253,348	7,580,456
Net investment in capital assets	63,334,217	64,082,991
Unrestricted net position	17,000,253	25,869,869
Total net position	80,334,470	89,952,860
Total liabilities, deferred inflows, and net position	$ 88,587,818	$ 97,533,316

Tri Dam Project

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

For the Years Ended December 31, 2018 and 2017

	2018	2017
Operating revenues	$ 21,651,773	$ 48,458,414
Operating expenses	9,282,683	10,859,466
Net Income from Operations	12,369,090	37,598,948
Nonoperating Revenues (Expenses)		
Reimbursements	189,729	189,119
Water sales	167,417	142,008
Rental of equipment and facilities	95,067	94,794
Investment earnings	261,214	107,921
Other nonoperating revenue	1,085,627	82,942
River habitat studies	(1,593,254)	(1,686,200)
Goodwin Dam expenses	(283,056)	(274,761)
(Loss) gain on disposal of capital assets	11,159	15,688
Total Nonoperating Revenues (Expenses)	(66,097)	(1,328,489)
Change in Net Position	12,302,993	36,270,459
Net position, beginning of year (restated for 2018)	89,150,477	86,455,401
Less: distributions to member districts	(21,119,000)	(32,773,000)
Net Position, End of Year	$ 80,334,470	$ 89,952,860

Notes to the Basic Financial Statements

NOTE 6 – Capital Assets

Changes in capital assets accounts for the year ended December 31, 2018 are summarized below:

	2018 Capital Assets				
	December 31, 2017	Additions	Disposals	Transfers and Adjustments	December 31, 2018
Capital assets not being depreciated:					
Land	$ 1,382,984	$ -	$ -	$ -	$ 1,382,984
Water treatment plant land	5,834,926	-	-	-	5,834,926
Solar Land	512,400	-	-	-	512,400
Construction in progress - Irrigation	263,628	1,193,162	-	(780,847)	675,943
Construction in progress - WTP	-	167,332	-	(103,148)	64,184
Total	7,993,938	1,360,494	-	(883,995)	8,470,437
Capital assets being depreciated:					
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 ("WTP") vehicles	449,729	86,540	(34,047)	-	502,222
WTP improvements	1,132,570	-	-	-	1,132,570
WTP building and equipment	50,914,172	-	-	103,148	51,017,320
WTP original construction	65,667,847	-	-	-	65,667,847
WTP pump stations - original construction	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:					
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 ("WTP") vehicles	(380,462)	(31,957)	34,047	-	(378,372)
WTP improvements	(338,486)	(73,610)	-	-	(412,096)
WTP building and equipment	(13,701,914)	(1,319,509)	-	-	(15,021,423)
WTP original construction	(19,629,893)	(2,034,290)	-	-	(21,664,183)
WTP pump stations - original construction	(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

Changes in capital assets accounts for the year ended December 31, 2017 are summarized below:

	2017 Capital Assets				
	Restated December 31, 2016	Additions	Disposals	Transfers and Adjustments	December 31, 2017
Capital assets not being depreciated:					
Land	$ 1,382,984	$ -	$ -	$ -	$ 1,382,984
Water treatment plant land	5,834,926	-	-	-	5,834,926
Solar Land	512,400	-	-	-	512,400
Construction in progress - Irrigation	1,914,022	1,499,887	-	(3,150,281)	263,628
Construction in progress - WTP	12,826	-	-	(12,826)	-
Total	9,657,158	1,499,887		(3,163,107)	7,993,938
Capital assets being depreciated:					
Improvements	480,176	-	-	659,011	1,139,187
Dams, canals, and laterals	110,141,646	54,508	(119,750)	1,634,851	111,711,255
Buildings	1,559,475	85,772	-	90,460	1,735,707
Vehicle and excavators	4,181,372	75,989	(96,187)	-	4,161,174
Machinery and equipment	10,572,030	93,841	(97,027)	765,959	11,334,803
Water treatment plant ("WTP") vehicles	454,884	19,555	(28,210)	3,500	449,729
WTP improvements	734,545	398,025	-	-	1,132,570
WTP building and equipment	51,048,588	181,696	(325,438)	9,326	50,914,172
WTP original construction	66,112,244	-	(444,397)	-	65,667,847
WTP pump stations - original construction	9,745,313	-	-	-	9,745,313
Solar plant	11,974,734	-	-	-	11,974,734
Total	267,005,007	909,386	(1,111,009)	3,163,107	269,966,491
Less accumulated depreciation:					
Improvements	(285,739)	(29,898)	-	-	(315,637)
Dams, canals, and laterals	(38,036,827)	(2,405,359)	119,750	-	(40,322,436)
Buildings	(667,816)	(40,069)	-	-	(707,885)
Vehicle and excavators	(3,213,390)	(265,190)	96,187	-	(3,382,393)
Machinery and equipment	(2,756,730)	(334,295)	95,428	-	(2,995,597)
Water treatment plant ("WTP") vehicles	(379,272)	(29,400)	28,210	-	(380,462)
WTP improvements	(278,760)	(59,726)	-	-	(338,486)
WTP building and equipment	(12,709,282)	(1,318,070)	325,438	-	(13,701,914)
WTP original construction	(17,894,076)	(2,180,214)	444,397	-	(19,629,893)
WTP pump stations - original construction	(3,250,859)	(327,635)	-	-	(3,578,494)
Solar plant	(4,295,680)	(467,348)	-	-	(4,763,028)
Total	(83,768,431)	(7,457,204)	1,109,410		(90,116,225)
Net Depreciable Capital Assets	183,236,576	(6,547,818)	(1,599)	3,163,107	179,850,266
Net Capital Assets	$ 192,893,734	$ (5,047,931)	$ (1,599)	$ -	$ 187,844,204

