SOUTH SAN JOAQUIN IRRIGATION DISTRICT

Annual Financial Report 2021

P. O. Box 747, Ripon, CA 95366-0747 | 209-249-4600

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South San Joaquin Irrigation District

Annual Financial Report

December 31, 2021 and 2020

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Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2021 and 2020, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 November 15, 2022, 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
November 15, 2022

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, 2021 and 2020 and its financial performance for the years then ended. Condensed financial information from 2019 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 Highlights

- The District's assets and deferred outflows of resources exceed its liabilities and deferred inflows of resources by $304.3 million at December 31, 2021 (net position). The District has $181.5 million in net investment in capital assets, $6.5 million restricted, and $116.2 million in unrestricted net position, which is available to meet the District's ongoing obligations.
- Operating revenues were $12.6 million, an increase of $683,000 from the prior year.
- Nonoperating revenues were $18 million, a decrease of $2.4 million over the prior year.
- Operating expenses were $32.3 million, a decrease of $697,000 from the prior year.

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 operating activities.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes provide a narrative description of certain items contained in the financial statements to enhance the understanding of those items. The notes to the financial statements commence on page 31 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District's progress in funding its pension and other post-employment benefit obligations. Required supplementary information is located on page 81-86 of this report.

Financial Analysis

Statements of Net Position Discussion

Net Position. Net position may serve over time as a useful indicator of the District's financial position. As noted earlier, in the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $304.3 million at the close of the most recent year.

The largest portion of net position (60%) consist of its net investment in capital assets (e.g., buildings, equipment, land, and machinery). The District maintains these capital assets to provide excellent services to the citizens of its community.

Condensed Statements of Net Position

As of December 31

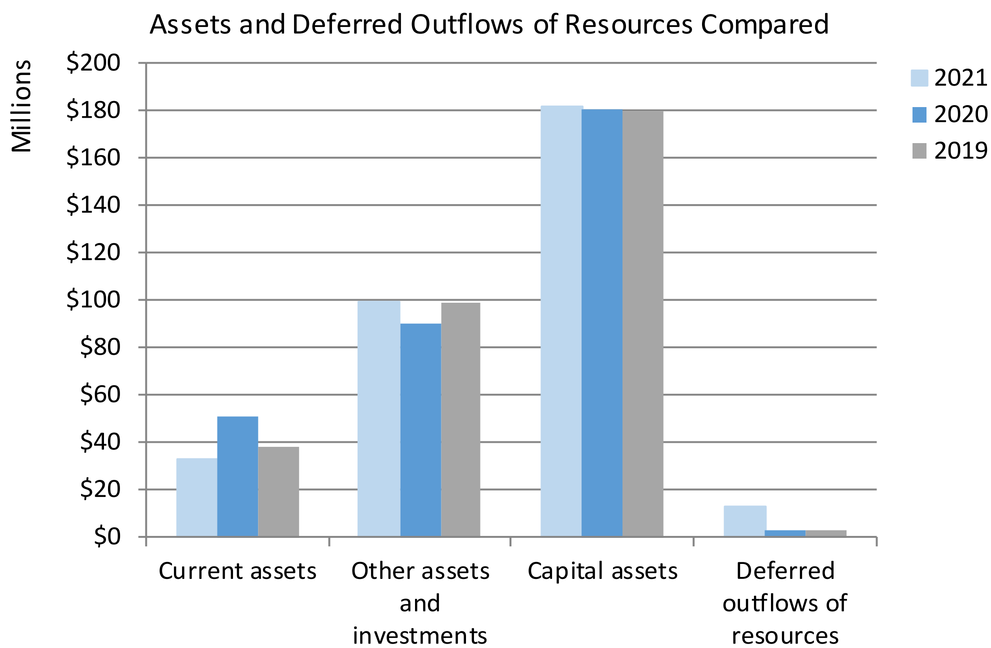
	2021	2020	2019
Current assets	$ 32,669,655	$ 51,356,571	$ 38,068,403
Other assets and investments	99,412,318	89,929,694	99,058,675
Capital assets	181,528,391	180,380,234	179,898,463
Total assets	313,610,364	321,666,499	317,025,541
Deferred outflows of resources	12,702,571	2,683,832	2,718,191
Total assets and deferred outflows of resources	$ 326,312,935	$ 324,350,331	$ 319,743,732
Current liabilities	$ 5,400,373	$ 4,702,817	$ 3,813,964
Long-term liabilities	8,550,003	15,587,911	15,275,045
Total Liabilities	13,950,376	20,290,728	19,089,009
Deferred inflows of resources	8,102,402	1,046,057	639,399
Total liabilities and deferred inflows of resources	22,052,778	21,336,785	19,728,408
Net investment in capital assets	181,528,391	180,380,234	179,898,463
Restricted net position	6,516,210	9,920,212	8,256,768
Unrestricted position	116,215,556	112,713,100	111,860,093
Total net position	304,260,157	303,013,546	300,015,324
Total liabilities, deferred inflows of resources, and net position	$ 326,312,935	$ 324,350,331	$ 319,743,732

The District's restricted net position of $6.5 million represents resources that are subject to statutory restrictions. Restricted net position for the years ending December 31 is equal to total restricted assets in the table below:

Restricted Assets	2021	2020	2019
Capital asset fund - water treatment plant	$ 5,274,834	$ 8,749,835	$ 8,202,488
Capital asset fund - pressurized irrigation system	431,517	348,209	-
Deposits held for annexation applications	796,661	796,661	-
Accrued interest receivable on restricted investments	13,199	25,507	54,280
Total restricted assets	$ 6,516,211	$ 9,920,212	$ 8,256,768

The remaining balance of net position, $116.2 million, serves to meet all short and long-term annual liabilities.

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.



Total assets and deferred outflows of resources. At the end of the current year, total assets and deferred outflows of resources increased by $2 million (1%) in 2021 and increased $4.6 million (1%) in 2020.

Current assets. In 2021, current assets decreased by $18.7 million (36%). In 2020, current assets increased $13.3 million (35%). The change in 2021 represents a decrease in both cash and cash equivalents, as well as investments in marketable securities. The reduction to unrestricted cash and cash equivalents is the direct result of the $9.4 million additional contribution made to the District's unfunded pension liability. The decrease to unrestricted investments in marketable securities reflects the maturity of investment securities that were later reinvested, mostly in long-term securities, reclassifying the current asset to other assets.

In 2020, approximately $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 mostly because the amount of property taxes due from San Joaquin County was $2.9 million higher at the end of 2020.

Other assets and investments. In 2021, other assets and investments increased by $9.5 million (11%) mostly due to unrestricted investments which increased $9.7 million as the result of the reinvestment of matured securities occurring in December of 2021. Further contributing to the $9.5 million increase, restricted cash decreased by $2.4 million because of construction at the Water Treatment Plant, and investment in the Tri-Dam Project grew by $2.9 million. 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 the 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.

