



SOUTH SAN JOAQUIN
IRRIGATION DISTRICT

Annual Financial Report 2020

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South San Joaquin Irrigation District
Annual Financial Report

December 31, 2020 and 2019

Table of Contents

Independent Auditor’s Report 5

Management’s Discussion and Analysis 9

Basic Financial Statements 27

 Financial Statements 28

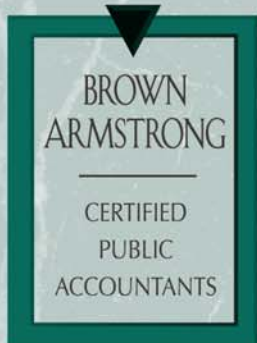
 Notes to the Financial Statements 33

Required Supplementary Information 85

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Independent Auditor's Report

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BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the South San Joaquin Irrigation District (the District) as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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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, 2020 and 2019, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Stockton, California
September 23, 2021

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 (SSJID, or District) financial position at December 31, 2020 and 2019 and its financial performance for the years then ended. Condensed financial information from 2018 is also presented for comparison only. Limited information is presented about conditions and events that may affect the District's future financial position and performance. The intent is to provide context for understanding the financial statements and the District's prospects. This discussion and analysis presents management's perspective and should be read in conjunction with the District's financial statements and accompanying notes which follow this discussion and analysis.

Financial Statements

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

The financial statements include the South San Joaquin Groundwater Sustainability Agency Joint Powers Authority (SSJ GSA JPA) as a blended component unit according to the requirements of GASB Statement No. 61. Blended component units are legally separate entities which are included in the District's financial statements. This consolidation or blending is used because of the high degree of integration, common control, and responsibility SSJID has for the finances, operations, and governance of the SSJ GSA JPA. There are no component units of the District that meet the criteria for discrete presentation.

Statement of Net Position

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

Statement of Revenues, Expenses, and Changes in Net Position

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

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

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

Statement of Cash Flows

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

Financial Highlights

Highlights from the financial statements are discussed below.

Statements of Net Position Discussion

Condensed Statements of Net Position

As of December 31

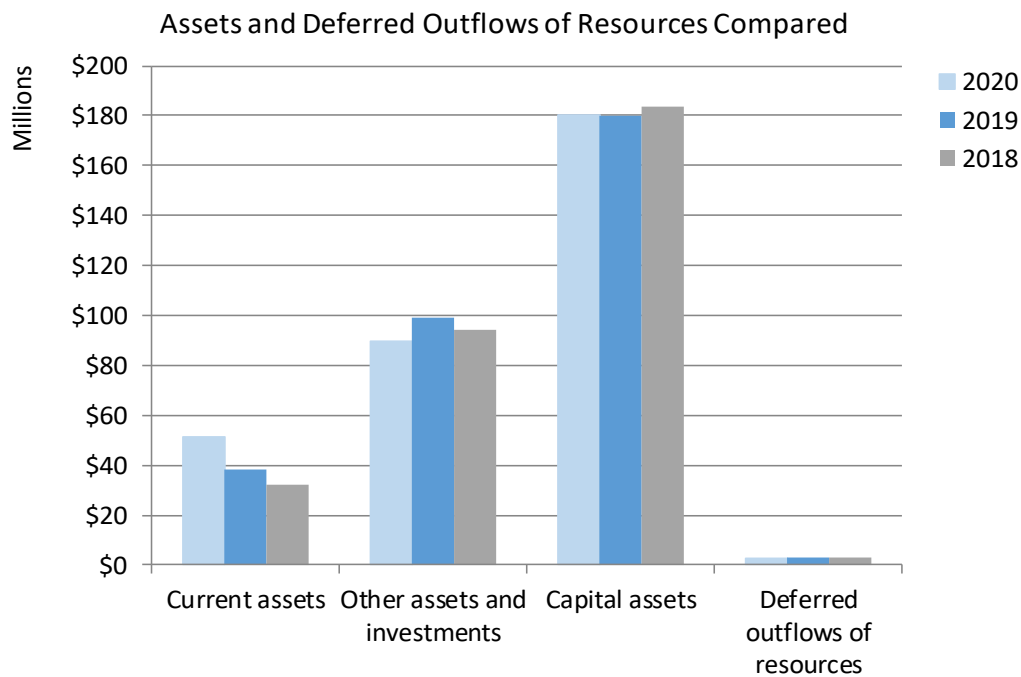
	2020	Restated 2019	2018
Current assets	\$ 51,356,571	\$ 38,068,403	\$ 31,929,077
Other assets and investments	89,929,694	99,058,675	94,222,667
Capital assets	180,380,234	179,898,463	183,717,914
Total assets	<u>321,666,499</u>	<u>317,025,541</u>	<u>309,869,658</u>
Deferred outflows of resources	2,683,832	2,718,191	2,967,408
Total assets and deferred outflows of resources	<u>\$ 324,350,331</u>	<u>\$ 319,743,732</u>	<u>\$ 312,837,066</u>
Current liabilities	\$ 4,702,817	\$ 3,813,964	\$ 5,694,501
Long-term liabilities	15,587,911	15,275,045	14,197,626
Total Liabilities	<u>20,290,728</u>	<u>19,089,009</u>	<u>19,892,127</u>
Deferred inflows of resources	1,046,057	639,399	732,144
Total liabilities and deferred inflows of resources	<u>21,336,785</u>	<u>19,728,408</u>	<u>20,624,271</u>
Net investment in capital assets	180,380,234	179,898,463	181,133,280
Restricted net position	9,920,212	8,256,768	9,498,069
Unrestricted position	112,713,100	111,860,093	101,581,446
Total net position	<u>303,013,546</u>	<u>300,015,324</u>	<u>292,212,795</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 324,350,331</u>	<u>\$ 319,743,732</u>	<u>\$ 312,837,066</u>

The financial statements for December 31, 2019 are restated to show the effects of prior period adjustments made to the financial statements of the Tri-Dam Project. The prior period adjustments of the Tri-Dam Project were made to:

1. Capitalize construction costs of the Beardsley Dam afterbay improvement which had been incorrectly recorded as expenses,
2. Correct errors in the calculation of the net pension liability, and,
3. Correct an overstatement of the liability for accrued payroll expense at December 31, 2019.

The financial statements for December 31, 2019 are also restated to reduce construction work in progress on the joint supply canal by \$135,000 because the Oakdale Irrigation District’s share of the cost in the jointly owned canal had been incorrectly reported as contributed capital. Instead, the Oakdale Irrigation District’s share of the construction cost should be excluded from the asset cost reported on SSJID’s balance sheet.

Restatement of past financial statements is not required when infeasible. It is not feasible to restate financial statements for years before 2019. Therefore, while 2019 has been restated, 2018 is not restated here. See Note 2.O. of the financial statements for additional information regarding this restatement.



- Total assets and deferred outflows of resources

Total assets and deferred outflows of resources increased \$4.6 million (1.4%) in 2020 after increasing \$6.9 million (2.2%) in 2019. These increases were mainly the result of the changes in current assets described below.

- Current assets

In 2020, current assets increased \$13.3 million (35%). About \$8 million of this increase is in cash and cash equivalents which reflects the maturity of investment securities that occurred just before the end of the year so that reinvestment occurred after the end of the year. Also, accounts receivable grew nearly \$4 million in 2020 mostly because the amount of property taxes due from San Joaquin County was \$2.9 million higher at the end of 2020. The higher property tax receivable reflects the fact that a large seasonal property tax receipt occurred in December 2019, but a year later it occurred in January 2021.

In 2019, current assets increased \$6.1 million (19%); most of which is attributable to a \$4.4 million (21%) increase in investments in securities with short-term maturities. Also contributing to the current asset increase is the \$955,000 (41%) increase in accounts receivable, mainly for treated water sales, and \$844,000 (11%) increase in unrestricted cash and cash equivalents.

- Other assets and investments

In 2020 other assets and investments fell by \$9.1 million (9%) due to the maturity of investment securities that occurred just before the end of the year which shifted the matured amounts to cash and cash equivalents. Also the investment in Tri-Dam Project dropped by \$4 million (9%) as distributions to SSJID and Oakdale Irrigation District exceeded earnings for the year. Partly offsetting these decreases was a \$5.7 million growth in restricted cash and cash equivalents.

In 2019, other assets and investments increased \$4.8 million (5%) due to a \$6.3 million (16%) increase in the investment in the Tri-Dam Project (which is SSJID's share of the amount of 2019 earnings retained in the Tri-Dam Project) and a \$1.5 million (3%) decrease in noncurrent cash and investments.

- Capital assets

Summary of Capital Assets
For the Years Ended December 31

	2020	Restated 2019	2018
Land	\$ 7,730,310	\$ 7,730,310	\$ 7,730,310
Construction in progress	2,813,561	1,146,127	740,127
Water treatment plant & transmission line	128,084,476	127,885,858	127,563,050
Other buildings	2,154,510	2,142,414	1,906,486
Solar generating plant	11,975,754	11,975,754	11,974,734
Irrigation system	120,454,695	116,257,261	114,643,696
Vehicles and equipment	17,595,055	16,643,285	16,277,215
Total capital assets	290,808,361	283,781,009	280,835,618
Less: accumulated depreciation	(110,428,127)	(103,882,546)	(97,117,704)
Net capital assets	\$ 180,380,234	\$ 179,898,463	\$ 183,717,914

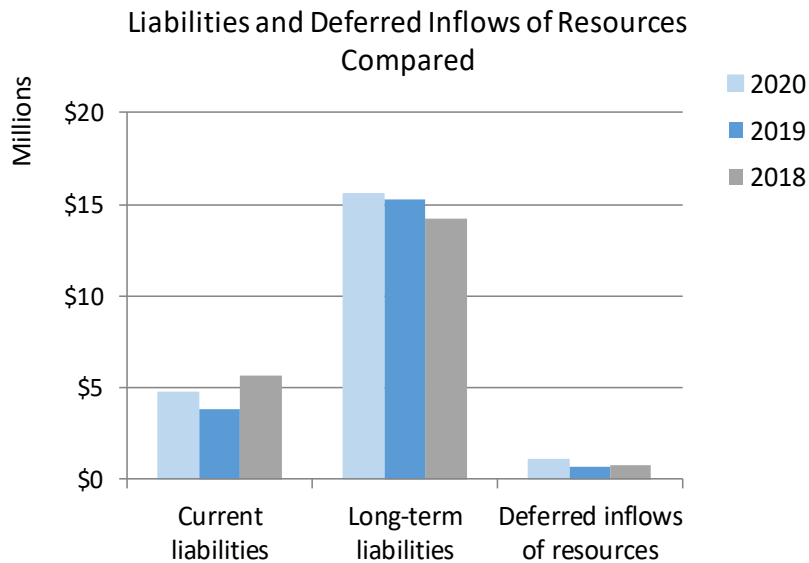
Capital assets increased by \$482,000 (0.3%) in 2020 as the cost of new assets slightly exceeded depreciation of \$7.6 million. Capital assets decreased \$3.8 million (2%) in 2019 as additions were exceeded by depreciation expense of \$7.4 million. See Note 6 for more information about capital assets.

- Deferred outflows of resources

In 2020, deferred outflows of resources dropped by \$34,000 (1%). This was the net result of an increase of \$322,000 in deferred outflows of resources related to other post-employment benefits (OPEB) and a decrease of \$356,000 related to the pension benefit.

In 2019, deferred outflows of resources decreased \$249,000 (8%) as a result of a decrease in deferred outflows of resources for the other post-employment benefits (OPEB) plan of \$261,000 (46%), a decrease in deferred outflows of resources for refunding of long-term debt of \$7,000 (100%) due to scheduled amortization over the remaining term of the 2012A bonds, and an increase in deferred outflows of resources for pension plans of \$19,000 (1%).

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



- Total liabilities and deferred inflows of resources

Total liabilities and deferred inflows of resources increased \$1.6 million (8%) in 2020 and decreased \$896,000 (4%) in 2019, as a result of changes described below.

- Current liabilities

Current liabilities grew significantly in 2020, by \$889,000 (23%). This was caused by the receipt of deposits from applicants for annexation to the District. The balance of these deposits at the end of 2020 was nearly \$800,000, which is fully or partly refundable if and when it is determined the annexations cannot be completed. Another important part of the increase is an unusual accrual of \$300,000 of unpaid electricity expense during the last half of 2020 under a net metering agreement with PG&E related to the District's solar farm. This accrual occurred because of a decrease in generation due to major equipment failures at the solar farm. This \$300,000 will be payable in May 2021 to the extent it is not offset by solar generation between December 31, 2020 and May 2021. A \$300,000 decrease in the liabilities for payroll, payroll taxes, and employee benefits partly offset the additions to current liabilities. The payroll accruals fell because, at December 31, 2020, there were fewer days since the last payday of the year as compared to a year earlier.