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. Minimum rental payments due under the leases for future calendar years are as follows:

Year Ending December 31,	Minimum Operating Lease Payments	
2019	$	16,321
2020		2,448
2021		1,020
Total	$	19,789

NOTE 8 – Long-term Liabilities

A. Description of individual long-term debt issues outstanding

Long-term debt at December 31, 2018 consists 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 require the District to annually collect net revenues of at least 125% of annual debt service, after subtracting operating and maintenance expenses. The final principal payment of $2,545,000 is due on October 1, 2019, and semi-annual interest payments of $50,900 are due on April 1 and October 1, 2019. Coupon rates are 4.0% per annum.

B. Required disclosure of long-term debt activity

Activity in the long-term debt accounts during the years ended December 31, 2018 and 2017, was as shown in the following tables:

	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 2012A 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

	2017					
Long-Term Liabilities	**December 31, 2016**	**Additions**	**Reductions**	**Restated [1] December 31, 2017**	**Current Portion**	**Long-Term Portion**
2012A Refunding Bonds	$ 7,345,000	$ -	$ (2,355,000)	$ 4,990,000	$ 2,445,000	$ 2,545,000
Original issue premium on 2012A Refunding Bonds	320,375	-	(165,944)	154,431	107,549	46,882
Subtotal long-term debt	7,665,375	-	(2,520,944)	5,144,431	2,552,549	2,591,882
Net other post-employment benefits liability	169,207	1,299,582	-	1,468,789	-	1,468,789
Compensated absences	1,371,376	1,749,542	(1,522,720)	1,598,198	1,453,125	145,073
Net pension liability	11,180,181	1,575,214	-	12,755,395	-	12,755,395
Subtotal long-term liabilities	12,720,764	4,624,338	(1,522,720)	15,822,382	1,453,125	14,369,257
Total long-term liabilities	$ 20,386,139	$ 4,624,338	$ (4,043,664)	$ 20,966,813	$ 4,005,674	$ 16,961,139

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

C. Debt service requirements to maturity

Debt service requirements to maturity, for years ending December 31, are as follows:

	Principal	Interest	Total
2019	$ 2,545,000	$ 101,800	$ 2,646,800

D. Pledged Revenues

The District has pledged future water system revenues, net of specified operating expenses, to repay its Refunding Revenue Bonds Series 2012A, in the original face amount of $17,975,000. The bonds are payable solely from net water system revenues and are payable through October 2019. Annual principal and interest payments on the bonds are expected to require approximately 27% of net revenues in 2019. Total principal and interest remaining to be paid on the bonds was $2,646,800 and $5,291,400 at December 31, 2018 and 2017, respectively. Cash basis principal and interest paid on the bonds in 2018 was $2,644,600 and in 2017 was $2,648,800. Total water system net revenues calculated in accordance with the covenants were $20,166,393 and $13,367,917 for 2018 and 2017, respectively, producing debt service coverage ratios of 763% for 2018 and 529% for 2017.