Summary of Capital Assets

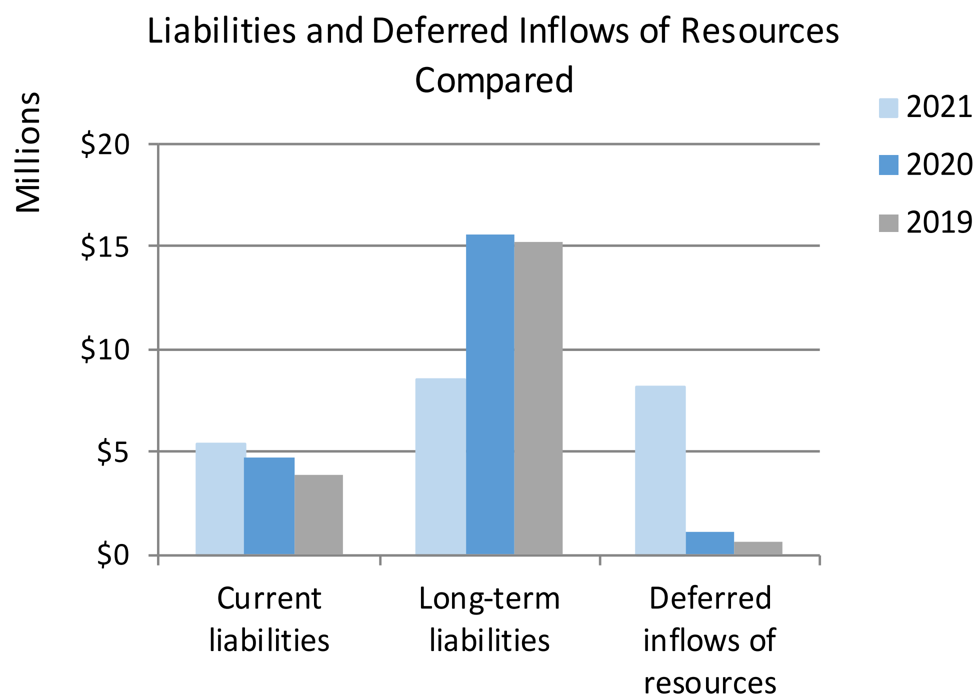
For the Years Ended December 31

	2021	2020	2019
Land	$ 7,730,310	$ 7,730,310	$ 7,730,310
Construction in progress	7,076,960	2,813,562	1,146,128
Water treatment plant & transmission line	128,819,311	128,084,476	127,885,858
Other buildings	2,154,510	2,154,510	2,142,414
Solar generating plant	11,975,754	11,975,754	11,975,754
Irrigation system	122,759,418	120,454,694	116,257,260
Vehicles and equipment	17,970,133	17,595,055	16,643,285
Total capital assets	298,486,396	290,808,361	283,781,009
Less: accumulated depreciation	(116,958,005)	(110,428,127)	(103,882,546)
Net capital assets	$ 181,528,391	$ 180,380,234	$ 179,898,463

Capital assets. In 2021, capital assets increased by $1.1 million (1%) and $482,000 (<1%) in 2020 as the cost of new assets exceeded depreciation each year. See Note 6 for more information about capital assets.

Deferred outflows of resources. In 2021, deferred outflows of resources increased by $10 million (373%), this increase includes the additional $9.4 million contribution to the net pension liability. 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.

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 $716,000 (3%) in 2021 and $1.6 (8%) million in 2020, as a result of changes described below.

Current liabilities. Current liabilities increased slightly in 2021 by $698,000 (15%) this was caused by an increase to construction contract retentions payable. The balance at the end of 2021 was $190,000 for project retention which is payable as project completion progresses, an increase of $141,000 (286%). Additionally, the current portion for compensated absences increased by $405,000 (39%) in 2021 over the prior year.

In 2020, current liabilities increased 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 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.

Long-term liabilities. In 2021, long-term liabilities decreased by $7 million (45%) due to the decrease of $6.2 million (44%) in the net pension liability, a decrease of $536,000 (52%) in compensated employee absences and a decrease to the net liability for other post-employment benefits of $289,000 (100%).

Long-term liabilities increased by $313,000 (2%) in 2020 because of growth in the liability for compensated employee absences of $376,000 (57%) and the unfunded liability for pension benefits of $953,000 (7%). These increases were partially offset by a $1 million (78%) 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.

Deferred inflows of resources. In 2021, deferred inflows of resources increased $7.1 million (675%) as the pension related amount increased by $6.9 million and the amount related to other post-employment benefits increased $132,000. In 2020, deferred inflows of resources increased $407,000 (64%) 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) to reduce year-to-year volatility of pension and OPEB expense.

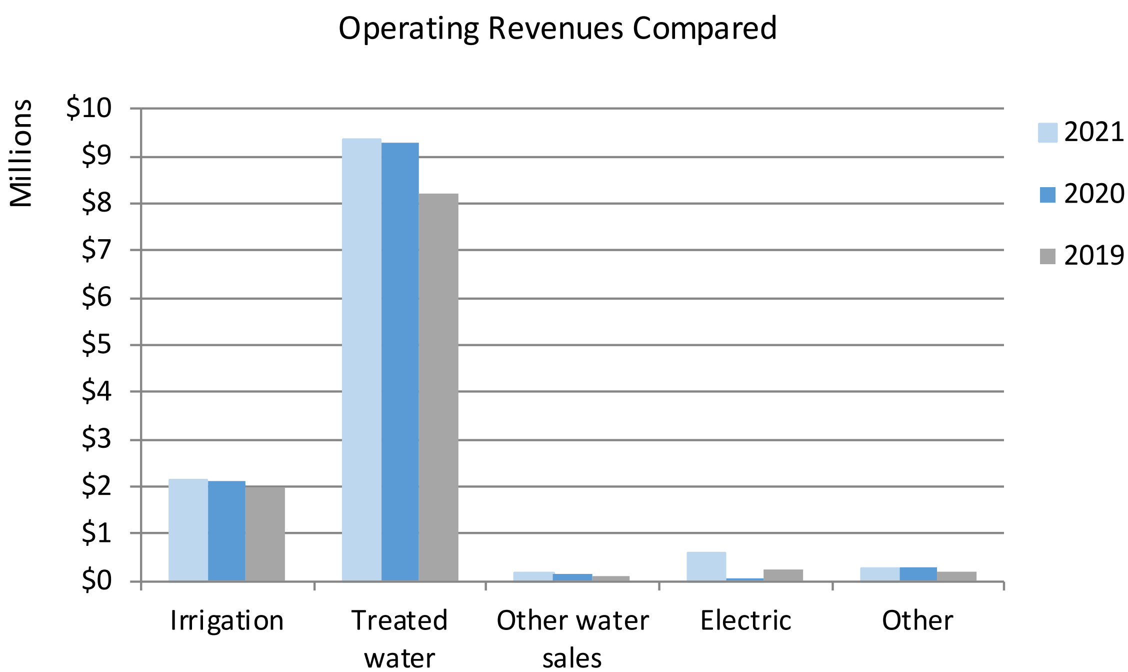
Revenues and Expenses Discussion

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

For the Years Ended December 31

	2021	2020	2019
Irrigation sales	$ 2,160,425	$ 2,105,906	$ 2,000,274
Treated water sales	9,342,866	9,284,148	8,200,804
Other water sales	164,016	138,477	103,958
Other income	883,302	339,004	406,638
Total Operating Revenues	12,550,609	11,867,535	10,711,674
Labor	15,960,667	16,406,293	16,021,927
Other operating and maintenance (O & M)	5,705,729	5,710,452	4,720,651
General and administrative (G & A)	2,944,231	3,330,666	2,963,760
Depreciation	7,720,049	7,580,122	7,412,473
Total Operating Expenses	32,330,676	33,027,533	31,118,811
Net Loss From Operations	(19,780,067)	(21,159,998)	(20,407,137)
Net nonoperating revenues	17,961,135	20,328,711	26,565,824
Net Income (Loss) Before Contributions	(1,818,932)	(831,287)	6,158,687
Capital contributions	3,065,543	3,829,509	1,643,842
Change in Net Position	1,246,611	2,998,222	7,802,529
Net Position, Beginning of Year	303,013,546	300,015,324	292,212,795
Net Position, End of Year	$ 304,260,157	$ 303,013,546	$ 300,015,324

The statement of revenues, expenses, and changes in net position for the year ended December 31, 2021, shows how the District's net position changed throughout the years. In the case of the District, net position increased by 0.4% or $1.2 million from $303,013,546 to $304,260,157 in 2021 as a result of ongoing operations. The District's net position increased 1% or $3 million from $300,015,324 to $303,013,546 in 2020, as a result of ongoing operations.



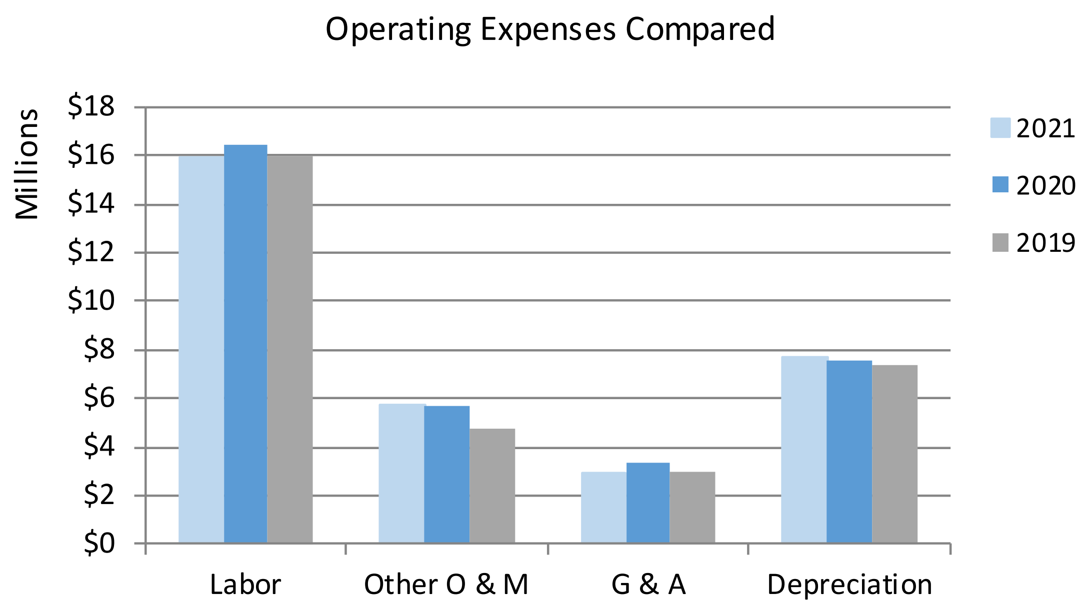
Total operating revenues. Total operating revenues rose by $683,000 (6%) in 2021 and $1.2 million (11%) in 2020. The rise in 2021 was the result of increased hydroelectric sales. The increase in 2020 was the result of increased sales of treated water.