The \$1.9 million (33%) decrease in current liabilities in 2019 was mainly due to the District having made the final payment on its 2012A refunding bonds in 2019, which eliminated the current portion of outstanding debt and decreased current liabilities by \$2.6 million (100%). The \$2.6 million (100%) decrease was offset by a \$457,000 (113%) increase in accounts payable and the current portion of the liability for compensated absences rose by \$220,000 (26%).

- Long-term liabilities

Long-term liabilities increased \$313,000 (2%) in 2020 because of growth in the liability for compensated employee absences (up \$376,000) and the unfunded liability for pension benefits (up \$953,000). These increases were partially offset by a \$1 million drop in the net liability for other post-employment benefits. The large decrease in the net liability for other post-employment benefits was attributable to strong investment performance in the plan trust, and favorable changes in the census of plan participants.

In 2019, long-term liabilities increased \$1.1 million (8%) mainly as the result of a \$935,000 (8%) increase in the net pension liability. Also contributing to the increase was a \$156,000 (31%) change in the long-term portion of the compensated absences liability.

- Deferred inflows of resources

Deferred inflows of resources increased \$407,000 (64%) in 2020 as the amount related to other post-employment benefits increased \$944,000 and the pension related amount

decreased \$538,000 as the consequences of certain changes in the net pension and net OPEB liabilities resulting from actuarial information provided by the District’s actuary and by the California Public Employees’ Retirement System (CalPERS), respectively. Per GASB Statements No. 68 and No. 75, these changes are added to deferred inflows of resources and then amortized to pension or OPEB expense over the estimated average remaining service life of the plan members (or 5 years for differences between projected and actual earnings on plan investments) in order to reduce year-to-year volatility of pension and OPEB expense.

Deferred inflows of resources decreased \$93,000 (13%) in 2019 as the amount related to other post-employment benefits decreased \$129,000 and the amount related to pension increased \$36,000.

- Net position

Total net position increased \$3.0 million (1%) in 2020 and \$7.8 million (3%) in 2019. In 2020, the three main components of the increase in net position were a net operating loss of \$21.2 million, net nonoperating income of \$20.3 million, and capital contributions of \$3.8 million. In 2019, amounts of these components were a net operating loss of \$20.4 million, net nonoperating income of \$26.6 million, and capital contributions of \$1.6 million. The details of the changes in net position for each year are provided in the statement of revenues, expenses, and changes in net position. See Note 9 for more information on net position.

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

Restricted Assets	2020	2019	2018
Debt service reserve fund	\$ -	\$ -	\$ 1,815,403
Capital asset fund - water treatment plant	8,749,835	8,202,488	7,632,073
Capital asset fund - pressurized irrigation system	348,209	-	-
Deposits held for annexation applications	796,661	-	-
Accrued interest receivable on restricted investments	25,507	54,280	50,593
Total restricted assets	\$ 9,920,212	\$ 8,256,768	\$ 9,498,069

Revenues and Expenses Discussion

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

For the Years Ended December 31

	Restated		
	2020	2019	2018
Irrigation sales	\$ 2,105,906	\$ 2,000,274	\$ 2,033,942
Treated water sales	9,284,148	8,200,804	7,666,881
Other water sales	138,477	103,958	6,315,739
Other income	339,004	406,638	428,556
Total Operating Revenues	11,867,535	10,711,674	16,445,118
Labor	16,406,293	16,021,927	14,215,507
Other operating and maintenance (O & M)	5,710,452	4,720,651	4,135,417
General and administrative (G & A)	3,330,666	2,963,760	3,361,307
Depreciation	7,580,122	7,412,473	7,357,558
Total Operating Expenses	33,027,533	31,118,811	29,069,789
Net Loss From Operations	(21,159,998)	(20,407,137)	(12,624,671)
Net nonoperating revenues	20,328,711	26,565,824	16,843,981
Net Income Before Contributions	(831,287)	6,158,687	4,219,310
Capital contributions	3,829,509	1,643,842	2,371,054
Change in Net Position	2,998,222	7,802,529	6,590,364
Net Position, Beginning of Year	300,015,324	292,212,795	285,622,431
Net Position, End of Year	\$ 303,013,546	\$ 300,015,324	\$ 292,212,795

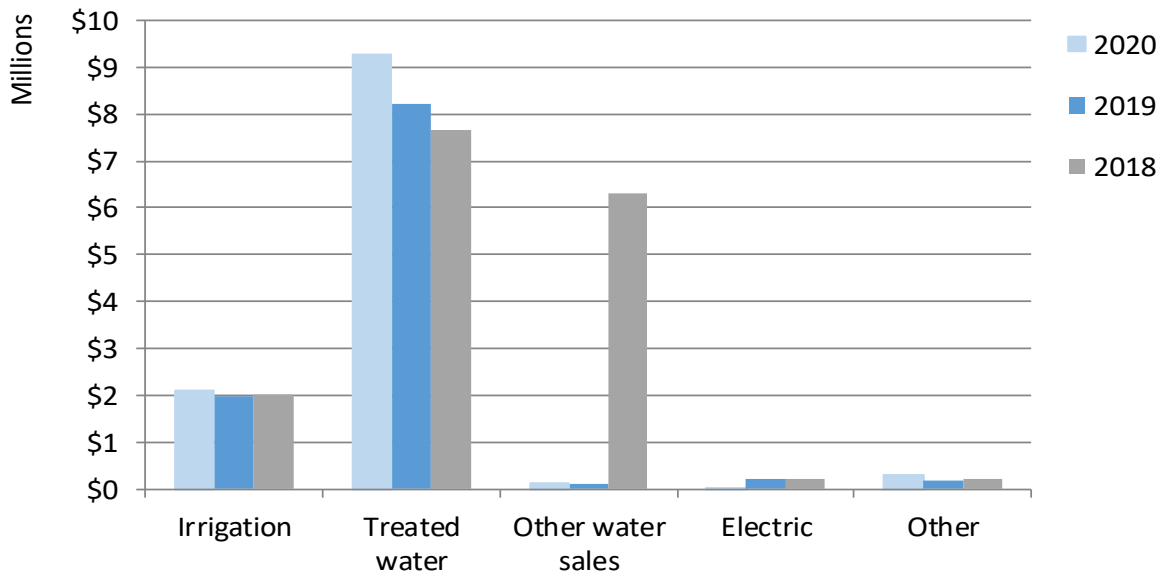
The statement of revenues, expenses, and changes in net position for the year ended December 31, 2019 is restated to show the effects of prior period adjustments made to the financial statements of the Tri-Dam Project. The prior period adjustments of the Tri-Dam Project were made to:

1. Capitalize construction costs of the Beardsley Dam afterbay improvement which had been incorrectly recorded as expenses,
2. Correct errors in the calculation of the net pension liability, and,
3. Correct an overstatement of the liability for accrued payroll expense at December 31, 2019.

The statement of revenues, expenses, and changes in net position for the year ended December 31, 2019 is also restated to decrease capital contributions by \$135,000. At the same time, construction work in progress was reduced by this amount which is Oakdale Irrigation District's share of construction costs on a jointly owned supply canal incurred in 2019.

Restatement of past financial statements is not required when infeasible. It is not feasible to restate financial statements for years before 2019. Therefore, while 2019 has been restated, 2018 is not restated here. See Note 2.O. of the financial statements for additional information regarding this restatement.

Operating Revenues Compared



- Total operating revenues

Total operating revenues rose by \$1.2 million (11%) in 2020 after falling by \$5.7 million (35%) in 2019. The rise in 2020 was the result of increased sales of treated water, and the drop in 2019 was due to a large wholesale water transfer that occurred in 2018 but not in the later years.

- Other water sales

Other water sales were almost unchanged in 2020 after falling \$6.2 million (98%) in 2019 as the wholesale water transfers to the California Department of Water Resources and the San Luis & Delta-Mendota Water Authority, which occurred in 2018, did not occur in 2019 or 2020.

- Treated water sales

Treated water sales to the cities of Manteca, Lathrop, and Tracy grew by \$1.1 million (13%) in 2020 and by \$534,000 (7%) in 2019 as a consequence of growing demand for SSJID’s treated water.

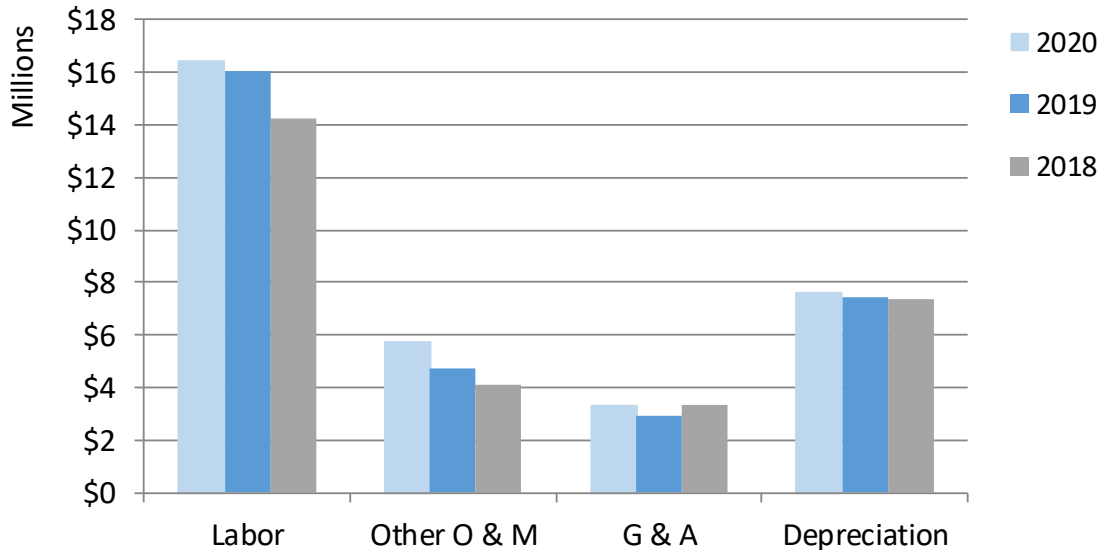
- Irrigation sales

Irrigation sales were nearly unchanged in 2020 and 2019.

- Other Income

Electric sales and other operating income fell by \$68,000 (17%) in 2020 and \$22,000 (5%) in 2019. In 2020, this was due to a drop in electric sales as the two mini-hydro plants located on the main supply canal were out of service most of the year for repairs and maintenance. The decrease in 2019 was the accumulation of a number of minor changes in several accounts. Electric sales were nearly unchanged in 2019.

Operating Expenses Compared



- Total operating expenses

Total operating expenses rose \$1.9 million (6%) in 2020 and by \$2 million (7%) in 2019, as detailed below.

- Labor

Total labor expense, which includes wages, payroll taxes, and employee benefits, rose \$384,000 (2%) in 2020 and \$1.8 million (13%) in 2019.

Total labor expense, and particularly employee benefits expense, has become much more volatile from year to year, starting in 2015, because of the new accounting standards for pension expense, net pension liability, OPEB expense and net OPEB liability promulgated as GASB Statements No. 68 and No. 75. These GASB statements require the net liabilities for these benefits to be reported on the statement of net position. The amounts of these liabilities are actuarial estimates, and as such, can fluctuate widely from year to year as actuarial assumptions are changed and as actual experience differs from what is anticipated in actuarial assumptions. Year to year changes in these liabilities result in

annual fluctuations in the amount of the pension and OPEB expenses. This is the main reason labor expense, including payroll taxes and benefits, rose so much in 2019.

Payroll rose 5% in 2020 following a 7% rise in 2019. Increases in both years are attributable to wage increases and filling new and open positions. In 2020, all of the increase was in straight time, not overtime pay. In 2019, the increase occurred in both straight time and overtime wages.

GASB 68 requires an annual adjustment to reflect the annual change in the actuarially estimated amount of the net pension liability and related deferred outflows and inflows of resources. Likewise, GASB 75 requires the same treatment for the net OPEB liability and related deferred outflows and inflows of resources. These annual adjustments can materially decrease or increase a year's pension and OPEB expenses and are more volatile from year-to-year than over a much longer period.

In 2020 and in 2019, the GASB 68 adjustments increased pension expense \$1.9 million each year above the amount of the District's pension contributions made during those years. These additions to pension expense approximately doubled the amount reported as pension expense, but they do not represent any additional cash outlay or change in benefits. They do represent growth in the net pension liability which will be paid over a period of future years or may be reduced by future changes in the actuarial estimate of the net pension liability. Employer contributions for normal cost were \$2 million in 2020 and \$1.7 million in 2019.

