SSJID

SOUTH SAN JOAQUIN
IRRIGATION DISTRICT

Annual Financial Report 2017

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South San Joaquin Irrigation District

Annual Financial Report

December 31, 2017 and 2016

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Independent Auditor’s Report

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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying basic financial statements of the South San Joaquin Irrigation District (District) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of the District as of December 31, 2017 and 2016, and changes in the financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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Emphasis of Matters

The District adjusted its beginning balance of net position as discussed in Note 1O to the financial statements.

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplemental Information, listed in the Table of Contents is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Maze + Associates

Pleasant Hill, California
September 5, 2018

Management’s Discussion and Analysis

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Management's Discussion and Analysis

Introduction

In this discussion and analysis, management provides an overview of the South San Joaquin Irrigation District's ("the District" or "SSJID") financial position at December 31, 2017 and 2016 and its financial performance for the years then ended. Condensed financial information from 2015 is also presented for comparison only. Limited information is presented about conditions and events that may affect the district's future financial position and performance. The intent is to provide context for understanding the financial statements and the District's prospects. This discussion and analysis presents management's perspective and should be read in conjunction with the District's financial statements and accompanying notes which follow this discussion and analysis.

Financial Statements

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

Balance Sheet

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

Statement of Revenues, Expenses, and Changes in Net Position

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

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

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

Statement of Cash Flows

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

Financial Highlights

Highlights from the financial statements are discussed below.

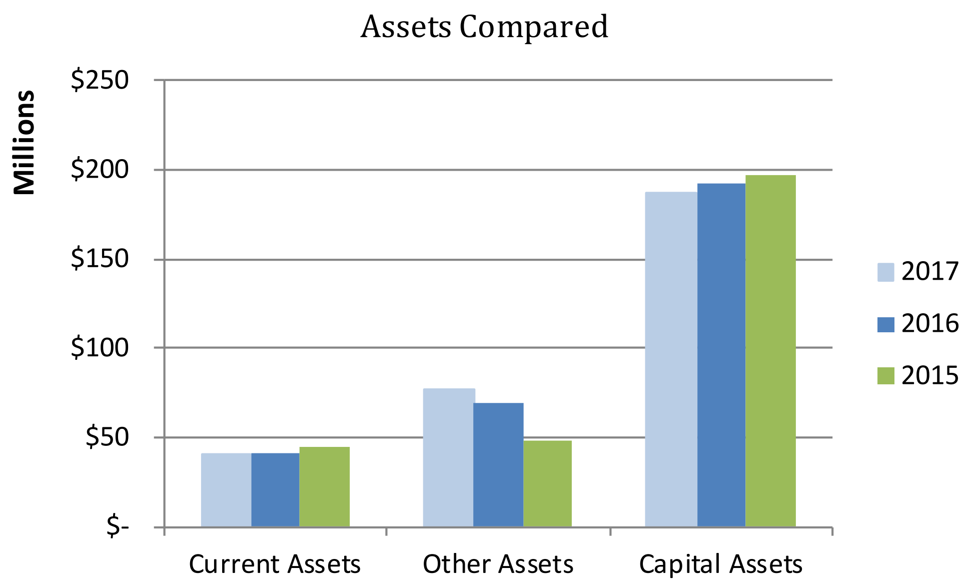
Balance Sheet Discussion

Condensed Balance Sheets
As of December 31

	2017	Restated 2016	Restated 2015
Current assets	$ 40,918,810	$ 41,640,096	$ 44,352,264
Other assets and investments	77,436,687	69,031,158	49,017,503
Capital assets	187,844,204	192,893,734	197,143,557
Total assets	306,199,701	303,564,988	290,513,324
Deferred outflows of resources	3,183,368	4,170,988	3,040,448
Total assets and deferred outflows	$ 309,383,069	$ 307,735,976	$ 293,553,772
Current liabilities	$ 6,453,372	$ 6,197,440	$ 3,322,688
Long-term liabilities	15,756,298	16,779,969	17,350,330
Total Liabilities	22,209,670	22,977,409	20,673,018
Deferred inflows of resources	499,938	750,202	781,809
Net investment in capital assets	182,756,899	185,362,447	189,493,208
Restricted net position	8,373,731	7,740,914	7,490,015
Unrestricted position	95,542,831	90,905,004	75,115,722
Total net position	286,673,461	284,008,365	272,098,945
Total liabilities, deferred inflows, and net position	$ 309,383,069	$ 307,735,976	$ 293,553,772

The Tri-Dam Project's 2015 financial statements were restated due to corrections made to the Project's deferred outflows and deferred inflows related to the implementation of GASB Statement No. 68. The effect on the District's 2016 financial statements is to increase "Investment in Tri-Dam Project" by $631,483. In SSJID's annual financial report for 2016, as described in Note 2.O, the Tri-Dam Project restatement was not properly reflected in the amounts for 2016. Therefore the 2016 amounts are restated in this report. The effect is to reduce the Investment in Tri-Dam Project and SSJID's Net Position each by $631,483 for December 31, 2016.

We have discovered that since 1997, several new capital assets which were built and contributed to the District by real estate developers had not been recorded and recognized in prior financial statements. As a result, the 2016 financial statements have been restated to correct depreciation expense, gain or loss on property and equipment, and capital contributions for 2016; and depreciable capital assets, accumulated depreciation, and net position. The details of this restatement are described in Note 2.O.



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

- Current assets decreased $2.7 million in 2016 as about $7.3 million of unrestricted cash and cash equivalents was invested in noncurrent securities. Partially offsetting the effect of leaving less cash uninvested were lesser increases in accounts receivable and current marketable securities.

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

- During 2016, other assets increased by $20 million. Over $15 million of this increase is an increase in the balance of noncurrent unrestricted investments in marketable securities. In addition, the balance of the investment in the Tri-Dam Project grew by $4.5 million during 2016.

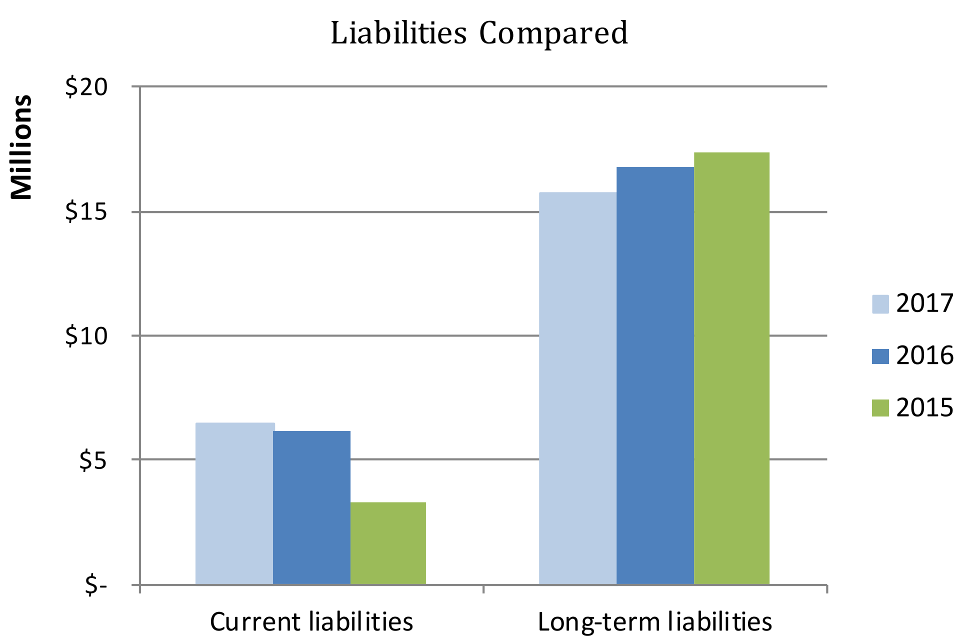
- Capital assets decreased by $5 million in 2017 and $4.25 million in 2016 because depreciation expense exceeded capital asset additions.

- Deferred outflows of resources decreased about $800,000 in 2017 because the deferred outflow for refunding of long-term debt decreased $77,000 due to scheduled amortization over the remaining term of the 2012A bonds, and because the deferred outflow of resources for pension plans decreased $720,000 due to changes in certain components of the net pension liability as prescribed by GASB 68.

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

The changes in certain components of the net pension liability are added to or subtracted from deferred outflows of resources and then amortized to pension expense over the estimated average remaining service life of the plan members in order to reduce year-to-year volatility of pension expense.

- Deferred outflows of resources decreased $2.5 million in 2016 because the deferred outflow for refunding of long-term debt decreased $103,000 due to scheduled amortization over the remaining term of the 2012A bonds, and because the deferred outflow of resources for pension plans increased $2.6 million due to changes in certain components of the net pension liability as prescribed by GASB 68.



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

- Current liabilities grew by $2.9 million during 2016 mostly because the current portion of long term debt rose by $2.3 million. At the end of 2015, the current amount of long term debt was negligible because bonds of the 2012A series maturing during 2016, which would have made up the current portion of long term debt at the end of 2015, had been defeased during 2015. No such defeasance was undertaken in 2016, so the 2017 maturities, which made up the current portion of long term debt at the end of 2016, were outstanding obligations of the District as of that date.

- Long term liabilities decreased by $1 million in 2017 due primarily to the net amount of changes in long-term debt and net pension liability. The non-current portion of long-term debt, comprising the 2012A revenue bonds, dropped by $2.6 million as a consequence of scheduled debt service. The net pension liability increased by $1.6 million in accordance with actuarial information provided by CalPERS.

- In 2016 long term liabilities decreased by $600,000 as long term debt was reduced by $2.5 million in accordance with the debt service schedule for the 2012A bonds, and the CalPERS estimate of the net pension liability grew by $1.9 million. The increase in the net estimated net pension liability was caused by the accrual of interest on the total pension liability which amounted to just over $1 billion for the entire risk pool. This was partly offset by a number of favorable differences between expected and actual experience for several actuarial assumptions which are a basis for determining plan contributions. The net increase in the net pension liability was $730 million for the entire risk pool.

