SOUTH SAN JOAQUIN IRRIGATION DISTRICT

Annual Financial Report 2022

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South San Joaquin Irrigation District

Annual Financial Report

December 31, 2022 and 2021

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Independent Auditor's Report

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BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2022 and 2021, 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, 2022 and 2021, 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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audits. 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

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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 September 1, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Stockton, California
September 1, 2023

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, 2022 and 2021 and its financial performance for the years then ended. Condensed financial information from 2020 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 $308.7 million at December 31, 2022 (net position). The District has $178.2 million in net investment in capital assets, $5.9 million restricted net position, and $124.6 million in unrestricted net position, which is available to meet the District's ongoing obligations.
- Operating revenues were $18.0 million, an increase of $5.4 million over the prior year.
- Nonoperating revenues were $14.2 million, a decrease of $3.9 million from the prior year.
- Operating expenses were $29.8 million, a decrease of $2.6 million 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 33 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 (OPEB) obligations. Required supplementary information is located on page 93-99 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 $308.7 million at the close of the most recent year.

The largest portion of net position (58%) consists 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

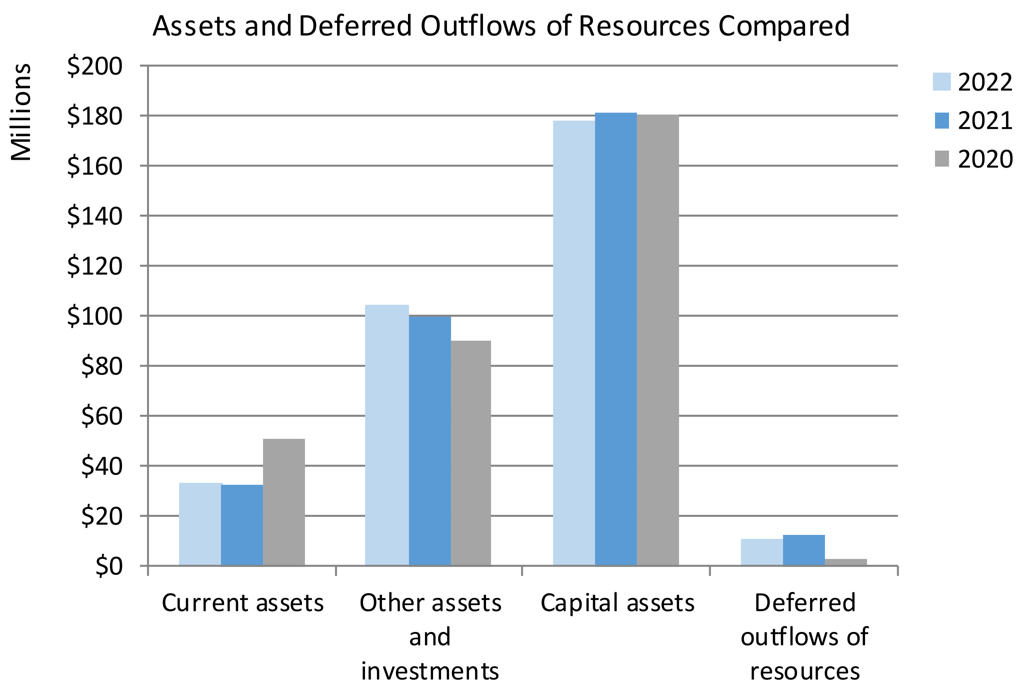
	2022	Restated 2021	2020
Current assets	$ 32,984,400	$ 32,702,759	$ 51,356,571
Other assets and investments	103,881,794	99,732,913	89,929,694
Capital assets	178,200,192	181,528,391	180,380,234
Total assets	315,066,386	313,964,063	321,666,499
Deferred outflows of resources	10,699,766	12,702,571	2,683,832
Total assets and deferred outflows of resources	$ 325,766,152	$ 326,666,634	$ 324,350,331
Current liabilities	$ 6,033,858	$ 5,400,373	$ 4,702,817
Long-term liabilities	8,372,146	8,550,003	15,587,911
Total Liabilities	14,406,004	13,950,376	20,290,728
Deferred inflows of resources	2,667,913	8,411,283	1,046,057
Total liabilities and deferred inflows of resources	17,073,917	22,361,659	21,336,785
Net investment in capital assets	178,200,192	181,528,391	180,380,234
Restricted net position	5,920,098	6,516,211	9,920,212
Unrestricted position	124,571,945	116,260,373	112,713,100
Total net position	308,692,235	304,304,975	303,013,546
Total liabilities, deferred inflows of resources, and net position	$ 325,766,152	$ 326,666,634	$ 324,350,331

The District's restricted net position of $5.9 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	2022	2021	2020
Capital asset fund - water treatment plant	$ 5,334,558	$ 5,274,834	$ 8,749,835
Capital asset fund - pressurized irrigation system	509,457	431,517	348,209
Held in escrow until project completion	50,001	-	-
Deposits held for annexation applications	-	796,661	796,661
Accrued interest receivable on restricted investments	26,082	13,199	25,507
Total restricted assets	$ 5,920,098	$ 6,516,211	$ 9,920,212

The remaining balance of net position, $124.6 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 decreased by $900,500 (0.3%) in 2022 and increased by $2.3 million (0.7%) in 2021.

Current assets. In 2022, current assets increased by $282,000 (0.9%) after decreasing in 2021 by $18.7 million (36%). The small change in 2022 as compared to 2021 is the result of lower cash and cash equivalents held by the District at year-end which were offset by increases in investment holdings, accounts receivable and prepaid expenses. 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.

Other assets and investments. In 2022, other assets and investments rose $4.1 million (4%) over 2021. The increase in 2022 was primarily driven by changes in investments in marketable securities, which increased $7.8 million over that of the prior year, as well as a $1.7 million increase in the net other post-employment benefits asset. However, these increases were offset by a $4.3 million decrease in restricted cash, mostly attributable to capital spending at the water treatment plant and a shift in restricted holdings from cash to investments, as well a $962,000 decrease in the District's investment in the Tri-Dam Project. In 2021, other assets and investments increased by $9.8 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 $9.8 million increase were restricted cash which decreased by $2.4 million because of construction at the Water Treatment Plant, and investment in the Tri-Dam Project which grew by $2.9 million.

Summary of Capital Assets

For the Years Ended December 31

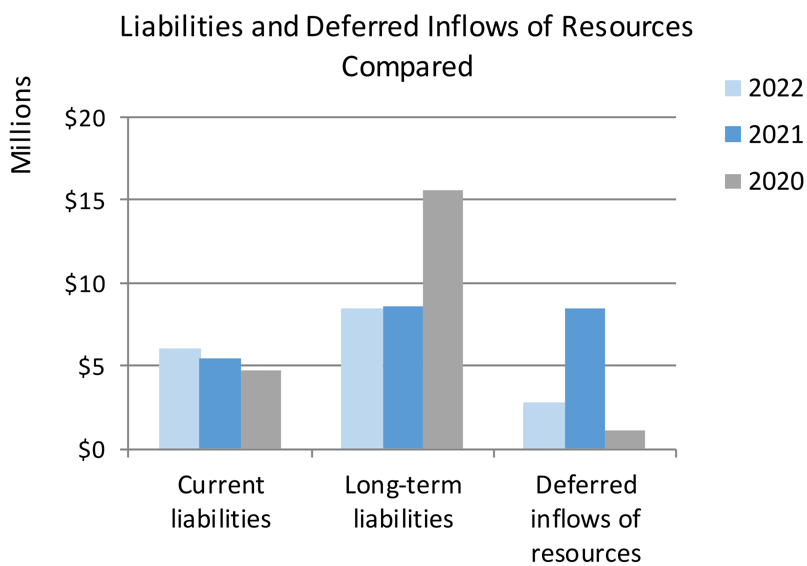
	2022	2021	2020
Land	$ 7,730,310	$ 7,730,310	$ 7,730,310
Construction in progress	3,738,205	7,076,960	2,813,562
Water treatment plant & transmission line	71,538,662	128,819,311	71,702,273
Other buildings	64,477,453	2,154,510	59,156,726
Solar generating plant	11,999,441	11,975,754	11,975,754
Irrigation system	133,019,010	122,759,418	129,530,384
Vehicles and equipment	9,895,390	17,970,133	7,899,352
Total capital assets	302,398,471	298,486,396	290,808,361
Less: accumulated depreciation & amortization	(124,198,279)	(116,958,005)	(110,428,127)
Net capital assets	$ 178,200,192	$ 181,528,391	$ 180,380,234

Capital assets. In 2022, capital assets decreased by $3.3 million (2%) driven by a decline in accumulated depreciation. In 2021, capital assets increased by $1.1 million (1%) as the cost of new assets exceeded depreciation each year. See Note 6 for more information about capital assets.

Deferred outflows of resources. In 2022, deferred outflows of resources decreased by $2.0 million from prior year 2021 (16%). In 2021, deferred outflows of resources increased by $10.0

million (373%). This increase includes the additional $9.4 million contribution to the net pension liability (asset).

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



Total liabilities and deferred inflows of resources. Total liabilities and deferred inflows of resources decreased $5.3 million (24%) in 2022 after increasing $1.0 million (5%) in 2021, as a result of changes described below.

Current liabilities. Current liabilities increased by $633,000 (12%) in 2022 and by $698,000 (15%) in 2021. The 2022 increase was caused by a $541,000 increase in accounts payable and a $303,000 increase in accrued expenses. These increases were offset by a $190,000 decrease in construction contract retentions payable as the project retention that was held at the end of 2021 was released upon project completion in 2022.

In 2021, the $698,000 (15%) increase in current liabilities was caused by a $405,000 increase in the current portion for compensated absences as well as a $199,000 increase to unearned revenue related to rent for a construction easement, $144,000 increase in accrued expenses and a $141,000 increase in construction contract retentions payable. The balance of retentions payable at the end of 2021 was $190,000 for project retention which is payable as project completion progresses.

Long-term liabilities. In 2022, long-term liabilities held fairly constant to that of 2021, only decreasing by $178,000 (2%). The decrease is the result of a decline in the net pension liability of $107,000 and a $80,000 decline in the long-term portion of compensated employee absences.