- Irrigation sales were fundamentally unchanged in 2021 and 2020.

- Treated water sales to the cities of Manteca, Lathrop, and Tracy in 2021 were nearly unchanged. In 2020, sales increased by $1.1 million (13%) as a consequence of growing demand for SSJID's treated surface water.

- Other water sales were practically unchanged in 2021 and 2020.

- Electric Sales increased by $576,000 in 2021 and fell by $196,000 in 2020. The 2021 increase was due to increased electric sales after the decrease in 2020 due to two mini-hydro plants located in the main supply canal were out of service most of the year for repairs and maintenance.



Total operating expenses. Total operating expenses decreased by $697,000 (2%) in 2021 and increased by $1.9 million (6%) in 2020 as detailed below.

Wages and benefits. Total payroll expense, which includes wages, payroll taxes, and employee benefits, decreased $446,000 (3%) in 2021 and $384,000 (2%) in 2020.

Wages rose $420,000 (5%) in 2021 following a $423,000 (5%) rise in 2020. Increases in both years are attributable to wage increases and filling new and open positions.

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.

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 2021, the annual GASB 68 adjustment decreased pension expense by $1.1 million, and in 2020, it increased by $1.9 million 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.

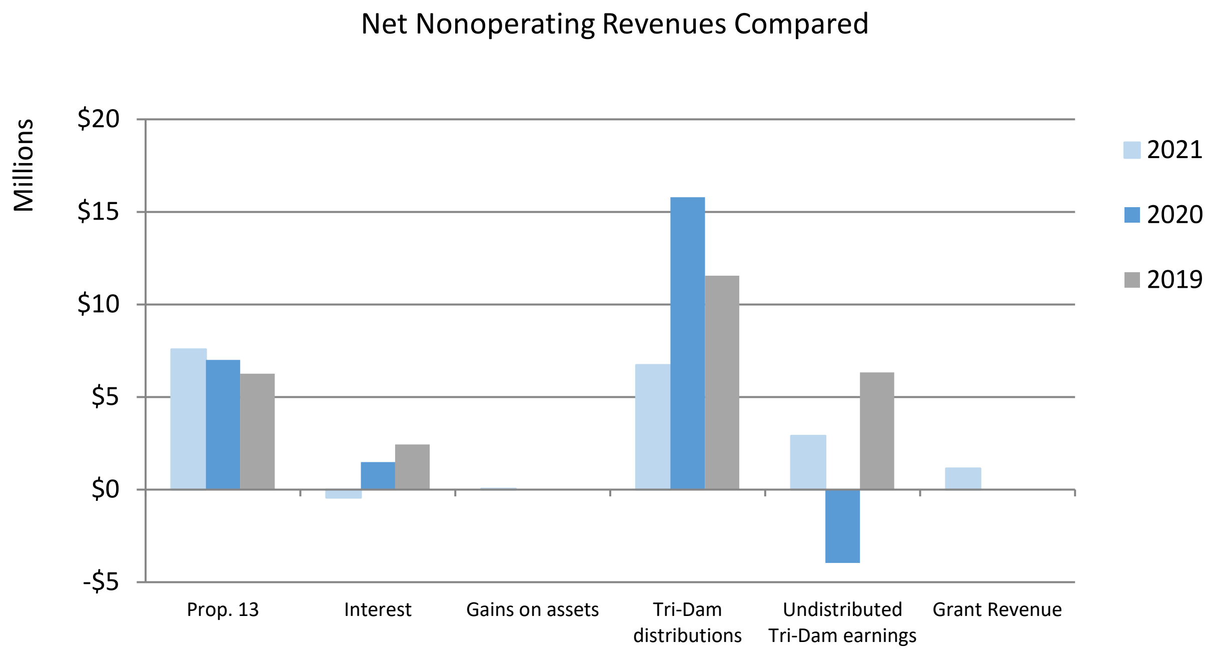
GASB 75 has similar effects. The annual GASB 75 adjustment increased the expense for OPEB by $55,000 in 2021 and $61,000 for 2020.

Other operating and maintenance. In 2021, other operating and maintenance expense decreased by $4,700 (2%). 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.

General and administrative (G&A). In 2021, general and administrative expense decreased by $386,000 (12%). The main factor is a decrease in legal expenses due to relative inactivity in certain ongoing litigation matters.

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.

Depreciation. Depreciation expense increased $140,000 (2%) in 2021 and $168,000 (2%) in 2020 as the total amount of depreciable assets in service increased both years.



Net nonoperating revenues. As detailed below, overall net nonoperating revenues decreased $2.4 million (12%) in 2021 and decreased $6.2 million (24%) in 2020.

Tri-Dam earnings and distributions. SSJID's share of the Tri-Dam Project's undistributed earnings increased by $6.9 million (173%) in 2021 due to increased earnings for the Tri-Dam Project and fell by $10.3 million (163%) in 2020 due to lower earnings and higher distributions as compared. In 2021, distributions from the Tri-Dam Project and the Tri-Dam Power Authority decreased by $9.1 million (57%) and increased $4.2 million (37%) in 2020. Tri-Dam distributions accounted for 40% of total nonoperating income in 2021 and 78% in 2020.

Property tax (Proposition 13 subvention). Property tax income increased $562,000 (8%) in 2021 and $748,000 (12%) in 2020 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 $395,000 in 2021 (19%) after falling $296,000 (13%) in 2020. As a result of low interest rates in the current market environment, the yield on the investment portfolio has continued to remain modest over the past year.

Capital contributions. In 2021, capital contributions decreased by $764,000 (20%), and increased $2.2 million (133%) in 2020 due to increased amounts contributed to the District. See Note 10 for further information about capital contributions. Cash capital contributions are predominantly paid by the municipal customers of the water treatment plant for large capital asset acquisitions.

Expectations for 2022

- CalPERS announced a preliminary -6.1% net return on investment for the 12-month period that ended June 30, 2022. With CalPERS' discount rate of 6.8% and this year's preliminary return of -6.1%, the estimated overall funded status stands at 72%. The annual return target for CalPERS is 6.8%. The fund's five-year average returns are 6.7%. 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 District will most likely see the impact of the investment return in its contribution rates in fiscal year 2024-25.
- As of the date of this report, 2021 distributions from the Tri-Dam organizations are expected to remain stable for the 2022 calendar year.
- The increased market volatility in 2022 will most definitely have an impact on the District's investment valuations.
- 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 Finance & Administration 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, 2021 and 2020

	2021	2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
ASSETS		
Current Assets		
Cash & cash equivalents - unrestricted	$ 8,238,929	$ 16,206,771
Investments in marketable securities - unrestricted	14,891,151	26,849,602
Accounts receivable	8,393,258	7,208,926
Accrued interest receivable - unrestricted	310,579	275,916
Prepaid expenses	785,474	768,690
Inventories	50,264	46,666
Total Current Assets	32,669,655	51,356,571
Other Assets and Investments		
Cash & cash equivalents - restricted	4,478,299	6,894,574
Accrued interest receivable - restricted	13,199	25,507
Investments in marketable securities - unrestricted (net of current amounts)	47,221,791	37,483,365
Investments in marketable securities - restricted	2,024,713	3,000,131
Net other post-employment benefits asset	240,271	-
Investment in Tri-Dam Project	45,434,045	42,526,117
Total Other Assets and Investments	99,412,318	89,929,694
Capital Assets		
Non-depreciable	14,807,270	10,543,872
Depreciable	283,679,126	280,264,489
Less accumulated depreciation	(116,958,005)	(110,428,127)
Total Capital Assets	181,528,391	180,380,234
TOTAL ASSETS	313,610,364	321,666,499
DEFERRED OUTFLOWS OF RESOURCES		
Pension	12,262,246	2,050,208
Other post-employment benefits	440,325	633,624
TOTAL DEFERRED OUTFLOWS OF RESOURCES	12,702,571	2,683,832
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 326,312,935	$ 324,350,331