- The amount of deferred inflows of resources declined $60,000 in 2017 as a consequence of certain changes in the net pension liability resulting from actuarial information provided by CalPERS. These changes are added to deferred inflows of resources and then amortized to pension expense over the estimated average remaining service life of the plan members in order to reduce year-to-year volatility of pension expense.

- In 2016, the deferred inflow of resources increased by $1.3 million in 2016 because of changes in certain components of the net pension liability as prescribed by GASB 68.

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

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

Restricted Assets	2017	2016	2015
Debt service reserve fund	$ 1,802,137	$ 1,797,969	$ 1,798,524
Capital replacement fund - water treatment plant	6,504,498	5,908,968	5,652,987
Accrued interest receivable on restricted investments	67,096	33,977	38,503
Total restricted assets	$ 8,373,731	$ 7,740,914	$ 7,490,014

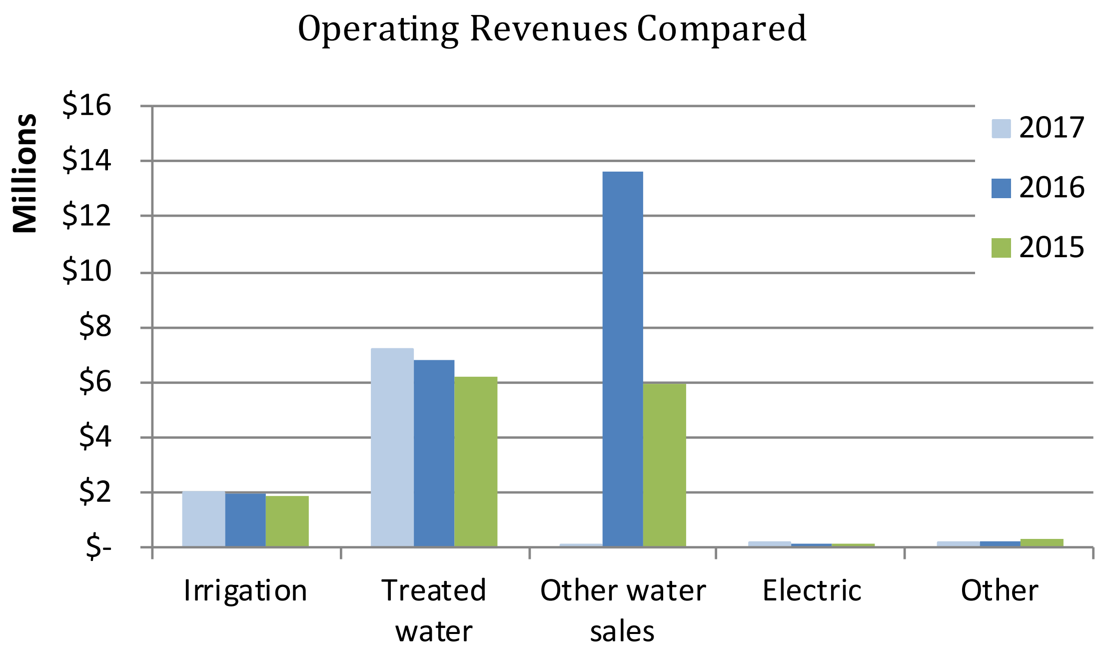
Revenues and Expenses Discussion

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

For the Years Ended December 31

	2017	Restated 2016	Restated 2015
Treated water sales	$ 7,215,164	$ 6,777,879	$ 6,234,979
Other water sales	2,037,017	15,571,683	$ 7,835,345
Other income	390,318	443,528	$ 502,374
Total Operating Revenues	9,642,499	22,793,090	14,572,698
Labor	15,922,724	13,872,774	10,927,577
Other operating and maintenance	3,454,703	3,848,242	3,422,295
General and administrative	7,061,164	5,787,293	4,247,941
Depreciation	7,457,204	7,356,554	8,248,541
Total Operating Expenses	33,895,795	30,864,863	26,846,354
Net loss from operations	(24,253,296)	(8,071,773)	(12,273,656)
Net nonoperating revenues	24,916,170	17,238,545	7,863,437
Net Income (Loss) before Contributions	662,874	9,166,772	(4,410,219)
Capital contributions	2,002,222	2,742,648	1,264,668
Change in Net Position	2,665,096	11,909,420	(3,145,551)
Net position, beginning of year as previously reported	280,355,135	269,102,365	272,255,335
Net position, beginning of year restated	284,008,365	272,098,945	275,244,496
Net Position, End of Year	$ 286,673,461	$ 284,008,365	$ 272,098,945

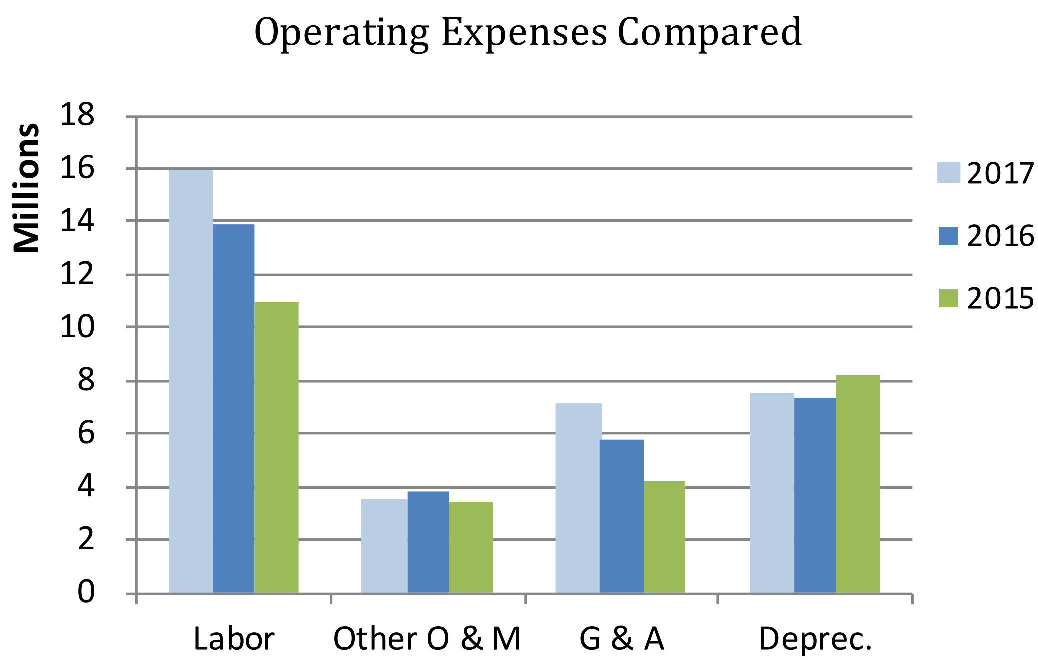
As explained above and in Note 2. O, the financial statements of December 31, 2016 and 2015 are restated to correct investment in Tri-Dam Project due to a restatement of Tri-Dam Project's 2016 financial statements, and to correct depreciation expense, capital contributions, gain or loss on property and equipment, depreciable capital assets, accumulated depreciation, and net position due to the discovery of unrecorded capital assets during the period of 1997 to 2016, inclusive.



- Treated water sales to the cities of Manteca, Lathrop, and Tracy grew by $437,000 (6.5%) in 2017 and by $543,000 (8.7%) in 2016 in response to the end of a multi-year drought.

- Other water sales fell by $13.5 million in 2017 after growing by $7.7 million in 2016. In both years the changes were mostly because of water transfers to the California Department of Water Resources and the San Luis & Delta-Mendota Water Authority that occurred in 2016 but not in 2017. These parties compensated SSJID $9.75 million in 2016 for 32,500 acre-feet of water. The purpose of these reservoir releases was to aid fish survival.

- Irrigation, electric, and other income were nearly unchanged in 2017 and 2016.



- 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 standard for pension expense and net pension liability promulgated as GASB 68. This is why labor expense, including taxes and benefits, rose $2 million (15%) in 2017 and almost $3 million or 27% in 2016. The largest component of these changes is pension expense.

- Payroll actually rose only $315,000 in 2017 (4.6%) and $41,000 in 2016 (0.6%). The very small increase in 2016 is due to open positions and the replacement of certain employees who left the District at the top of their pay range by new employees at the bottom of their range. The larger wage increase in 2017 is caused by filling some open positions and cost of living adjustments.

- Before GASB 68, pension expense was the amount of pension contributions made by the employer. Under the provisions of GASB 68 pension expense now has an added component. The added component is an annual adjustment to reflect the annual fluctuation in the estimated amount of the net pension liability and related deferred outflows and inflows of resources.

  In 2017 the GASB 68 adjustment increased pension expense $2.9 million above the amount of the District's pension contributions for the year. In 2016, this GASB 68 adjustment increased pension expense $2.6 million above the amount the District actually contributed. These additions ($2.9 million in 2017 and $2.6 million in 2016) to pension expense do not represent any additional cash outlay. Employer contributions run only about $1.7 million per year, including the annual payment against the net pension liability.