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

Deferred inflows of resources. In 2022, deferred inflows of resources decreased $5.7 million after increasing by $7.4 million (704%) in 2021. The decline experienced in 2022 was due to a $6.9 million decrease in deferred inflows related to pensions and the amount related to other post-employment benefits increased $1.2 million. In 2021, deferred inflows increased $7.4 million (704%) as the pension related amount increased by $6.9 million and the amount related to other post-employment benefits increased $132,000. As the consequences of certain changes in the net pension liability and net OPEB liabilities (assets) 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. Further contributing to the 2021 increase was a $309,000 increase in deferred outflows related to leases which was the result of implementation of GASB Statement No. 87 (GASB 87) which requires that deferred inflows related to leases be reflected in the statement of net position and recognized as lease revenue over future years as a lease contract progresses.

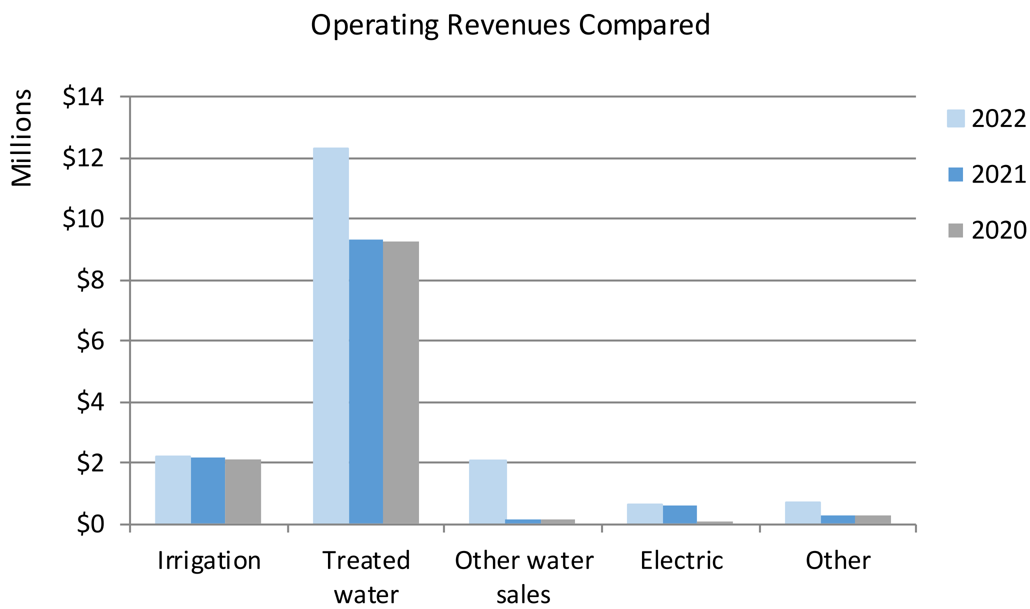
Revenues and Expenses Discussion

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

For the Years Ended December 31

	2022	Restated 2021	2020
Irrigation sales	$ 2,247,045	$ 2,160,425	$ 2,105,906
Treated water sales	12,291,764	9,342,866	9,284,148
Other water sales	2,081,390	164,016	138,477
Other income	1,344,302	861,258	339,004
Total Operating Revenues	17,964,501	12,528,565	11,867,535
Labor	10,834,168	15,960,667	16,406,293
Other operating and maintenance (O & M)	6,479,393	5,705,729	5,710,452
General and administrative (G & A)	4,525,661	2,944,231	3,330,666
Depreciation	7,906,858	7,720,049	7,580,122
Amortization	405	-	-
Total Operating Expenses	29,746,485	32,330,676	33,027,533
Net Loss From Operations	(11,781,984)	(19,802,111)	(21,159,998)
Net nonoperating revenues	14,154,499	18,027,997	20,328,711
Net Income (Loss) Before Contributions	2,372,515	(1,774,114)	(831,287)
Capital contributions	2,014,745	3,065,543	3,829,509
Change in Net Position	4,387,260	1,291,429	2,998,222
Net Position, Beginning of Year	304,304,975	303,013,546	300,015,324
Net Position, Beginning of Year Restated	304,304,975	303,013,546	300,015,324
Net Position, End of Year	$ 308,692,235	$ 304,304,975	$ 303,013,546

The statement of revenues, expenses, and changes in net position for the years ended December 31 shows how the District's net position changed throughout the years. Net position increased by $4.4 million (1.4%) in year 2022, rising from $304,304,975 to $308,692,235 as a result of ongoing operations. The District's net position increased $1.3 million (0.4%) in year 2021, rising from $303,013,546 to $304,204,975 as a result of ongoing operations.



Total operating revenues. Total operating revenues rose by $5.4 million (43%) in 2022 and $661,000 (6%) in 2021. The rise in 2022 was the result of an increase in treated water sales as well as a water sale to a neighboring agency, Stockton East Water District. The rise in 2021 was the result of increased hydroelectric sales.

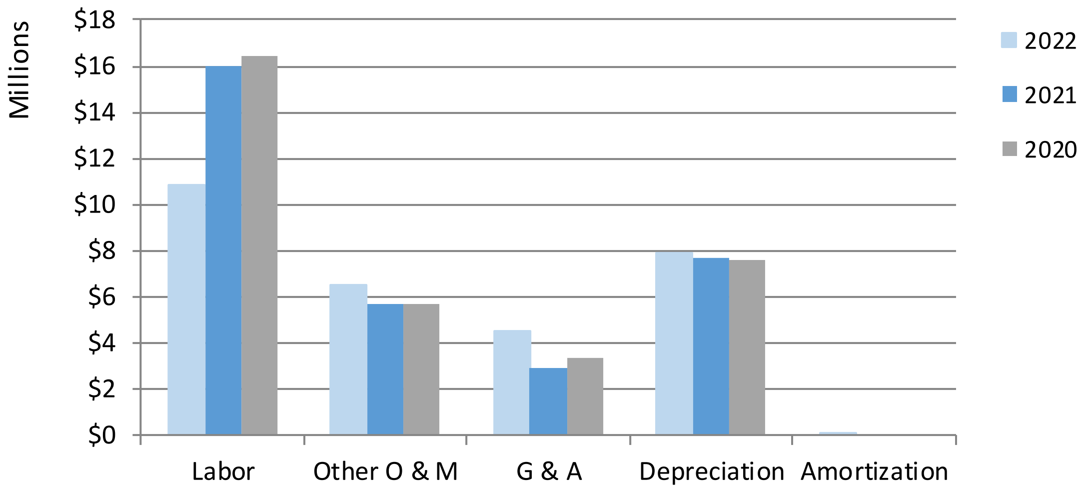
- Irrigation sales were fundamentally unchanged in 2022 and 2021.

- Treated water sales to the cities of Manteca, Lathrop, and Tracy in 2022 increased by $2.9 million driven primarily by an increase in operating costs due to inflation as well as a growing demand for SSJID's treated surface water. Treated water sales in 2021 were nearly unchanged from that of 2020.

- Other water sales increased $1.9 million (1169%) in 2022 due to the water sale agreement with a neighboring agency, Stockton East Water District. Other water sales were practically unchanged in 2021 from that of 2020.

- Electric Sales were fundamentally unchanged in 2022, but increased by $576,000 in 2021. The 2021 increase was due to the two mini-hydro plants located in the main supply canal that were out of service most of the 2020 for repairs and maintenance.

Operating Expenses Compared



Total operating expenses. Total operating expenses decreased by $2.6 million (8%) in 2022 and $697,000 (2%) in 2021 as detailed below.

Wages and benefits. Total payroll expense, which includes wages, payroll taxes, and employee benefits, decreased $5.1 million (32%) in 2022 and $446,000 (3%) in 2021.

Wages rose $313,000 (4%) in 2022 following a $420,000 (5%) rise in 2021. 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 (asset) promulgated as GASB Statements No. 68 and No. 75. These GASB statements require the net liabilities (assets) 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 (assets) 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 (asset) 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 2022, the annual GASB 68 adjustment decreased pension expense by $4.4 million, and in 2021, it decreased by $1.1 million. These reductions to pension expense reduced the amount reported as pension expense, but they do not represent a change in cash outlay or change in benefits.

GASB 75 has similar effects. The annual GASB 75 adjustment decreased the expense for OPEB by $163,000 in 2022 and increased the expense for OPEB by $55,000 in 2021.

Other operating and maintenance. In 2022, other operating and maintenance expenses increased $774,000 (14%). The high inflationary environment experienced throughout the country during the post COVID-19 pandemic was the leading contributor to the District's increase in expenses.