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, 2021 and 2020

	2021	2020
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
LIABILITIES		
Current Liabilities		
Accounts payable	$ 725,782	$ 917,586
Construction contract retentions payable	190,400	49,312
Accrued expenses	1,528,829	1,384,758
Unearned revenue	1,519,194	1,319,755
Compensated absences	1,436,168	1,031,406
Total Current Liabilities	5,400,373	4,702,817
Long-Term Liabilities		
Net other post-employment benefits liability	-	288,588
Compensated absences (net of current amounts)	502,618	1,038,633
Net pension liability	8,047,385	14,260,690
Total Long-Term Liabilities	8,550,003	15,587,911
TOTAL LIABILITIES	13,950,376	20,290,728
DEFERRED INFLOWS OF RESOURCES		
Pension	7,026,031	101,713
Other post-employment benefits	1,076,371	944,344
TOTAL DEFERRED INFLOWS OF RESOURCES	8,102,402	1,046,057
NET POSITION		
Net investment in capital assets	181,528,391	180,380,234
Restricted	6,516,210	9,920,212
Unrestricted	116,215,556	112,713,100
TOTAL NET POSITION	304,260,157	303,013,546
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 326,312,935	$ 324,350,331

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, 2021 and 2020

	2021	2020
OPERATING REVENUES		
Irrigation sales	$ 2,160,425	$ 2,105,906
Treated water sales	9,342,866	9,284,148
Other water sales	164,016	138,477
Electric sales	607,558	31,439
Other	275,744	307,565
Total Operating Revenues	12,550,609	11,867,535
OPERATING EXPENSES		
Wages	8,751,167	8,331,112
Payroll taxes and benefits	7,209,500	8,075,181
Materials and supplies	2,059,278	2,075,852
Maintenance, repairs, and improvements	1,351,776	1,717,673
Utilities	2,294,675	1,916,927
General and administrative	2,944,231	3,330,666
Depreciation	7,720,049	7,580,122
Total Operating Expenses	32,330,676	33,027,533
Net Loss From Operations	(19,780,067)	(21,159,998)
NONOPERATING REVENUES (EXPENSES)		
Proposition 13 subvention property taxes	7,572,759	7,010,821
Interest income	1,668,928	2,064,263
Changes in fair value of investments	(2,108,191)	(583,658)
Gain on property and equipment	54,000	16,055
Tri-Dam Power Authority distributions	1,252,000	3,219,500
Tri-Dam Project distributions	5,479,000	12,571,000
Undistributed earnings (losses) of Tri-Dam Project	2,907,928	(3,969,270)
Grant revenue	1,134,711	-
Total Nonoperating Revenues (Expenses)	17,961,135	20,328,711
CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	(1,818,932)	(831,287)
Capital contributions	3,065,543	3,829,509
CHANGE IN NET POSITION	1,246,611	2,998,222
Net position, beginning of year	303,013,546	300,015,324
Net Position, Beginning of Year Restated	303,013,546	300,015,324
NET POSITION, END OF YEAR	$304,260,157	$303,013,546

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, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 13,273,893	$ 13,001,987
Other receipts	6,400	-
Payments for goods and services	(25,535,933)	(17,053,764)
Payments to employees for services	(10,305,756)	(9,820,357)
Cash Used by Operating Activities	(22,561,396)	(13,872,134)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property tax receipts	7,324,708	4,084,723
Tri-Dam Power Authority cash distributions	1,252,000	3,219,500
Deposits received for future cost reimbursements to District	-	796,661
Other nonoperating revenue	1,134,711	-
Cash Provided by Noncapital Financing Activities	9,711,419	8,100,884
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions	706,004	822,152
Loss on the sale of capital assets	(173,116)	(721,725)
Purchase of capital assets	(6,279,853)	(4,268,422)
Cash Used by Capital and Related Financing Activities	(5,746,965)	(4,167,995)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received (paid)	(461,618)	1,615,338
Purchases of investment securities	(50,616,159)	(112,160,157)
Proceeds from sales and maturities of investment securities	53,811,602	121,671,863
Tri-Dam Project cash distributions	5,479,000	12,571,000
Cash Provided by Investing Activities	8,212,825	23,698,044
Net Increase (Decrease) in Cash and Cash Equivalents	(10,384,117)	13,758,799
Cash and Cash Equivalents at Beginning of Year	23,101,345	9,342,546
Cash and Cash Equivalents at End of Year	$ 12,717,228	$ 23,101,345
RECONCILIATION OF CASH TO BALANCE SHEET		
Cash & cash equivalents - unrestricted	$ 8,238,929	$ 16,206,771
Cash & cash equivalents - restricted	4,478,299	6,894,574
Cash & cash equivalents - total	$ 12,717,228	$ 23,101,345

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, 2021 and 2020

	2021	2020
RECONCILIATION OF NET LOSS FROM OPERATIONS TO CASH USED BY OPERATING ACTIVITIES		
Net Loss From Operations	$ (19,780,067)	$ (21,159,998)
Depreciation	7,720,049	7,580,122
(Increase) Decrease in Operating Assets		
Accounts receivable	(967,319)	(1,001,748)
Prepaid expenses	(16,784)	(79,141)
Inventories	(3,597)	5,010
Deferred outflows of resources - pension	(10,212,038)	356,099
Deferred outflows of resources - other post-employment benefits	193,299	(321,740)
Net OPEB asset	(240,271)	-
Increase (Decrease) in Operating Liabilities		
Accounts payable	300,824	15,078
Accrued expenses	(178,130)	64,617
Unearned revenue	199,439	2,043
Compensated absences	(131,253)	324,197
Deferred inflows of resources - pension	6,924,318	(537,686)
Deferred inflows of resources - other post-employment benefits	132,027	944,344
Net pension liability	(6,213,305)	953,015
Net other post employment benefits liability	(288,588)	(1,016,346)
Cash Used by Operating Activities	$ (22,561,396)	$ (13,872,134)
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Assets received as capital contributions	$ 2,323,109	$ 2,993,239
Decrease in fair value of investments in marketable securities	(2,108,191)	(583,658)
Increase (Decrease) in investment in the Tri-Dam Project, net of cash received	2,907,928	(3,969,270)

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

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.

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 No. 14 and No. 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 the Tri-Dam Power Authority.

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

B. Basis of Accounting

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

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

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

C. Cash and Cash Equivalents

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

D. Investment Basis

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

E. Restricted Assets

The use of some assets can be restricted to certain purposes by law, by grantors of the assets, by enforceable legislative acts of the District’s board of directors, or by contracts to which the District is a party. When the District has a choice to use either restricted or unrestricted funds, the District’s policy is normally to use restricted funds first. The capital replacement reserve of the water treatment plant is funded by the municipal wholesale customers under an agreement that limits the use of those funds to the cost of capital assets of the water treatment plant. 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:

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

J. Compensated Absences

The total amount of liability for compensated absences is reflected in the basic financial statements. It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is liability for all unpaid vacation time and for varying portions of unpaid accumulated sick leave. According to the District's collective bargaining agreements with its employees, upon retirement or other termination of employment, the value of an employee's unused vacation time, and a varying portion of unused sick leave, will be paid to the employee. Instead of receiving cash for unused sick leave upon retirement, qualified employees may elect to exchange some or all their unused sick leave for other post-employment benefits (OPEB). The financial statements report the amount of the liability (asset) for OPEB estimated by a professional actuary as explained in Note 12. The amount of the OPEB liability (asset) 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 (asset) and deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's OPEB plan and additions to and deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS who administers the District's OPEB trust. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value.

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.