E. 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 2017. The balance of this fund was $1,885,191 on December 31, 2018 and $1,860,956 on December 31, 2017.

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" 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 remains 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, 2018 and 2017:

	2018	Restated 2017
Total capital assets, net of accumulated depreciation	$ 183,717,914	$ 187,844,204
Less current portion LT debt	(2,591,882)	(2,552,549)
Less noncurrent portion LT debt	-	(2,591,882)
Add deferred amount on refunding of 2012A Refunding Revenue Bonds	7,248	57,126
Total	$ 181,133,280	$ 182,756,899

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, 2018 and 2017.

	2018	2017
Debt service reserve	$ 1,815,403	$ 1,802,137
Water treatment plant funds	7,632,073	6,504,498
Accrued interest receivable on restricted investments	50,593	67,096
Total	$ 9,498,069	$ 8,373,731

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, or as net investment in capital assets. Included in the amount of unrestricted net position is the rate stabilization fund which had a balance of $1,885,191 on December 31, 2018 and

$1,860,956 on December 31, 2017. 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. See also Note 8E 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 as follows:

	2018	2017
Developers	$ 1,232,487	$ 878,863
Municipal customers of water treatment plant	1,113,448	1,123,359
Groundwater Sustainability Agency	25,119	
Total	$ 2,371,054	$ 2,002,222

NOTE 11 – Retirement Plan

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.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service. 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:

	2018		2017	
	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%	6.25%	8%	6.25%
January 1 to June 30	8%	6.25%	8%	6.25%
Required employer contribution rates:				
July 1 to December 31	10.609%	6.842%	10.110%	6.533%
January 1 to June 30	10.110%	6.533%	10.069%	6.555%

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:

	2018			Restated 2017		
	Misc. Plan	PEPRA Plan	Total	Misc. Plan	PEPRA Plan	Total
Employer contributions	$ 1,495,193	$ 86,412	$ 1,581,605	$ 1,384,413	$ 62,889	$ 1,447,302
Employee contributions paid by employer	343,206	-	343,206	347,991	-	347,991
Total	$ 1,838,399	$ 86,412	$ 1,924,811	$ 1,732,403	$ 62,889	$ 1,795,293

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. The 2017 employer contributions above include a payment of a $703,431 invoice from CalPERS to amortize the net pension liability. This amount was billed for the year ending June 30, 2018.

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

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	
	2018	2017
Proportion of Net Pension Liability	$ 12,372,379	$ 12,755,395

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, 2018 and 2017 is measured as of June 30, 2018 and 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 and 2016 rolled forward to June 30, 2018 and 2017, respectively, using standard update procedures as required by GASB Statement No. 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 June 30 was as follows:

	Miscellaneous & PEPRA Plans 2018	Miscellaneous & PEPRA Plans 2017
Proportion at June 30, 2017	0.3235730%	
Proportion at June 30, 2018	0.3282919%	
Increase (Decrease)	0.0047189%	
Proportion at June 30, 2016		0.3218360%
Proportion at June 30, 2017		0.3235730%
Increase (Decrease)		0.0017370%

For the years ended December 31, 2018 and 2017 the District recognized pension expense of $1,288,867 and $4,014,346, respectively. At December 31, the District reported deferred outflows of resources and deferred inflows of resources from the following sources:

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions after measurement date	$ 551,363	$ -	$ 530,945	$ -
Differences between actual and expected experience	409,706	(139,421)	15,065	(215,834)
Change in assumptions	1,217,355	(298,350)	1,869,202	(142,528)
Differences between employer's contributions and employer's proportionate share of contributions	148,334	-	157,109	2,129
Change in employer's proportion	7,956	(165,759)	131,185	(143,705)
Net differences between projected and actual earnings on plan investments	52,791	-	422,736	-
Total	$ 2,387,505	$ (603,530)	$ 3,126,242	$ (499,938)

The $551,363 reported at December 31, 2018 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, 2019. The $530,945 reported at December 31, 2017 as deferred outflows of resources related to contributions after the measurement date is recognized as a reduction of the net pension liability in the year ended December 31, 2018.