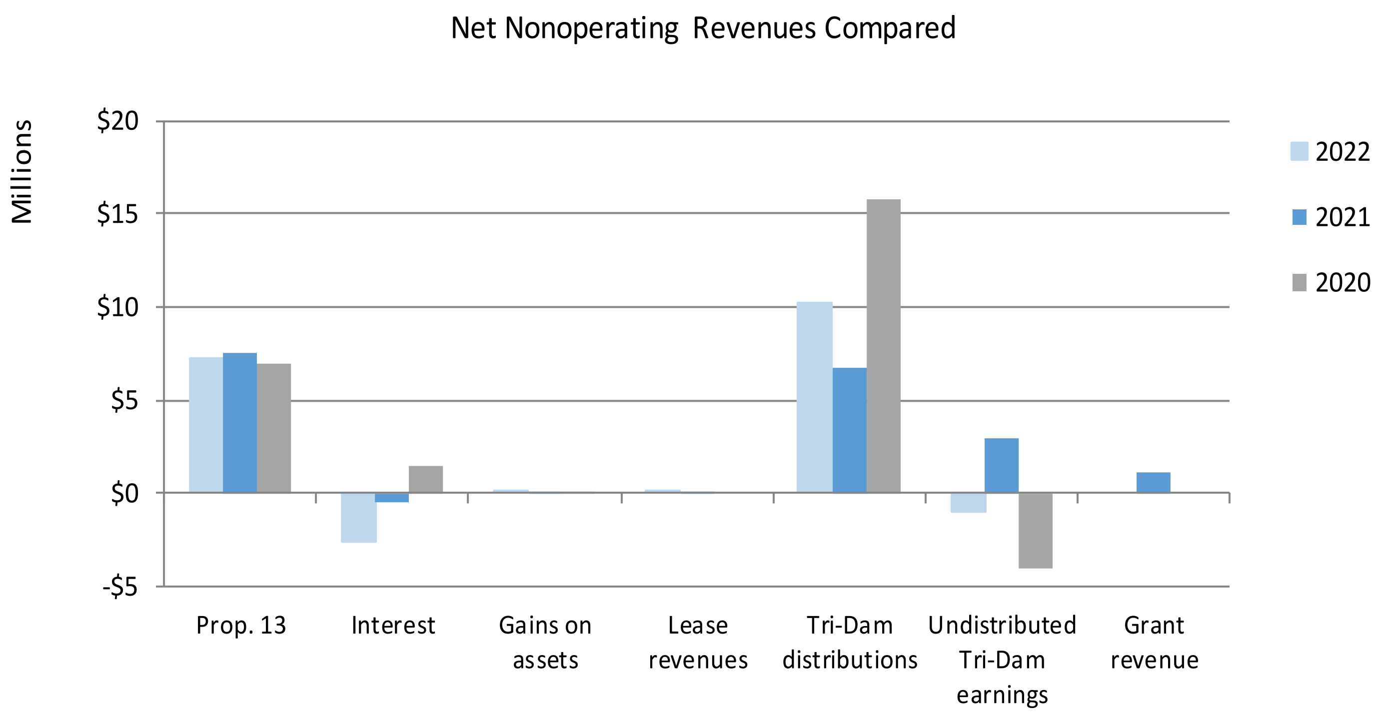
The 2022 increase in other operating and maintenance expenses is seen in materials and supplies expense which rose $584,000 over the prior year and stems mostly from significant increases in chemical expenses as shortages and a high inflationary economic environment made product more expensive. Also contributing to the increase in other operating and maintenance expenses was utilities expense which rose $523,000 over the prior year as a result of significant rate increases from the District's main power provider. Offsetting these increases was a $333,000 decrease in maintenance, repairs and improvements which was mostly due to the rock scaling maintenance project in the joint supply canal that occurred in 2021, but not in 2022 as this project is scheduled every few years.

In 2021, other operating and maintenance expense decreased by $4,700 (0.1%).

General and administrative (G&A). In 2022, general and administrative expense increased $1.6 million (54%). The largest component of this increase was an increase in legal expenses due to increased activity in certain ongoing litigation matters. Further contributing to the increase was a rise in consulting fees mostly attributable to a water master planning project.

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.

Depreciation. Depreciation expense increased $187,000 (2%) in 2022 and $140,000 (2%) in 2021 as the total amount of depreciable assets in service increased both years.



Net nonoperating revenues. As detailed below, overall net nonoperating revenues decreased $3.9 million (22%) in 2022 and $2.3 million (11%) in 2021.

Property tax (Proposition 13 subvention). Property tax income decreased $295,000 (4%) in 2022 and increased $562,000 (8%) in 2021 due to fluctuation in local real estate values.

Interest Income. Interest income, consisting of coupon payments from bond issuers and change in market value of marketable securities, fell $203,000 (12%) in 2022 after falling $392,000 (19%) in 2021. As a result of low interest rates in the market environment, the yield on the investment portfolio remained modest over both years.

Tri-Dam earnings and distributions. SSJID's share of the Tri-Dam Project's undistributed earnings decreased by $3.9 million (133%) in 2022 due to lower earnings and higher distributions. In 2021, undistributed earnings increased by $6.9 million (174%) due to increased earnings for the Tri-Dam Project. In 2022, distributions from the Tri-Dam Project and the Tri-Dam Power Authority increased by $3.5 million (52%) and decreased by $9.1 million (57%) in 2021. Tri-Dam distributions accounted for 72% of total nonoperating income in 2022 and 37% in 2021.

Capital contributions. In 2022, capital contributions decreased $1.1 million (34%) and decreased $764,000 (20%) in 2021 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 2023

- CalPERS reported a 3.7% fiscal-year-to-date (FYTD) return on investment in California Employer Retirement Benefit Trust (CERBT) Strategy 1 as of March 31, 2023. With CalPERS' discount rate of 6.8% and the most recent FYTD return of 3.7%, we expect the overall funded status to increase from last year's 72%. An increase in funded status would decrease the pension liability. 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 2025-26.
- As of the date of this report, 2023 distributions from the Tri-Dam organizations are expected to be higher than that of 2022 due to an increase in hydrology from winter storms.
- The increase in interest rates in 2023 will most definitely have an impact on the District's investment valuations.
- Revenues from irrigation sales are expected to remain constant with that of 2022.
- Capital spending is expected to increase in 2023 as the District takes steps to begin work on capital improvement projects identified in the water master plan.

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

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South San Joaquin Irrigation District
Statements of Net Position
December 31, 2022 and 2021

	2022	Restated 2021
ASSETS		
Current Assets		
Cash & cash equivalents - unrestricted	$ 1,506,339	$ 8,238,929
Investments in marketable securities - unrestricted	20,742,634	14,891,151
Accounts receivable	9,427,640	8,393,258
Accrued interest receivable - unrestricted	329,719	310,579
Prepaid expenses	897,481	785,475
Inventories	47,254	50,264
Lease receivable	33,333	33,103
Total Current Assets	32,984,400	32,702,759
Other Assets and Investments		
Cash & cash equivalents - restricted	131,304	4,478,299
Accrued interest receivable - restricted	26,082	13,199
Investments in marketable securities - unrestricted (net of current amounts)	51,302,555	47,221,791
Investments in marketable securities - restricted	5,762,712	2,024,713
Lease receivable	247,100	280,432
Net other post-employment benefits asset	1,900,226	240,271
Investment in Tri-Dam Project	44,511,815	45,474,208
Total Other Assets and Investments	103,881,794	99,732,913
Capital Assets		
Non-depreciable	11,468,515	14,807,270
Depreciable	290,929,956	283,679,126
Less accumulated depreciation and amortization	(124,198,279)	(116,958,005)
Total Capital Assets, net	178,200,192	181,528,391
Total Assets	315,066,386	313,964,063
DEFERRED OUTFLOWS OF RESOURCES		
Pension	10,380,537	12,262,246
Other post-employment benefits	319,229	440,325
Total Deferred Outflows Of Resources	10,699,766	12,702,571
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 325,766,152	$ 326,666,634

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, 2022 and 2021

	2022	Restated 2021
LIABILITIES		
Current Liabilities		
Accounts payable	$ 1,267,224	$ 725,782
Construction contract retentions payable	-	190,400
Accrued expenses	1,832,227	1,528,829
Unearned revenue	1,441,469	1,519,194
Compensated absences	1,488,092	1,436,168
Lease liability	4,846	-
Total Current Liabilities	6,033,858	5,400,373
Long-Term Liabilities		
Compensated absences	422,509	502,618
Lease liability	9,316	-
Net pension liability	7,940,321	8,047,385
Total Long-Term Liabilities	8,372,146	8,550,003
Total Liabilities	14,406,004	13,950,376
DEFERRED INFLOWS OF RESOURCES		
Pension	106,797	7,026,031
Other post-employment benefits	2,290,147	1,076,371
Leases	270,969	308,881
Total Deferred Inflows Of Resources	2,667,913	8,411,283
NET POSITION		
Net investment in capital assets	178,200,192	181,528,391
Restricted	5,920,098	6,516,211
Unrestricted	124,571,945	116,260,373
Total Net Position	308,692,235	304,304,975
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 325,766,152	$ 326,666,634

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, 2022 and 2021

	2022	Restated 2021
OPERATING REVENUES		
Irrigation sales	$ 2,247,045	$ 2,160,425
Treated water sales	12,291,764	9,342,866
Other water sales	2,081,390	164,016
Electric sales	625,461	607,558
Other	718,841	253,700
Total Operating Revenues	17,964,501	12,528,565
OPERATING EXPENSES		
Wages	9,064,598	8,751,167
Payroll taxes and benefits	1,769,570	7,209,500
Materials and supplies	2,643,656	2,059,278
Maintenance, repairs, and improvements	1,018,550	1,351,776
Utilities	2,817,187	2,294,675
General and administrative	4,525,661	2,944,231
Depreciation	7,906,858	7,720,049
Amortization	405	-
Total Operating Expenses	29,746,485	32,330,676
Net (Loss) From Operations	(11,781,984)	(19,802,111)
NONOPERATING REVENUES (EXPENSES)		
Proposition 13 subvention property taxes	7,277,353	7,572,759
Interest income	1,469,344	1,672,672
Changes in fair value of investments	(4,082,573)	(2,108,191)
Interest expense	(4,577)	-
Gain on property and equipment	169,433	54,000
Lease revenue	37,912	22,955
Tri-Dam Power Authority distributions	400,000	1,252,000
Tri-Dam Project distributions	9,850,000	5,479,000
Undistributed earnings (losses) of Tri-Dam Project	(962,393)	2,948,091
Grant revenue	-	1,134,711
Total Nonoperating Revenues (Expenses)	14,154,499	18,027,997
CHANGE IN NET POSITION, before capital contributions	2,372,515	(1,774,114)
Capital contributions	2,014,745	3,065,543
CHANGE IN NET POSITION, after capital contributions	4,387,260	1,291,429
NET POSITION, beginning of year	304,304,975	303,013,546
NET POSITION, end of year	$ 308,692,235	$ 304,304,975