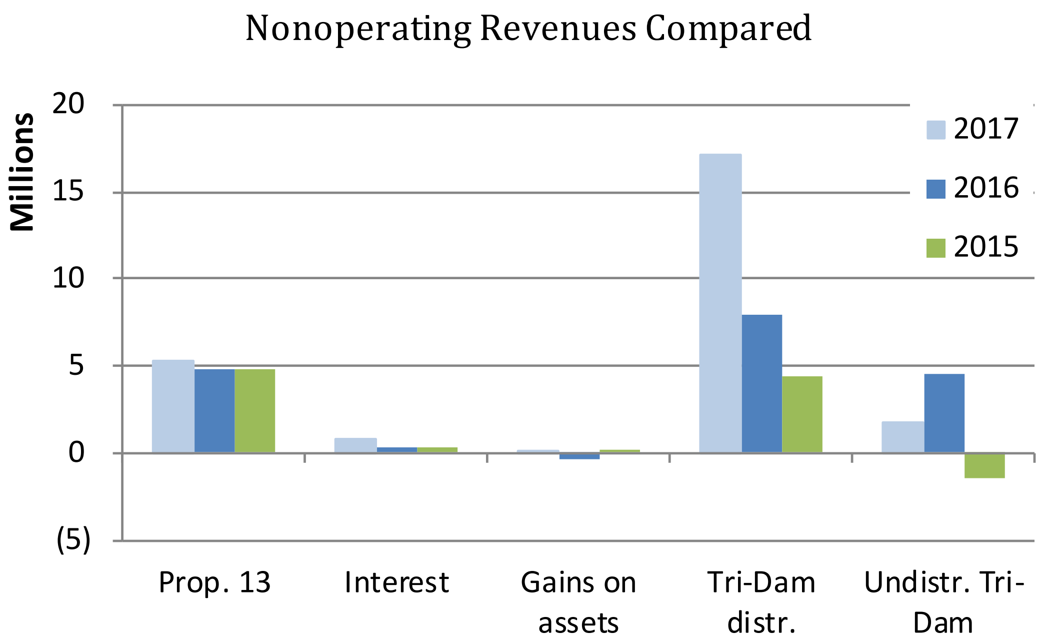
The wide year-to-year fluctuations of the GASB 68 adjustment are a direct result of wide year-to-year fluctuations in the estimated amount of the net pension liability. The amount of the net pension liability is a rough estimate provided to the District by PERS actuaries based on a number of critical assumptions that consistently materialize differently than expected. These differences from expectations are more volatile from year-to-year than over a much longer period, such as an employee's actual term as an active employee.

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

- In 2016, other operating and maintenance expense rose $426,000 or 12%. Contributors to this increase were increased spending on outside contractors to clean out pipelines, security, a document management project, graphic design services, and increased purchases of aquatic herbicides.

- General and administrative expense increased $1.3 million in 2017 and $1.5 million in 2016 as SSJID stepped up the legal process to acquire electric distribution assets from PG&E after obtaining regulatory approval for the District's electric utility project in 2014.

- Depreciation expense increased $100,000 in 2017 due to growth in the balance of capital assets. Depreciation expense decreased $900,000 in 2016 almost entirely because of the adjustment made at December 31, 2015 to restate depreciation expense and accumulated depreciation.



- Net nonoperating revenues grew $7.6 million in 2017, or 44%, and $9.3 million in 2016, or 119%, almost entirely because of increased earnings at Tri-Dam.
- Capital contributions increased more than $700,000 in 2017 due to new capital assets built and contributed by other real estate developers to the District.
- Change in net position fell by $9.2 million in 2017 after jumping $15 million in 2016. In both years the changes were mostly attributable to changes in wholesale water transfers.

Capital Assets and Debt Discussion

Summary of Capital Assets
For the Years Ended December 31

	2017	Restated 2016	Restated 2015
Land	$ 7,730,310	$ 7,730,310	$ 7,730,310
Construction in progress	263,628	1,926,848	1,366,956
Water treatment plant & transmission line	127,459,902	127,640,690	126,862,781
Other buildings	1,735,707	1,559,475	1,559,475
Solar generating plant	11,974,734	11,974,734	11,974,734
Irrigation system	112,850,442	110,621,822	109,446,476
Vehicles and equipment	15,945,706	15,208,286	14,920,076
Total	277,960,429	276,662,165	273,860,808
Less: accumulated depreciation	(90,116,225)	(83,768,431)	(76,717,251)
Net capital assets	$ 187,844,204	$ 192,893,734	$ 197,143,557

- Total capital assets showed a net decrease of $5 million in 2017 and $4.3 million in 2016 as depreciation exceeded additions in both years. In 2017, most of the increases were for improvements to the irrigation distribution system and additions to vehicles and equipment. In 2016 the increases were for the same categories plus water treatment plant improvements.

- See Note 6 for additional information about capital assets.

Summary of Long Term Debt
For the Years Ended December 31

	2017	2016	2015
2012A bonds incl. original issue premium	$ 5,144,431	$ 7,665,375	$ 7,887,413

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

- Long term debt decreased only $222,000 in 2016. This was the amount of amortization of the original issue premium. The principal balance of the 2012A bonds did not decrease during 2016 because the 2016 maturities were defeased during 2015.

- Debt service coverage ratios were 505% for 2017 and 5,916% for 2016. The ratio for 2016 was much higher than usual because of the 2015 defeasance of the 2016 maturities, and the increases in other water sales revenues.

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

Expectations for 2018

As of the date of this report, distributions of the Tri-Dam organizations are expected to increase about $8 million from the level of 2017 partly because the distribution that would typically have been declared in December 2016 by the Tri-Dam Authority was declared and received in 2017 instead; and partly because generation by the Tri-Dam Project during the second half of 2017 was very strong, leading to a healthy distribution in January 2018. Water transfers are expected to total about $6.2 million during 2018.

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

Requests for Information

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

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Basic Financial Statements

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South San Joaquin Irrigation District
Balance Sheets
December 31, 2017 and 2016

	2017	Restated 2016
ASSETS AND DEFERRED OUTFLOWS		
ASSETS		
Current Assets		
Cash & cash equivalents - unrestricted	$ 10,494,794	$ 3,700,112
Investments in marketable securities	23,798,452	29,760,397
Accounts receivable	5,511,231	7,265,773
Accrued interest receivable - unrestricted	428,454	347,347
Prepaid expenses	630,813	520,688
Inventories	55,066	45,779
Total Current Assets	40,918,810	41,640,096
Other Assets and Investments		
Cash & cash equivalents - restricted	1,915,713	2,555,943
Accrued interest receivable - restricted	67,096	33,977
Investments in securities - unrestricted (net of current amounts)	24,086,526	17,866,950
Investments in securities - restricted (reserves for debt service, construction, water treatment plant)	6,390,922	5,150,994
Notes and loans receivable (including accrued interest)	-	195,594
Investment in Tri-Dam Project	44,976,430	43,227,700
Total Other Assets and Investments	77,436,687	69,031,158
Capital Assets		
Non-depreciable	7,993,938	9,657,158
Depreciable	269,966,491	267,005,007
Less accumulated depreciation	(90,116,225)	(83,768,431)
Total Capital Assets	187,844,204	192,893,734
TOTAL ASSETS	306,199,701	303,564,988
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding of long term debt	57,126	134,088
Pension	3,126,242	4,036,900
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,183,368	4,170,988
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 309,383,069	$ 307,735,976

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

South San Joaquin Irrigation District
Balance Sheets
December 31, 2017 and 2016

	2017	Restated 2016
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable	$ 704,885	$ 826,264
Construction contract retentions payable	5,162	26,025
Accrued expenses	412,926	416,048
Unearned revenue	1,324,725	1,322,933
Current portion of long-term debt	2,552,549	2,520,944
Compensated absences	1,453,125	1,085,226
Total Current Liabilities	6,453,372	6,197,440
Long-Term Liabilities		
Long-term debt	2,591,882	5,144,431
Net obligation for other post-employment benefits	263,948	169,207
Compensated absences	145,073	286,150
Net pension liability	12,755,395	11,180,181
Total Long-Term Liabilities	15,756,298	16,779,969
TOTAL LIABILITIES	22,209,670	22,977,409
DEFERRED INFLOWS OF RESOURCES		
Pension	499,938	750,202
NET POSITION		
Net investment in capital assets	182,756,899	185,362,447
Restricted	8,373,731	7,740,914
Unrestricted	95,542,831	90,905,004
TOTAL NET POSITION	286,673,461	284,008,365
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	$ 309,383,069	$ 307,735,976

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, 2017 and 2016

	2017	Restated 2016
OPERATING REVENUES		
Irrigation sales	$ 1,990,097	$ 1,958,039
Treated water sales	7,215,164	6,777,879
Other water sales	46,920	13,613,644
Electric sales	198,375	177,887
Other	191,943	265,641
Total Operating Revenues	9,642,499	22,793,090
OPERATING EXPENSES		
Wages	7,178,654	6,863,746
Payroll taxes and benefits	8,744,070	7,009,028
Materials and supplies	1,569,721	1,901,176
Maintenance, repairs, and improvements	794,661	1,015,340
Utilities	1,090,321	931,726
General and administrative	7,061,164	5,787,293
Depreciation	7,457,204	7,356,554
Total Operating Expenses	33,895,795	30,864,863
Net Loss From Operations	(24,253,296)	(8,071,773)
NONOPERATING REVENUES (EXPENSES)		
Proposition 13 subvention property taxes	5,324,105	4,882,092
Interest income	2,002,481	1,332,948
Changes in market value of investments	(1,241,319)	(993,327)
Interest expense	(181,267)	(252,909)
Gain (loss) on property and equipment	77,901	(311,209)
Tri-Dam Power Authority distributions	692,000	-
Tri-Dam Project distributions	16,386,500	7,959,088
Undistributed earnings of Tri-Dam Project	1,748,730	4,521,780
Other nonoperating revenues	107,039	100,082
Total Nonoperating Revenues (Expenses)	24,916,170	17,238,545
Net (Loss) before Contributions	662,874	9,166,772
Capital contributions	2,002,222	2,742,648
Change in Net Position	2,665,096	11,909,420
Net Position, Beginning of Year as Previously Reported	280,355,135	269,102,365
Restatement	3,653,230	2,996,580
Net Position, Beginning of Year Restated	284,008,365	272,098,945
NET POSITION, END OF YEAR	$ 286,673,461	$ 284,008,365