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:

Deferred Outflows (Inflows)

Year of Expense Recognition	December 31, 2018	December 31, 2017
2018	$ -	$ 750,446
2019	1,030,123	1,022,048
2020	576,371	573,851
2021	(277,836)	(250,986)
2022	(96,046)	-
Total	$ 1,232,612	$ 2,095,359

Actuarial Assumptions

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

	2018	2017
Report date	December 31, 2018	December 31, 2017
Valuation date	June 30, 2017	June 30, 2016
Measurement date	June 30, 2018	June 30, 2017
Actuarial cost method	Entry-age normal	Entry-age normal
Actuarial assumptions:		
Discount rate	7.15%	7.15%
Inflation	2.50%	2.75%
Payroll growth	2.75%	3.00%
Projected salary increase(1)	3.2% - 11.3%	3.2% - 12.2%
Investment rate of return(2)	7.50%	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 and all other actuarial assumptions used in the June 30, 2017 and 2016 valuations were based on the results of a January 2014 actuarial experience study for the period 1997 to 2007. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used by CalPERS to measure the total pension liability was 7.15% in the June 30, 2018 and 2017 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.

	2018			2017		
Asset Class	**New Strategic Allocation**	**Real Return Years 1 - 10 (a)**	**Real Return Years 11+ (b)**	**New Strategic Allocation**	**Real Return Years 1 - 10 (a)**	**Real Return Years 11+ (b)**
Global equity	50.00%	4.80%	5.98%	47.00%	4.90%	5.38%
Global fixed income	28.00%	1.00%	2.62%	19.00%	0.80%	2.27%
Inflation sensitive	0.00%	0.77%	1.81%	6.00%	0.60%	1.39%
Private equity	8.00%	6.30%	7.23%	12.00%	6.60%	6.63%
Real assets	13.00%	3.75%	4.93%	-	-	-
Real estate	-	-	-	11.00%	2.80%	5.21%
Infrastructure and forestland	-	-	-	3.00%	3.90%	5.36%
Liquidity	1.00%	0.00%	-0.92%	2.00%	-0.40%	-0.90%
Total	100.00%			100.00%		

[(a)] An expected inflation rate of 2.0% used for 2018. An expected inflation rate of 2.5% used for 2017.

[(b)] An expected inflation rate of 2.92% used for 2018. An expected inflation rate of 3.0% used for 2017.

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:

	2018	2017
Discount decreased 1 percentage point	6.15%	6.15%
Resulting net pension liability	$ 19,873,475	$ 19,394,083
Current discount rate	7.15%	7.15%
Resulting net pension liability	$ 12,372,379	$ 12,755,395
Discount increased 1 percentage point	8.15%	8.15%
Resulting net pension liability	$ 6,180,348	$ 7,298,089

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

At December 31, 2018 and 2017, 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

Plan Description

The District's other post-employment benefit 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.

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 by the District of member benefits, and 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 Basic Financial Statements

Benefits Provided

The following is a summary of Plan benefits by employee group as of December 31, 2018:

Summary of Plan Benefits by Employee Group

	Management	IBEW
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.

Employees Covered by Benefit Terms

Membership in the plan consisted of the following at the measurement date of December 31, 2017:

Active employees	87
Inactive employees and beneficiaries currently receiving benefit payments	19
Inactive employees entitled to but not yet receiving benefit payments	0
Total	106

Actuarial Methods and Assumptions

For the report date of December 31, 2018, the District's net OPEB liability was measured as of December 31, 2017. 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 December 31, 2017 based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Valuation Date	June 30, 2017
Measurement Date	December 31, 2017
Actuarial Cost Method	Entry age normal, level percent of pay
Actuarial Assumptions:	
Discount Rate	6.73%
Inflation	2.75%
Payroll Growth	2.875%
Investment Rate of Return	6.73%
Mortality Rate	CalPERS (1)
Pre-Retirement Turnover	CalPERS (1)
Healthcare Trend Rate	7.00% in the first year, trending down to 3.84% over 58 years.

(1) Determined using CalPERS' OPEB Assumption Model, revised December 20, 2017, "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 December 20, 2017. All other actuarial assumptions used in the June 30, 2017 valuation were based on the CalPERS studies and information provided by SSJID.

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 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	40.0%	9.9%
Fixed Income	39.0%	4.2%
Treasury Inflation-Protected Securities (TIPS)	10.0%	1.6%
Real Estate Investment Trusts (REIT)	8.0%	6.2%
Commodities	3.0%	-9.6%
Total	100.0%	6.2%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.73%. 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.