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

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South San Joaquin Irrigation District
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	Restated 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 18,200,156	$ 12,938,314
Other receipts	10,812	6,400
Payments for goods and services	(17,404,972)	(25,227,053)
Payments to employees for services	(10,797,386)	(10,305,756)
Cash Used by Operating Activities	(9,991,390)	(22,588,095)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property tax receipts	7,446,510	7,324,708
Tri-Dam Power Authority cash distributions	400,000	1,252,000
Other nonoperating revenue	41,851	1,161,410
Cash Provided by Noncapital Financing Activities	7,888,361	9,738,118
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions	2,014,031	706,004
Loss on the sale of capital assets	(81,367)	(173,116)
Purchase of capital assets	(4,435,206)	(6,279,853)
Interest payments on long-term debt	(4,575)	-
Cash Used by Capital and Related Financing Activities	(2,507,117)	(5,746,965)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received (paid)	(2,649,193)	(461,618)
Purchases of investment securities	(50,355,681)	(50,616,159)
Proceeds from sales and maturities of investment securities	36,685,435	53,811,602
Tri-Dam Project cash distributions	9,850,000	5,479,000
Cash Provided (Used) by Investing Activities	(6,469,439)	8,212,825
Net (Decrease) in Cash and Cash Equivalents	(11,079,585)	(10,384,117)
Cash and Cash Equivalents at Beginning of Year	12,717,228	23,101,345
Cash and Cash Equivalents at End of Year	$ 1,637,643	$ 12,717,228
RECONCILIATION OF CASH TO BALANCE SHEET		
Cash & cash equivalents - unrestricted	$ 1,506,339	$ 8,238,929
Cash & cash equivalents - restricted	131,304	4,478,299
Cash & cash equivalents - total	$ 1,637,643	$ 12,717,228

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, 2022 and 2021

	2022	Restated 2021
RECONCILIATION OF NET LOSS FROM OPERATIONS TO CASH USED BY OPERATING ACTIVITIES		
Net Loss From Operations	$ (11,781,984)	$ (19,802,111)
Depreciation	7,906,858	7,720,049
Amortization	405	-
(Increase) Decrease in Operating Assets		
Accounts receivable	(1,202,328)	(967,319)
Leases receivable	33,103	(313,535)
Prepaid expenses	(112,007)	(16,784)
Inventories	3,010	(3,597)
Deferred outflows of resources - pension	1,881,709	(10,212,038)
Deferred outflows of resources - other post-employment benefits	121,095	193,299
Net OPEB asset	(1,659,955)	(240,271)
Right-of-use asset	(14,566)	-
Increase (Decrease) in Operating Liabilities		
Accounts payable	734,341	300,823
Lease liability	14,162	-
Accrued expenses	41,111	(178,130)
Unearned revenue	(77,725)	199,439
Compensated absences	(28,185)	(131,253)
Deferred inflows of resources - pension	(6,919,234)	6,924,318
Deferred inflows of resources - other post-employment benefits	1,213,776	132,027
Deferred inflows of resources - leases	(37,912)	308,881
Net pension liability	(107,064)	(6,213,305)
Net other post-employment benefits liability	-	(288,588)
Cash Used by Operating Activities	$ (9,991,390)	$ (22,588,095)
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Assets received as capital contributions	$ 566,125	$ 1,188,397
Decrease in fair value of investments in marketable securities	(4,082,573)	(2,108,191)
Increase (Decrease) in investment in the Tri-Dam Project, net of cash received	(962,393)	2,948,091

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.

Notes to the Financial Statements

The Tri-Dam Project is a joint venture formed in 1948 under a joint cooperation agreement between the District and the Oakdale Irrigation District for the purpose of operating the dams, reservoirs, canals, and hydroelectric generating plants jointly and equally owned by the District and the Oakdale Irrigation District. As required by Governmental Accounting Standards Board Statements 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 emailing clerk@tridamproject.com or on the internet at www.tridamproject.com.

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. Financial Reporting

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

Governmental Accounting Standards Board Statement No. 87

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. See note disclosure 7 *Leases*, for additional information.

Governmental Accounting Standards Board Statement No. 92

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 practices that have been identified during implementation and application of certain GASB Statements.

The requirements of this statement were as follows: (1) The effective date of GASB Statement No. 87, and Implementation Guide No. 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. (2) The requirements related to intra-entity transfers of assets and those related to the applicability of GASB Statements No. 73 and 74 are effective for fiscal years beginning after June 15, 2021; (3) The requirements related to the application of GASB Statement No. 84, to post-employment benefit arrangements and those related to nonrecurring fair value measurement of assets or liabilities are effective for reporting periods beginning after June 15, 2021; and (4) The requirements related to the measurement of liabilities (and assets, if any) associated with asset retirement obligations (ARO's) in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

Governmental Accounting Standards Board Statement No. 93

In March 2020, the GASB issued GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this statement is to address accounting and financial reporting implications that result from the replacement of an Interbank Lending Rate (IBOR). This statement achieves that objective by: (1) Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) Removing London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; (6) Clarifying the definition of reference rate, as it is used in GASB Statement No. 53, as amended; and (7) Providing an exception to the lease modifications guidance in GASB Statement No. 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend. The requirements of this statement were effective as follows: (1) The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021; and (2) All other requirements of this statement are effective for reporting periods beginning after June 15, 2021.

Governmental Accounting Standards Board Statement No. 97

In June 2020, the GASB issued 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. 41 and No. 84, and a Supersession of GASB Statement No. 32. The primary objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other post-employment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of GASB Statement No. 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of GASB Statement No. 67 or paragraph 3 of GASB Statement No. 74, respectively, are effective immediately. The requirements of this statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performed the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021.

D. 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.

E. Investment Basis

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

F. 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. The capital replacement reserve of the pressurized irrigation system (“Division 9 Project”) is funded by customers who utilize that system. 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.

G. 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 (the 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.

H. 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.

I. Prepaid Expenses

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

J. 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

K. Leases

The District adopted GASB 87, *Leases*, in 2022 (see note 7). The District uses the capitalization threshold of $10,000 in annual revenue for its lessor arrangements. Lease receivables are measured at the present value of payments expected to be received during the lease term.

L. 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.

M. 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.

N. 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.

O. 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, as well as leases related to GASB Statement No. 87 as described in Note 7.

P. 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.

Q. Restatement

The financial statements for 2021 have been restated to reflect the restatement of the financial statements of the Tri-Dam Project for 2021. The financial statements of the Tri-Dam Project were restated to give effect to the following adjustments:

Restatement of Tri-Dam Financial Statements

Net position at December 31, 2018, as previously stated	$ 81,390,993
Effect of adjustments to record lessor lease receivables, deferred lease inflows, and interest income as a result of GASB Statement No. 87	8,365
Change in net position at December 31, 2019, as previously stated	11,599,781
Net position at December 31, 2019, as restated	$ 92,999,139
Effect of adjustments to record lessor lease receivables, deferred lease inflows, and interest income as a result of GASB Statement No. 87	5,953
Effect of adjustment to correct overstatement of compensated absence liability, previously reported	80,660
Change in net position at December 31, 2020, as previously stated	(7,938,540)
Net position at December 31, 2020, as restated	$ 85,147,212
Effect of adjustments to record lessor lease receivables, deferred lease inflows, and interest income as a result of GASB Statement No. 87	3,424
Effect of adjustment to correct overstatement of compensated absence liability, previously reported	(18,076)
Change in net position at December 31, 2021, as previously stated	5,815,855
Net position at December 31, 2021, as restated	$ 90,948,415

Further, the financial statements for 2021 presented here have been restated to reflect the District's implementation of GASB Statement No. 87.

NOTE 3 – Cash and Investments

A. Classification

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

	2022	2021
Cash and cash equivalents		
Cash and cash equivalents - unrestricted	$ 1,506,339	$ 8,238,929
Cash and cash equivalents - restricted	131,304	4,478,299
Total	1,637,643	12,717,228
Investments in marketable securities		
Investments in marketable securities - current portion, unrestricted	20,742,634	14,891,151
Investments in marketable securities - noncurrent portion, unrestricted	51,302,555	47,221,791
Investments in securities - restricted (reserves for pressurized irrigation system, WTP)	5,762,712	2,024,713
Total investments in marketable securities	77,807,901	64,137,655
Total cash and investments	$ 79,445,544	$ 76,854,883

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

2022						
Category						
(Lower of	**Year of Maturity**					
Moody's, S&P)	**2023**	**2024**	**2025**	**2026**	**2027**	**Total**
Federal, state and municipal						
A1	$ 50,640	$ 559,005	$ -	$ -	$ -	$ 609,645
AA	69,285	-	117,184	-	-	186,469
AA-	3,264,521	-	614,630	-	-	3,879,151
AA+	-	-	21,745,306	-	-	21,745,306
Aa3	99,042	-	423,671	-	-	522,713
Aaa	10,971,677	5,750,877	13,606,489	-	-	30,329,043
A+	-	-	117,638	-	-	117,638
Aa2	137,936	-	-	-	-	137,936
Aa1	-	111,596	-	-	-	111,596
Not Rated/ Pre-refunded	1,467,259	236,544	91,373	-	-	1,795,176
Total	$ 16,060,360	$ 6,658,022	$ 36,716,291	$ -	$ -	$ 59,434,673
Negotiable certificates of deposit						
FDIC Insured	$ 249,838	$ 1,953,112	$ -	$ -	$ -	$ 2,202,950
Total	$ 249,838	$ 1,953,112	$ -	$ -	$ -	$ 2,202,950
Corporate debt						
A	$ 608,214	$ -	$ -	$ -	$ -	$ 608,214
A3	-	1,029,930	-	-	-	1,029,930
A-	6,018,678	3,831,316	-	-	-	9,849,994
A+	979,120	-	-	-	-	979,120
Baa1	-	-	473,025	-	-	473,025
BBB+	2,090,130	-	-	-	-	2,090,130
Not Rated/ Pre-refunded	-	1,139,865	-	-	-	1,139,865
Total	$ 9,696,142	$ 6,001,111	$ 473,025	$ -	$ -	$ 16,170,278
Total	$ 26,006,340	$ 14,612,245	$ 37,189,316	$ -	$ -	$ 77,807,901

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

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:

2022

Issuer	Investment Type		Amount
Federal Home Loan Mortgage Corporation	U. S. Agencies	$	33,877,486
JP Morgan Chase	Corporate Notes	$	3,914,389
		$	37,791,875

2021

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

At December 31, 2022, cash and investments included $3,102,206 held in commercial banks, and at December 31, 2021, cash and investments included $4,039,475 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