GASB 75 has similar effects. The annual GASB 75 adjustment increased the expense for OPEB by \$61,000 for 2020 and \$241,000 for 2019.

- Other operating and maintenance

In 2020, other operating and maintenance expense increased \$1 million (21%). The biggest contributor to this increase was a \$540,000 loss of generation from SSJID's solar farm which, with the water treatment plant, is subject to a net metering agreement with PG&E. The solar farm suffered major equipment failures which greatly reduced production in 2020. Also, repair and maintenance of an unstable rock slope above the joint main supply canal continued into 2020 at a cost that increased nearly \$200,000 over 2019. Various operating expenses of the water treatment plant made up most of the remaining increase to other operating and maintenance expense, due to higher demand for treated water.

The \$585,000 (14%) increase in other operating and maintenance expenses in 2019 is mostly the result of a geotechnical study conducted as part of a feasibility analysis for a proposed tunnel to replace a section of the District's supply canal between Goodwin and Woodward reservoirs, and repairs to an unstable rock slope above the same canal. This rock slope work will be an ongoing cost unless the proposed tunnel is built which would obviate the maintenance need.

- General and administrative (G&A)

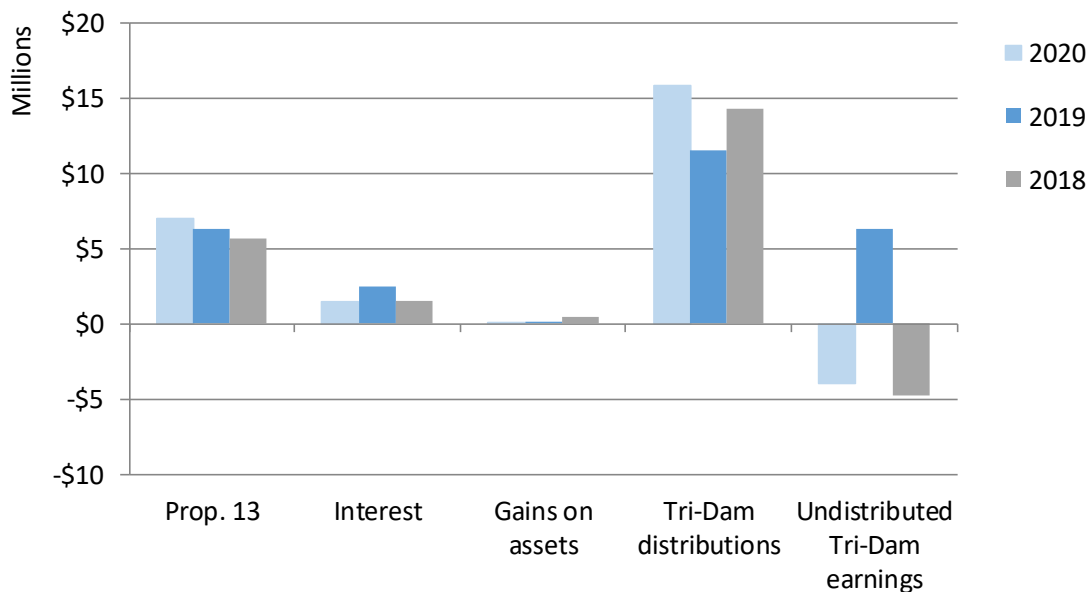
In 2020, general and administrative expense increased \$367,000 (12%). The largest component of this increase was a \$260,000 rise in consulting fees mostly attributable to a water master planning project, geotechnical consulting, and monitoring of the state legislature and state regulatory agencies to protect SSJID’s customers from proposed government actions that could hinder SSJID’s efficiency and effectiveness.

General and administrative expense fell by \$398,000 (12%) in 2019 mostly due to reduced consultation in 2019 for the water master planning project, and for water treatment plant operations.

- Depreciation

Depreciation expense increased \$168,000 (2%) in 2020 and \$55,000 (less than 1%) in 2019 as the total amount of depreciable assets in service increased both years.

Net Nonoperating Revenues Compared



- Net nonoperating revenues

As detailed below, overall net nonoperating revenues decreased \$6.2 million (24%) in 2020 after increasing \$9.7 million (58%) in 2019.

- Tri-Dam earnings and distributions

SSJID’s share of Tri-Dam Project’s undistributed earnings fell by \$10.3 million in 2020 due to lower earnings for Tri-Dam Project and higher distributions as compared to 2019. Distributions from the Tri-Dam Project and the Tri-Dam Power Authority increased \$4.2

million (37%) in 2020 due to an accumulation of cash during 2019 and a price increase of \$3 per megawatt hour. Tri-Dam distributions accounted for 78% of total nonoperating income in 2020 and 44% in 2019.

In 2019, SSJID's share of undistributed Tri-Dam earnings increased \$11.1 million (232%) while Tri-Dam distributions fell by \$2.7 million (19%). These two causes net to an \$8.4 million increase and account for 87% of the \$9.7 million increase in net nonoperating revenues.

- Property tax (Proposition 13 subvention)

Property tax income increased \$748,000 (12%) in 2020 and \$648,000 (12%) in 2019 due to increasing real estate values.

- Interest Income

Interest income, consisting of coupon payments from bond issuers and change in market value of marketable securities, fell \$964,000 in 2020 (39%) after rising \$944,000 (63%) in 2019. In 2020, market interest rates fell dramatically early in the year, while 2019 saw an increase in the amount of money invested.

- Capital contributions

In 2020, capital contributions increased \$2.2 million (133%) and, in 2019, decreased \$727,000 (31%) due to variations in the amounts of new capital assets built by real estate developers and contributed to the District. See Note 10 for further information about capital contributions. The cash portion of capital contributions was \$1 million in 2020 and \$1.7 million in 2019. Cash capital contributions are predominantly paid by the municipal customers of the water treatment plant for large capital asset acquisitions.

Expectations for 2021

- As of the date of this report, 2021 distributions from the Tri-Dam organizations are expected to decrease about \$9.8 million from the level of 2020 due to the effect of drought conditions on hydroelectric generation.
- CalPERS has estimated that SSJID's net pension liability has fallen from the \$14.3 million amount reported in the December 31, 2020 statement of net position, to about \$11 million as the direct consequence of (1) an unexpectedly high investment yield of 21.3% for the CalPERS fiscal year ended June 30, 2021, and (2) a consequent drop in the discount rate from 7% to 6.8%. The 21.3% yield compares extremely well against the 7% yield that is assumed for actuarial estimation of the unfunded accrued liability. CalPERS lowered the expected investment yield and the discount rate from 7% to 6.8% pursuant to a requirement of the Public Employees' Pension Reform Act of 2013 which was triggered by the high investment yield. The expected yield rate is used by CalPERS actuaries as the

discount rate for calculating the present value of the liability for future retirement benefit payments.

- The SSJID Board of Directors in July 2021 approved a plan to fully pay the net pension liability as soon as possible.
- Financial reserves are expected to decline during 2020 due to lower Tri-Dam distributions and the net pension liability payoff.
- The coronavirus pandemic has had virtually no effect on SSJID's operations, results of operations, or financial position.

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.

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Basic Financial Statements

South San Joaquin Irrigation District

Statements of Net Position

December 31, 2020 and 2019

	2020	Restated 2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
ASSETS		
Current Assets		
Cash & cash equivalents - unrestricted	\$ 16,206,771	\$ 8,184,144
Investments in marketable securities - unrestricted	26,849,602	25,494,197
Accounts receivable	7,208,926	3,266,963
Accrued interest receivable - unrestricted	275,916	381,876
Prepaid expenses	768,690	689,547
Inventories	46,666	51,676
Total Current Assets	51,356,571	38,068,403
Other Assets and Investments		
Cash & cash equivalents - restricted	6,894,574	1,158,401
Accrued interest receivable - restricted	25,507	54,280
Investments in marketable securities - unrestricted (net of current amounts)	37,483,365	44,306,520
Investments in marketable securities - restricted	3,000,131	7,044,087
Investment in Tri-Dam Project	42,526,117	46,495,387
Total Other Assets and Investments	89,929,694	99,058,675
Capital Assets		
Non-depreciable	10,543,872	8,876,438
Depreciable	280,264,489	274,904,571
Less accumulated depreciation	(110,428,127)	(103,882,546)
Total Capital Assets	180,380,234	179,898,463
TOTAL ASSETS	321,666,499	317,025,541
DEFERRED OUTFLOWS OF RESOURCES		
Pension	2,050,208	2,406,307
Other post-employment benefits	633,624	311,884
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,683,832	2,718,191
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 324,350,331	\$ 319,743,732

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

South San Joaquin Irrigation District

Statements of Net Position (Continued)

December 31, 2020 and 2019

	2020	Restated 2019
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 917,586	\$ 862,334
Construction contract retentions payable	49,312	27,033
Accrued expenses	1,384,758	523,479
Unearned revenue	1,319,755	1,317,713
Compensated absences	1,031,406	1,083,405
Total Current Liabilities	4,702,817	3,813,964
Long-Term Liabilities		
Net other post-employment benefits liability	288,588	1,304,934
Compensated absences (net of current amounts)	1,038,633	662,436
Net pension liability	14,260,690	13,307,675
Total Long-Term Liabilities	15,587,911	15,275,045
TOTAL LIABILITIES	20,290,728	19,089,009
DEFERRED INFLOWS OF RESOURCES		
Pension	101,713	639,399
Other post-employment benefits	944,344	-
TOTAL DEFERRED INFLOWS OF RESOURCES	1,046,057	639,399
NET POSITION		
Net investment in capital assets	180,380,234	179,898,463
Restricted	9,920,212	8,256,768
Unrestricted	112,713,100	111,860,093
TOTAL NET POSITION	303,013,546	300,015,324
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 324,350,331	\$ 319,743,732

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, 2020 and 2019

	<u>2020</u>	<u>Restated 2019</u>
OPERATING REVENUES		
Irrigation sales	\$ 2,105,906	\$ 2,000,274
Treated water sales	9,284,148	8,200,804
Other water sales	138,477	103,958
Electric sales	31,439	227,181
Other	307,565	179,457
Total Operating Revenues	<u>11,867,535</u>	<u>10,711,674</u>
OPERATING EXPENSES		
Wages	8,331,112	7,908,318
Payroll taxes and benefits	8,075,181	8,113,609
Materials and supplies	2,075,852	2,101,052
Maintenance, repairs, and improvements	1,717,673	1,360,661
Utilities	1,916,927	1,258,938
General and administrative	3,330,666	2,963,760
Depreciation	7,580,122	7,412,473
Total Operating Expenses	<u>33,027,533</u>	<u>31,118,811</u>
Net Loss From Operations	<u>(21,159,998)</u>	<u>(20,407,137)</u>
NONOPERATING REVENUES (EXPENSES)		
Proposition 13 subvention property taxes	7,010,821	6,263,117
Interest income	2,064,263	2,360,097
Changes in fair value of investments	(583,658)	84,577
Interest expense	-	(47,086)
Gain on property and equipment	16,055	16,967
Tri-Dam Power Authority distributions	3,219,500	2,434,000
Tri-Dam Project distributions	12,571,000	9,126,000
Undistributed earnings of Tri-Dam Project	(3,969,270)	6,328,152
Total Nonoperating Revenues (Expenses)	<u>20,328,711</u>	<u>26,565,824</u>
CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	(831,287)	6,158,687
Capital contributions	3,829,509	1,643,842
CHANGE IN NET POSITION	2,998,222	7,802,529
Net position, beginning of year	300,015,324	292,212,795
NET POSITION, END OF YEAR	<u>\$ 303,013,546</u>	<u>\$ 300,015,324</u>

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, 2020 and 2019

	2020	Restated 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 13,001,987	\$ 11,603,608
Other receipts	-	30,801
Payments for goods and services	(17,053,764)	(14,436,935)
Payments to employees for services	(9,820,357)	(9,190,240)
Cash Used by Operating Activities	(13,872,134)	(11,992,766)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property tax receipts	4,084,723	6,233,642
Tri Dam Power Authority cash distributions	3,219,500	2,434,000
Deposits received for future cost reimbursements to District	796,661	-
Cash Provided by Noncapital Financing Activities	8,100,884	8,667,642
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions	822,152	1,566,519
Proceeds from the sale of capital assets	(721,725)	154,211
Purchase of capital assets	(4,268,422)	(3,616,721)
Principal payments on long-term debt	-	(2,545,000)
Interest payments on long-term debt	-	(112,170)
Cash Used by Capital and Related Financing Activities	(4,167,995)	(4,553,161)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,615,338	2,599,628
Purchases of investment securities	(112,160,157)	(90,084,285)
Proceeds from sales and maturities of investment securities	121,671,863	86,031,239
Tri Dam Project cash distributions	12,571,000	9,126,000
Cash Provided (Used) by Investing Activities	23,698,044	7,672,582
Net Increase (Decrease) in Cash and Cash Equivalents	13,758,799	(205,703)
Cash and Cash Equivalents at Beginning of Year	9,342,546	9,548,249
Cash and Cash Equivalents at End of Year	\$ 23,101,345	\$ 9,342,546
RECONCILIATION OF CASH TO BALANCE SHEET		
Cash & cash equivalents - unrestricted	\$ 16,206,771	\$ 8,184,144
Cash & cash equivalents - restricted	6,894,574	1,158,401
Cash & cash equivalents - total	\$ 23,101,345	\$ 9,342,545