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, 2017 and 2016

	2017	Restated 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 11,521,270	$ 20,005,238
Other receipts	35,266	34,557
Payments for goods and services	(15,459,205)	(14,190,061)
Payments to employees for services	(8,337,839)	(8,141,557)
Cash Used by Operating Activities	(12,240,508)	(2,291,823)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property tax receipts	5,181,088	4,708,088
Tri Dam Power Authority cash distributions	692,000	-
Other nonoperating revenue	107,039	100,082
Cash Provided by Noncapital Financing Activities	5,980,127	4,808,170
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions	2,002,222	2,742,648
Proceeds from the sale of capital assets	79,500	24,510
Purchase of capital assets	(2,749,557)	(2,965,083)
Principal payments on long-term debt	(2,355,000)	-
Interest payments on long-term debt	(293,800)	(439,770)
Cash Used by Capital and Related Financing Activities	(3,316,635)	(637,695)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,888,253	1,167,267
Purchases of investment securities	(44,653,579)	(57,714,792)
Proceeds from sales and maturities of investment securities	41,914,700	37,644,055
Decrease (Increase) in notes and loans receivable	195,594	119,622
Tri Dam Project cash distributions	16,386,500	7,959,088
Cash Provided by Investing Activities	15,731,468	(10,824,760)
Net Increase (Decrease) in Cash and Cash Equivalents	6,154,452	(8,946,108)
Cash and Cash Equivalents at Beginning of Year	6,256,055	15,202,163
Cash and Cash Equivalents at End of Year	$ 12,410,507	$ 6,256,055
RECONCILIATION OF CASH TO BALANCE SHEET		
Cash & cash equivalents - unrestricted	$ 10,494,794	$ 3,700,112
Cash & cash equivalents - restricted	1,915,713	2,555,943
Cash & cash equivalents - total	$ 12,410,507	$ 6,256,055

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, 2017 and 2016

	2017	Restated 2016
RECONCILIATION OF NET LOSS FROM OPERATIONS TO CASH USED FOR OPERATING ACTIVITIES		
Net Loss From Operations	$ (24,253,296)	$ (8,071,773)
Depreciation	7,457,204	7,356,554
(Increase) Decrease in operating assets		
Accounts receivable	1,897,562	(2,798,267)
Prepaid expenses	(110,125)	427,535
Inventories	(9,287)	10,187
Deferred outflows of resources - pension	720,378	(2,556,757)
Increase (Decrease) in operating liabilities		
Accounts payable	198,042	(56,978)
Accrued expenses	20,429	67,234
Unearned revenue	1,792	1,466
Net obligation for other post-employment benefits	94,741	108,639
Compensated absences	226,822	70,775
Deferred inflows of resources - pension	(59,984)	1,291,634
Net pension liability	1,575,214	1,857,928
Cash Used by Operating Activities	$ (12,240,508)	$ (2,291,823)
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Assets received as capital contributions	$ 878,863	$ 1,756,056
Decrease in fair value of investments in marketable securities	(1,241,319)	(993,327)
Increase (decrease) in investment in Tri Dam Project, net of cash received	1,748,730	4,521,780
Discontinued capital improvement project written off to operating expense		(761,570)

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

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Notes to the Basic Financial Statements

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Notes to the Basic Financial Statements

NOTE 1 – Organization and Description of Business

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

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

NOTE 2 – Summary of Significant Accounting Policies

Significant accounting policies are those where generally accepted accounting principles require the District to choose from allowable alternative methods.

A. Reporting Entity

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

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

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

The District is a member of the South San Joaquin Groundwater Sustainability Agency (SSJGSA). The SSJGSA was formed April 5, 2017 by the execution of a memorandum of understanding among SSJID, the City of Ripon, and the City of Escalon, who are the three members of the SJJGSA. The SSJGSA is a groundwater sustainability agency formed pursuant to California's Sustainable Groundwater Management Act of 2014 for the purpose of developing and administering a groundwater sustainability plan in compliance with the Sustainable Groundwater Management Act. The memorandum of understanding provides that the members shall mutually develop a cost sharing agreement covering the costs of operating the SSJGSA. As of December 31, 2017 the cost sharing agreement had not yet been developed and SSJID bore all the costs of the SSJGSA for the year then ended. Costs of the SSJGSA for 2017 borne by SSJID totaled $41,572. The SSJGSA had no assets, liabilities, or revenues as of December 31, 2017 and issued no financial statements for 2017.

B. Basis of Accounting

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

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

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

C. Cash and Cash Equivalents

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

D. Investment Basis

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

E. Restricted Assets

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

F. Accounts Receivable

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

G. Inventory

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

H. Prepaid expenses

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

I. Capital Assets

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

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

J. Compensated Absences

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

K. Long-Term Debt

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

L. Pensions

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

M. Deferred Inflows and Outflows of Resources

In addition to assets and liabilities, the balance sheet reports separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources represent an acquisition of net position that is applicable to a future reporting period. These amounts will not be recognized as an outflow of resources (expense) or an inflow of resources (revenue) until the earnings process is complete. Deferred outflows and inflows of resources include amounts deferred related to the District's pension plans under GASB Statement No. 68 as described in Note 12.

N. Use of Estimates

The preparation of financial statements in conformity with the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

O. Restatement

Real estate developers, cities, and others occasionally need SSJID's irrigation water distribution assets revised to accommodate their projects. This typically involves relocating a canal, pipe, or other asset. An existing asset may be abandoned or demolished, and a replacement facility built in the same or a different location. If the new asset is built by the other party, then it is donated to SSJID and recorded as a capital contribution. It has been discovered that, since 1997 several such newly built and contributed assets were not recognized in prior financial statements. As a result, the 2016 financial statements have been restated. The effects of the 2016 restatements are as follows:

Item Description	2016 Increase (Decrease)
Depreciation expense	$ 92,440
Gain or loss on property and equipment	(335,719)
Capital contributions	1,716,291
Depreciable capital assets	4,236,996
Accumulated depreciation	47,718

The effect on 2016 Change in Net Position was an increase of $1,473,012. The effect on Net Position at December 31, 2016 was a combined increase of $3,653,230.

In SSJID's annual financial report for 2016, the effects of a Tri-Dam Project restatement were incorrectly reflected in the 2016 financial statements. Therefore the 2016 amounts reported in these financial statements are now restated to correctly show the effects of a Tri-Dam Project restatement. The effect of this restatement of 2016 District financial statements is to reduce the Investment in Tri-Dam Project and SSJID's Net Position each by $631,484 for December 31, 2016. The background for this situation is that the Tri-Dam Project restated its 2015 financial statements when the 2016 financial statements were issued. The reason for the restatement was a correction of deferred inflows and outflows of resources related to the first adoption of the new accounting standards for pension liability and expense under GASB Statement 68. The 2015 amounts shown in the District's 2016 annual financial report did correctly reflect the Tri-Dam Project restatement.

NOTE 3 – Cash and Investments

A. Classification

Cash and investments are classified in the financial statements as shown below at December 31, 2017 and 2016:

	2017	2016
Cash and cash equivalents - unrestricted	$ 10,494,794	$ 3,700,112
Cash and cash equivalents - restricted	1,915,713	2,555,943
Total cash and cash equivalents	12,410,507	6,256,055
Investments in marketable securities - current portion, unrestricted	23,798,452	29,760,397
Investments in marketable securities - noncurrent portion, unrestricted	24,086,526	17,866,950
Investments in securities - restricted (reserves for debt service, water treatment plant)	6,390,922	5,150,994
Total investments in marketable securities	54,275,900	52,778,341
Total cash and investments	$ 66,686,407	$ 59,034,396

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	AAA/Aaa	25%	10%
Negotiable certificates of deposits	5 years	None	30%	None
Medium term corporate notes	5 years	A	30%	None
California Local Agency Investment Fund	N/A	None	None	$ 65,000,000
Collateralized obligations and mortgage backed bonds	5 years	A	20%	None
Repurchase agreements	1 year	None	None	None
Money market funds	N/A	AAA/Aaa*	20%	10%
Obligations of International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank	5 years	AA	30%	None

*Must have highest rating from two nationally recognized statistical organizations.

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

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

C. Interest Rate Risk and Credit Risk

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

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

2017 INVESTMENTS BY MATURITY AND RATINGS

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

Information about the interest rate risk and the credit risk of the District's investments is provided by the following table that shows the District's investments by maturity as of December 31, 2016 and the credit ratings assigned.

2016 INVESTMENTS BY MATURITY AND RATINGS

		Year of Maturity			
Category	**Moody's or S&P Rating**	**2017**	**2018**	**2019**	**Total**
State and municipal debt					
	A	$ 450,090			$ 450,090
	A+	200,102	$ 643,948		844,050
	A+ Insured	2,028,320			2,028,320
	A1		212,294		212,294
	A1 Insured	2,380,174			2,380,174
	A2		1,096,970		1,096,970
	A2 Insured	886,402	3,312,804		4,199,206
	A3 Insured	1,890,803	333,284		2,224,087
	AA-	8,175,652			8,175,652
	AA Insured	551,914	772,806		1,324,720
	AA- Insured	491,892	349,006		840,898
	AA+	3,598,996	5,423,842		9,022,838
	Aa1	101,062	124,713	$ 1,031,080	1,256,855
	Aa3		484,464		484,464
	AAA	1,404,556			1,404,556
	A3	200,572			200,572
Total state and municipal debt		22,360,535	12,754,131	1,031,080	36,145,746
Negotiable certificates of deposit					
	FDIC Insured	4,408,434	4,390,708		8,799,142
Corporate debt					
	A	668,029			668,029
	A-	3,314,529			3,314,529
	A1	1,025,581			1,025,581
	AA-	2,825,314			2,825,314
Total corporate debt		7,833,453			7,833,453
Total		**$ 34,602,422**	**$ 17,144,839**	**$ 1,031,080**	**$ 52,778,341**

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

Treasury, and of corporations. The maximum investment allowed per the State Treasurer is $65 Million.