2022	Exempt	Level 1	Level 2	Total
U. S. agency securities	$ -	$ -	$ 33,877,486	$ 33,877,486
U. S. treasury notes	-	18,196,863	-	18,196,863
State and municipal debt	-	-	7,360,324	7,360,324
Negotiable certificates of deposit	-	-	2,202,950	2,202,950
Medium term corporate notes	-	-	16,170,278	16,170,278
Local Agency Investment Fund	610,664	-	-	610,664
Money market mutual funds	-	126,922	-	126,922
Total investments	$ 610,664	$ 18,323,785	$ 59,611,038	78,545,487
Cash in banks and on hand				900,057
Total cash & investments				$ 79,445,544

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

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 as 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:

	2022	2021
Proposition 13 subvention property taxes	$ 3,425,651	$ 3,594,808
Water treatment plant sales to cities	3,495,928	2,299,760
Irrigation charges	1,304,446	1,303,580
Water transfer	354,434	42,339
Customer annexation in progress	796,661	-
Hydro-power generation	20,430	-
Canal construction and maintenance costs receivable from OID	-	2,959
Grant revenue	-	1,134,711
Miscellaneous	30,090	15,101
Total	$ 9,427,640	$ 8,393,258

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, 2022 and 2021

	2022	As Restated 2021
Current assets	$ 25,596,269	$ 25,663,951
Long-term investments	3,965,440	4,340,759
Leases receivable	118,334	163,326
Capital assets	63,838,327	63,391,183
Deferred outflows of resources	2,064,993	610,452
Total assets and deferred outflows of resources	$ 95,583,363	$ 94,169,671
Current liabilities	$ 1,502,578	$ 685,051
Noncurrent liabilities	4,218,498	1,800,954
Deferred inflows of resources	838,658	735,251
Total liabilities and deferred inflows of resources	6,559,734	3,221,256
Net investment in capital assets	63,838,327	63,391,183
Unrestricted net position	25,185,302	27,557,232
Total net position	89,023,629	90,948,415
Total liabilities, deferred inflows of resources, and net position	$ 95,583,363	$ 94,169,671

Tri-Dam Project

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

For the Years Ended December 31, 2022 and 2021

	2022	As Restated 2021
Operating revenues	$ 28,392,272	$ 24,263,316
Operating expenses	11,781,607	6,695,187
Net Income from Operations	16,610,665	17,568,129
Nonoperating Revenues (Expenses)		
Water sales	156,021	178,731
Rental of equipment and facilities	89,355	84,574
Investment earnings (losses)	(229,815)	(16,077)
Insurance recovery	-	-
Legal settlement	2,150,000	-
Interest from rental income	6,393	7,623
Other nonoperating revenue	38,167	201,662
River habitat studies	(1,071,650)	(1,289,487)
Gain on disposal of capital assets	26,078	24,048
Total Nonoperating Revenues (Expenses)	1,164,549	(808,926)
Change in Net Position	17,775,214	16,759,203
Net position, beginning of year	90,948,415	85,147,212
Less: distributions to member districts	(19,700,000)	(10,958,000)
Net Position, End of Year	$ 89,023,629	$ 90,948,415

NOTE 6 – Capital Assets

Changes in Capital Assets

2022

	December 31, 2021	Additions	Disposals	Transfers and Adjustments	December 31, 2022
Capital assets not being depreciated:					
Irrigation					
Land	$ 1,382,984	$ -	$ -	$ -	$ 1,382,984
Construction in progress	2,576,080	1,556,079	-	(744,458)	3,387,701
Water treatment plant					
Land	5,834,926	-	-	-	5,834,926
Construction in progress	4,477,193	432,842	-	(4,559,531)	350,504
Solar plant					
Land	512,400	-	-	-	512,400
Construction in progress	23,687	-	-	(23,687)	-
Total assets not being depreciated	$ 14,807,270	$ 1,988,921	$ -	$ (5,327,676)	$ 11,468,515
Capital assets being depreciated and amortized:					
Irrigation					
Buildings & improvements	$ 3,410,603	$ -	$ (4,986)	$ 9,200	$ 3,414,817
Reservoirs & dams	17,756,823	-	-	-	17,756,823
Right-to-use	-	14,566	-	-	14,566
Canal & lateral	110,205,089	552,618	(138,748)	735,257	111,354,216
Vehicles	3,367,919	940,859	(257,666)	-	4,051,112
Machinery & equipment	2,810,745	272,745	-	-	3,083,490
Office equipment	89,210	-	-	-	89,210
Computer equipment	727,256	-	-	-	727,256
Communications	3,893,405	-	-	-	3,893,405
Water treatment plant					
Buildings & improvements	56,070,239	721,199	(272,454)	4,543,652	61,062,636
Reservoirs & dams	290,895	-	-	-	290,895
Canal & lateral	71,108,159	7,500	-	15,880	71,131,539
Vehicles	365,432	-	-	-	365,432
Machinery & equipment	1,484,387	87,521	-	-	1,571,908
Computer equipment	6,982	-	-	-	6,982
Communications	106,150	-	-	-	106,150
Lab equip	10,078	-	-	-	10,078
Solar plant					
Infrastructure	11,972,913	-	-	-	11,972,913
Computer equipment	2,841	-	-	23,687	26,528
Total assets being depreciated & amortized	$ 283,679,126	$ 2,597,008	$ (673,854)	$ 5,327,676	$ 290,929,956

(schedule continues the next page)

Less accumulated depreciation and amortization:					
Irrigation					
Facility improvements	$ (1,409,364)	$ (96,102)	$ 4,985	$ -	$ (1,500,481)
Reservoirs & dams	(7,257,152)	(417,984)	-	-	(7,675,136)
Right-to-use	-	(405)	-	-	(405)
Canal & lateral	(43,972,924)	(2,459,128)	131,882	-	(46,300,170)
Vehicles	(2,086,369)	(335,892)	257,667	-	(2,164,594)
Machinery & equipment	(2,484,988)	(88,981)	-	-	(2,573,969)
Office equipment	(69,285)	(3,391)	-	-	(72,676)
Computer equipment	(531,480)	(43,677)	-	-	(575,157)
Communications	(1,670,516)	(148,290)	-	-	(1,818,806)
Water treatment plant					
Facility improvements	(22,245,424)	(1,803,714)	272,455	-	(23,776,683)
Reservoirs & dams	(186,232)	(19,399)	-	-	(205,631)
Canal & lateral	(27,590,330)	(1,880,054)	-	-	(29,470,384)
Vehicles	(200,817)	(38,091)	-	-	(238,908)
Machinery & equipment	(562,466)	(88,468)	-	-	(650,934)
Computer equipment	(4,073)	(1,397)	-	-	(5,470)
Communications	(44,257)	(12,797)	-	-	(57,054)
Lab equipment	(10,078)	-	-	-	(10,078)
Solar plant					
Facility improvements	(6,630,593)	(467,346)	-	-	(7,097,939)
Computer equipment	(1,657)	(2,147)	-	-	(3,804)
Total accumulated depreciation & amortization	$ (116,958,005)	$ (7,907,263)	$ 666,989	$ -	$ (124,198,279)
Capital assets being depreciated and amortized, net	$ 166,721,121	$ (5,310,255)	$ (6,865)	$ 5,327,676	$ 166,731,677
Capital Assets, net	$ 181,528,391	$ (3,321,334)	$ (6,865)	$ -	$ 178,200,192

Notes to the Financial Statements

Changes in Capital Assets

2021

	December 31, 2020	Additions	Disposals	Transfers and Adjustments	December 31, 2021
Capital assets not being depreciated:					
Irrigation					
Land	$ 1,382,984	$ -	$ -	$ -	$ 1,382,984
Construction in progress	2,196,595	1,849,859	-	(1,470,374)	2,576,080
Water treatment plant					
Land	5,834,926	-	-	-	5,834,926
Construction in progress	616,967	4,787,260	-	(927,034)	4,477,193
Solar plant					
Land	512,400	-	-	-	512,400
Construction in progress	0	23,687	-	-	23,687
Total assets not being depreciated	$ 10,543,872	$ 6,660,806	$ -	$ (2,397,408)	$ 14,807,270
Capital assets being depreciated:					
Irrigation					
Facility Improvements	$ 3,371,506	$ -	$ (22,440)	$ 61,537	$ 3,410,603
Reservoirs & dams	17,756,823	-	-	-	17,756,823
Canal & lateral	107,939,463	1,256,218	(120,723)	1,130,131	110,205,089
Vehicles	3,254,502	292,623	(179,206)	-	3,367,919
Machinery & equip	2,781,997	14,816	-	13,932	2,810,745
Office Equip	89,210	-	-	-	89,210
Computer Equip	521,789	-	-	205,467	727,256
Communications	3,834,098	-	-	59,307	3,893,405
Water treatment plant					
Facility Improvements	55,785,220	647,574	(480,724)	118,169	56,070,239
Reservoirs & dams	290,895	-	-	-	290,895
Canal & lateral	71,344,981	-	(359,049)	122,227	71,108,159
Vehicles	397,292	-	(31,860)	-	365,432
Machinery & equip	847,580	-	-	636,807	1,484,387
Computer Equip	6,982	-	-	-	6,982
Communications	56,319	-	-	49,831	106,150
Lab equip	10,078	-	-	-	10,078
Solar plant					
Facility Improvements	11,972,913	-	-	-	11,972,913
Computer Equip	2,841	-	-	-	2,841
Total assets being depreciated	$ 280,264,489	$ 2,211,231	$ (1,194,002)	$ 2,397,408	$ 283,679,126

(schedule continues on next page)