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, 2020 and 2019

	2020	Restated 2019
RECONCILIATION OF NET LOSS FROM OPERATIONS TO CASH USED BY OPERATING ACTIVITIES		
Net Loss From Operations	\$ (21,159,998)	\$ (20,407,137)
Depreciation	7,580,122	7,412,473
(Increase) Decrease in Operating Assets		
Accounts receivable	(1,001,748)	(925,833)
Prepaid expenses	(79,141)	(1,306)
Inventories	5,010	1,823
Deferred outflows of resources - pension	356,099	(18,802)
Deferred outflows of resources - other post employment benefits	(321,740)	260,771
Net OPEB asset	-	
Increase (Decrease) in Operating Liabilities		
Accounts payable	15,078	444,883
Accrued expenses	64,617	38,147
Unearned revenue	2,043	(2,719)
Compensated absences	324,197	376,530
Deferred inflows of resources - pension	(537,686)	35,869
Deferred inflows of resources - other post employment benefits	944,344	(128,614)
Net pension liability	953,015	935,296
Net other post employment benefits liability	(1,016,346)	(14,146)
Cash Used by Operating Activities	\$ (13,872,134)	\$ (11,992,765)
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Assets received as capital contributions	\$ 2,993,239	\$ 276,706
Increase (Decrease) in fair value of investments in marketable securities	(583,658)	84,577
Increase (Decrease) in investment in Tri Dam Project, net of cash received	(3,969,270)	6,328,152

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

Notes to the Financial Statements

Notes to the Financial Statements

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Notes to the Financial Statements

NOTE 1 – Organization and Description of Business

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

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

NOTE 2 – Summary of Significant Accounting Policies

Significant accounting policies are those where generally accepted accounting principles require the District to choose from allowable alternative methods as required by Governmental Accounting Standards Board (GASB) Code Sec. 2300.

A. Reporting Entity

The financial statements include the South San Joaquin Groundwater Sustainability Agency Joint Powers Authority (SSJ GSA JPA) as a blended component unit according to the requirements of GASB Statement No. 61. The SSJ GSA JPA was established in 2020 under the terms of the Sustainable Groundwater Management Act to administer the act within SSJID territory. Besides SSJID, the other members of this joint powers authority are the cities of Ripon and Escalon. Although the city of Manteca is part of SSJID, Manteca is excluded from the SSJ GSA JPA because Manteca became its own groundwater sustainability agency. SSJID provides 85% of the financial support to the SSJ GSA JPA and 3 of the 5 board members are SSJID directors.

The SSJ GSA JPA succeeds the South San Joaquin Groundwater Sustainability Agency (SSJGSA) as administrator of the Groundwater Sustainability Management Act within the District. 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. SSJID has not contributed any money to the SSJGSA since 2018 although SSJID did pay immaterial expenses on behalf of the SSJGSA in 2019 and 2020.

Notes to the Financial Statements

The 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 the Tri-Dam Project. The Tri-Dam Project also issues separate financial statements which may be obtained by writing to PO Box 1158, Pinecrest, CA 95364-0158 or by sending an email message to clerk@tridamproject.com or on the internet at <http://www.tridamproject.com/reports.aspx>.

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

The District is a member of the San Joaquin River Group Authority (SJRG), and also of the San Joaquin Tributaries Authority (SJTA). The SJRG 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 SJRG or the SJTA because the District has only a residual interest, not an equity interest, in the assets of these entities. Both the SJRG and the SJTA issue financial statements which can be obtained by contacting the executive director of the SJTA at <http://calsmartwater.org/contact/>.

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

Notes to the Financial Statements

operations that are financed and operated in a manner similar to private business where activities are financed in whole or in substantial part by fees charged in exchange for goods and services provided by the District. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. For example, revenues are recognized when earned rather than when received, and expenses are recorded when incurred rather than when paid.

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

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

C. Cash and Cash Equivalents

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

D. Investment Basis

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

E. Restricted Assets

The use of some assets can be restricted to certain purposes by law, by grantors of the assets, by enforceable legislative acts of the District’s board of directors, or by contracts to which the District is a party. When the District has a choice to use either restricted or unrestricted funds, the District’s policy is normally to use restricted funds first. The 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

Notes to the Financial Statements

assets of the water treatment plant. Deposits received from persons who would like to annex property to the District can be used only for expenses incurred by the District for these annexation efforts.

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. California statute provides that only county governments may levy property taxes. Counties are responsible for the levying and collection of property taxes and the allocation of tax revenues to eligible jurisdictions; such as cities, schools and special districts. Property taxes are levied, collected and allocated on a fiscal year (July to June) basis. Property taxes are levied in September and are due 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:

Notes to the Financial Statements

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

J. Compensated Absences

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

K. 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 California Public Employees Retirement System (CalPERS) plan and additions to and deductions from the plan’s fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value.

L. 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

Notes to the Financial Statements

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.

M. Deferred Inflows and Outflows of Resources

In addition to assets and liabilities, the statement of net position reports separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position by the District 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.

N. Use of Estimates

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

O. Restatement

The financial statements for 2019, including the beginning amount of net position for the year ended December 31, 2019, have been restated to reflect the restatement of the financial statements of the Tri-Dam Project for 2019. The financial statements of the Tri-Dam Project were restated to give effect to the following adjustments:

Notes to the Financial Statements

Restatement of Tri-Dam Financial Statements

Net position of Tri-Dam Project at December 31, 2018 as previously stated		\$ 80,334,470
Cumulative effect of adjustments for December 31, 2018 and earlier:		
Proper recognition of Federal Emergency Management Agency grant contributions		760,788
Capitalization of Beardsley Dam afterbay improvements		295,735
Net position of Tri-Dam Project at December 31, 2018 restated		<u>81,390,993</u>
Change in net position of Tri-Dam Project for the year ended December 31, 2019 as previously stated	\$ 28,580,985	
Adjustments for 2019:		
Proper recognition of Federal Emergency Management Agency grant contributions	(760,788)	
Capitalization of Beardsley Dam afterbay improvements	1,791,418	
Correction of difference between actual and proportionate share of pension contributions	172,652	
Correction of changes in proportion of the net pension liability	(6,232)	
Correction of liabilities for accrued payroll expense	73,746	
Change in net position of Tri-Dam Project for the year ended December 31, 2019 as restated	<u>\$ 29,851,781</u>	29,851,781
Less: distributions to districts during 2019		(18,252,000)
Net position of Tri-Dam Project at December 31, 2019 restated		<u>\$ 92,990,774</u>
SSJID's one half share of the net position of Tri-Dam Project at December 31, 2019 restated		<u>\$ 46,495,387</u>

The financial statements for December 31, 2019 are also restated to reduce construction work in progress on the joint supply canal by \$135,000 because the Oakdale Irrigation District's share of the cost in the jointly owned canal had been incorrectly reported as contributed capital. Instead, the Oakdale Irrigation District's share of the construction cost should be excluded from the asset cost reported on SSJID's balance sheet.

Notes to the Financial Statements

NOTE 3 – Cash and Investments

A. Classification

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents		
Cash and cash equivalents - unrestricted	\$ 16,206,771	\$ 8,184,144
Cash and cash equivalents - restricted	6,894,574	1,158,401
Total	<u>23,101,345</u>	<u>9,342,545</u>
Investments in marketable securities		
Investments in marketable securities - current portion, unrestricted	26,849,602	25,494,197
Investments in marketable securities - noncurrent portion, unrestricted	37,483,365	44,306,520
Investments in securities - restricted (reserves for debt service, water treatment plant)	<u>3,000,131</u>	<u>7,044,087</u>
Total investments in marketable securities	<u>67,333,098</u>	<u>76,844,804</u>
Total cash and investments	<u>\$ 90,434,443</u>	<u>\$ 86,187,349</u>

Notes to the Financial Statements

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	\$ 75,000,000
Collateralized obligations and mortgage backed bonds	5 years	AA	20%	None
Repurchase agreements	1 year	None	20%	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.

C. Interest Rate Risk and Credit Risk

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

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

Notes to the Financial Statements

Investments by Maturity and Credit Rating

2020						
Category Lower of Moody's or S&P Rating	Year of Maturity					Total
	2021	2022	2023	2024	2025	
Federal, state and municipal						
AA-	\$ -	\$ -	\$ -	\$ 56,523	\$ -	\$ 56,523
AA+	-	-	2,000,000	-	13,991,559	15,991,559
Aa3	-	-	2,621,928	-	-	2,621,928
Aaa	13,526,591	1,623,443	-	940,075	13,481,235	29,571,344
Not Rated/						
Pre-Refunded	3,024,726	1,964,457	1,325,180	204,747	-	6,519,110
Total	\$16,551,317	\$ 3,587,900	\$ 5,947,108	\$ 1,201,345	\$27,472,794	\$54,760,464
Negotiable certificates of deposit						
FDIC Insured	\$ 2,504,738	\$ 1,001,269	\$ -	\$ -	\$ -	\$ 3,506,007
Total	\$ 2,504,738	\$ 1,001,269	\$ -	\$ -	\$ -	\$ 3,506,007
Corporate debt						
A	\$ 4,440,712	\$ -	\$ -	\$ -	\$ -	\$ 4,440,712
A1	1,003,110	-	-	-	-	1,003,110
A3	502,955	-	-	-	-	502,955
AA	506,855	-	-	-	-	506,855
AA+	500,595	-	-	-	-	500,595
BBB+	2,112,400	-	-	-	-	2,112,400
Total	\$ 9,066,627	\$ -	\$ -	\$ -	\$ -	\$ 9,066,627
Total	\$28,122,682	\$ 4,589,169	\$ 5,947,108	\$ 1,201,345	\$27,472,794	\$67,333,098

Notes to the Financial Statements

Investments by Maturity and Credit Rating

2019						
Category Lower of Moody's or S&P Rating	Year of Maturity					Total
	2020	2021	2022	2023	2024	
Federal, state and municipal						
AA-	\$ 707,174	\$ -	\$ -	\$ -	\$ -	\$ 707,174
AA+	-	-	1,915,192	-	-	1,915,192
Aa3	774,943	-	-	-	-	774,943
Aaa	15,130,057	4,160,596	1,593,259	-	21,387,725	42,271,637
Total	16,612,174	4,160,596	3,508,451	-	21,387,725	45,668,946
Negotiable certificates of deposit						
FDIC Insured	\$ 986,848	\$ 999,293	\$ -	\$ -	\$ -	\$ 1,986,141
Total	\$ 986,848	\$ 999,293	\$ -	\$ -	\$ -	\$ 1,986,141
Corporate debt						
A	\$ 3,005,760	\$ 5,955,709	\$ -	\$ -	\$ -	\$ 8,961,469
A-	780,250	-	6,740,182	-	-	7,520,432
A+	-	365,504	-	-	-	365,504
A1	-	1,005,850	-	-	-	1,005,850
AA	499,910	510,690	-	-	-	1,010,600
AA-	2,249,745	2,133,152	-	-	-	4,382,897
AA+	500,365	502,975	-	-	-	1,003,340
Aa3	-	405,400	-	-	-	405,400
Aaa	1,009,580	-	-	-	-	1,009,580
A3	2,011,180	513,325	-	-	-	2,524,505
BBB	1,000,140	-	-	-	-	1,000,140
Total	\$11,056,930	\$11,392,605	\$ 6,740,182	\$ -	\$ -	\$29,189,717
Total	\$28,655,952	\$16,552,494	\$10,248,633	\$ -	\$21,387,725	\$76,844,804

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 District's 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 \$75 million.