Changes in Net OPEB Liability

The changes in the net OPEB liability are as follows:

	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

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.

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 (5.73%) or 1-percentage-point higher (7.73%) than the current discount rate:

Sensitivity to Discount Rate

	2018
Discount decreased 1 percentage point	5.73%
Resulting net OPEB liability	$1,612,861
Current discount rate	6.73%
Resulting net OPEB liability	$1,319,080
Discount increase 1 percentage point	7.73%
Resulting net OPEB liability	$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 (6.0% - 2.8%) or 1-percentage-point higher (8.0% - 4.8%) than the current healthcare cost trend rates:

Sensitivity to Healthcare Cost Trend

	2018
Discount decreased 1 percentage point	6.00% - 2.84%
Resulting net OPEB liability	$953,909
Healthcare Cost Trend Rates	7.00% - 3.84%
Resulting net OPEB liability	$1,319,080
Discount increase 1 percentage point	8.00% - 4.84%
Resulting net OPEB liability	$1,746,477

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

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

	2018	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Employer contributions made subsequent to the measurement date	$ 572,655	$ -
Net differences between projected and actual earnings on OPEB plan investments	-	(128,614)
Total	$ 572,655	$ (128,614)

The $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 year ended December 31, 2019. 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:

Year Ending December 31,	Annual Amortization
2019	$ (32,153)
2020	(32,153)
2021	(32,153)
2022	(32,155)
Total	$ (128,614)

Payable to the OPEB Plan

At December 31, 2018, the District had no amounts payable to the Plan for the outstanding amount of contributions to the OPEB plan.

Notes to the Basic Financial Statements

NOTE 13 – Other Nonoperating Revenues

Other nonoperating revenues for 2017 were entirely from fees for services the District provided to Lathrop Irrigation District. SSJID provided meter reading, billing, and customer service for Lathrop Irrigation District's retail electric utility until the third quarter of 2017. As the District did not provide these services to Lathrop Irrigation nor perform any other activities that would incur nonoperating revenue in 2018, nonoperating revenues for 2018 are zero.

NOTE 14 – Risk Management

The District is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees and natural disaster, for which the District carries commercial insurance. 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 Basic Financial Statements

The following is a summary of the insurance policies in force carried by the District as of December 31, 2018.

Type of Coverage	Limit per Occurrence	Aggregate Limit	Deductible
Property	$ 1,000,000,000	None	$ 10,000
Boiler & Machinery	100,000,000	None	1,000
Flood	1,000,000,000	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 Liability	10,000,000	None	1,000
Uninsured Motorist	1,000,000	None	
Auto Damage	100,000	None	Per Item
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 15 – Commitments and Contingencies

Regulatory Matters

Bay Delta Water Quality Standards. The State Water Board ("SWB") on December 12th, 2018 adopted Phase I of the Water Quality Control Plan ("WQCP"). Phase I requires the bypass or release of 40% of the Unimpaired flow ("UIF") on the Stanislaus River from February 1st to June 30th, or minimum base flows as required by Appendix 2e of the OCAP - Biological Opinion, whichever is greater. This will require significantly higher releases into the lower Stanislaus River. Oakdale Irrigation District ("OID") and SSJID have joint water rights on the Stanislaus River, and matters affecting those rights are handled jointly. OID and SSJID modeling indicates that New Melones Storage will have significant impacts. Lower storage, less release in the summer, less water available in below normal, dry, and critical years may lead to a negative impact on Tri-Dam Project power generation at Tulloch Dam. In addition, if District water supplies are depleted due to the 40% UIF requirement the Districts may need to call on stored water from Donnells and Beardsley, which may impact Tri-Dam power generation at these facilities (as well as the Sand Bar hydroelectric plant).

The OID and SSJID ("Districts") have sued the SWB in Tuolumne County Superior Court. Eight other actions have been filed against Phase I of the WQCP. The Districts will vigorously oppose the proposed WQCP. Litigation is expected to take 8-10 years. SSJID expresses no opinion on costs of litigation or possible outcome.

The SWB has not commenced Phase III of the WQCP. Phase III is the implementation of the Phase I WQCP objectives. This is where the SWB decides what entities are responsible for ensuring the 40% UIF objective is met and how it is met. This process will take 3-6 years. The SWB says in their Phase I Plan that it will be fully implemented by 2022. Any order in Phase III will be subject to litigation by the Districts. This litigation will last 6-8 years. SSJID expresses no opinion on costs of litigation or possible outcome.