D. Concentration of Credit Risk

Investments in the securities of any individual issuer, other than U.S. Treasury securities, mutual funds, and external investment funds, which represent 5% or more of total District-wide investments were as follows at December 31, 2017.

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

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, 2016.

Issuer	Investment Type	Amount
Federal Home Loan Mortgage Corporation	U. S. Agencies	$ 8,439,956
State of California	Municipal Bonds	7,030,047
San Bernardino County, California	Municipal Bonds	3,423,118
Chevron Corporation	Corporate Notes	2,825,314

At December 31, 2017 cash and investments included $9,694,097 held in commercial banks, and at December 31, 2016 cash and investments included $10,200,158 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, 2017:

Investments by Fair Value Level

	Exempt	Level 1	Level 2	Total
U. S. agency securities			$ 4,455,110	$ 4,455,110
State and municipal debt			34,255,210	34,255,210
Negotiable certificates of deposit			9,235,249	9,235,249
Medium term corporate notes			6,330,331	6,330,331
Local Agency Investment Fund	$ 1,100,302			1,100,302
Money market mutual funds		$ 10,850,557		10,850,557
Total investments	$ 1,100,302	$ 10,850,557	$ 54,275,900	66,226,759
Cash in banks and on hand				459,648
Total cash & investments				$ 66,686,407

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

NOTE 4 – Accounts and Notes Receivable

A. Accounts receivable

Accounts receivable are composed of the following elements:

	2017	2016
Proposition 13 subvention property taxes	$ 2,688,345	$ 2,545,327
Water treatment plant sales to cities	1,508,332	1,336,032
Irrigation charges	1,306,018	1,307,097
Water transfer	861	2,063,218
Miscellaneous	7,675	14,099
Total	$ 5,511,231	$ 7,265,773

B. Notes and loans receivable

Notes and loans receivable consists of one significant amount at December 31, 2016. This amount is a note receivable from a real estate development firm in the principal amount of $195,268 and accrued interest of $324 at December 31, 2016. This note is for reimbursement to the District for costs to build irrigation facilities which the developer was responsible to provide to the District under the terms of a developer's agreement.

The interest rate is variable with a minimum annual rate of 2%. The minimum rate of 2% was in effect since June 1, 2012 until the note was fully paid in 2017.

NOTE 5 – Investment in the Tri-Dam Project

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

Tri Dam Project
Condensed Balance Sheets
December 31, 2017 and 2016

	2017	2016
Current assets	$ 31,951,561	$ 28,480,203
Capital assets	64,082,991	62,948,188
Deferred outflows	1,498,764	1,277,349
Total assets and deferred outflows	$ 97,533,316	$ 92,705,740
Current liabilities	$ 1,138,336	$ 651,086
Noncurrent liabilities	6,164,420	5,302,736
Total liabilities	7,302,756	5,953,822
Deferred inflows - pension	277,700	296,517
Net investment in capital assets	64,082,991	62,948,188
Unrestricted net position	25,869,869	23,507,213
Total net position	89,952,860	86,455,401
Total liabilities, deferred inflows, and net position	$ 97,533,316	$ 92,705,740

Notes to the Basic Financial Statements

Tri Dam Project

Condensed Statements of Revenues, Expenses, & Changes in Net Position
For the Years Ended December 31, 2017 and 2016

	2017	2016
Operating revenues	$ 48,458,414	$ 33,800,302
Operating expenses	10,859,466	8,001,913
Net Income from Operations	37,598,948	25,798,389
Nonoperating Revenues (Expenses)		
Reimbursements	189,119	184,784
Water sales	142,008	133,246
Rental of equipment and facilities	94,794	93,946
Investment earnings	107,921	92,843
Other nonoperating revenue	82,942	247,825
River habitat studies	(1,686,200)	(1,191,330)
Goodwin Dam expenses	(274,761)	(315,179)
(Loss) gain on disposal of capital assets	15,688	(82,790)
Total Nonoperating Revenues (Expenses)	(1,328,489)	(836,655)
Change in Net Position	36,270,459	24,961,734
Net position, beginning of year as previously reported	86,455,401	77,411,843
Less: distributions to member districts	(32,773,000)	(15,918,176)
Net Position, End of Year	$ 89,952,860	$ 86,455,401

NOTE 6 – Capital Assets

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

	Restated December 31, 2016	Additions	Disposals	Transfers and Adjustments	December 31, 2017
Capital assets not being depreciated:					
Land	$ 1,382,984	$ -	$ -	$ -	$ 1,382,984
Water treatment plant land	5,834,926	-	-	-	5,834,926
Solar Land	512,400	-	-	-	512,400
Construction in progress - Irrigation	1,914,022	1,499,887	-	(3,150,281)	263,628
Construction in progress - WTP	12,826	-	-	(12,826)	(0)
Total	9,657,158	1,499,887		(3,163,107)	7,993,938
Capital assets being depreciated:					
Improvements	480,176	-	-	659,011	1,139,187
Dams, canals, and laterals	110,141,646	54,508	(119,750)	1,634,851	111,711,255
Buildings	1,559,475	85,772	-	90,460	1,735,707
Vehicle and excavators	4,181,372	75,989	(96,187)	-	4,161,174
Machinery and equipment	10,572,030	93,841	(97,027)	765,959	11,334,803
Water treatment plant ("WTP") vehicles	454,884	19,555	(28,210)	3,500	449,729
WTP improvements	734,545	398,025	-	-	1,132,570
WTP building and equipment	51,048,588	181,696	(325,438)	9,326	50,914,172
WTP original construction	66,112,244	-	(444,397)	-	65,667,847
WTP pump stations - original construction	9,745,313	-	-	-	9,745,313
Solar plant	11,974,734	-	-	-	11,974,734
Total	267,005,007	909,386	(1,111,009)	3,163,107	269,966,491
Less accumulated depreciation:					
Improvements	(285,739)	(29,898)	-	-	(315,637)
Dams, canals, and laterals	(38,036,827)	(2,405,359)	119,750	-	(40,322,436)
Buildings	(667,816)	(40,069)	-	-	(707,885)
Vehicle and excavators	(3,213,390)	(265,190)	96,187	-	(3,382,393)
Machinery and equipment	(2,756,730)	(334,295)	95,428	-	(2,995,597)
Water treatment plant ("WTP") vehicles	(379,272)	(29,400)	28,210	-	(380,462)
WTP improvements	(278,760)	(59,726)	-	-	(338,486)
WTP building and equipment	(12,709,282)	(1,318,070)	325,438	-	(13,701,914)
WTP original construction	(17,894,076)	(2,180,214)	444,397	-	(19,629,893)
WTP pump stations - original construction	(3,250,859)	(327,635)	-	-	(3,578,494)
Solar plant	(4,295,680)	(467,348)	-	-	(4,763,028)
Total	(83,768,431)	(7,457,204)	1,109,410		(90,116,225)
Net Depreciable Capital Assets	183,236,576	(6,547,818)	(1,599)	3,163,107	179,850,266
Net Capital Assets	$ 192,893,734	$ (5,047,931)	$ (1,599)	$ -	$ 187,844,204

Notes to the Basic Financial Statements

Changes in capital assets accounts for the year ended December 31, 2016 are summarized below:

	Restated December 31, 2015	Restated Additions	Disposals	Transfers and Adjustments	Restated December 31, 2016
Capital assets not being depreciated:					
Land	$ 1,382,984	$ -	$ -	$ -	$ 1,382,984
Water treatment plant land	5,834,926	-	-	-	5,834,926
Solar Land	512,400	-	-	-	512,400
Construction in progress - Irrigation	1,366,956	675,806	-	(128,740)	1,914,022
Construction in progress - WTP	-	12,826	-	-	12,826
Total	9,097,266	688,632		(128,740)	9,657,158
Capital assets being depreciated:					
Improvements	480,176	-	-	-	480,176
Dams, canals, and laterals	108,966,300	1,716,291	(540,945)	-	110,141,646
Buildings	1,559,475	-	-	-	1,559,475
Vehicle and excavators	4,013,782	230,063	(62,473)	-	4,181,372
Machinery and equipment	10,451,410	29,554	(37,674)	128,740	10,572,030
Water treatment plant ("WTP") vehicles	454,884	-	-	-	454,884
WTP improvements	723,729	10,816	-	-	734,545
WTP building and equipment	50,281,495	767,093	-	-	51,048,588
WTP original construction	66,112,244	-	-	-	66,112,244
WTP pump stations - original construction	9,745,313	-	-	-	9,745,313
Solar plant	11,974,734	-	-	-	11,974,734
Total	264,763,542	2,753,817	(641,092)	128,740	267,005,007
Less accumulated depreciation:					
Improvements	(256,940)	(28,799)	-	-	(285,739)
Dams, canals, and laterals	(35,884,144)	(2,357,909)	205,226	-	(38,036,827)
Buildings	(634,776)	(33,040)	-	-	(667,816)
Vehicle and excavators	(2,940,130)	(335,733)	62,473	-	(3,213,390)
Machinery and equipment	(2,458,625)	(335,779)	37,674	-	(2,756,730)
Water treatment plant ("WTP") vehicles	(351,239)	(28,033)	-	-	(379,272)
WTP improvements	(233,763)	(44,997)	-	-	(278,760)
WTP building and equipment	(11,397,390)	(1,311,892)	-	-	(12,709,282)
WTP original construction	(15,808,687)	(2,085,389)	-	-	(17,894,076)
WTP pump stations - original construction	(2,923,224)	(327,635)	-	-	(3,250,859)
Solar plant	(3,828,333)	(467,347)	-	-	(4,295,680)
Total	(76,717,251)	(7,356,553)	305,373		(83,768,431)
Net Depreciable Capital Assets	188,046,291	(4,602,736)	(335,719)	128,740	183,236,576
Net Capital Assets	$ 197,143,557	$ (3,914,104)	$ (335,719)	$ -	$ 192,893,734

NOTE 7 – Operating Leases

The District utilizes various pieces of equipment that are leased under a number of non-cancelable operating leases. These leases contain renewal options for additional future periods. Minimum rental payments due under the leases for future calendar years are as follows:

2018	$ 19,512
2019	13,873
Total	$ 33,385

NOTE 8 – Long-term Liabilities

A. Description of individual long-term debt issues outstanding

Long-term debt at December 31, 2017 and 2016 consists of Refunding Revenue Bonds Series 2012A issued on May 3, 2012 in an advance refunding of all the outstanding Revenue Certificates of Participation Series 2008A. The Series 2008A Revenue Certificates of Participation were issued on July 1, 2008 in the original amount of $25,000,000 and the proceeds were for construction of a solar power generating plant and capital improvements to the District's irrigation transmission and distribution system. Series 2012A was issued in the original face amount of $17,975,000 plus an original issue premium of $1,751,145. The Bonds are secured by a lien on the net water system revenues. The terms of the Bonds require the District to annually collect net revenues of at least 125% of annual debt service, after subtracting operating and maintenance expenses. Future debt service requires principal payments, ranging from $2,445,000 to $2,545,000 due on October 1 annually through 2019, and semi-annual interest payments, ranging from $50,900 to $99,800, due on April 1 and October 1 through 2019. Coupon rates are 4.0% per annum.