Notes to the Financial Statements

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:

2020		
<u>Issuer</u>	<u>Investment Type</u>	<u>Amount</u>
Federal Home Loan Mortgage Corporation	U. S. Agencies	\$ 28,412,869

2019		
<u>Issuer</u>	<u>Investment Type</u>	<u>Amount</u>
Federal Home Loan Mortgage Corporation	U. S. Agencies	\$ 20,803,667
Bank of America Corp	Corporate Notes	6,740,182

At December 31, 2020 cash and investments included \$4,725,774 held in commercial banks and at December 31, 2019 cash and investments included \$3,842,891 held in commercial banks, all of which was either insured by the Federal Deposit Insurance Corporation or collateralized as required by State Law (Government Code Section 53630).

E. Fair Value Hierarchy

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

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

Investments by Fair Value Level

	2020			
	<u>Exempt</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
U. S. agency securities	\$ -	\$ -	\$ 30,412,869	\$ 30,412,869
U. S. treasury notes	-	15,150,034	-	15,150,034
State and municipal debt	-	-	9,197,562	9,197,562
Negotiable certificates of deposit	-	-	3,506,007	3,506,007
Medium term corporate notes	-	-	9,066,627	9,066,627
Local Agency Investment Fund	1,226,742	-	-	1,226,742
Money market mutual funds	-	19,856,799	-	19,856,799
Total investments	<u>\$ 1,226,742</u>	<u>\$ 35,006,833</u>	<u>\$ 52,183,065</u>	<u>88,416,640</u>
Cash in banks and on hand				2,017,803
Total cash & investments				<u>\$ 90,434,443</u>

Notes to the Financial Statements

Investments by Fair Value Level

	2019			
	Exempt	Level 1	Level 2	Total
U. S. agency securities	\$ -	\$ -	\$ 20,803,668	\$ 20,803,668
U. S. treasury notes	-	20,883,912	-	20,883,912
State and municipal debt	-	-	3,981,366	3,981,366
Negotiable certificates of deposit	-	-	1,986,141	1,986,141
Medium term corporate notes	-	-	29,189,717	29,189,717
Local Agency Investment Fund	4,280,535	-	-	4,280,535
Money market mutual funds	-	3,204,460	-	3,204,460
Total investments	<u>\$ 4,280,535</u>	<u>\$ 24,088,372</u>	<u>\$ 55,960,892</u>	84,329,799
Cash in banks and on hand				1,857,550
Total cash & investments				<u>\$ 86,187,349</u>

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

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

NOTE 4 – Accounts Receivable

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

	2020	2019
Proposition 13 subvention property taxes	\$ 3,346,758	\$ 420,660
Water treatment plant sales to cities	1,763,110	1,879,987
Irrigation charges	1,298,024	608,330
Water transfer	146,548	173,414
Canal construction and maintenance costs receivable from OID	600,909	151,842
Local Agency Formation Commission (LAFCO) fees	-	24,325
Miscellaneous	53,577	8,405
Total	<u>\$ 7,208,926</u>	<u>\$ 3,266,963</u>

Notes to the Financial Statements

NOTE 5 – Investment in the Tri-Dam Project

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

Tri Dam Project
Condensed Statements of Net Position
December 31, 2020 and 2019

	2020	As Restated 2019
Current assets	\$ 20,466,167	\$ 27,015,049
Long-term investments	4,503,645	6,762,622
Capital assets	65,112,394	64,088,197
Deferred outflows of resources	1,703,113	2,623,348
Total assets and deferred outflows of resources	\$ 91,785,319	\$ 100,489,216
Current liabilities	\$ 977,732	\$ 1,012,318
Noncurrent liabilities	4,642,807	4,548,255
Deferred inflows of resources	1,112,546	1,937,869
Total liabilities and deferred inflows of resources	6,733,085	7,498,442
Net investment in capital assets	65,112,394	64,088,197
Unrestricted net position	19,939,840	28,902,577
Total net position	85,052,234	92,990,774
Total liabilities, deferred inflows of resources, and net position	\$ 91,785,319	\$ 100,489,216

Notes to the Financial Statements

Tri Dam Project Condensed Statements of Revenues, Expenses, & Changes in Net Position For the Years Ended December 31, 2020 and 2019

	2020	As Restated 2019
Operating revenues	\$ 27,883,049	\$ 39,898,478
Operating expenses	9,811,791	10,271,968
Net Income from Operations	18,071,258	29,626,510
Nonoperating Revenues (Expenses)		
Water sales	188,059	172,592
Rental of equipment and facilities	104,931	100,234
Investment earnings	340,589	522,113
Insurance recovery	0	1,557,612
Other nonoperating revenue	45,047	63,317
River habitat studies	(1,580,154)	(2,164,123)
(Loss) gain on disposal of capital assets	33,730	(26,474)
Total Nonoperating Revenues (Expenses)	(867,798)	225,271
Change in Net Position	17,203,460	29,851,781
Net position, beginning of year	92,990,774	81,390,993
Less: distributions to member districts	(25,142,000)	(18,252,000)
Net Position, End of Year	\$ 85,052,234	\$ 92,990,774

Notes to the Financial Statements

NOTE 6 – Capital Assets

Changes in Capital Assets

	2020				
	December 31, 2019	Additions	Disposals	Transfers and Adjustments	December 31, 2020
Capital assets not being depreciated:					
Land:					
Irrigation	\$ 1,382,984	\$ -	\$ -	\$ -	\$ 1,382,984
Water treatment plant	5,834,926	-	-	-	5,834,926
Solar plant	512,400	-	-	-	512,400
Construction in progress:					
Irrigation	1,134,194	2,868,133	-	(1,805,732)	2,196,595
Water treatment plant	11,934	702,799	-	(97,766)	616,967
Total	\$ 8,876,438	\$ 3,570,932	\$ -	\$ (1,903,498)	\$ 10,543,872
Capital assets being depreciated:					
Irrigation:					
Improvements	\$ 1,139,187	\$ -	\$ -	\$ -	\$ 1,139,187
Dams, canals, and laterals	115,118,073	1,805,732	(405,150)	2,796,852	119,315,507
Buildings	2,142,414	-	(5,354)	17,450	2,154,510
Vehicle and excavators	4,425,962	-	(64,465)	1,002,891	5,364,388
Machinery and equipment	11,562,452	-	(17,879)	31,223	11,575,796
Water treatment plant:					
Vehicles	654,871	-	-	-	654,871
Improvements	1,132,570	-	-	-	1,132,570
Building and equipment	51,429,041	-	-	-	51,429,041
Original construction	65,558,891	34,184	(500,425)	647,574	65,740,224
Pump stations (orig. constr.)	9,765,356	81,281	(63,996)	-	9,782,641
Solar plant	11,975,754	-	-	-	11,975,754
Total	\$ 274,904,571	\$ 1,921,197	\$ (1,057,269)	\$ 4,495,990	\$ 280,264,489
Less accumulated depreciation:					
Irrigation:					
Improvements	\$ (379,821)	\$ (26,484)	\$ -	\$ -	\$ (406,305)
Dams, canals, and laterals	(45,163,258)	(2,626,034)	405,150	-	(47,384,142)
Buildings	(814,259)	(74,118)	357	-	(888,020)
Vehicle and excavators	(3,645,089)	(287,427)	64,464	-	(3,868,052)
Machinery and equipment	(3,502,668)	(304,626)	148	-	(3,807,146)
Water treatment plant:					
Vehicles	(403,021)	(49,143)	-	-	(452,164)
Improvements	(485,706)	(64,004)	-	-	(549,710)
Building and equipment	(16,354,824)	(1,325,997)	14,197	-	(17,666,624)
Original construction	(23,206,428)	(2,025,170)	473,103	-	(24,758,495)
Pump stations (orig. constr.)	(4,231,050)	(329,206)	77,122	-	(4,483,134)
Solar plant	(5,696,422)	(467,913)	-	-	(6,164,335)
Total	\$(103,882,546)	\$ (7,580,122)	\$ 1,034,541	\$ -	\$(110,428,127)
Net Depreciable Capital Assets	\$ 171,022,025	\$ (5,658,925)	\$ (22,728)	\$ 4,495,990	\$ 169,836,362
Net Capital Assets	\$ 179,898,463	\$ (2,087,993)	\$ (22,728)	\$ 2,592,492	\$ 180,380,234

Notes to the Financial Statements

Changes in Capital Assets

	2019 Restated				
	December 31, 2018	Additions	Disposals	Transfers and Adjustments	December 31, 2019
Capital assets not being depreciated:					
Land:					
Irrigation	\$ 1,382,984	\$ -	\$ -	\$ -	\$ 1,382,984
Water treatment plant	5,834,926	-	-	-	5,834,926
Solar plant	512,400	-	-	-	512,400
Construction in progress:					
Irrigation	675,943	2,111,945	-	(1,653,694)	1,134,194
Water treatment plant	64,184	169,221	-	(221,471)	11,934
Solar plant	-	2,841	-	(2,841)	-
Total	\$ 8,470,437	\$ 2,284,007	\$ -	\$ (1,878,006)	\$ 8,876,438
Capital assets being depreciated:					
Irrigation:					
Improvements	\$ 1,139,187	\$ -	\$ -	\$ -	\$ 1,139,187
Dams, canals, and laterals	113,504,509	336,818	(91,569)	1,368,315	115,118,073
Buildings	1,906,486	-	-	235,928	2,142,414
Vehicle and excavators	4,323,904	195,774	(93,716)	-	4,425,962
Machinery and equipment	11,451,089	100,023	(38,111)	49,451	11,562,452
Water treatment plant:					
Vehicles	502,222	166,070	(13,421)	-	654,871
Improvements	1,132,570	-	-	-	1,132,570
Building and equipment	51,017,320	647,574	(437,281)	201,428	51,429,041
Original construction	65,667,847	-	(108,956)	-	65,558,891
Pump stations (orig. constr.)	9,745,313	-	-	20,043	9,765,356
Solar plant	11,974,734	-	(1,821)	2,841	11,975,754
Total	\$ 272,365,181	\$ 1,446,259	\$ (784,875)	\$ 1,878,006	\$ 274,904,571
Less accumulated depreciation:					
Irrigation:					
Improvements	\$ (353,337)	\$ (26,484)	\$ -	\$ -	\$ (379,821)
Dams, canals, and laterals	(42,694,118)	(2,538,450)	69,310	-	(45,163,258)
Buildings	(748,440)	(65,819)	-	-	(814,259)
Vehicle and excavators	(3,485,152)	(253,652)	93,715	-	(3,645,089)
Machinery and equipment	(3,224,356)	(310,394)	32,082	-	(3,502,668)
Water treatment plant:					
Vehicles	(378,372)	(38,070)	13,421	-	(403,021)
Improvements	(412,096)	(73,610)	-	-	(485,706)
Building and equipment	(15,021,423)	(1,333,401)	-	-	(16,354,824)
Original construction	(21,664,183)	(1,979,527)	437,282	-	(23,206,428)
Pump stations (orig. constr.)	(3,905,852)	(325,198)	-	-	(4,231,050)
Solar plant	(5,230,375)	(467,868)	1,821	-	(5,696,422)
Total	\$ (97,117,704)	\$ (7,412,473)	\$ 647,631		\$ (103,882,546)
Net Depreciable Capital Assets	\$ 175,247,477	\$ (5,966,214)	\$ (137,244)	\$ 1,878,006	\$ 171,022,025
Net Capital Assets	\$ 183,717,914	\$ (3,682,207)	\$ (137,244)	\$ -	\$ 179,898,463

Notes to the Financial Statements

NOTE 7 – Operating Leases

The District utilizes various pieces of equipment that are leased under a number of non-cancelable operating leases. These leases contain renewal options for additional future periods. The District incurred \$22,332 in lease equipment rental expense in 2020 and \$22,694 in 2019. Minimum rental payments due under the leases for future calendar years are as follows:

<u>Year Ending December 31,</u>	<u>Minimum Operating Lease Payments</u>
2021	\$ 17,604
2022	13,810
2023	3,753
2024	-
2025	-
Total	<u>\$ 35,167</u>

NOTE 8 – Long-Term Liabilities

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

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

B. Required Disclosure of Long-Term Debt Activity

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

Notes to the Financial Statements

Changes in Long-Term Liabilities

2020						
	December 31, 2019	Additions	Reductions	December 31, 2020	Current Portion	Long-Term Portion
Net other post-employment benefits liability	\$ 1,304,934	\$ 314,878	\$ (1,331,224)	\$ 288,588	\$ -	\$ 288,588
Compensated absences	1,745,841	995,811	(671,613)	2,070,039	1,031,406	1,038,633
Net pension liability	13,307,675	953,015	-	14,260,690	-	14,260,690
Total long-term liabilities	\$ 16,358,450	\$ 2,263,704	\$ (2,002,837)	\$ 16,619,317	\$ 1,031,406	\$ 15,587,911
2019						
	December 31, 2018	Additions	Reductions	December 31, 2019	Current Portion	Long-Term Portion
2012A refunding bonds Original issue premium on 2012 refunding bonds	\$ 2,545,000	\$ -	\$ (2,545,000)	\$ -	\$ -	\$ -
	46,882	-	(46,882)	-	-	-
Subtotal long-term debt	2,591,882	-	(2,591,882)	-	-	-
Net other post-employment benefits liability	1,319,080	558,509	(572,655)	1,304,934	-	1,304,934
Compensated absences	1,369,311	1,479,371	(1,102,841)	1,745,841	1,083,405	662,436
Net pension liability	12,372,379	935,296	-	13,307,675	-	13,307,675
Subtotal long-term liabilities	15,060,770	2,973,176	(1,675,496)	16,358,450	1,083,405	15,275,045
Total long-term liabilities	\$ 17,652,652	\$ 2,973,176	\$ (4,267,378)	\$ 16,358,450	\$ 1,083,405	\$ 15,275,045

NOTE 9 – Net Position

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

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

Notes to the Financial Statements

investment in capital assets. The District has no such debt as of the years ending December 31, 2020 or December 31, 2019.