Since the WQCP is not self-implementing the Districts do not see any operational changes in the near term.

Biological Opinion. Jurisdiction over fisheries migrating to or in the oceans under the Endangered Species Act rests with the United States Department of Commerce's National Marine Fisheries Service, a division of the Oceanic and Atmospheric Administration ("NMFS"). In June 2009, NMFS issued a final biological opinion and imposed new flow requirements on the U.S Bureau of Reclamation (USBR) in its operation of New Melones Reservoir. The flow requirements and the effects of a multi-year drought deplete the volume of water stored at New Melones Reservoir and may impact the water available to the Districts under the 1988 Agreement and Stipulation between the Districts and the USBR. Although the U.S. District Court overturned the biological opinion upon challenge from the Districts, the U.S. Ninth Circuit Court of Appeals upheld the opinion in December

2014. The USBR has re-initiated consultation with NMFS regarding the Biological Opinions for the long-term operation of the Central Valley Project-State Water Project. This includes New Melones. The Districts are cooperating agencies in the re-consultation. Until the re-consultation is completed, the existing Biological Opinion is in place and so is the existing flow schedule. On January 30th, 2019, the USBR submitted a new Biological Assessment to U.S. Fish and Wildlife Service and NMFS for the Biological Opinions for the long-term operation. NMFS will have a Draft Biological Opinion by June 30th, 2019.

USBR's proposed Biological Assessment for New Melones proposes river releases less than the current Appendix 2e flow requirements.

The Districts are actively involved in these and other regulatory proceedings and litigation related to water rights and water supply. It is not possible to determine the potential cost or financial impact of these regulatory actions to the Districts at this time.

Litigation Matters

The District is, from time to time, subject to claims and litigation from outside parties in the regular course of conducting operations. Upon consultation with legal counsel, the District believes that the outcome of such matters, even if not in the District's favor, will not materially affect the District's financial condition.

The following litigation matters are considered material, due to the potential cost of the litigation, but are not anticipated to adversely impact the District's overall financial condition, even if resolved against the District.

<u>PG&E v. San Joaquin Local Agency Formation Commission</u>. The San Joaquin County Local Agency Formation Commission ("LAFCo") approved the District's plan to provide electric utility distribution services in December, 2014. Pacific Gas & Electric Company ("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. Two of the three issues had been decided in favor of SSJID, those being PG&E's argument that LAFCo erred in (i) not determining whether SSJID would be capable of providing service at a 15% discount when it determined that SSJID would have sufficient revenue to provide electric service and (ii) approving the environmental impact report. The third issue, PG&E's argument that the LAFCo condition requiring SSJID to make payments to the County of San Joaquin and to the cities of Manteca, Escalon and Ripon in lieu of property taxes and franchise fees is unconstitutional, was decided adversely to the District in a decision dated October 31, 2017. The case is currently on appeal.

<u>SSJID v. 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. The case was filed after the District's Board of Directors approved a "Resolution of Necessity" on June 28, 2016, after conducting a public hearing at a meeting held on that date. PG&E filed a motion to

dismiss the case. The basis of the motion is the court's decision in the PG&E v. LAFCo case, which invalidated the condition requiring the District to make payments in lieu of property taxes to the County of San Joaquin. The case was dismissed by the court in January of 2018. The District has filed an appeal.

State law provides that if final judgment is entered against SSJID in the litigation or SSJID abandons the litigation, it would be required to reimburse PG&E for its litigation expenses, including reasonable attorney's fees and costs for expert witnesses. In a recent and similar eminent domain case, *City of Clairmont v. Golden State Water Company*, the same legal team that successfully challenged Clairmont's right to take is defending PG&E in this case. In that case, decided in late 2016, the legal team sought $7.4 million in litigation expenses, including $5.9 million in attorney's fees. A decision adverse to SSJID in this case could be expected to result in a similar, if not larger, request. The District has followed the developments in the *Clairmont* case and believes that it has a solid basis for its Board's approval of the resolution of necessity. However, no opinion can be given at this time on the likelihood of success. The District's case is handled by outside counsel who are also defending the LAFCo case. PG&E's recent filing for bankruptcy has stayed proceedings in the appeal pending completion of the bankruptcy proceeding.