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:

	2021	2020
Cash and cash equivalents		
Cash and cash equivalents - unrestricted	$ 8,238,929	$ 16,206,771
Cash and cash equivalents - restricted	4,478,299	6,894,574
Total	12,717,228	23,101,345
Investments in marketable securities		
Investments in marketable securities - current portion, unrestricted	14,891,151	26,849,602
Investments in marketable securities - noncurrent portion, unrestricted	47,221,791	37,483,365
Investments in securities - restricted (reserves for pressurized irrigation system, WTP)	2,024,713	3,000,131
Total investments in marketable securities	64,137,655	67,333,098
Total cash and investments	$ 76,854,883	$ 90,434,443

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 deposit	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

2021						
Category (Lower of Moody's or S&P Rating)	**Year of Maturity**					
	2022	**2023**	**2024**	**2025**	**2026**	**Total**
Federal, state and municipal						
A	$ 327,557	$ -	$ -	$ -	$ -	$ 327,557
A1	357,223	-	-	-	-	357,223
AA	719,874	273,730	-	-	-	993,604
AA-	1,011,052	202,538	-	-	-	1,213,590
AA+	505,770	-	-	23,613,848	-	24,119,618
Aa3		2,707,269	-	-	-	2,707,269
Aaa	1,909,066	-	-	13,203,675	-	15,112,741
BBB+	52,089	-	-	-	-	52,089
Not Rated/ Pre-Refunded	7,872,715	1,798,650	252,696	-	-	9,924,061
A-	100,000	142,287	-	-	-	242,287
A+	837,499	-	-	-	-	837,499
A2	680,333	-	-	-	-	680,333
Aa2	106,016	139,632	-	-	-	245,648
Total	$14,479,194	$ 5,264,106	$ 252,696	$36,817,523	$ -	$56,813,519
Negotiable certificates of deposit						
FDIC Insured	$ 1,493,904	$ -	$ -	$ -	$ -	$ 1,493,904
Total	$ 1,493,904	$ -	$ -	$ -	$ -	$ 1,493,904
Corporate debt						
AA+	$ 310,555	$ -	$ -	$ -	$ -	$ 310,555
BBB+	200,704	2,165,163	-	-	-	2,365,867
A-	-	3,153,810	-	-	-	3,153,810
Total	$ 511,259	$ 5,318,973	$ -	$ -	$ -	$ 5,830,232
Total	$16,484,357	$10,583,079	$ 252,696	$36,817,523	$ -	$64,137,655

Investments by Maturity and Credit Rating

2020						
Category						
Lower of Moody's or S&P Rating	**Year of Maturity**					
	2021	**2022**	**2023**	**2024**	**2025**	**Total**
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

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.

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:

2021

Issuer	Investment Type	Amount
Federal Home Loan Mortgage Corporation	U. S. Agencies	$ 36,817,535

2020

Issuer	Investment Type	Amount
Federal Home Loan Mortgage Corporation	U. S. Agencies	$ 28,412,869

At December 31, 2021, cash and investments included $4,039,475 held in commercial banks, and at December 31, 2020, cash and investments included $4,725,774 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

2021

	Exempt	Level 1	Level 2	Total
U. S. agency securities	$ -	$ -	$ 36,817,535	$ 36,817,535
U. S. treasury notes	-	1,593,196	-	1,593,196
State and municipal debt	-	-	18,402,788	18,402,788
Negotiable certificates of deposit	-	-	1,493,904	1,493,904
Medium term corporate notes	-	-	5,830,232	5,830,232
Local Agency Investment Fund	1,390,336	-	-	1,390,336
Money market mutual funds	-	7,983,860	-	7,983,860
Total investments	$ 1,390,336	$ 9,577,056	$ 62,544,459	73,511,851
Cash in banks and on hand				3,343,032
Total cash & investments				$ 76,854,883

Investments by Fair Value Level

	2020			
	Exempt	Level 1	Level 2	Total
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	$ 1,226,742	$ 35,006,833	$ 52,183,065	88,416,640
Cash in banks and on hand				2,017,803
Total cash & investments				$ 90,434,443

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 District 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:

	2021	2020
Proposition 13 subvention property taxes	$ 3,594,808	$ 3,346,758
Water treatment plant sales to cities	2,299,760	1,763,110
Irrigation charges	1,303,580	1,298,024
Water transfer	42,339	146,548
Canal construction and maintenance costs receivable from OID	2,959	600,909
Grant Revenue	1,134,711	-
Miscellaneous	15,101	53,577
Total	$ 8,393,258	$ 7,208,926

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, 2021 and 2020

	2021	2020
Current assets	$ 25,621,730	$ 20,466,167
Long-term investments	4,340,759	4,503,645
Capital assets	63,391,183	65,112,394
Deferred outflows of resources	610,452	1,703,113
Total assets and deferred outflows of resources	$ 93,964,124	$ 91,785,319
Current liabilities	$ 716,968	$ 977,732
Noncurrent liabilities	1,831,620	4,642,807
Deferred inflows of resources	547,447	1,112,546
Total liabilities and deferred inflows of resources	3,096,035	6,733,085
Net investment in capital assets	63,391,183	65,112,394
Unrestricted net position	27,476,906	19,939,840
Total net position	90,868,089	85,052,234
Total liabilities, deferred inflows of resources, and net position	$ 93,964,124	$ 91,785,319

Tri-Dam Project

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

For the Years Ended December 31, 2021 and 2020

	2021	2020
Operating revenues	$ 24,263,316	$ 27,883,049
Operating expenses	6,677,111	9,811,791
Net Income from Operations	17,586,205	18,071,258
Nonoperating Revenues (Expenses)		
Water sales	178,731	188,059
Rental of equipment and facilities	88,771	104,931
Investment earnings (losses)	(16,077)	340,589
Other nonoperating revenue	201,664	45,047
River habitat studies	(1,289,487)	(1,580,154)
Gain on disposal of capital assets	24,048	33,730
Total Nonoperating Revenues (Expenses)	(812,350)	(867,798)
Change in Net Position	16,773,855	17,203,460
Net position, beginning of year	85,052,234	92,990,774
Less: distributions to member districts	(10,958,000)	(25,142,000)
Net Position, End of Year	$ 90,868,089	$ 85,052,234

Notes to the Financial Statements

NOTE 6 – Capital Assets

Changes in Capital Assets

2021

	December 31, 2020	Additions	Disposals	Transfers and Adjustments	December 31, 2021
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	2,196,595	1,849,859	-	(1,470,374)	2,576,080
Water treatment plant	616,967	4,787,260	-	(927,034)	4,477,193
Solar plant	-	23,687	-	-	23,687
Total	$ 10,543,872	$ 6,660,806	$ -	$ (2,397,408)	$ 14,807,270
Capital assets being depreciated:					
Irrigation:					
Improvements	$ 1,139,187	$ -	$ (22,440)	$ 61,538	$ 1,178,285
Dams, canals, and laterals	119,315,507	1,256,218	(120,723)	1,130,131	121,581,133
Buildings	2,154,510	-	-	-	2,154,510
Vehicle and excavators	5,364,388	292,623	(179,206)	-	5,477,805
Machinery and equipment	11,575,796	14,816	-	278,705	11,869,317
Water treatment plant:					
Vehicles	654,871	-	(31,860)	-	623,011
Improvements	1,743,361	-	-	54,685	1,798,046
Building and equipment	54,996,134	647,574	(480,724)	750,122	55,913,106
Original construction	61,562,340	-	-	-	61,562,340
Pump stations (orig. constr.)	9,782,641	-	(359,049)	122,227	9,545,819
Solar plant	11,975,754	-	-	-	11,975,754
Total	$ 280,264,489	$ 2,211,231	$ (1,194,002)	$ 2,397,408	$ 283,679,126
Less accumulated depreciation:					
Irrigation:					
Improvements	$ (406,305)	$ (28,561)	$ 22,440	$ -	$ (412,426)
Dams, canals, and laterals	(47,384,142)	(2,709,465)	116,893	-	(49,976,714)
Buildings	(888,020)	(74,737)	-	-	(962,757)
Vehicle and excavators	(3,868,052)	(318,113)	179,205	-	(4,006,960)
Machinery and equipment	(3,807,146)	(316,075)	-	-	(4,123,221)
Water treatment plant:					
Vehicles	(452,164)	(38,092)	31,860	-	(458,396)
Improvements	(918,834)	(82,192)	-	-	(1,001,026)
Building and equipment	(20,465,529)	(1,809,119)	480,724	-	(21,793,924)
Original construction	(21,577,340)	(1,540,536)	-	-	(23,117,876)
Pump stations (orig. constr.)	(4,496,260)	(335,244)	359,049	-	(4,472,455)
Solar plant	(6,164,335)	(467,915)	-	-	(6,632,250)
Total	$ (110,428,127)	$ (7,720,049)	$ 1,190,171	$ -	$ (116,958,005)
Net Depreciable Capital Assets	$ 169,836,362	$ (5,508,818)	$ (3,831)	$ 2,397,408	$ 166,721,121
Net Capital Assets	$ 180,380,234	$ 1,151,988	$ (3,831)	$ -	$ 181,528,391