B. Required disclosure of long-term debt activity

Activity during the years ending December 31, 2017 and 2016, in the long-term debt accounts, was as shown in the following tables:

	December 31, 2016	Additions	Reductions	December 31, 2017	Due Within One Year
Long-Term Liabilities					
2012A Refunding Bonds	$ 7,345,000	$ -	$ (2,355,000)	$ 4,990,000	$ 2,445,000
Original issue premium on 2012A Refunding Bonds	320,375	-	(165,944)	154,431	107,549
Subtotal long term debt	7,665,375	-	(2,520,944)	5,144,431	2,552,549
Net obligation for other post-employment benefits	169,207	248,552	(153,811)	263,948	
Compensated absences	1,371,376	1,749,542	(1,522,720)	1,598,198	1,453,125
Net pension liability	11,180,181	1,575,214	-	12,755,395	
Total long term liabilities	$ 20,386,139	$ 3,573,308	$ (4,197,475)	$ 19,761,972	$ 4,005,674

	December 31, 2015	Additions	Reductions	December 31, 2016	Due Within One Year
Long-Term Liabilities					
2012A Refunding Bonds	$ 7,345,000	$ -	$ -	$ 7,345,000	$ 2,355,000
Original issue premium on 2012A Refunding Bonds	542,413	-	(222,038)	320,375	165,944
Subtotal long term debt	7,887,413	-	(222,038)	7,665,375	2,520,944
Net obligation for other post-employment benefits	60,568	236,428	(127,789)	169,207	
Compensated absences	1,300,602	384,071	(313,297)	1,371,376	1,085,226
Net pension liability	9,322,253	1,857,928	-	11,180,181	
Total long term liabilities	$ 18,570,836	$ 2,478,427	$ (663,124)	$ 20,386,139	$ 3,606,170

C. Debt service requirements to maturity

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

	Principal	Interest	Total
2018	$ 2,445,000	$ 199,600	$ 2,644,600
2019	2,545,000	101,800	2,646,800
Total	$ 4,990,000	$ 301,400	$ 5,291,400

D. Defeasance of Debt

On December 29, 2015 the District defeased the 2016 maturities of the 2012A Bond Series by placing $2,350,400 in an irrevocable trust to pay the $2,260,000 principal amount of bonds maturing October 1, 2016 and $90,400 of interest payable thereon April 1 and October 1, 2016. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements at December 31, 2015. The defeasance reduced the balance of long-term debt by the $2,260,000 of defeased 2015 maturities, reduced the current portion of long-term debt to zero, and created a prepaid interest balance of $67,800 at December 31, 2015. Interest on the remaining 2012A Bond maturities was payable in 2016, and subject to the 125% debt service coverage requirement. This reduced the minimum required net revenues for 2016, as defined in the 2012A bond indenture, needed to provide 125% debt service coverage.

E. Pledged Revenues

The District has pledged future water system revenues, net of specified operating expenses, to repay its Refunding Revenue Bonds Series 2012A, in the original face amount of $17,975,000. The bonds are payable solely from net water system revenues and are payable through October 2019. There is no defeasance of the 2018 bond maturities, and annual principal and interest payments on the bonds are expected to require approximately 15% of net revenues in 2018. Total principal and interest remaining to be paid on the bonds was $5,291,400 and $7,940,200 at December 31, 2017 and 2016, respectively. Cash basis principal and interest paid on the bonds in 2017 was $2,648,800 and in 2016 was $293,800 which was less than scheduled due to the defeasance of the 2016 bond maturities executed in 2015. Total water system net revenues calculated in accordance with the covenants were $13,367,917 and $17,381,309 for 2017 and 2016, respectively, producing debt service coverage ratios of 505% for 2017 and 5,916% for 2016. Without the partial defeasance, the debt service coverage ratio would have been 675% for 2016.

F. Rate Stabilization Fund

The District's debt agreement allows the District to establish a rate stabilization fund to assist in meeting the required debt service coverage ratio. Amounts deposited in the rate stabilization fund are included as expenses for purposes of the debt service coverage ratio in the year deposited and amounts withdrawn from the rate stabilization fund are included as revenues for purposes of the debt service coverage ratio in the year withdrawn. Nothing was deposited or withdrawn from the rate stabilization fund during 2017 or 2016. The balance of this fund was $1,860,956 on December 31, 2017 and $1,839,805 on December 31, 2016.

NOTE 9 – Net Position

Net position is the excess of all the District's assets and deferred outflows of resources over all its liabilities and deferred inflows of resources. Net position is divided into three components.

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

Net investment in capital assets is made up of the following components as of December 31, 2017 and 2016:

	2017	Restated 2016
Total capital assets, net of accumulated depreciation	$ 187,844,204	$ 192,893,734
Less current portion LT debt	(2,552,549)	(2,520,944)
Less noncurrent portion LT debt	(2,591,882)	(5,144,431)
Add deferred amount on refunding of 2012A Refunding Revenue Bonds	57,126	134,088
Total	$ 182,756,899	$ 185,362,447

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, 2017 and 2016.

	2017	2016
Debt service reserve	$ 1,802,137	$ 1,797,969
Water treatment plant funds	6,504,498	5,908,968
Accrued interest receivable on restricted investments	67,096	33,977
Total	$ 8,373,731	$ 7,740,914

The third component of net position is unrestricted net position, which is simply the amount of net position that does not qualify as either restricted net position, or as net investment in capital assets. Included in the amount of unrestricted net position is the rate stabilization fund which had a balance of $1,860,956 on December 31, 2017

$1,839,805 on December 31, 2016. The rate stabilization fund was established by the board of directors under the provisions of the indenture of trust for the Refunding Revenue Bonds Series 2012A and designated by the board to supplement the debt service coverage ratio as necessary and as permitted by the bond indenture. See also Note 8F above.

NOTE 10 – Capital Contributions

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

	2017	Restated 2016
Developers	$ 878,863	$ 1,756,056
Municipal customers of water treatment plant	1,123,359	962,592
Irrigation customers	-	24,000
	$ 2,002,222	$ 2,742,648

NOTE 11 – Retirement Plan

Plan Description

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

- Miscellaneous Plan
- PEPRA Miscellaneous Plan

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

Benefits Provided

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

Miscellaneous Plan with five years of total service are eligible to retire at age 50, and at age 52 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:

	2017		2016	
	Miscellaneous Plan	PEPRA Plan	Miscellaneous Plan	PEPRA Plan
Hire date	Before 2013	After 2012	Before 2013	After 2012
Benefit formula at full retirement	2.5% @ 55	2.0% @ 62	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life	Monthly for life
Retirement age	50 - 55	52 - 67	50 - 55	52 - 67
Monthly benefits as % of eligible compensation	2.0 - 2.5%	1.0 - 2.5%	2.0 - 2.5%	1.0 - 2.5%
Required employee contribution rates:				
July 1 to December 31	8%	6.25%	8%	6.25%
January 1 to June 30	8%	6.25%	8%	6.25%
Required employer contribution rates:				
July 1 to December 31	10.110%	6.533%	10.069%	6.555%
January 1 to June 30	10.069%	6.555%	9.671%	6.237%

Before July 1, 2015, contributions required to amortize the net pension liability were included in the required employer contribution rate. Beginning with the year ended June 30, 2016, CalPERS began invoicing employers a monthly or annual amount, rather than a rate, to amortize the net pension liability. Therefore, the required employer contribution rate shows a significant decline after June 30, 2015.

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:

	2017			2016		
	Misc. Plan	PEPRA Plan	Total	Misc. Plan	PEPRA Plan	Total
Employer contributions	$ 680,982	$ 62,889	$ 743,871	$ 1,256,087	$ 34,441	$ 1,290,528
Employee contributions paid by employer	347,991	-	347,991	359,919		359,919
Total	$ 1,028,972	$ 62,889	$ 1,091,862	$ 1,616,006	$ 34,441	$ 1,650,447

The 2017 employer contributions above include a payment of a $703,341 invoice from CalPERS to amortize the net pension liability. This amount was billed for the year ending June 30, 2018. The 2016 employer contributions above include a payment of a $616,529 invoice from CalPERS to amortize the net pension liability. This amount was billed for the year ending June 30, 2017.