Less accumulated depreciation:					
Irrigation					
Facility Improvements	$ (1,303,594)	$ (105,769)	$ (1)	$ -	$ (1,409,364)
Reservoirs & dams	(6,839,167)	(417,985)	-	-	(7,257,152)
Canal & lateral	(41,693,109)	(2,419,148)	139,333	-	(43,972,924)
Vehicles	(2,020,421)	(245,154)	179,206	-	(2,086,369)
Machinery & equip	(2,393,859)	(91,129)	-	-	(2,484,988)
Office Equip	(65,893)	(3,392)	-	-	(69,285)
Computer Equip	(514,908)	(16,572)	-	-	(531,480)
Communications	(1,522,714)	(147,802)	-	-	(1,670,516)
Water treatment plant					
Facility Improvements	(20,939,129)	(1,787,019)	480,724	-	(22,245,424)
Reservoirs & dams	(166,832)	(19,400)	-	-	(186,232)
Canal & lateral	(26,073,599)	(1,875,780)	359,049	-	(27,590,330)
Vehicles	(194,585)	(38,092)	31,860	-	(200,817)
Machinery & equip	(488,148)	(74,318)	-	-	(562,466)
Computer Equip	(2,677)	(1,396)	-	-	(4,073)
Communications	(35,079)	(9,178)	-	-	(44,257)
Lab equip	(10,078)	-	-	-	(10,078)
Solar plant					
Facility Improvements	(6,163,246)	(467,347)	-	-	(6,630,593)
Computer Equip	(1,089)	(568)	-	-	(1,657)
Total accumulated depreciation	$ (110,428,127)	$ (7,720,049)	$ 1,190,171	$ -	$ (116,958,005)
Capital assets being depreciated, net	$ 169,836,362	$ (5,508,818)	$ (3,831)	$ 2,397,408	$ 166,721,121
Capital Assets, net	$ 180,380,234	$ 1,151,988	$ (3,831)	$ -	$ 181,528,391

NOTE 7 – Leases

A. **Leases Subject to GASB Statement No. 87**

The District holds various leasing arrangements for land use rights which are leased to mainly commercial customers. With the implementation of GASB Statement No. 87 *Leases*, all existing and newly acquired leases were analyzed and classified as either qualified or non-qualified leases, for both lessor and lessee positions. With this implementation the respective receivable or payable is recognized.

Lessor lease receivable – The District has entered into two qualified lease agreements as the lessor for use of land and a communication tower. With the adoption of GASB Statement No. 87, *Leases*, the receivable related to these leases was initially recognized as of January 2022.

The use of land lease is for 34 months as of January 1, 2022, the lease includes monthly payments of $1,500. The communication tower lease is for 156 months as of January 2022. The lease includes monthly payments of $1,587. The District recognized $37,912 in lease revenue and $3,941 in interest revenue during the current fiscal year related to these leases. As of December 31, 2022, the District's receivable for these leases, current portion was $33,333, the District's receive for 2021 total $33,103. The Long-term portion of the lease receivable was $247,100 and $280,432 as of December 31, 2022 and 2021, respectively. Also, the District has a deferred inflow of resources associated with these leases of $270,968 on December 31, 2022, that will be recognized as lease revenue over the lease terms.

Lessee lease payable – The District has one qualified lease agreement as the lessee under GASB Statement No. 87, *Leases*, for a right-of-use asset for copy machine lease.

The copy machine lease is for a period of 36 months beginning December 2022. The lease includes monthly payments of $405. The District paid $403 for the lease portion and $2 in interest expense. As of December 31, 2022, the current portion of the lease liability is $4,846 and the long-term portion is $9,316.

Amortization Schedule - Lease Payable

	Principle	Interest	Total
2023	$ 4,846	$ 24	$ 4,870
2024	4,856	14	4,870
2025	4,460	4	4,464
	$ 14,162	$ 42	$ 14,204

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

2022

	December 31, 2021	Additions	Reductions	December 31, 2022	Current Portion	Long-Term Portion
Net other post-employment benefits liability	$ -	$ 1,680,685	$ (1,680,685)	$ -	$ -	$ -
Compensated absences	1,938,786	1,396,758	(1,424,943)	1,910,601	1,488,092	422,509
Lease Liability	-	14,567	(405)	14,162	4,846	9,316
Net pension liability	8,047,385	-	(107,064)	7,940,321	-	7,940,321
Total long-term liabilities	$ 9,986,171	$ 3,092,010	$ (3,213,097)	$ 9,865,084	$ 1,492,938	$ 8,372,146

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

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, 2022 or December 31, 2021.

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

	2022	2021
Total capital assets, net of accumulated depreciation	$ 178,200,192	$ 181,528,391

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:

	2022	2021
Capital asset fund - pressurized irrigation system	$ 509,457	$ 431,517
Capital asset fund - water treatment plant	5,334,558	5,274,834
Deposits held for annexation applications	-	796,661
Held in escrow until project completion	50,001	-
Accrued interest receivable on restricted investments	26,082	13,199
Total	$ 5,920,098	$ 6,516,211

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:

	2022	2021
Real estate developers	$ 566,125	$ 1,188,397
Municipal customers of water treatment plant	1,423,467	1,850,794
Groundwater Sustainability Agency	25,153	26,352
Total	$ 2,014,745	$ 3,065,543

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

	2022		2021	
	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	7.96%	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	12.210%	7.470%	12.200%	7.590%
January 1 to June 30	12.200%	7.590%	12.361%	7.732%

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

	2022			2021		
	Misc. Plan	PEPRA Plan	Total	Misc. Plan	PEPRA Plan	Total
Employer contributions	$ 1,493,644	$ 263,424	$ 1,757,068	$ 1,981,690	$ 240,123	$ 2,221,813
Employee contributions, paid by employer	344,867	-	344,867	354,367	-	354,367
Total	$ 1,838,511	$ 263,424	$ 2,101,935	$ 2,336,057	$ 240,123	$ 2,576,180

The 2022 employer contributions above include payment of a $789,135 invoice from CalPERS to amortize the net pension liability. This amount was billed for the year ending June 30, 2023. The 2021 employer contribution above includes 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.

D. Employees Covered by Benefit Terms

Membership in the plan consisted of the following at the measurement dates of June 30, 2022, and June 30, 2021:

Membership in the Plan

	Miscellaneous & PEPRA Plans	
	2022	2021
Valuation Date	June 30, 2021	June 30, 2020
Measurement Date	June 30, 2022	June 30, 2021
Report Date	December 31, 2022	December 31, 2021
Active employees	102	101
Inactive employees and beneficiaries currently receiving benefit payments	84	83
Inactive employees entitled to but not yet receiving benefit payments	37	37
Total	223	221

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	
	2022	2021
Proportionate Share of Net Pension Liability	$ 7,940,321	$ 8,047,385

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, 2022, and 2021 is measured as of June 30, 2022, and 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, and 2020, 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	
	2022	2021
Proportion at June 30, 2020		0.3380852%
Proportion at June 30, 2021	0.4238137%	0.4238137%
Proportion at June 30, 2022	0.1696930%	
Increase (Decrease)	(0.2541207%)	0.0857285%

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

2022

	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, 2021	$ 58,893,557	$ 50,846,172	$ 8,047,385
Changes in proportion	1,259,765	10,219,817	(8,960,052)
Adjusted balance at June 30, 2021	$ 60,153,322	$ 61,065,989	$ (912,667)
Changes recognized for the measurement period:			
Service cost	$ 1,481,728	$ -	$ 1,481,728
Interest on the total pension liability	4,219,136	-	4,219,136
Changes in benefit terms	11,180	-	11,180
Changes of assumptions	1,979,756	-	1,979,756
Differences between expected and actual experience	(259,857)	-	(259,857)
Net plan to plan resource movement	-	(28,280)	28,280
Contributions - employer	-	2,940,463	(2,940,463)
Contributions - employee	-	706,934	(706,934)
Net investment income	-	(4,641,342)	4,641,342
Benefit payments	(2,956,723)	(3,317,064)	360,341
Administrative expenses	-	(38,474)	38,474
Other miscellaneous income (expense)	-	-	-
Net changes	$ 4,475,220	$ (4,377,763)	$ 8,852,983
Balance at measurement date June 30, 2022	$ 64,628,542	$ 56,688,226	$ 7,940,316

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

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

For the years ended December 31, 2022, and 2021, the District recognized pension expenses of $(4,355,155) and $1,103,093, 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			
	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions after measurement date	$ 1,490,404	$ -	$ 10,017,179	$ -
Differences between actual and expected experience	$ 159,457	$ (106,797)	$ 902,428	$ -
Change in assumptions	$ 813,652	$ -	$ -	$ -
Differences between employer's contributions and employer's proportionate share of contributions	$ 6,311,233	$ -	$ 54,245	$ (1,089)
Change in employer's proportion	$ 151,335	$ -	$ 1,288,394	$ -
Net differences between projected and actual earnings on plan investments	$ 1,454,456	$ -	$ -	$ (7,024,942)
Total	$ 10,380,537	$ (106,797)	$ 12,262,246	$ (7,026,031)
Net		$ 10,273,740		$ 5,236,215
Change		$ 5,037,525		$ 3,287,720

The $1,490,404 and $10,017,179 reported 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, 2023 and December 31, 2022, respectively.

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	2022	2021
2022	$ -	$ (699,425)
2023	3,052,961	(885,952)
2024	2,911,954	(1,254,256)
2025	1,928,826	(1,941,331)
2026	889,595	-
Total	$ 8,783,336	$ (4,780,964)

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	
	2022	2021
Report date	December 31, 2022	December 31, 2021
Valuation date	June 30, 2021	June 30, 2020
Measurement date	June 30, 2022	June 30, 2021
Actuarial cost method	Entry-age normal	Entry-age normal
Actuarial assumptions:		
Discount rate (1)	6.90%	7.15%
Inflation	2.30%	2.50%
Payroll growth	2.80%	2.75%
Projected salary increase (2)	3.00% - 10.44%	3.15% - 11.25%
Investment rate of return (3)	7.00%	7.00%
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 rates incorporate Generational Mortality to capture ongoing morality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

I. Discount Rate

The discount rate used by CalPERS to measure the total pension liability was 6.90% in the June 30, 2021 valuation and 7.15% in the June 30, 2020 valuation. 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

	Miscellaneous & PEPRA Plans				
	2022		2021		
Asset Class	Strategic Allocation	Real Return Year 1-10 [a][b]	Strategic Allocation	Real Return Years 1-10 [c]	Real Return Years 11+ [d]
Global equity - cap	30.00%	4.45%	-	-	-
Global equity - non-cap	12.00%	3.84%	-	-	-
Global equity	-	-	50.00%	4.80%	5.98%
Treasury	5.00%	0.27%	-	-	-
Mortgage backed securities	5.00%	0.50%	-	-	-
Investment grade corporates	10.00%	1.56%	-	-	-
High yield	5.00%	2.27%	-	-	-
Emerging market debt	5.00%	2.48%	-	-	-
Private debt	5.00%	3.57%	-	-	-
Global fixed income	-	-	28.00%	1.00%	2.62%
Inflation sensitive	-	-	-	0.77%	1.81%
Private equity	13.00%	7.28%	8.00%	6.30%	7.23%
Real assets	15.00%	3.21%	13.00%	3.75%	4.93%
Leverage	-5.00%	-0.59%	1.00%	0.00%	-0.92%
Total	100.00%		100.00%		

[a] An expected inflation rate of 2.30% used for this period in year 2022.