Notes to the Financial Statements

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
Solar plant	-	-	-	-	-
Total	$ 8,876,438	$ 3,570,932	$ -	$ (1,903,498)	$ 10,543,872
Capital assets being					
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	1,709,177	34,184	-	-	1,743,361
Building and equipment	54,835,859	-	(487,299)	647,574	54,996,134
Original construction	61,575,466	-	(13,126)	-	61,562,340
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					
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	(830,089)	(88,745)	-	-	(918,834)
Building and equipment	(19,166,940)	(1,785,889)	487,300	-	(20,465,529)
Original construction	(20,049,929)	(1,540,537)	13,126	-	(21,577,340)
Pump stations (orig. constr.)	(4,231,050)	(329,206)	63,996	-	(4,496,260)
Solar plant	(5,696,422)	(467,913)	-	-	(6,164,335)
Total	###########	$ (7,580,122)	$ 1,034,541		###########
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

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 $19,303 in lease equipment rental expense in 2021 and $22,332 in 2020. Minimum rental payments due under the leases for future calendar years are as follows:

Year Ending December 31,	Minimum Operating Lease Payments
2022	$ 13,810
2023	3,753
2024	-
2025	-
2026	-
Total	$ 17,563

Notes to the Financial Statements

NOTE 8 – Long-Term Liabilities

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

Changes in Long-Term Liabilities

2021	December 31, 2020	Additions	Reductions	December 31, 2021	Current Portion	Long-Term Portion
Net other post-employment benefits liability	$ 288,588	$ 319,171	$ (607,759)	$ -	$ -	$ -
Compensated absences	2,070,039	1,324,032	(1,455,285)	1,938,786	1,436,168	502,618
Net pension liability	14,260,690	-	(6,213,305)	8,047,385	-	8,047,385
Total long-term liabilities	$ 16,619,317	$ 1,643,203	$ (8,276,349)	$ 9,986,171	$ 1,436,168	$ 8,550,003

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	-	1,304,934	288,588	-	288,588
Compensated absences	1,745,841	1,083,405	662,436	2,070,039	1,031,406	1,038,633
Net pension liability	13,307,675	-	13,307,675	14,260,690	-	14,260,690
Subtotal long-term liabilities	16,358,450	1,083,405	15,275,045	16,619,317	1,031,406	15,587,911
Total long-term liabilities	$ 16,358,450	$ 1,083,405	$15,275,045	$ 16,619,317	$ 1,031,406	$15,587,911

NOTE 9 – Net Position

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

Net investment in capital assets describes the portion of net position which represents the net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets. If some of the proceeds of such debt remain unspent, that amount is not used to reduce the amount of debt considered in the calculation of net investment in capital assets. The District has no such debt as of the years ending December 31, 2021 or December 31, 2020.

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

	2021	2020
Total capital assets, net of accumulated depreciation	$ 181,528,391	$ 180,380,234

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:

	2021	2020
Capital asset fund - pressurized irrigation system	$ 431,517	$ 348,209
Capital asset fund - water treatment plant	5,274,833	8,749,835
Deposits held for annexation applications	796,661	796,661
Accrued interest receivable on restricted investments	13,199	25,507
Total	$ 6,516,210	$ 9,920,212

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:

	2021	2020
Real estate developers	$ 1,188,397	$ 2,776,165
Municipal customers of water treatment plant	1,850,794	1,039,226
Groundwater Sustainability Agency	26,352	14,118
Total	$ 3,065,543	$ 3,829,509

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
- Public Employees' Pension Reform Act (PEPRA) Miscellaneous Plan

The Miscellaneous Plan is closed to new members that were not already CalPERS eligible participants as of January 1, 2013. Benefit provisions under the plans are established by state statute and 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 PEPRA Miscellaneous Plan, with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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

Summary of Plan Benefits

	2021		2020	
	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%	6.75%
Required employer contribution rates:				
July 1 to December 31	12.200%	7.590%	12.361%	7.732%
January 1 to June 30	12.361%	7.732%	11.432%	6.985%

C. Contributions

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

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

Employer Contributions to the Plan

	2021			2020		
	Misc. Plan	PEPRA Plan	Total	Misc. Plan	PEPRA Plan	Total
Employer contributions	$ 1,981,690	$ 240,123	$ 2,221,813	$ 1,778,940	$ 185,841	$ 1,964,780
Employee contributions, paid by employer	354,367	-	354,367	353,378	-	353,378
Total	$ 2,336,057	$ 240,123	$ 2,576,180	$ 2,132,318	$ 185,841	$ 2,318,158

The 2021 employer contribution above include payment of a $1,254,117 invoice from CalPERS to amortize the net pension liability. This amount was billed for the year ending June 30, 2022. 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.

D. Employees Covered by Benefit Terms

Membership in the plan consisted of the following at the measurement dates of June 30, 2021, and June 30, 2020:

Membership in the Plan

	Miscellaneous & PEPRA Plans	
	2021	2020
Valuation Date	June 30, 2020	June 30, 2019
Measurement Date	June 30, 2021	June 30, 2020
Report Date	December 31, 2021	December 31, 2020
Active employees	101	104
Inactive employees and beneficiaries currently receiving benefit payments	83	81
Inactive employees entitled to but not yet receiving benefit payments	37	34
Total	221	219

E. Proportionate Share of Net Pension Liability

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

	Miscellaneous & PEPRA Plans	
	2021	**2020**
Proportionate Share of Net Pension Liability	$ 8,047,385	$ 14,260,690

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, 2021 and 2020 is measured as of June 30, 2021 and 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of 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 Proportion of the net pension liability as of December 31 was as follows:

	Miscellaneous & PEPRA Plans	
	2021	**2020**
Proportion at June 30, 2019	-	0.3323179%
Proportion at June 30, 2020	0.3380852%	0.3380852%
Proportion at June 30, 2021	0.4238137%	-
Increase (Decrease)	0.0857285%	0.0057673%

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

2021

	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, 2020	$ 55,525,808	$ 41,265,118	$ 14,260,690
Changes in proportion	287,591	114,678	172,913
Adjusted balance at June 30, 2020	$ 55,813,399	$ 41,379,796	$ 14,433,603
Changes recognized for the measurement period:			
Service cost	$ 1,318,698	$ -	$ 1,318,698
Interest on the total pension liability	3,976,545	-	3,976,545
Changes in benefit terms	2,889	-	2,889
Changes of assumptions	-	-	-
Differences between expected and actual experience	498,720	-	498,720
Net plan to plan resource movement	-	141,677	(141,677)
Contributions - employer	-	1,999,860	(1,999,860)
Contributions - employee	-	556,164	(556,164)
Net investment income	-	9,403,213	(9,403,213)
Benefit payments	(2,716,694)	(2,591,998)	(124,696)
Administrative expenses	-	(42,540)	42,540
Other miscellaneous income (expense)	-	-	-
Net changes	$ 3,080,158	$ 9,466,376	$ (6,386,218)
Balance at measurement date June 30, 2021	$ 58,893,557	$ 50,846,172	$ 8,047,385

Changes in Net Pension Liability

2020

	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, 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	$ 52,778,197	$ 39,236,788	$ 13,541,409
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	$ 2,747,611	$ 2,028,330	$ 719,281
Balance at measurement date June 30, 2020	$ 55,525,808	$ 41,265,118	$ 14,260,690

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

For the years ended December 31, 2021, and 2020, the District recognized pension expense of $1,103,093 and $1,867,599, respectively. At December 31, the District reported deferred outflows of resources and deferred inflows of resources from the following sources:

Sources of Deferred Outflows (Inflows) of Resources

	Miscellaneous & PEPRA Plans			
	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions after measurement date	$10,017,179	$ -	$ 661,992	$ -
Differences between actual and expected experience	$ 902,428	$ -	$ 734,896	$ -
Change in assumptions	$ -	$ -	$ -	$ (101,713)
Differences between employer's contributions and employer's proportionate share of contributions	$ 54,245	$ (1,089)	$ 22,023	$ -
Change in employer's proportion	$ 1,288,394	$ -	$ 207,661	$ -
Net differences between projected and actual earnings on plan investments	$ -	$ (7,024,942)	$ 423,636	$ -
Total	$12,262,246	$ (7,026,031)	$ 2,050,208	$ (101,713)

The $10,017,179 reported at December 31, 2021 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, 2022.