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

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

	2017	2016
Miscellaneous and PEPRA plans	$ 12,755,395	$ 11,180,181

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, 2017 and 2016 is measured as of June 30, 2017 and 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 and 2015 rolled forward to June 30, 2017 and 2016, respectively, using standard update procedures as required by GASB Statement No. 68. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability as of June 30 was as follows:

	2017	2016
Proportion at June 30, 2016	0.3218360%	
Proportion at June 30, 2017	0.3235730%	
Increase (Decrease)	0.0017370%	
Proportion at June 30, 2015		0.3397980%
Proportion at June 30, 2016		0.3218360%
Increase (Decrease)		(0.0179620%)

For the years ended December 31, 2017 and 2016 the District recognized pension expense of $4,014,346 and $2,526,801, respectively. At December 31, the District reported deferred outflows of resources and deferred inflows of resources from the following sources:

	2017		2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions after measurement date	$ 530,945	$ -	$ 528,182	$ -
Differences between actual and expected experience	15,065	(215,834)	44,010	(10,085)
Change in assumptions	1,869,202	(142,528)		(416,375)
Differences between employer's contributions and employer's proportionate share of contributions	157,109	2,129	221,245	
Change in employer's proportion	131,185	(143,705)	1,076,368	(323,742)
Net differences between projected and actual earnings on plan investments	422,736		2,167,095	
Total	$ 3,126,242	$ (499,938)	$ 4,036,900	$ (750,202)

The $530,945 reported at December 31, 2017 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, 2018. The $528,182 reported at December 31, 2016 as deferred outflows of resources related to contributions after the measurement date is recognized as a reduction of the net pension liability in the year ended December 31, 2017.

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

Deferred Outflows (Inflows)

Year of Expense Recognition	December 31 2017	December 31 2016
2017		$ 646,856
2018	$ 750,446	544,209
2019	1,022,048	1,006,147
2020	573,851	561,303
2021	(250,986)	
	$ 2,095,359	$ 2,758,515

Actuarial Assumptions

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

Report date	December 31, 2017	December 31, 2016
Valuation date	June 30, 2016	June 30, 2015
Measurement date	June 30, 2017	June 30, 2016
Actuarial cost method	Entry-age normal	Entry-age normal
Actuarial assumptions:		
Discount rate	7.15%	7.50%
Inflation	2.75%	2.75%
Payroll growth	3.00%	3.00%
Projected salary increase(1)	3.2% - 12.2%	3.2% - 12.2%
Investment rate of return(2)	7.50%	7.50%
Mortality derived using	CalPERS membership for all funds	CalPERS membership for all funds

(1) Depending on entry age and service

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

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2016 and 2015 valuations were based on the results of a January 2014 actuarial experience study for the period 1997 to 2007. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rates used by CalPERS to measure the total pension liability were 7.15% and 7.5% in the June 30, 2017 and 2016 valuations, respectively. 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.

	2017			2016		
Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global equity	47.00%	4.90%	5.38%	51.00%	5.25%	5.71%
Global fixed income	19.00%	0.80%	2.27%	19.00%	0.99%	2.43%
Inflation sensitive	6.00%	0.60%	1.39%	6.00%	0.45%	3.36%
Private equity	12.00%	6.60%	6.63%	10.00%	6.83%	6.95%
Real estate	11.00%	2.80%	5.21%	10.00%	4.50%	5.13%
Infrastructure and forestland	3.00%	3.90%	5.36%	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.40%	-0.90%	2.00%	-0.55%	-1.05%
Total	100.00%			100.00%		

(a) An expected inflation rate of 2.5% used for this period.

(b) An expected inflation rate of 3.0% used for this period.

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:

	2017	2016
Discount decreased 1 percentage point	6.15%	6.50%
Resulting net pension liability	$ 19,394,083	$ 17,418,429
Current discount rate	7.15%	7.50%
Resulting net pension liability	$ 12,755,395	$ 11,180,181
Discount increased 1 percentage point	8.15%	8.50%
Resulting net pension liability	$ 7,298,089	$ 6,024,579

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

At December 31, 2017 and 2016, the District had no amounts payable to CalPERS for the outstanding amount of contributions to the pension plans including employee withholdings.

NOTE 12 – Other Post-Employment Benefits

Plan Description

The District provides a defined benefit other postemployment benefits (OPEB) healthcare plan that provides medical benefits to retired employees and their eligible dependents. The plan is an agent plan because plan assets are invested collectively with other agencies by CalPERS as described below. The plan has a maximum benefit ranging up to 100% of healthcare premiums for up to 180 months. The amount of the benefit depends on the employee's number of unused sick days at the retirement date, length of employment and bargaining unit membership. Upon retirement, if qualified, the employee elects whether to participate in the plan by exchanging days of sick leave for months of health insurance coverage, or to take a payment for those days of accrued sick leave as described in Note 2J. The District's board of directors has the authority to establish and amend benefit provisions. The plan does not issue separate financial statements.

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the board of directors. The required contribution is based on prefunding of OPEB liabilities through the irrevocable trust account with the California Employers' Retiree Benefit Trust, which is administered by CalPERS. The California Employers' Retiree Benefit Trust is a tax qualified irrevocable trust organized under Internal Revenue Code Section 115 to administer retiree healthcare benefits and collectively invest plan assets of all trust members. The California Employers' Retiree Benefit Trust issues publicly available financial statements according to GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans, in aggregate with other California Employers' Retiree Benefit Trust participating employers. The California Employers' Retiree Benefit Trust financial statements can be obtained from the CalPERS website at www.calpers.ca.gov. During the years ended June 30, 2017 and 2016, the District made health insurance premium payments on behalf of retirees of $153,810 and $127,789, respectively, in lieu of payments to the irrevocable trust. Plan members did not make any contributions to the plan.

Annual OPEB Cost and Net OPEB Cost (Expense)

The District's annual OPEB cost is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with GASB Statement No. 45. The annual required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the years ended June 30, 2017 and 2016, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

	2017	2016
Annual required contribution end of year	$ 238,382	$ 235,796
Interest on net OPEB obligation	11,388	4,076
Adjustment to annual required contribution	(1,218)	(3,444)
Annual OPEB cost (expense)	248,552	236,428
Contributions made including credited interest	(153,811)	(127,789)
Increase (decrease) in net OPEB obligation	94,741	108,639
Net OPEB obligation, beginning of period	169,207	60,568
Net OPEB obligation, end of period	$ 263,948	$ 169,207

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the three most recent years are as follows:

Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	$ 117,175	106.68%	$ 60,568
2016	236,428	54.05%	169,207
2017	248,552	61.88%	263,948

Funded Status and Funding Progress

The funded status of the plan as of December 31, 2017 and 2016, from the plan's most recent actuarial valuation, was as follows:

	2017	2016
Actuarial accrued liability ("AAL")	$ 4,139,930	$ 4,012,344
Value of plan assets	2,741,453	2,497,439
Unfunded actuarial accrued liability (asset) ("UAAL")	$ 1,398,477	$ 1,514,905
Funded ratio (value of plan assets/AAL)	66.22%	62.24%
Covered payroll (active plan participants)	$ 8,447,721	$ 8,345,807
UAAL (asset) as a percentage of covered payroll	16.55%	18.15%

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuation, the entry age normal cost method was used. The actuarial valuation used the rates of mortality, disability and other withdrawals used by CalPERS in the valuation of the District’s pension plan. The actuarial assumptions in the July 1, 2015 valuation included a 6.73 percent investment rate of return (net of administrative expenses), healthcare premium annual increases starting at 8.0 percent for 2017 and declining to 4.5 percent for 2024 and later, a general inflation rate assumption of 2.75 percent per year, and projected salary increases of 3.25 percent per year. The UAAL is being amortized over a level percentage of projected payroll over a 30-year open period.

NOTE 13 – Other Nonoperating Revenues

Other nonoperating revenues for 2017 and 2016 were entirely from fees for services the District provided to Lathrop Irrigation District. SSJID provided meter reading, billing, and customer service for Lathrop Irrigation District’s retail electric utility until the third quarter of 2017.

NOTE 14 – Risk Management

The District is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees and natural disaster, for which the District carries commercial insurance. The District is a member of the Special Districts Risk Management Authority (SDRMA). SDRMA is a risk pooling self-insurance authority, created under the provisions of California Government Code Section

6500, et. seq. The purpose of SDRMA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage.

The following is a summary of the insurance policies in force carried by the District as of December 31, 2017.

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

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

NOTE 15 – Commitments and Contingencies

Regulatory Matters

Bay Delta Water Quality Control Plan - Administrative Proceeding. The State Water Resources Control Board ("SWRCB") last updated the San Joaquin River and Southern Bay-

Delta Water Quality Control Plan in 2006. The SWRCB is in the process of updating the requirements of the Plan and is expected to issue a revised substitute environmental document ("SED") in the near future as part of the process. It is expected that the SED will evaluate the effects of increased instream flows from those currently required from the San Joaquin River and its various tributaries, including the Stanislaus River. If the SWRCB implements new standards based on the water rights priority system as it has in the past, water rights of the United States Bureau of Reclamation ("USBR") for New Melones would be impacted before those of the District. The effect of the new standards on the District's water supply will depend upon what standard is adopted and how the SWRCB implements the new standard. The SWRCB has announced they will consider adoption in late August, 2018.

<u>California Water Fix.</u> The SWRCB is currently conducting hearings on the California Water Fix project, also known as the "twin tunnels" project. In this action, the State's Department of Water Resources and the U.S. Department of the Interior's Bureau of Reclamation are seeking approval of a change in their water rights. If approved, the two agencies would seek to construct new water diversion facilities in the lower portion of the Sacramento River to convey water through two underground tunnels to convey water to the existing State and federal pumping facilities near Tracy. This would result in a reduction of flow into the Sacramento/San Joaquin Delta and could result in water quality concerns. The SWRCB could initiate further proceedings to consider taking measures to mitigate potential adverse effects to the water quality through additional flows or other measures. The legal responsibility for such impacts should be that of the agencies responsible for the Water Fix project, but the potential effect on SSJID is not known at this time.