Personnel Claims and Litigation

As a California government entity, the District is subject to grievances and other claims from existing or former employees under the provisions of the District's Memorandums of Understanding (MOU) with its employees or under State or Federal labor laws.

<u>Puckett, Reid v. SSJID (EEOC #550-2018-01095)</u>. Employee Reid Puckett filed a complaint with the Equal Employment Opportunity Commission, alleging workplace discrimination/retaliation based upon age and apparent disability. No opinion is expressed as to the likely outcome of any potential litigation that may be filed arising out of the allegations contained in the complaint.

<u>Tri-Dam Personnel Matter.</u> Two unrepresented employees of Tri-Dam have claimed workplace harassment and retaliation. No formal action has yet been filed. No opinion is expressed as to the likely outcome of any potential litigation that may be filed arising out of the allegations.

Property Damage Litigation and Other Claims and Actions

<u>Escalon Sportsman's Club (ESC).</u> SSJID received a complaint from San Joaquin County Environmental Health Department (SJCEHD) in January, 2017, due to the presence of lead-shot pellets along District's canal banks and in the District's Main Distribution Canal, located west of McHenry Avenue and adjacent to the ESC's target range and gun club. The SJCEHD and the Department of Toxic Substances Control (DTSC) have agreed to allow

SSJID to remove the lead pellet-containing soil from its main canal area and deposit it onto ESC's adjacent land (where the lead originated), beginning in the fall of 2019. Pursuant to an order from the SJCEDH, ESC has erected a shot screen or barrier to prevent additional lead shot from escaping its property. The lead shot upon District property is a "trespass" by ESC, and ESC remains financially liable for the costs of clean-up. However, ESC may not possess the financial means to pay for the clean-up of District property. Should this be the case, the District may incur expenses in excess of $400,000.

Tyler v. Oakdale Irrigation District. SSJID was named in this suit for inverse condemnation. In this lawsuit, a landowner at Tulloch Reservoir is seeking damages for loss of property value from settling of ground that has damaged his residence. The Districts are defended by counsel retained by their respective carriers. The District expresses no opinion on possible outcome.

SSJID v. Lakeview Partners LLC. et al. Lakeview Partners, LLC. is a landowner with property adjacent to the District's Woodward Reservoir, which supplies raw water to the District's water treatment plant. Lakeview, through partner Jeffry McPhee, installed a substantial amount of encroachments upon District-owned property without District permission. As of December 31, 2017, Lakeview Partners LLC., were informed that the encroachments upon District's property constituted a trespass and that such encroachments must be removed. On January 9, 2018, the District commenced legal action against Lakevew Partners, LLC *et al*. by filing a complaint in the San Joaquin County Superior Court for mandatory injunction, abatement, and damages. The District is proceeding with litigation. The District expresses no opinion on possible outcome.

Contract Commitments

As of December 31, 2018, the District had the following significant contracts:

Project Description	Total Contract Amount	Remaining Commitment at December 31, 2018
Slipmeters to be installed at Water Treatment Plant facility	$ 205,168	$ 168,832
Modular office building for installation at the irrigation distribution 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

The District had no significant contract commitments outstanding as of December 31, 2017.

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 16 – Subsequent Events

The District has evaluated events subsequent to the balance sheet dates through May 20, 2019. 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 assets [balance sheet] 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.

The District has entered into a contract for $702,740 with an engineering consulting firm who is to provide geological feasibility and design work for the possible construction of a joint supply canal bypass tunnel. The contract was effective as of January 31, 2019 and is expected to span the next few years.

No other disclosable subsequent events have occurred.

NOTE 17 – New Accounting Standards

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

In June 2015, the GASB issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB)". This Statement replaces the requirements of GASB Statement No. 45 and requires governments responsible for OPEB liabilities related to their own employees to report a net OPEB liability on the face of the financial statements. Governments that participate in an OPEB plan that is funded through a trust that meets the specified criteria will report a liability equal to their total OPEB liability less the net position of the OPEB trust. This Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. This Statement first became effective for SSJID's financial statements for the calendar year 2018.

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 will first become effective for the calendar year 2019.

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 will first become 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.

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 83 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 83 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 83 will first become effective for the calendar year 2019.

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 83 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.