[b] Figures are based on the 2021-22 Asset Liability Management study.

[c] An expected inflation rate of 2.00% used for this period in year 2021.

[d] An expected inflation rate of 2.92% used for this period in year 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	
	2022	**2021**
Discount decreased 1 percentage point	5.90%	6.15%
Resulting net pension liability	$ 12,902,158	$ 19,218,873
Current discount rate	6.90%	7.15%
Resulting net pension liability	$ 7,940,321	$ 8,047,385
Discount increased 1 percentage point	7.90%	8.15%
Resulting net pension liability (asset)	$ 3,857,961	$ (1,187,925)

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, 2022 and 2021, 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, 2022:

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, 2022 and December 31, 2021:

Membership in Plan

	2022	2021
Valuation Date	December 31, 2021	June 30, 2019
Measurement Date	December 31, 2021	December 31, 2020
Report Date	December 31, 2022	December 31, 2021
Active employees	96	97
Inactive employees and beneficiaries currently receiving benefit payments	13	15
Inactive employees entitled to but not yet receiving benefit payments	0	0
Total	109	112

E. Actuarial Methods and Assumptions

For the report dates of December 31, 2022, and December 31, 2021, the District's net OPEB liability (asset) was measured as of December 31, 2021, and December 31, 2020, respectively. The total OPEB liability (asset) used to calculate the net OPEB liability (asset) for the report date December 31, 2022, was determined by an actuarial valuation dated December 31, 2021. The total OPEB liability (asset) used to calculate the net OPEB liability (asset) for report date December 31, 2021, 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 date December 31, 2020 based on the following actuarial methods and assumptions:

Actuarial Methods and Assumptions

	2022	2021
Valuation Date	December 31, 2021	June 30, 2019
Measurement Date	December 31, 2021	December 31, 2020
Report Date	December 31, 2022	December 31, 2021
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	2.30%	2.50%
Payroll Growth	2.80%	2.75%
Investment Rate of Return	6.00%	6.00%
Mortality Rate	CalPERS (1)	CalPERS (2)
Pre-Retirement Turnover	CalPERS (1)	CalPERS (2)
Healthcare Trend Rate	6.50% non-medicare, 4.00% medicare, trending down to 3.73% by 2075. (4)	6.00% in the first year, trending down to 3.84% over 56 years. (3)

(1) Based on CalPERS Experience Study and Review on Actuarial Assumptions published in November 2021 for Public Agency Miscellaneous members.

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

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

(4) Based on 2022 Getzen model that reflects actual premium increases from 2022 and 2023

Besides the mortality assumption, all other actuarial assumptions used in the December 31, 2021 and June 30, 2019 valuations were based on the CalPERS studies and information provided by SSJID.

F. Discount Rate

The discount rate used to measure the total OPEB liability was 6.00% as of measurement dates December 31, 2021, and December 31, 2020. 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 weighing 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

	2022		2021	
Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Global Equity	49.0%	4.5%	59.0%	6.8%
Fixed Income	23.0%	1.4%	25.0%	3.1%
Treasury Inflation-Protected Securities (TIPS)	5.0%	0.5%	5.0%	2.3%
Real Estate Investment Trusts (REIT)	20.0%	3.7%	8.0%	5.5%
Commodities	3.0%	1.1%	3.0%	3.5%
Total	100.0%		100.0%	

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)

2022			
	Increase (Decrease)		
	(a)	(b)	(a) - (b)
	Total OPEB Liability/(Asset)	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance at measurement date 12/31/20, Report date 12/31/21	$ 4,325,084	$ 4,565,355	$ (240,271)
Changes Recognized for the Measurement Period:			
Service cost	272,088	-	272,088
Interest on the total OPEB liability	266,988	-	266,988
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(1,243,111)	-	(1,243,111)
Changes of assumptions	(34,662)	-	(34,662)
Contributions:			-
Employer - District contribution	-	299,084	(299,084)
Employer - Implicit subsidy	-	-	-
Net investment income	-	624,585	(624,585)
Trust Administrative expenses	-	(2,411)	2,411
Benefit payments	(299,084) [1]	(299,084)	-
Implicit rate subsidy fulfilled	-	-	-
Changes	(1,037,781)	622,174	(1,659,955)
Balance at measurement date 12/31/21, Report date 12/31/22	$ 3,287,303	$ 5,187,529	$ (1,900,226)

[1] Based on explicit benefit payment of $236,420 and estimated implicit subsidy payment of $62,664

Changes in Net OPEB Liability (Assets)

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)

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

	2022	2021
Discount decreased 1 percentage point	5.00%	5.00%
Resulting net OPEB liability/(asset)	$ (1,640,839)	$ 338,425
Current discount rate	6.00%	6.00%
Resulting net OPEB liability/(asset)	$ (1,900,226)	$ (240,271)
Discount increased 1 percentage point	7.00%	7.00%
Resulting net OPEB liability/(asset)	$ (2,135,515)	$ (309,228)

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% - 2.73%) or 1-percentage-point higher (7.50% - 4.73%) than the current healthcare cost trend rates:

Sensitivity to Healthcare Cost Trend

	2022	2021
Trend rates decreased 1 percentage point		
Resulting net OPEB liability/(asset)	$ (2,223,981)	$ (477,807)
Current healthcare cost trend rates		
Resulting net OPEB liability/(asset)	$ (1,900,226)	$ (240,271)
Trend rates increased 1 percentage point		
Resulting net OPEB liability/(asset)	$ (1,516,840)	$ 562,624

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

For the years ended December 31, 2022, and December 31, 2021, the District recognized OPEB expense of $(163,108) and $55,406, 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

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	$ 161,975	$ -	$ 258,939	$ -
Differences between expected and actual experience	20,730	(1,659,870)	23,494	(640,249)
Changes of assumptions	136,524	(58,440)	157,892	(31,313)
Net differences between projected and actual earnings on OPEB investments	-	(571,837)	-	(404,809)
Total	$ 319,229	$ (2,290,147)	$ 440,325	$ (1,076,371)

The $161,975 and $258,939 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, 2023, and December 31, 2022, 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	2022	2021
2022	$ -	$ (178,479)
2023	(358,453)	(146,332)
2024	(426,948)	(214,827)
2025	(336,968)	(124,847)
2026	(277,040)	(64,919)
2027	(207,049)	-
Thereafter	(526,435)	(165,581)
Total	$ (2,132,893)	$ (894,985)

K. Payable to the OPEB Plan

At December 31, 2022, the District had no amounts payable to the OPEB plan for the outstanding amount of contributions to the OPEB plan.

NOTE 13 – Risk Management

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

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

2022		
Type of Coverage	**Limit per Occurrence**	**Deductible**
Property	$1,000,000,000	$ 10,000
Boiler & Machinery	100,000,000	10,000
Flood	20,000,000	1,000,000
Pollution	2,000,000	10,000
Cyber	2,000,000	50,000
Catastrophic Loss	1,000,000,000	500,000
Mobile/Contractors Equipment	1,000,000,000	10,000
General Liability - Bodily	10,000,000	-
General Liability - Property Damage	10,000,000	500
Public Officials Personal	500,000	500
Employment Benefits	10,000,000	-
Employee/Public Officials E&O	10,000,000	-
Employment Practices Liability	10,000,000	-
Employee/Public Officials Dishonesty	1,000,000	10,000
Auto Bodily Injury	10,000,000	-
Auto Property Damage	10,000,000	1,000
Non-owned Auto Bodily Injury	10,000,000	-
Non-owned Auto Property Damage	10,000,000	1,000
Uninsured Motorist	1,000,000	Per Item
Auto Physical Damage	200,000	Per Item
Auto Physical Damage - High dollar vehicles	1,000,000,000	Per Item
Trailer	100,000	250
Worker's Compensation - Liability	5,000,000	-
Worker's Compensation	Statutory	-
Excess Insurance	40,000,000	-

2021		
Type of Coverage	**Limit per Occurrence**	**Deductible**
Property	$1,000,000,000	$ 10,000
Boiler & Machinery	100,000,000	10,000
Flood	20,000,000	1,000,000
Pollution	2,000,000	10,000
Cyber	2,000,000	50,000
Catastrophic Loss	1,000,000,000	500,000
Mobile/Contractors Equipment	1,000,000,000	10,000
General Liability - Bodily	10,000,000	-
General Liability - Property Damage	10,000,000	500
Public Officials Personal	500,000	500
Employment Benefits	10,000,000	-
Employee/Public Officials E&O	10,000,000	-
Employment Practices Liability	10,000,000	-
Employee/Public Officials Dishonesty	1,000,000	-
Auto Bodily Injury	10,000,000	-
Auto Property Damage	10,000,000	1,000
Non-owned Auto Bodily Injury	10,000,000	-
Non-owned Auto Property Damage	10,000,000	1,000
Uninsured Motorist	1,000,000	Per Item
Auto Physical Damage	200,000	Per Item
Auto Physical Damage - High dollar vehicles	1,000,000,000	Per Item
Trailer	100,000	250
Worker's Compensation - Liability	5,000,000	-
Worker's Compensation	Statutory	-
Excess Insurance	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

The District is a defendant in a number of lawsuits which have arisen in the normal course of business. The outcome of these lawsuits cannot be predicted. The following lawsuits were outstanding as of December 31, 2022.