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

Amortization of Deferred Outflows (Inflows) of Resources

Miscellaneous & PEPRA Plans		
Year of Expense Recognition	2021	2020
2021	$ -	$ 271,581
2022	(699,425)	451,637
2023	(885,952)	360,099
2024	(1,254,256)	203,186
2025	(1,941,331)	-
Total	$ (4,780,964)	$ 1,286,503

H. Actuarial Methods and Assumptions

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

Actuarial Methods and Assumptions

	Miscellaneous & PEPRA Plans	
	2021	2020
Report date	December 31, 2021	December 31, 2020
Valuation date	June 30, 2020	June 30, 2019
Measurement date	June 30, 2021	June 30, 2020
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)	7.00%	7.25%
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, 2020, and June 30, 2019 valuations. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans are projected to run out of assets. Therefore, the current discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate will be applied to all plans in the Public Employees' Retirement Fund. The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

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

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

Expected Rate of Return

Asset Class	2021 Strategic Allocation	2021 Real Return Years 1-10 [a]	2021 Real Return Years 11+ [b]	2020 Strategic Allocation	2020 Real Return Years 1-10 [a]	2020 Real Return Years 11+ [b]
	Miscellaneous & PEPRA Plans					
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, 2020 and 2021.

[b] An expected inflation rate of 2.92% used for this period in both years, 2020 and 2021.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate for the plans, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

Sensitivity to Discount Rate

	Miscellaneous & PEPRA Plans 2021	Miscellaneous & PEPRA Plans 2020
Discount decreased 1 percentage point	6.15%	6.15%
Resulting net pension liability	$ 19,218,873	$ 22,773,162
Current discount rate	7.15%	7.15%
Resulting net pension liability	$ 8,047,385	$ 14,260,690
Discount increased 1 percentage point	8.15%	8.15%
Resulting net pension liability (asset)	$ (1,187,925)	$ 7,227,102

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, 2021 and 2020, 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.

C. Benefits Provided

The following is a summary of OPEB plan benefits by employee group as of December 31, 2021:

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, 2020 and December 31, 2019:

Membership in Plan

	2021	2020
Valuation Date	June 30, 2019	June 30, 2019
Measurement Date	December 31, 2020	December 31, 2019
Report Date	December 31, 2021	December 31, 2020
Active employees	97	97
Inactive employees and beneficiaries currently receiving benefit payments	15	15
Inactive employees entitled to but not yet receiving benefit payments	0	0
Total	112	112

E. Actuarial Methods and Assumptions

For the report dates of December 31, 2021, and December 31, 2020, the District's net OPEB liability (asset) was measured as of December 31, 2020, and December 31, 2019, respectively. The total OPEB liability (asset) used to calculate the net OPEB liability (asset) was determined by an actuarial valuation dated June 30, 2019, which was rolled forward using standard update procedures to determine the total OPEB liability as of measurement dates December 31, 2020, and December 31, 2019 based on the following actuarial methods and assumptions:

Actuarial Methods and Assumptions

	2021	2020
Valuation Date	June 30, 2019	June 30, 2019
Measurement Date	December 31, 2020	December 31, 2019
Report Date	December 31, 2021	December 31, 2020
Actuarial Cost Method	Entry-Age Normal, Level Percentage of Salary	Entry-Age Normal, Level Percentage of Salary
Actuarial Assumptions:		
Discount Rate	6.00%	6.00%
Inflation	2.50%	2.50%
Payroll Growth	2.75%	2.75%
Investment Rate of Return	6.00%	5.85%
Mortality Rate	CalPERS (1)	CalPERS (1)
Pre-Retirement Turnover	CalPERS (1)	CalPERS (1)
Healthcare Trend Rate	6.00% in the first year, trending down to 3.84% over 56 years. (2)	6.50% in the first year, trending down to 3.84% over 56 years. (2)

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

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

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

F. Discount Rate

The discount rate used to measure the total OPEB liability was 6.00% as of measurement date December 31, 2020 and as of the measurement date December 31, 2019. The projection of cash flows used to determine the discount rate assumed that the District contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to cover all future OPEB payments. Therefore, the discount rate was set equal to the long-term expected rate of return.

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

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

Expected Rate of Return

	2021		2020	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	59.0%	6.8%	59.0%	6.8%
Fixed Income	25.0%	3.1%	25.0%	3.1%
Treasury Inflation-Protected Securities (TIPS)	5.0%	2.3%	5.0%	2.3%
Real Estate Investment Trusts (REIT)	8.0%	5.5%	8.0%	5.5%
Commodities	3.0%	3.5%	3.0%	3.5%
Total	100.0%	21.2%	100.0%	21.2%

G. Changes in Net OPEB Liability (Asset)

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

Changes in Net OPEB Liability (Asset)

2021	Increase (Decrease)		
	(a) Total OPEB Liability/(Asset)	(b) Plan Fiduciary Net Position	(a) - (b) Net OPEB Liability/(Asset)
Balance at measurement date 12/31/19, Report date 12/31/20	$ 4,068,904	$ 3,780,316	$ 288,588
Changes Recognized for the Measurement Period:			
Service cost	264,806	-	264,806
Interest on the total OPEB liability	252,452	-	252,452
Changes in benefit terms	-	-	-
Differences between expected and actual experience	26,258	-	26,258
Changes of assumptions	(34,997)	-	(34,997)
Contributions:			-
Employer - District contribution	-	454,364	(454,364)
Employer - Implicit subsidy	-	52,231	(52,231)
Net investment income	-	532,159	(532,159)
Administrative expenses	-	(1,376)	1,376
Benefit payments	(200,108)	(200,108)	-
Implicit rate subsidy fulfilled	(52,231)	(52,231)	-
Net Changes	256,180	785,039	(528,859)
Balance at measurement date 12/31/20, Report date 12/31/21	$ 4,325,084	$ 4,565,355	$ (240,271)

Changes in Net OPEB Liability (Assets)

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

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 (Asset) to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following presents the net OPEB liability (asset) of the District, as well as what the District's net OPEB liability (asset) 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:

Sensitivity to Discount Rate

	2021	2020
Discount decreased 1 percentage point	5.00%	5.00%
Resulting net OPEB liability/(asset)	$ 338,425	$ 493,813
Current discount rate	6.00%	6.00%
Resulting net OPEB liability/(asset)	$ (240,271)	$ 288,588
Discount increased 1 percentage point	7.00%	7.00%
Resulting net OPEB liability/(asset)	$ (309,228)	$ (131,652)

The following presents the net OPEB liability (asset) of the District, as well as what the District's net OPEB liability (asset) 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

	2021	2020
Trend rates decreased 1 percentage point	5.50% - 2.84%	5.50% - 2.84%
Resulting net OPEB liability/(asset)	$ (477,807)	$ (232,931)
Current healthcare cost trend rates	6.50% - 3.84%	6.50% - 3.84%
Resulting net OPEB liability/(asset)	$ (240,271)	$ 288,588
Trend rates increased 1 percentage point	7.50% - 4.84%	7.50% - 4.84%
Resulting net OPEB liability/(asset)	$ 562,624	$ 634,199

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

For the years ended December 31, 2021, and December 31, 2020, the District recognized OPEB expense of $55,406 and $60,622, respectively. At December 31, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

Sources of Deferred Outflows (Inflows) of Resources

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	$ 258,939	$ -	$ 454,364	$ -
Differences between expected and actual experience	23,494	(640,249)	-	(725,616)
Changes of assumptions	157,892	(31,313)	179,260	-
Net differences between projected and actual earnings on investments	-	(404,809)	-	(218,728)
Total	$ 440,325	$ (1,076,371)	$ 633,624	$ (944,344)

The $258,939 and the $454,364 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, 2022, and December 31, 2021, 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	2021	2020
2021	$ -	$ (117,633)
2022	(178,479)	(117,630)
2023	(146,332)	(85,483)
2024	(214,827)	(153,978)
2025	(124,847)	(63,999)
2026	(64,919)	-
Thereafter	(165,581)	(226,361)
Total	$ (894,985)	$ (765,084)

K. Payable to the OPEB Plan

At December 31, 2021, 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:

	2021		
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	20,000,000	None	1,000,000
Pollution	2,000,000	None	10,000
Cyber	2,000,000	None	50,000
Catastrophic Loss	1,000,000,000	None	500,000
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
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	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	-

Notes to the Financial Statements

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	-

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

NOTE 14 – Commitments and Contingencies

A. Litigation

The District is a defendant in a number of lawsuits which have arisen in the normal course of business. The outcome of the lawsuits cannot be determined at this time. The following lawsuits were outstanding at December 31, 2021.