Net investment in capital assets consists of the following components as of December 31:

	2020	Restated 2019
Total capital assets, net of accumulated depreciation	\$ 180,380,234	\$ 179,898,463

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:

	2020	2019
Capital asset fund - pressurized irrigation system	\$ 348,209	\$ -
Capital asset fund - water treatment plant	8,749,835	8,202,488
Deposits held for annexation applications	796,661	-
Accrued interest receivable on restricted investments	25,507	54,280
Total	<u>\$ 9,920,212</u>	<u>\$ 8,256,768</u>

The third component of net position is unrestricted net position, which is simply the amount of net position that does not qualify as either restricted net position, nor as net investment in capital assets.

NOTE 10 – Capital Contributions

Capital contributions consist of cash and other property contributed to the District as distinguished from property received in exchange transactions, or as taxes. Noncash contributed assets are recorded at estimated fair market value at the date of donation. Typically, noncash property is contributed to SSJID by real estate developers when they need to relocate SSJID pipes and ditches. The District recognized capital contributions from various sources for the years ended December 31 as follows:

	2020	Restated 2019
Real estate developers	\$ 2,776,165	\$ 332,540
Municipal customers of water treatment plant	1,039,226	1,311,301
Groundwater Sustainability Agency	14,118	-
Total	<u>\$ 3,829,509</u>	<u>\$ 1,643,842</u>

Notes to the Financial Statements

NOTE 11 – Retirement Plan

A. Plan Description

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

- Miscellaneous Plan
- PEPRM 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 resolution of the SSJID board of directors. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

B. Benefits Provided

CalPERS 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 PEPRM 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.

Notes to the Financial Statements

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

	Summary of Plan Benefits			
	2020		2019	
	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	7.95%	6.75%	7.95%	6.75%
January 1 to June 30	7.95%	6.75%	7.95%	6.25%
Required employer contribution rates:				
July 1 to December 31	12.361%	7.732%	11.432%	6.985%
January 1 to June 30	11.432%	6.985%	10.609%	6.842%

C. Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers shall be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the rate plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year. There is an additional amount billed to the employer to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Notes to the Financial Statements

For the years ended December 31, the contributions for the rate plans were as follows:

Employer Contributions to the Plan

	2020			2019		
	Misc. Plan	PEPRA Plan	Total	Misc. Plan	PEPRA Plan	Total
Employer contributions	\$ 1,778,940	\$ 185,841	\$ 1,964,780	\$ 1,610,089	\$ 132,891	\$ 1,742,980
Employee contributions, paid by employer	353,378	-	353,378	342,543	-	342,543
Total	\$ 2,132,318	\$ 185,841	\$ 2,318,158	\$ 1,952,632	\$ 132,891	\$ 2,085,523

The 2020 employer contributions above include payment of a \$1,096,171 invoice from CalPERS to amortize the net pension liability. This amount was billed for the year ending June 30, 2021. The 2019 employer contributions above include payment of a \$969,762 invoice from CalPERS to amortize the net pension liability. This amount was billed for the year ending June 30, 2020.

D. Employees Covered by Benefit Terms

Membership in the plan consisted of the following at the measurement dates of June 30, 2020 and June 30, 2019:

Membership in the Plan

	Miscellaneous & PEPRA Plans	
	2020	2019
Valuation Date	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2020	June 30, 2019
Report Date	December 31, 2020	December 31, 2019
Active employees	104	104
Inactive employees and beneficiaries currently receiving benefit payments	81	76
Inactive employees entitled to but not yet receiving benefit payments	34	32
Total	219	212

E. Proportionate Share of Net Pension Liability

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

Notes to the Financial Statements

	Miscellaneous & PEPRAs Plans	
	2020	2019
Proportion of Net Pension Liability	\$ 14,260,690	\$ 13,307,675

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, 2020 and 2019 is measured as of June 30, 2020 and 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 and 2018, rolled forward to June 30, 2020 and 2019 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 December 31 was as follows:

	Miscellaneous & PEPRAs Plans	
	2020	2019
Proportion at June 30, 2018		0.3282919%
Proportion at June 30, 2019	0.3323179%	0.3323179%
Proportion at June 30, 2020	0.3380852%	
Increase (Decrease)	0.0057673%	0.0040260%

Notes to the Financial Statements

F. Changes in Net Pension Liability

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

Changes in Net Pension Liability

	2020		
	Miscellaneous & PEPRAs Plans		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at measurement date June 30, 2019	\$ 52,299,820	\$ 38,992,145	\$ 13,307,675
Changes in proportion	478,377	244,643	233,734
Adjusted balance at June 30, 2019	<u>\$ 52,778,197</u>	<u>\$ 39,236,788</u>	<u>\$ 13,541,409</u>
Changes recognized for the measurement period:			
Service cost	\$ 1,268,999	\$ -	\$ 1,268,999
Interest on the total pension liability	3,746,156	-	3,746,156
Changes in benefit terms	2,642	-	2,642
Changes of assumptions	-	-	-
Differences between expected and actual experience	227,085	-	227,085
Net plan to plan resource movement	-	112,976	(112,976)
Contributions - employer	-	1,843,711	(1,843,711)
Contributions - employee	-	554,945	(554,945)
Net investment income	-	1,960,241	(1,960,241)
Benefit payments	(2,497,271)	(2,388,350)	(108,921)
Administrative expenses	-	(55,193)	55,193
Other miscellaneous income (expense)	-	-	-
Net changes	<u>\$ 2,747,611</u>	<u>\$ 2,028,330</u>	<u>\$ 719,281</u>
Balance at measurement date June 30, 2020	<u>\$ 55,525,808</u>	<u>\$ 41,265,118</u>	<u>\$ 14,260,690</u>

Notes to the Financial Statements

Changes in Net Pension Liability

	2019		
	Miscellaneous & PEPRA Plans		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at measurement date June 30, 2018	\$ 47,859,394	\$ 35,487,015	\$ 12,372,379
Changes in proportion	1,261,769	1,114,095	147,674
Adjusted balance at June 30, 2018	<u>\$ 49,121,163</u>	<u>\$ 36,601,110</u>	<u>\$ 12,520,053</u>
Changes recognized for the measurement period:			
Service cost	\$ 1,218,769	\$ -	\$ 1,218,769
Interest on the total pension liability	3,526,006	-	3,526,006
Changes in benefit terms	3,734	-	3,734
Changes of assumptions	-	-	-
Differences between expected and actual experience	730,824	-	730,824
Net plan to plan resource movement	-	78,781	(78,781)
Contributions - employer	-	1,615,679	(1,615,679)
Contributions - employee	-	515,068	(515,068)
Net investment income	-	2,414,401	(2,414,401)
Benefit payments	(2,300,676)	(2,206,611)	(94,065)
Administrative expenses	-	(26,368)	26,368
Other miscellaneous income (expense)	-	85	(85)
Net changes	<u>\$ 3,178,657</u>	<u>\$ 2,391,035</u>	<u>\$ 787,622</u>
Balance at measurement date June 30, 2019	<u>\$ 52,299,820</u>	<u>\$ 38,992,145</u>	<u>\$ 13,307,675</u>

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

For the years ended December 31, 2020 and 2019, the District recognized pension expense of \$1,867,599 and \$1,918,245, respectively. At December 31, the District reported deferred outflows of resources and deferred inflows of resources from the following sources:

Notes to the Financial Statements

Sources of Deferred Outflows (Inflows) of Resources

	Miscellaneous & PEPRAs Plans			
	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions after measurement date	\$ 661,992	\$ -	\$ 609,657	\$ -
Differences between actual and expected experience	\$ 734,896	\$ -	\$ 924,274	\$ (71,613)
Change in assumptions	\$ -	\$ (101,713)	\$ 634,571	\$ (224,950)
Differences between employer's contributions and employer's proportionate share of contributions	\$ 22,023	\$ -	\$ 65,880	\$ (3,811)
Change in employer's proportion	\$ 207,661	\$ -	\$ 171,925	\$ (106,366)
Net differences between projected and actual earnings on plan investments	\$ 423,636	\$ -	\$ -	\$ (232,659)
Total	<u>\$ 2,050,208</u>	<u>\$ (101,713)</u>	<u>\$ 2,406,307</u>	<u>\$ (639,399)</u>

The \$661,992 reported at December 31, 2020 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, 2021.

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

Amortization of Deferred Outflows (Inflows) of Resources

Year of Expense Recognition	Miscellaneous & PEPRAs Plans	
	2020	2019
2020	\$ -	\$ 990,299
2021	271,581	(23,961)
2022	451,637	143,901
2023	360,099	47,012
2024	203,186	-
Total	<u>\$ 1,286,503</u>	<u>\$ 1,157,251</u>

H. Actuarial Methods and Assumptions

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

Notes to the Financial Statements

Actuarial Methods and Assumptions

	Miscellaneous & PEPRA Plans	
	2020	2019
Report date	December 31, 2020	December 31, 2019
Valuation date	June 30, 2019	June 30, 2018
Measurement date	June 30, 2020	June 30, 2019
Actuarial cost method	Entry-age normal	Entry-age normal
Actuarial assumptions:		
Discount rate ⁽¹⁾	7.15%	7.15%
Inflation	2.50%	2.50%
Payroll growth	2.75%	2.75%
Projected salary increase ⁽²⁾	3.15% - 11.25%	3.15% - 11.25%
Investment rate of return ⁽³⁾	7.25%	7.38%
Mortality derived using	CalPERS membership data for all funds	CalPERS membership data for all funds

⁽¹⁾ Net of investment and administrative expenses.

⁽²⁾ Varies by entry age and service.

⁽³⁾ Net of pension plan investment expenses, including inflation.

The underlying mortality assumptions were developed based on CalPERS specific data. The table includes 15 years of mortality improvement using the Society of Actuaries 90 percent of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

I. Discount Rate

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of

Notes to the Financial Statements

return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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

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

Expected Rate of Return

Asset Class	Miscellaneous & PEPRA Plans					
	2020			2019		
	Strategic Allocation	Real Return Years 1-10 ^(a)	Real Return Years 11+ ^(b)	Strategic Allocation	Real Return Years 1-10 ^(a)	Real Return Years 11+ ^(b)
Global equity	50.00%	4.80%	5.98%	50.00%	4.80%	5.98%
Global fixed income	28.00%	1.00%	2.62%	28.00%	1.00%	2.62%
Inflation sensitive	0.00%	0.77%	1.81%	0.00%	0.77%	1.81%
Private equity	8.00%	6.30%	7.23%	8.00%	6.30%	7.23%
Real assets	13.00%	3.75%	4.93%	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%	1.00%	0.00%	-0.92%
Total	100.00%			100.00%		

^(a) An expected inflation rate of 2.00% used for this period in both years, 2019 and 2020.

^(b) An expected inflation rate of 2.92% used for this period in both years, 2019 and 2020.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate for the plans, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a

Notes to the Financial Statements

discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

Sensitivity to Discount Rate

	Miscellaneous & PEPRA Plans	
	2020	2019
Discount decreased 1 percentage point	6.15%	6.15%
Resulting net pension liability	\$ 22,773,162	\$ 21,346,207
Current discount rate	7.15%	7.15%
Resulting net pension liability	\$ 14,260,690	\$ 13,307,675
Discount increased 1 percentage point	8.15%	8.15%
Resulting net pension liability	\$ 7,227,102	\$ 6,672,434

K. Pension Plan Fiduciary Net Position

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

L. Payable to the Pension Plan

At December 31, 2020 and 2019, the District had no amounts payable to CalPERS for the outstanding amount of contributions to the pension plans including employee withholdings.