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

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Required Supplementary Information

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Required Supplementary Information

Schedule of the Proportionate Share of the Net Pension Liability - Miscellaneous Plan and Related Ratios as of the Measurement Date [1] (unaudited) Last 10 Years [2]

	2018	2017	2016
Percentage share of the net pension liability	0.3282919%	0.1286182%	0.3218358%
SSJID share of the net pension liability	$12,372,379	$12,755,395	$11,180,181
Covered payroll	$7,153,342	$7,034,742	$6,808,761
SSJID share of the net pension liability as a percentage of covered payroll	172.96%	181.32%	164.20%
Plan fiduciary net position	$13,122,440,092	$12,074,499,781	$10,923,476,287
Plan total pension liability	$16,891,153,209	$16,016,547,402	$14,397,353,530
Plan fiduciary net position as a percentage of the total pension liability	77.69%	75.39%	75.87%

	2015	2014
Percentage share of the net pension liability	0.3397980%	0.3141800%
SSJID share of the net pension liability	$9,322,253	$7,764,910
Covered payroll	$6,864,271	$6,226,062
SSJID share of the net pension liability as a percentage of covered payroll	135.81%	124.72%
Plan fiduciary net position	$10,896,036,068	$10,639,461,174
Plan total pension liability	$13,639,503,084	$13,110,948,452
Plan fiduciary net position as a percentage of the total pension liability	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 Pension Plan - Miscellaneous Plan (unaudited)

Last 10 Years [1]

	2018	2017	2016
Valuation date	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	$ 1,581,605	$ 743,871	$ 1,290,528
Contributions in relation to the actuarially determined contributions	(1,581,605)	(743,871)	(1,290,528)
Contribution deficiency (excess)	$ -	$ -	$ -
Covered payroll	$7,153,342	$7,034,742	$6,808,761
Contributions as a percentage of covered - employee payroll	22.11%	10.57%	18.95%

	2015	2014
Valuation date	June 30, 2014	June 30, 2013
Contractually required contribution (actuarially determined)	$ 1,666,160	$ 1,241,360
Contributions in relation to the actuarially determined contributions	(1,666,160)	(1,241,360)
Contribution deficiency (excess)	$ -	$ -
Covered payroll	$6,864,271	$6,226,062
Contributions as a percentage of covered - employee payroll	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 2018 and 2.75% for 2017.
Salary increases	3.2% to 11.3% for 2018 and 3.2% to 12.2% for 2017.
Investment rate of return	7.15% for 2018 and 7.50% for 2017,
Retirement age	50-67 years. Probabilities of retirement are based on the 2010 calpers experience study for the period 1997 to 2007.
Mortality	CalPERS specific data from December 2017 actuarial experience study for the 15 years of mortality improvements using society of actuaries scale bb.

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]

		2018
Measurement Date		December 31, 2017
Total OPEB Liability		
Service Cost	$	212,375
Interest		271,322
Changes in benefit terms		-
Differences between expected and actual experience		-
Changes of assumptions		-
Benefit payments		(208,115)
Implicit rate subsidy fulfilled		(90,908)
Net change in total OPEB liability	$	184,674
Total OPEB liability - beginning		3,966,228
Total OPEB liability - ending [a]	$	4,150,902
Plan Fiduciary Net Position		
Contributions - employer	$	208,115
Contributions - employer implicity subsidy		90,908
Net investment income		335,690
Administrative expense		(1,307)
Benefit payments		(208,115)
Implicit rate subsidy fulfilled		(90,908)
Net change in plan fiduciary net position	$	334,383
Plan fiduciary net position - beginning		2,497,439
Plan fiduciary net position - ending [b]	$	2,831,822
Net OPEB liability - ending [(a)-(b)]	$	1,319,080
Plan fiduciary net position as a percentage of the total OPEB liability [(b) / (a)]		68.22%
Covered-employee payroll	$	8,376,453
Net OPEB liability as a percentage of covered-employee payroll		15.75%

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]

	2018
Valuation Date	June 30, 2017
Actuarially determined contribution	$ 323,824
Contributions in relation to the actuarially determined contribution	299,023
Contribution deficiency (excess)	$ 24,801
Covered-employee payroll	$ 8,376,453
Contributions as a percentage of covered-employee payroll	3.57%
Methods and assumptions used to determine contribution rates:	
Discount Rate	6.73%
Inflation	2.75%
Payroll Growth	2.88%
Investment Rate of Return	6.73%
Mortality Rate	CalPERS [2]
Pre-Retirement Turnover	CalPERS [2]
Healthcare Trend Rate	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.