<u>Curtailment.</u> In 2015, the SWRCB ordered that holders of licenses for diversion and storage of water curtail their water diversions. The SWRCB also ordered that the holders of pre-1914 water rights similarly curtail their water diversions. The orders were issued because of the ongoing drought. SSJID and other water rights holders considered the orders as to pre-1914 water rights to exceed the SWRCB's authority and filed lawsuits which are pending. While no curtailment order was issued in 2017, in future drought years the SWRCB could issue a new curtailment order and the effect on the District will depend on the hydrology and the timing of when such order may be issued. Though compliance with the 2015 order did not materially affect 2015 operations of the District, it is uncertain what the impact may be of future such orders. Consequently, the District is currently involved in three (3) related litigation matters, each dealing with the authority of regulatory agencies to modify water quality requirements and water rights on the San Joaquin River during drought: *Byron-Bethany Irrigation District, et.al v. SWRCB* (2 consolidated cases). These consolidated cases concern the SWRCB's asserted enforcement authority over pre-1914 water rights and methodology in determining water availability for such enforcement actions. The matter was heard in December 2017, and a decision was rendered in February 2018, with the Santa Clara Superior Court finding

the SWRCB exceeded its authority to take certain enforcement actions, under certain circumstances, against senior water rights holders when it issued the 2015 curtailment notices. SWRCB has moved for a new trial on the matter. *California Sportfishing Alliance, et al. v. United States Bureau of Reclamation, et al.*, in which the District has intervened, involves the authority of the SWRCB to relax water quality standards during drought periods.

Clean Water Act. The Central Valley Water Quality Control Board ("CVWQCB") is charged with responsibility to establish a program to set total maximum daily loads ("TMDL") for various elements that contribute to the San Joaquin River and its tributaries' listing as "impaired water bodies." The District is potentially subject to TMDL enforcement measures to the extent that its diversion from the Stanislaus River, or its releases of drain water to the Stanislaus and San Joaquin Rivers, potentially impact TMDL limits. The District participates in regulatory proceedings before the CVWQCB jointly with other irrigation districts in the region.

The District operates a network of drainage facilities for its irrigation operations under an agricultural exemption from the Clean Water Act ("CWA"). The facilities discharge irrigation and stormwater drainage to the Stanislaus and San Joaquin Rivers. The stormwater drainage includes storm drainage from cities within the District.

NOAA Fisheries Biological Opinion. Jurisdiction over fisheries migrating to or in the oceans under the Endangered Species Act rests with the United States Department of Commerce's National Marine Fisheries Service, a division of the National Oceanic and Atmospheric Administration ("NOAA"). In June, 2009, NOAA issued a Biological Opinion and imposed new flow requirements on the USBR in its operation of New Melones Reservoir intended to provide protections for several threatened and endangered species. The new flow requirements combined with the effects of multi-year drought periods have, in the recent past, been demonstrated to deplete the volume of water stored at New Melones Reservoir and may impact the water available to the District and Oakdale Irrigation District ("OID") under the 1988 Agreement and Stipulation.

Contract Commitments

The District had no significant contract commitments outstanding as of December 31, 2017 or 2016.

Litigation Matters

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

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

Pacific Gas & Electric Company v. San Joaquin County Local Agency Formation Commission. In December, 2014, the San Joaquin County Local Agency Formation Commission ("LAFCo") approved the District's plan to provide retail electric utility distribution services within the District. Pacific Gas & Electric Company ("PG&E"), the area's current retail electric provider, filed a lawsuit in February, 2015, to modify or overturn LAFCo's decision. The District is defending the case through outside counsel and is also paying the defense costs incurred by LAFCo. The case was decided adversely to the District on October 31, 2017, with the trial court holding a condition of approval imposed by LAFCo, whereby the District would make payments to the County of San Joaquin to prevent any revenue deficiencies from loss of PG&E's tax payments, was unconstitutional. The case is currently on appeal.

South San Joaquin Irrigation District v. PG&E. The District filed an eminent domain action in July, 2016, to acquire PG&E's retail electric distribution system within the District's boundaries. This case was dismissed by the trial court based upon the same trial court's decision in the PG&E v. LAFCo case. The dismissal is currently on appeal. State law provides that if final judgment is entered against the District or if the District abandons the litigation, it will be liable to PG&E for litigation expenses.

Tyler v. Oakdale Irrigation District, et al. SSJID was named in this suit for inverse condemnation. In this lawsuit, a landowner at Tulloch Reservoir is seeking damages for loss of property value from settling that has damaged his residence. The respective districts are defended by counsel retained by their insurance carriers.

Concentration of Revenues

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

NOTE 16 – Subsequent Events

The District has evaluated events subsequent to the balance sheet dates through September 5, 2018. GASB Statement No. 56 requires consideration of subsequent "events that provide evidence with respect to conditions that did not exist at the date of the statement of net assets [balance sheet] but arose subsequent to that date." These subsequent events must be disclosed if their disclosure is essential to the user's understanding of the financial statements.

During January, 2018, the District received a distribution of $6.9 million from the Tri-Dam Project and a distribution of $3.7 million from the Tri-Dam Power Authority. During June, 2018, the District participated in a wholesale water transfer earning over $6.2 million.

At its board meeting of January 9, 2018, the South San Joaquin Groundwater Sustainability Agency (SSJGSA), of which SSJID is a member along with the cities of Ripon and Escalon, adopted a budget for 2018 and a cost sharing plan for the costs of operating the SSJGSA. The cost sharing agreement provides that SSJID will pay 85% of agency's costs. The expense budget adopted for 2018 totals $223,264.

NOTE 17 – New Accounting Standards

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

In June 2015, the GASB issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB)". This Statement replaces the requirements of GASB Statement No. 45 and requires governments responsible for OPEB liabilities related to their own employees to report a net OPEB liability on the face of the financial statements. Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. This Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. This Statement is effective for periods beginning after June 15, 2017.

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

In January 2017, the GASB issued Statement No. 84, "Fiduciary Activities", which establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement is effective for periods beginning after December 15, 2018. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

In March 2017, the GASB issued Statement No. 85, "Omnibus 2017", which addresses a variety of unrelated accounting topics, including:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation.
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost.
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements.
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB.
- Classifying employer-paid member contributions for OPEB.
- Simplifying certain aspects of the alternative measurement method for OPEB.

This Statement is effective for periods beginning after June 15, 2017.

In June 2017, the GASB issued Statement No. 86, "Certain Debt Extinguishment Issues", which requires that debt be considered defeased in substance when the debtor irrevocably places cash or other monetary assets acquired with refunding debt proceeds in a trust to be used solely for satisfying scheduled payments of both principal and interest of the defeased debt. The trust also is required to meet certain conditions for the transaction to qualify as an in-substance defeasance. This Statement establishes essentially the same requirements for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt. However, in financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of the defeasance. Governments that defease debt using only existing resources should provide a general description of the transaction in the notes to financial statements in the period of the defeasance. In all periods following an in-substance defeasance of debt using only existing resources, the amount of that debt that remains outstanding at period-end should be disclosed. This Statement is effective for periods beginning after December 15, 2019.

In June 2017, the GASB issued Statement No. 87, “Leases”, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. This Statement is effective for periods beginning after June 15, 2017.

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

Required Supplementary Information

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Required Supplementary Information

Schedule of the Proportionate Share of the Net Pension Liability - Miscellaneous Plan (unaudited) Last 10 Years

	2017	2016	2015	2014
Percentage share of the net pension liability	0.1286182%	0.3218358%	0.3397980%	0.3141800%
SSJID share of the net pension liability	$12,755,395	$11,180,181	$9,322,253	$7,764,910
Covered payroll	$7,425,722	$7,051,693	$7,014,006	$6,679,609
SSJID share of the net pension liability as a percentage of covered payroll	171.77%	158.55%	132.91%	116.25%
Plan fiduciary net position	$12,074,499,781	$10,923,476,287	$10,896,036,068	$10,639,461,174
Plan total pension liability	$16,016,547,402	$14,397,353,530	$13,639,503,084	$13,110,948,452
Plan fiduciary net position as a percentage of the total pension liability	75.39%	75.87%	79.89%	81.15%

Notes to Schedule:

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2016 for 2017 and June 30, 2015 for 2016.

Changes in assumptions: In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

Schedule of Contributions to the Pension Plan - Miscellaneous Plan (unaudited) Last 10 Years

	2017	2016	2015	2014
Contractually required contribution (actuarially determined)	$ 743,871	$ 1,290,528	$ 1,666,160	$ 1,241,360
Contributions in relation to the actuarially determined contributions	(743,871)	(1,290,528)	(1,666,160)	(1,241,360)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 7,425,722	$ 7,051,693	$ 7,014,006	$ 6,679,609
Contributions as a percentage of covered - employee payroll	10.02%	18.30%	23.75%	18.58%

Notes to Schedule:

Valuation date: June 30, 2016 for 2017 and June 30, 2015 for 2016.

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	2.75%
Salary increases	3.20% to 12.20% for 2017 and 2016.
Investment rate of return	7.50% for 2017 and 2016 including inflation
Retirement age	50-67 years. Probabilities of retirement are based on the 2010 calpers experience study for the period 1997 to 2007.
Mortality	CalPERS specific data from January 2014 actuarial experience study for the period 1997 to 2011 that uses 20 years of mortality improvements using society of actuaries scale bb.

Omitted Years: GASB Statement No. 68 was implemented during the year ended December 31, 2014. No information was available prior to this date.

Required Supplementary Information

Required Supplementary Information for Other Postemployment Benefits ("OPEB") Plan (unaudited)

The schedule of funding progress for the District's OPEB plan, is presented below as required supplementary information, and reports multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Schedule of Funding Progress for Other Postemployment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/2015	$ 2,335,824	$ 2,507,829	$ 172,005	93.14%	$ 7,966,717	2.16%
12/31/2016	2,568,587	4,012,344	1,443,757	64.02%	8,345,807	17.30%
12/31/2017	2,741,453	4,139,930	1,398,477	66.22%	8,447,721	16.55%