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. If SSJID does not prevail, it may be responsible for PG&E's litigation costs in this case, which could exceed $10 million.

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.

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.

C. Contract Commitments

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

	2021	
Project Description	Total Contract Amount	Remaining Commitment at December 31
Concrete drying beds to be installed at Water Treatment Plant facility	$ 3,794,429	$ 176,833
Membrane filter module replacements to be installed at Water Treatment Plant facility	$ 4,802,400	$ 3,248,223
Consultation to recommend design of a future bypass of a portion of the Joint Supply Canal	$ 1,169,449	$ 171,804
Consultation to recommend future capital improvements to the District's irrigation distribution system	$ 899,234	$ 332,593
2022 International Water Tanker	$ 165,464	$ 165,464
Variable Frequency Drive	$ 112,195	$ 112,195

Project Description	2020 Total Contract Amount	2020 Remaining Commitment at December 31
Concrete drying beds to be installed at Water Treatment Plant facility	$ 3,794,429	$ 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

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

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.

The District has evaluated events occurring after December 31, 2021 subsequent to the financial statements or disclosures as of November 15, 2022. The District is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

NOTE 16 – New Accounting Standards

A new accounting standard which became effective for the District's financial statements for year ended December 31, 2021 are described below.

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. Provisions are effective for reporting periods beginning after June 15, 2022, but early application is encouraged if GASB Statement No. 84, as amended, has been implemented. GASB statement No. 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 Statement No. 87 will first become effective for the calendar year 2022.

In June 2018, 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 GASB 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 Statement No. 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; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. GASB Statement No. 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 GASB 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 post-employment benefit (OPEB) plan. These provisions are effective for fiscal years beginning after June 15, 2021.
- The applicability of GASB Statements No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 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 GASB Statement No. 84, "Fiduciary Activities", to post-employment 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.
- 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.

GASB 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 GASB 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 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 GASB 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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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]

	2021	2020	2019
Percentage share of the net pension liability	0.4238137%	0.3380852%	0.3323179%
SSJID share of the net pension liability	$ 8,047,385	$ 14,260,690	$ 13,307,675
Covered payroll	$ 9,025,958	$ 8,456,530	$ 7,919,542
SSJID share of the net pension liability as a percentage of covered payroll	89.16%	168.64%	168.04%
Plan fiduciary net position	$ 18,065,791,524	$ 14,702,361,183	$ 13,979,687,268
Plan total pension liability	$ 19,964,594,105	$ 18,920,437,526	$ 17,984,188,264
Plan fiduciary net position as a percentage of the total pension liability	90.49%	77.71%	77.73%

	2018	2017	2016
Percentage share of the net pension liability	0.3282919%	0.3235728%	0.3218358%
SSJID share of the net pension liability	$ 12,372,379	$ 12,755,395	$ 11,180,181
Covered payroll	$ 7,153,342	$ 7,034,742	$ 6,808,761
SSJID share of the net pension liability as a percentage of covered payroll	172.96%	181.32%	164.20%
Plan fiduciary net position	$ 13,122,440,092	$ 12,074,499,781	$ 10,923,476,287
Plan total pension liability	$ 16,891,153,209	$ 16,016,547,402	$ 14,397,353,530
Plan fiduciary net position as a percentage of the total pension liability	77.69%	75.39%	75.87%

	2015	2014
Percentage share of the net pension liability	0.3397980%	0.3141800%
SSJID share of the net pension liability	$ 9,322,253	$ 7,764,910
Covered payroll	$ 6,864,271	$ 6,226,062
SSJID share of the net pension liability as a percentage of covered payroll	135.81%	124.72%
Plan fiduciary net position	$ 10,896,036,068	$ 10,639,461,174
Plan total pension liability	$ 13,639,503,084	$ 13,110,948,452
Plan fiduciary net position as a percentage of the total pension liability	79.89%	81.15%

Notes to Schedule:

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

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

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

	2021	2020	2019
Valuation date	June 30, 2020	June 30, 2019	June 30, 2018
Contractually required contribution (actuarially determined)	$ 2,221,813	$ 1,964,780	$ 1,742,980
Contributions in relation to the actuarially determined contributions	(2,221,813)	(1,964,780)	(1,742,980)
Contribution deficiency (excess)	$ -	$ -	$ -
Covered payroll	$ 9,025,958	$ 8,456,530	$ 7,919,542
Contributions as a percentage of covered payroll	24.62%	23.23%	22.01%

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

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

Methods and assumptions used to determine contribution rates:

Actuarial method	Entry age normal cost method
Amortization method	Difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over average remaining service life of participants.
Remaining amortization period	Not stated
Asset valuation method	5-year smoothed market
Inflation	2.50% for 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.

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

	2021	2020	2019
Measurement Date	December 31, 2020	December 31, 2019	December 31, 2018
Total OPEB Liability			
Service cost	$ 264,806	$ 220,129	$ 222,537
Interest	252,452	315,817	286,539
Changes in benefit terms	-	-	-
Differences between expected and actual experience	26,258	(810,983)	-
Changes of assumptions	(34,997)	189,008	13,092
Benefit payments	(200,108)	(142,970)	(160,748)
Implicit rate subsidy fulfilled	(52,231)	(117,394)	(97,025)
Net change in total OPEB liability	256,180	(346,393)	264,395
Total OPEB liability - beginning	4,068,904	4,415,297	4,150,902
Total OPEB liability - ending [(a)]	$ 4,325,084	$ 4,068,904	$ 4,415,297
Plan Fiduciary Net Position			
Contributions - employer	$ 454,364	$ 142,970	$ 572,655
Contributions - employer implicit subsidy	52,231	117,394	97,025
Net investment income (loss)	532,159	671,197	(132,663)
Administrative expense	(1,376)	(1,244)	(703)
Benefit payments	(200,108)	(142,970)	(160,748)
Implicit rate subsidy fulfilled	(52,231)	(117,394)	(97,025)
Net change in plan fiduciary net position	785,039	669,953	278,541
Plan fiduciary net position - beginning	3,780,316	3,110,363	2,831,822
Plan fiduciary net position - ending [(b)]	$ 4,565,355	$ 3,780,316	$ 3,110,363
Net OPEB liability (asset)3[(a)-(b)]	$ (240,271)	$ 288,588	$ 1,304,934
Plan fiduciary net position as a percentage of the total OPEB liability [(b) / (a)]	105.56%	92.91%	70.45%
Covered payroll	$ 7,887,157	$ 7,661,740	$ 7,091,347
Net OPEB liability (asset) as a percentage of covered payroll	-3.05%	3.77%	18.40%

Notes to schedule:

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

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

Last 10 Years [1]

	2021	2020	2019
Valuation date	June 30, 2020	June 30, 2019	June 30, 2018
Actuarially determined contribution	$ 304,596	$ 342,736	$ 338,628
Contributions in relation to the actuarially determined contribution	506,595	260,364	669,680
Contribution deficiency (excess)	$ (201,999)	$ 82,372	$ (331,052)
Covered payroll	$ 7,887,157	$ 7,661,740	$ 7,091,347
Contributions as a percentage of covered payroll	6.42%	3.40%	9.44%
Methods and assumptions used to determine contribution rates:			
Discount rate	6.00%	6.00%	7.01%
Inflation	2.50%	2.50%	2.50%
Payroll growth	2.75%	2.75%	2.75%
Investment rate of return	6.00%	6.00%	7.01%
Mortality rate	CalPERS [3]	CalPERS [3]	CalPERS [2]
Pre-retirement turnover	CalPERS [3]	CalPERS [3]	CalPERS [2]
Healthcare trend rate	6.50% in the first year, trending down to 3.84% over 55 years. [4]	7.00% in the first year, trending down to 3.84% over 56 years. [4]	6.50% in the first year, trending down to 3.84% over 57 years. [5]

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.

Brown Armstrong
Certified Public Accountants
www.ba.cpa
661-324-4971

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the South San Joaquin Irrigation District (the District) as of and for the year ended December 31, 2021, and the related notes to the basic financial statements and have issued our report thereon dated November 15, 2022.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

BAKERSFIELD
4200 Truxtun Avenue, Suite 300
Bakersfield, CA 93309
661-324-4971

FRESNO
10 River Park Place East, Suite 208
Fresno, CA 93720
559-476-3592

STOCKTON
2423 West March Lane, Suite 202
Stockton, CA 95219
209-451-4833

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Stockton, California
November 15, 2022