NOTE 12 – Other Post-Employment Benefits (OPEB) Plan

A. Plan Description

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

B. Funding Policy

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

Notes to the Financial Statements

C. Benefits Provided

The following is a summary of OPEB plan benefits by employee group as of December 31, 2020:

Summary of OPEB Plan Benefits by Employee Group

	Management	IBEW ⁽²⁾
Eligibility	Members who retire at age 50-64	Members who retire at age 50-64
Benefit	The District provides 50%-100% of the member's monthly healthcare premium, depending on years of service and bargaining group, through age 64.	The District provides 50%-100% of the member's monthly healthcare premium, depending on years of service and bargaining group, through 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 through the age of 64; whichever event occurs first.

⁽²⁾ International Brotherhood of Electrical Workers (IBEW)

D. Employees Covered by Benefit Terms

Membership in the OPEB plan consisted of the following at the measurement dates of December 31, 2019 and December 31, 2018:

Notes to the Financial Statements

Membership in Plan

	<u>2020</u>	<u>2019</u>
Valuation Date	June 30, 2019	June 30, 2017
Measurement Date	December 31, 2019	December 31, 2018
Report Date	December 31, 2020	December 31, 2019
Active employees	97	87
Inactive employees and beneficiaries currently receiving benefit payments	15	19
Inactive employees entitled to but not yet receiving benefit payments	0	0
Total	<u>112</u>	<u>106</u>

E. Actuarial Methods and Assumptions

For the report dates of December 31, 2020 and December 31, 2019, the District's net OPEB liability was measured as of December 31, 2019 and December 31, 2018, respectively. The total OPEB liability used to calculate the net OPEB liability was determined by actuarial valuations dated June 30, 2019 and June 30, 2017 which were rolled forward using standard update procedures to determine the total OPEB liability as of measurement dates December 31, 2019 and December 31, 2018 based on the following actuarial methods and assumptions:

Notes to the Financial Statements

Actuarial Methods and Assumptions

	<u>2020</u>	<u>2019</u>
Valuation Date	June 30, 2019	June 30, 2017
Measurement Date	December 31, 2019	December 31, 2018
Report Date	December 31, 2020	December 31, 2019
Actuarial Cost Method	Entry-Age Normal, Level Percentage of Salary	Entry-Age Normal, Level Percentage of Salary
Actuarial Assumptions:		
Discount Rate	6.00%	7.01%
Inflation	2.50%	2.50%
Payroll Growth	2.75%	2.75%
Investment Rate of Return	6.00%	7.01%
Mortality Rate	CalPERS ⁽²⁾	CalPERS ⁽¹⁾
Pre-Retirement Turnover	CalPERS ⁽²⁾	CalPERS ⁽¹⁾
Healthcare Trend Rate	7.00% in the first year, trending down to 3.84% over 56 years. ⁽³⁾	6.50% in the first year, trending down to 3.84% over 58 years. ⁽⁴⁾

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

⁽²⁾ Determined using CalPERS' OPEB Assumption Model, revised May 14, 2018, "Mort and Disb Rates_PA Misc" table.

⁽³⁾ Determined using Society of Actuaries "Long Term Healthcare Cost Trends Model v2019_b" using baseline assumptions.

⁽⁴⁾ Determined using Society of Actuaries "Long Term Healthcare Cost Trends Model v2018_c" using baseline assumptions.

Besides the mortality assumption, all other actuarial assumptions used in the June 30, 2019 and June 30, 2017 valuations were based on the CalPERS studies and information provided by SSJID.

F. Discount Rate

The discount rate used to measure the total OPEB liability was 6.00% as of measurement date December 31, 2019 and 7.01% as of measurement date December 31, 2018. 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.

Notes to the Financial Statements

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

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

Expected Rate of Return

Asset Class	2020		2019	
	Target Allocation	Long-Term	Target Allocation	Long-Term
		Expected Real Rate of Return		Expected Real Rate of Return
Global Equity	59.0%	6.8%	40.0%	6.4%
Fixed Income	25.0%	3.1%	43.0%	4.6%
Treasury Inflation-Protected Securities (TIPS)	5.0%	2.3%	5.0%	1.7%
Real Estate Investment Trusts (REIT)	8.0%	5.5%	8.0%	5.4%
Commodities	3.0%	3.5%	4.0%	-13.2%
Total	100.0%	21.2%	100.0%	4.9%

Notes to the Financial Statements

G. Changes in Net OPEB Liability

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

Changes in Net OPEB Liability

	2020		
	Increase (Decrease)		
	(a) Total OPEB Liability/(Asset)	(b) Plan Fiduciary Net Position	(a) - (b) Net OPEB Liability/(Asset)
Balance at measurement date 12/31/18, Report date 12/31/19	\$ 4,415,297	\$ 3,110,363	\$ 1,304,934
Changes Recognized for the Measurement Period:			
Service Cost	220,129	-	220,129
Interest on the total OPEB liability	315,817	-	315,817
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(810,983)	-	(810,983)
Changes of assumptions	189,008	-	189,008
Contributions:			-
Employer - District contribution	-	142,970	(142,970)
Employer - Implicit subsidy	-	117,394	(117,394)
Net investment income	-	671,197	(671,197)
Administrative expenses	-	(1,244)	1,244
Benefit payments	(142,970)	(142,970)	-
Implicit rate subsidy fulfilled	(117,394)	(117,394)	-
Net Changes	(346,393)	669,953	(1,016,346)
Balance at measurement date 12/31/19, Report date 12/31/20	\$ 4,068,904	\$ 3,780,316	\$ 288,588

Notes to the Financial Statements

Changes in Net OPEB Liability

	2019		
	Increase (Decrease)		
	(a)	(b)	(a) - (b)
	Total OPEB Liability/(Asset)	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance at measurement date 12/31/17, Report date 12/31/18	\$ 4,150,902	\$ 2,831,822	\$ 1,319,080
Changes Recognized for the Measurement Period:			
Service Cost	222,537	-	222,537
Interest on the total OPEB liability	286,539	-	286,539
Changes in benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	13,092	-	13,092
Contributions:			
Employer - District contribution	-	572,655	(572,655)
Employer - Implicit subsidy	-	97,025	(97,025)
Net investment income	-	(132,663)	132,663
Administrative expenses	-	(703)	703
Benefit payments	(160,748)	(160,748)	-
Implicit rate subsidy fulfilled	(97,025)	(97,025)	-
Net Changes	264,395	278,541	(14,146)
Balance at measurement date 12/31/18, Report date 12/31/19	\$ 4,415,297	\$ 3,110,363	\$ 1,304,934

H. OPEB Plan's Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the District's separately issued GASB Statement No. 75 OPEB Valuation Report and in the Schedule of Changes in Fiduciary Net Position by Employer available on the CalPERS website.

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

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.00%) or 1-percentage-point higher (7.00%) than the current discount rate:

Notes to the Financial Statements

Sensitivity to Discount Rate

	<u>2020</u>	<u>2019</u>
Discount decreased 1 percentage point	5.00%	6.01%
Resulting net OPEB liability/(asset)	\$ 493,813	\$ 1,675,925
Current discount rate	6.00%	7.01%
Resulting net OPEB liability/(asset)	\$ 288,588	\$ 1,304,934
Discount increased 1 percentage point	7.00%	8.01%
Resulting net OPEB liability/(asset)	\$ (131,652)	\$ 969,848

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

Sensitivity to Healthcare Cost Trend

	<u>2020</u>	<u>2019</u>
Trend rates decreased 1 percentage point	5.50% - 2.84%	5.50% - 2.84%
Resulting net OPEB liability/(asset)	\$ (232,931)	\$ 887,761
Current healthcare cost trend rates	6.50% - 3.84%	6.50% - 3.84%
Resulting net OPEB liability/(asset)	\$ 288,588	\$ 1,304,934
Trend rates increased 1 percentage point	7.50% - 4.84%	7.50% - 4.84%
Resulting net OPEB liability/(asset)	\$ 634,199	\$ 1,790,089

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

For the years ended December 31, 2020 and December 31, 2019, the District recognized OPEB expense of \$60,622 and \$240,743, respectively. At December 31, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

Notes to the Financial Statements

Sources of Deferred Outflows (Inflows) of Resources

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	\$ 454,364	\$ -	\$ 122,732	\$ -
Differences between expected and actual experience	-	(725,616)	-	-
Changes of assumptions	179,260	-	11,620	-
Net differences between projected and actual earnings on investments	-	(218,728)	177,532	-
Total	<u>\$ 633,624</u>	<u>\$ (944,344)</u>	<u>\$ 311,884</u>	<u>\$ -</u>

The \$454,364 and \$122,732 reported as deferred outflows of resources related to contributions made subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the years ended December 31, 2021 and December 31, 2020, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as part of OPEB expense as follows:

Amortization of Deferred Outflows (Inflows) of Resources

Year of Expense Recognition	2020	2019
2020	\$ -	37,817
2021	(117,633)	37,817
2022	(117,630)	37,819
2023	(85,483)	69,967
2024	(153,978)	1,472
2025	(63,999)	4,260
Thereafter	(226,361)	-
Total	<u>\$ (765,084)</u>	<u>\$ 189,152</u>

K. Payable to the OPEB Plan

At December 31, 2020, the District had no amounts payable to the OPEB plan for the outstanding amount of contributions to the OPEB plan.

Notes to the Financial Statements

NOTE 13 – Risk Management

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

A summary of the insurance policies in force carried by the District for the years ended December 31 are as follows:

2020				
Type of Coverage		Limit per Occurrence	Aggregate Limit	Deductible
Property	\$	800,000,000	None	\$ 10,000
Boiler & Machinery		100,000,000	None	10,000
Flood		1,600,000,000	None	1,000,000
Pollution		2,000,000	None	10,000
Cyber		2,000,000	None	50,000
Catastrophic Loss		800,000,000	None	500,000
Mobile/Contractors Equipment		800,000,000	None	10,000
General Liability - Bodily		10,000,000	None	-
General Liability - Property Damage		10,000,000	None	500
Public Officials Personal		500,000	None	500
Employment Benefits		10,000,000	None	-
Employee/Public Officials E&O		10,000,000	None	-
Employment Practices Liability		10,000,000	None	-
Employee/Public Officials Dishonesty		1,000,000	None	-
Auto Bodily Injury		10,000,000	None	-
Auto Property Damage		10,000,000	None	1,000
Non-owned Auto Bodily Injury		10,000,000	None	-
Non-owned Auto Property Damage		10,000,000	None	1,000
Uninsured Motorist		1,000,000	None	-
Auto Physical Damage		200,000	None	-
Auto Physical Damage - High dollar vehicles		800,000,000	None	-
Trailer		100,000	None	250
Worker's Compensation - Liability		5,000,000	None	-
Worker's Compensation		Statutory	None	-
Excess insurance		40,000,000	\$ 40,000,000	-

Notes to the Financial Statements

2019				
Type of Coverage	Limit per Occurrence	Aggregate Limit	Deductible	
Property	\$ 1,000,000,000	None	\$	10,000
Boiler & Machinery	100,000,000	None		10,000
Flood	1,000,000	None		250,000
Pollution	2,000,000	None		10,000
Cyber	2,000,000	None		25,000
Mobile/Contractors Equipment	1,000,000,000	None		10,000
General Liability - Bodily	10,000,000	None		-
General Liability - Property Damage	10,000,000	None		500
Public Officials Personal	500,000	None		500
Employment Benefits	10,000,000	None		-
Employee/Public Officials E&O	10,000,000	None		-
Employment Practices Liability	10,000,000	None		-
Employee/Public Officials Dishonesty	1,000,000	None		-
Auto Bodily Injury	10,000,000	None		-
Auto Property Damage	10,000,000	None		1,000
Uninsured Motorist	1,000,000	None		-
Auto Physical Damage	100,000	None		-
Auto Physical Damage - High dollar vehicles	1,000,000,000	None		-
Trailer	100,000	None		250
Worker's Compensation - Liability	5,000,000	None		-
Worker's Compensation	Statutory	None		-
Excess insurance	40,000,000	\$ 40,000,000		-

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

Notes to the Financial Statements

NOTE 14 – Commitments and Contingencies

A. Litigation

The District is a defendant in a number of lawsuits which have arisen in the normal course of business. The outcome of the lawsuits cannot be determined at this time. The following lawsuits were outstanding at December 31, 2020.