A. Litigation

South San Joaquin Irrigation District v. Pacific Gas & Electric Company (PG&E)
(San Joaquin County Superior Court, Case No. STK-CV-UED-2016-0006638)

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 excess of $400,000. 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:

	2022	
Project Description	Total Contract Amount	Remaining Commitment at December 31
Membrane filter module replacements to be installed at Water Treatment Plant facility	$ 5,180,589	$ 3,108,353
Variable Frequency Drive	$ 112,195	$ 112,195
Consultation to recommend design of a future bypass of a portion of the Joint Supply Canal	$ 1,162,995	$ 136,006

	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

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, 2022 subsequent to the financial statements or disclosures as of September 1, 2023. The District is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

NOTE 16 – New Accounting Standards

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

Governmental Accounting Standards Board Statement No. 94

In March 2020, the GASB issued Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this statement is to improve financial reporting by addressing 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, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 96

In May 2020, the GASB issued 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 (governments). 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. The requirements of this statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 99

In April 2022, the GASB issued Statement No. 99 – *Omnibus 2022*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements. The requirements of this statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 100

In June 2022, the GASB issued Statement No. 100 – *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This statement also addresses corrections of errors in previously issued financial statements.

The requirements of this statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections. The requirements of this statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 101

In June 2022, the GASB issued Statement No. 101 – *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit post-employment benefits should not be included in a liability for compensated absences.

The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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]

	2022	2021	2020
Percentage share of the net pension liability	0.1696930%	0.4238137%	0.3380852%
SSJID share of the net pension liability	$ 7,940,321	$ 8,047,385	$ 14,260,690
Covered payroll	$ 9,223,847	$ 9,025,958	$ 8,456,530
SSJID share of the net pension liability as a percentage of covered payroll	86.08%	89.16%	168.64%
Plan fiduciary net position	$ 16,770,671,339	$ 18,065,791,524	$ 14,702,361,183
Plan total pension liability	$ 21,449,898,398	$ 19,964,594,105	$ 18,920,437,526
Plan fiduciary net position as a percentage of the total pension liability	78.19%	90.49%	77.71%

	2019	2018	2017
Percentage share of the net pension liability	0.3323179%	0.3282919%	0.3235728%
SSJID share of the net pension liability	$ 13,307,675	$ 12,372,379	$ 12,755,395
Covered payroll	$ 7,919,542	$ 7,153,342	$ 7,034,742
SSJID share of the net pension liability as a percentage of covered payroll	168.04%	172.96%	181.32%
Plan fiduciary net position	$ 13,979,687,268	$ 13,122,440,092	$ 12,074,499,781
Plan total pension liability	$ 17,984,188,264	$ 16,891,153,209	$ 16,016,547,402
Plan fiduciary net position as a percentage of the total pension liability	77.73%	77.69%	75.39%

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

Notes to Schedule:

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

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

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

	2022	2021	2020
Valuation date	June 30, 2021	June 30, 2020	June 30, 2019
Contractually required contribution (actuarially determined)	$ 1,757,068	$ 2,221,813	$ 1,964,780
Contributions in relation to the actuarially determined contributions	(1,757,068)	(2,221,813)	(1,964,780)
Contribution deficiency (excess)	$ -	$ -	$ -
Covered payroll	$ 9,223,847	$ 9,025,958	$ 8,456,530
Contributions as a percentage of covered payroll	19.05%	24.62%	23.23%

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

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

Methods and assumptions used to determine contribution rates:

Actuarial method	Entry age normal cost method
Amortization method	Difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over average remaining service life of participants.
Remaining amortization period	Not stated
Asset valuation method	5-year smoothed market
Inflation	2.30% for 2022 and 2.50% for 2021
Salary increases	For 2022 and 2021, 2.75% and additional merit-based increases based on CalPERS merit salary increase tables.
Discount rate	6.8% for 2022 and 2021, 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 Contributions to the Other Post-Employment Benefits Plan (unaudited) Last 10 Years [1]

	2022	2021	2020	2019
Valuation date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Actuarially determined contribution	$ 311,986	$ 304,596	$ 342,736	$ 338,628
Contributions in relation to the actuarially determined contribution	241,611	299,084	506,595	260,364
Contribution deficiency (excess)	$ 70,375	$ 5,512	$ (163,859)	$ 78,264
Covered payroll	$ 9,750,000	$ 7,887,157	$ 7,661,740	$ 7,091,347
Contributions as a percentage of covered payroll	2.48%	3.79%	6.61%	3.67%
Methods and assumptions used to determine contribution rates:				
Discount rate	6.00%	6.00%	6.00%	7.01%
Inflation	2.30%	2.50%	2.50%	2.50%
Payroll growth	2.80%	2.75%	2.75%	2.75%
Investment rate of return	6.00%	6.00%	6.00%	7.01%
Mortality rate	CalPERS [7]	CalPERS [3]	CalPERS [3]	CalPERS [2]
Pre-retirement turnover	CalPERS [7]	CalPERS [3]	CalPERS [3]	CalPERS [2]
Healthcare trend rate	6.50% in the first year, trending down to 3.73% over 54 years. [6]	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.

[6] Based on 2022 Getzen model that reflects actual premium increases from 2022 to 2023.

[7] Based on CalPERS Experience Study and Review of Actuarial Assumptions published in Nov. 2021 for Public Agency Misc. Members

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

	2022	2021	2020	2019
Measurement Date	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018
Total OPEB Liability				
Service cost	$ 272,088	$ 264,806	$ 220,129	$ 222,537
Interest	266,988	252,452	315,817	286,539
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	(1,243,111)	26,258	(810,983)	-
Changes of assumptions	(34,662)	(34,997)	189,008	13,092
Benefit payments	(236,420)	(200,108)	(142,970)	(160,748)
Implicit rate subsidy fulfilled	(62,664)	(52,231)	(117,394)	(97,025)
Net change in total OPEB liability	(1,037,781)	256,180	(346,393)	264,395
Total OPEB liability - beginning	4,325,084	4,068,904	4,415,297	4,150,902
Total OPEB liability - ending [a]	$ 3,287,303	$ 4,325,084	$ 4,068,904	$ 4,415,297
Plan Fiduciary Net Position				
Contributions - employer	$ 236,420	$ 454,364	$ 142,970	$ 572,655
Contributions - employer implicit subsidy	62,664	52,231	117,394	97,025
Net investment income (loss)	624,585	532,159	671,197	(132,663)
Administrative expense	(2,411)	(1,376)	(1,244)	(703)
Benefit payments	(236,420)	(200,108)	(142,970)	(160,748)
Implicit rate subsidy fulfilled	(62,664)	(52,231)	(117,394)	(97,025)
Net change in plan fiduciary net position	622,174	785,039	669,953	278,541
Plan fiduciary net position - beginning	4,565,355	3,780,316	3,110,363	2,831,822
Plan fiduciary net position - ending [b]	$ 5,187,529	$ 4,565,355	$ 3,780,316	$ 3,110,363
Net OPEB liability (asset) [(a)-(b)]	$ (1,900,226)	$ (240,271)	$ 288,588	$ 1,304,934
Plan fiduciary net position as a percentage of the total OPEB liability [(b) / (a)]	157.81%	105.56%	92.91%	70.45%
Covered payroll	$ 9,223,847	$ 7,887,157	$ 7,661,740	$ 7,091,347
Net OPEB liability (asset) as a percentage of covered payroll	-20.60%	-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.

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, 2022, and the related notes to the basic financial statements and have issued our report thereon dated September 1, 2023.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2022-01 and 2022-02 that we consider to be significant deficiencies.

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*.

The District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
September 1, 2023

2022-01 – Financial Closing and Reporting Process

Condition

During our audit procedures, we noted there was an ineffective design and operation of the financial closing and reporting process, resulting in untimely financial statements and delays in finalizing the Annual Financial Report for the December 31, 2022 year end audit.

Criteria

Management is responsible for establishing and maintaining internal control and for the fair presentation of the financial statements, in conformity with U.S. generally accepted accounting principles (GAAP).

Cause of Condition

District staff encountered difficulties in prioritizing tasks to complete the required journal entries and schedules for the financial statements in a timely manner during the year.

Effect of Condition

Potential of material misstatement and undue pressure on the audit.

Recommendation

We recommend the District implement controls and a process to close their financial records prior to the start of the audit so that audit procedures and risk assessment procedures can be appropriately developed, and audit work completed in a timely manner.

Management Response

Staff recognizes that there were challenges in providing information in a timely manner. In order to increase the timeliness and accuracy of financial reporting, Finance is making changes in its policies and procedures with a view to improving and prioritizing annual audits to comply efficiently in meeting deadlines.

2022-02 – Pension Calculation Adjustment

Condition

During the audit procedures performed and through inquiry with the District, we noted an error in the pension calculation performed by the District for contributions made during and subsequent to the measurement period resulting in Deferred Outflows of Resources to be overstated by $2,261,101, Deferred Inflows of Resources to be overstated by $862,300, and pension expense to be understated by $1,398,801.

Criteria

Internal controls should be designed in a way that calculations are reviewed along with the support for manually entered amounts and accurate for the fair statement of pension accounts.

Cause of Condition

The pension calculation relating to deferred outflows and inflows of resources was not updated in the current year for Unfunded Actuarial Liability (UAL) contributions made during and subsequent to the measurement period.

Effect of Condition

Potential for a material misstatement in the financial statements.

Recommendation

We recommend the District implement controls to increase their review procedures to verify the accuracy of data used in pension calculations. Such controls should detect potential misstatements and ensure the accuracy of pension accounts.

Management Response

Staff will exercise due diligence in the future to ensure a thorough and comprehensive review of all pension calculations. Internal controls will be strengthened by specifying these requirements in written procedures for the pension calculation. This will also include a thorough review of all supporting documentation to ensure that calculations are properly supported to better ensure the accuracy of all pension accounts. We will continue to review and implement new preventive and detective controls.