South San Joaquin Irrigation District v. Pacific Gas & Electric Company (PG&E)

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

PG&E v. San Joaquin County Local Agency Formation Commission (LAFCo)

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

B. Regulatory

State Water Resources Control Board

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

Notes to the Financial Statements

United States Department of Commerce's National Marine Fisheries Service (NMFS)

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

San Joaquin County Environmental Health Department

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

Notes to the Financial Statements

C. Contract Commitments

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

<u>Project Description</u>	2020	
	Total Contract Amount	Remaining Commitment at December 31
Concrete drying beds to be installed at Water Treatment Plant facility	\$ 4,331,711	\$ 4,126,549
Membrane filter module replacements to be installed at Water Treatment Plant facility	\$ 4,802,400	\$ 3,766,282
Consultation to recommend design of a future bypass of a portion of the Joint Supply Canal	\$ 1,169,449	\$ 559,259
Maintenance on the face of the rockslope above the Joint Supply Canal, construction support and inspection services	\$ 700,000	\$ 462,250
Consultation to recommend future capital improvements to the District's irrigation distribution system	\$ 899,234	\$ 430,841
Maintenance on irrigation control box structures	\$ 183,145	\$ 183,145
Legislative monitoring services	\$ 120,000	\$ 110,000
	2019	
<u>Project Description</u>	Total Contract Amount	Remaining Commitment at December 31
Membrane filter module replacements to be installed at Water Treatment Plant facility	\$ 4,802,400	\$ 4,284,341
Consultation to recommend future capital improvements to the District's irrigation distribution system	\$ 899,234	\$ 788,564
Consultation to recommend design of a future bypass of a portion of the Joint Supply Canal	\$ 702,740	\$ 223,372
Maintenance on the face of the rockslope above the Joint Supply Canal	\$ 700,000	\$ 205,374

Notes to the Financial Statements

D. Concentration of Revenues

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

NOTE 15 – Subsequent Events

The District has evaluated events subsequent to the statement of net position dates through September 10, 2021. GASB Statement No. 56 requires consideration of subsequent "events that provide evidence with respect to conditions that did not exist at the date of the statement of net position, but arose subsequent to that date." These subsequent events must be disclosed if their disclosure is essential to the user's understanding of the financial statements.

Drought conditions occurring during the year ended May 31, 2021 are expected to result in reductions in distributions from the Tri-Dam organizations by about \$9.8 million from the level of 2020.

CalPERS has estimated that SSJID's net pension liability has fallen from the \$14.3 million amount reported in the December 31, 2020 statement of net position, to about \$11 million as the direct consequence of (1) an unexpectedly high investment yield of 21.3% for the CalPERS fiscal year ended June 30, 2021, and (2) a consequent drop in the discount rate from 7% to 6.8%. The 21.3% yield compares extremely well against the 7% yield that is assumed for actuarial estimation of the unfunded accrued liability. CalPERS lowered the expected investment yield and the discount rate from 7% to 6.8% pursuant to requirements of the Public Employees' Pension Reform Act of 2013 which were triggered by the high investment yield. The expected yield rate is used by PERS actuaries as the discount rate for calculating the present value of the liability for future retirement benefit payments to retired members.

The SSJID Board of Directors in July 2021 approved a plan to fully pay the net pension liability as soon as possible.

NOTE 16 – New Accounting Standards

A new accounting standard which became effective for the District's financial statements for year ended December 31, 2020 are described below.

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.

Notes to the Financial Statements

Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. For the District, GASB 84 first became effective for the calendar year 2020. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. GASB 84 has had no effect on the District's financial statements.

In August 2018, the GASB issued Statement No. 90, "Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61". This statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. For the District, GASB 90 first became effective for the calendar year 2020. GASB 90 has had no effect on the District's financial statements.

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

Notes to the Financial Statements

In June 2020, the GASB issued GASB Statement No. 97, “Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32”. The purpose of this statement is to (1) increase consistency and comparability related to the reporting of fiduciary component units where a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform. Some provisions are effective immediately, and others are effective for reporting periods beginning after June 15, 2021, but early application is encouraged if Statement 84, as amended, has been implemented. GASB 97 has had no effect on the District’s financial statements.

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

In June 2017, the GASB issued Statement No. 87, “Leases”, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. For the District, GASB 87 will first become effective for the calendar year 2022.

In June 2018 the GASB issued Statement No. 89, “Accounting for Interest Cost Incurred before the End of a Construction Period”. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. For the District, GASB 89 will first become effective for the calendar year 2021.

In May 2019, the GASB issued Statement No. 91, “Conduit Debt Obligations”. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer;

Notes to the Financial Statements

establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. GASB 91 is not expected to have any effect on the District's financial statements.

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

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports. This provision was effective upon issuance in January 2020.
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan. These provisions are effective for fiscal years beginning after June 15, 2021.
- The applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits. These provisions are effective for fiscal years beginning after June 15, 2021.
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements. These provisions are effective for fiscal years beginning after June 15, 2021.
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition. These provisions are effective for fiscal years beginning after June 15, 2021.
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers. This provision was effective upon issuance in January 2020.
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. This provision is effective for fiscal years beginning after June 15, 2021.

Notes to the Financial Statements

- Terminology used to refer to derivative instruments. This provision was effective upon issuance in January 2020.

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

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

In March 2020, the GASB issued GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The purpose of this statement is address issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The

Notes to the Financial Statements

requirements of this statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

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

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

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 Miscellaneous Risk Pool Net Pension Liability and Related Ratios as of the Measurement Date ⁽¹⁾

(Unaudited)
Last 10 Years ⁽²⁾

	2020	2019	2018
Percentage share of the net pension liability	0.3380852%	0.3323179%	0.3282919%
SSJID share of the net pension liability	\$ 14,260,690	\$ 13,307,675	\$ 12,372,379
Covered payroll	\$ 8,456,530	\$ 7,919,542	\$ 7,153,342
SSJID share of the net pension liability as a percentage of covered payroll	168.64%	168.04%	172.96%
Plan fiduciary net position	\$ 14,702,361,183	\$ 13,979,687,268	\$ 13,122,440,092
Plan total pension liability	\$ 18,920,437,526	\$ 17,984,188,264	\$ 16,891,153,209
Plan fiduciary net position as a percentage of the total pension liability	77.71%	77.73%	77.69%
	2017	2016	2015
Percentage share of the net pension liability	0.3235728%	0.3218358%	0.3397980%
SSJID share of the net pension liability	\$ 12,755,395	\$ 11,180,181	\$ 9,322,253
Covered payroll	\$ 7,034,742	\$ 6,808,761	\$ 6,864,271
SSJID share of the net pension liability as a percentage of covered payroll	181.32%	164.20%	135.81%
Plan fiduciary net position	\$ 12,074,499,781	\$ 10,923,476,287	\$ 10,896,036,068
Plan total pension liability	\$ 16,016,547,402	\$ 14,397,353,530	\$ 13,639,503,084
Plan fiduciary net position as a percentage of the total pension liability	75.39%	75.87%	79.89%
	2014		
Percentage share of the net pension liability	0.3141800%		
SSJID share of the net pension liability	\$ 7,764,910		
Covered payroll	\$ 6,226,062		
SSJID share of the net pension liability as a percentage of covered payroll	124.72%		
Plan fiduciary net position	\$ 10,639,461,174		
Plan total pension liability	\$ 13,110,948,452		
Plan fiduciary net position as a percentage of the total pension liability	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.

Required Supplementary Information

Schedule of Contributions to the Miscellaneous Risk Pool Pension Plan (unaudited) Last 10 Years⁽¹⁾

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Valuation date	June 30, 2019	June 30, 2018	June 30, 2017
Contractually required contribution (actuarially determined)	\$ 1,964,780	\$ 1,742,980	\$ 1,581,605
Contributions in relation to the actuarially determined contributions	(1,964,780)	(1,742,980)	(1,581,605)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 8,456,530	\$ 7,919,542	\$ 7,153,342
Contributions as a percentage of covered payroll	23.23%	22.01%	22.11%
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Valuation date	June 30, 2016	June 30, 2015	June 30, 2014
Contractually required contribution (actuarially determined)	\$ 743,871	\$ 1,290,528	\$ 1,666,160
Contributions in relation to the actuarially determined contributions	(743,871)	(1,290,528)	(1,666,160)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 7,034,742	\$ 6,808,761	\$ 6,864,271
Contributions as a percentage of covered payroll	10.57%	18.95%	24.27%
	<u>2014</u>		
Valuation date	June 30, 2013		
Contractually required contribution (actuarially determined)	\$ 1,241,360		
Contributions in relation to the actuarially determined contributions	(1,241,360)		
Contribution deficiency (excess)	<u>\$ -</u>		
Covered payroll	\$ 6,226,062		
Contributions as a percentage of covered payroll	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 2020 and 2019
Salary increases	For 2020 and 2019, 2.75% and additional merit-based increases based on CalPERS merit salary increase tables.
Discount rate	7.15% for 2020 and 2019, including inflation.
Retirement age	Based on CalPERS tables for Public Agencies - Miscellaneous.
Mortality	Based on CalPERS tables for Public Agencies - Miscellaneous.

Notes to Schedule:

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

Required Supplementary Information

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

Measurement Date	2020	2019	Restated 2018
	December 31, 2019	December 31, 2018	December 31, 2017
Total OPEB Liability			
Service cost	\$ 220,129	\$ 222,537	\$ 212,375
Interest	315,817	286,539	271,322
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(810,983)	-	-
Changes of assumptions	189,008	13,092	-
Benefit payments	(142,970)	(160,748)	(208,115)
Implicit rate subsidy fulfilled	(117,394)	(97,025)	(90,908)
Net change in total OPEB liability	(346,393)	264,395	184,674
Total OPEB liability - beginning	4,415,297	4,150,902	3,966,228
Total OPEB liability - ending ^(a)	\$ 4,068,904	\$ 4,415,297	\$ 4,150,902
Plan Fiduciary Net Position			
Contributions - employer	\$ 142,970	\$ 572,655	\$ 208,115
Contributions - employer implicit subsidy	117,394	97,025	90,908
Net investment income (loss)	671,197	(132,663)	335,690
Administrative expense	(1,244)	(703)	(1,307)
Benefit payments	(142,970)	(160,748)	(208,115)
Implicit rate subsidy fulfilled	(117,394)	(97,025)	(90,908)
Net change in plan fiduciary net position	669,953	278,541	334,383
Plan fiduciary net position - beginning	3,110,363	2,831,822	2,497,439
Plan fiduciary net position - ending ^(b)	\$ 3,780,316	\$ 3,110,363	\$ 2,831,822
Net OPEB liability - ending ^{(a)-(b)}	\$ 288,588	\$ 1,304,934	\$ 1,319,080
Plan fiduciary net position as a percentage of the total			
OPEB liability ^{(b)/(a)}	92.91%	70.45%	68.22%
Covered payroll	\$ 7,661,740	\$ 7,091,347	\$ 6,901,554
Net OPEB liability as a percentage of covered payroll	3.77%	18.40%	19.11%

Notes to schedule:

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

Required Supplementary Information

Schedule of Contributions to the Other Post-Employment Benefits Plan (unaudited)

Last 10 Years ⁽¹⁾

	2020	2019	Restated 2018
	June 30, 2019	June 30, 2017	June 30, 2017
Valuation date			
Actuarially determined contribution	\$ 342,736	\$ 338,628	\$ 335,378
Contributions in relation to the actuarially determined contribution	<u>260,364</u>	<u>669,680</u>	<u>299,023</u>
Contribution deficiency (excess)	<u>\$ 82,372</u>	<u>\$ (331,052)</u>	<u>\$ 36,355</u>
Covered payroll	\$ 7,661,740	\$ 7,091,347	\$ 6,901,554
Contributions as a percentage of covered payroll	3.40%	9.44%	4.33%
Methods and assumptions used to determine contribution rates:			
Discount rate	6.00%	7.01%	6.73%
Inflation	2.50%	2.50%	2.75%
Payroll growth	2.75%	2.75%	2.88%
Investment rate of return	6.00%	7.01%	6.73%
Mortality rate	CalPERS ⁽³⁾	CalPERS ⁽²⁾	CalPERS ⁽²⁾
Pre-retirement turnover	CalPERS ⁽³⁾	CalPERS ⁽²⁾	CalPERS ⁽²⁾
Healthcare trend rate	7.00% in the first year, trending down to 3.84% over 58 years. ⁽⁴⁾	6.50% in the first year, trending down to 3.84% over 58 years. ⁽⁵⁾	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 March 7, 2014, "Mort and Disb Rates_PA Misc" table.
- ⁽³⁾ Determined using CalPERS' OPEB Assumption Model, revised May 14, 2018, "Mort and Disb Rates_PA Misc" table.
- ⁽⁴⁾ Determined using Society of Actuaries "Long Term Healthcare Cost Trends Model v2019_b" using baseline assumptions.
- ⁽⁵⁾ Determined using Society of Actuaries "Long Term Healthcare Cost Trends Model v2018_c" using baseline assumptions.