SOUTH SAN JOAQUIN IRRIGATION DISTRICT

Annual Financial Report 2016

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South San Joaquin Irrigation District

Annual Financial Report

December 31, 2016 and 2015

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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 year ended December 31, 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 opinions on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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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, 2016 and changes in the financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Prior Year Comparative Information

The financial Statements of the District as of December 31, 2015, were audited by other auditors whose report dated August 17, 2016, expressed an unmodified opinion on those statements.

Change in Accounting Principles

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended December 31, 2016 as discussed in Note 3E to the financial statements:

Statement No. 72 – *Fair Value Measurement and Application*

The change in accounting principle does not constitute a modification to our opinion.

Emphasis of a Matter

As discussed in Note 2P, the District restated the basic financial statements for the year ended December 31, 2015 relating to the depreciation of water filtration modules.

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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Maze + Associates

Pleasant Hill, California
September 25, 2017

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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, 2016 and 2015 and its financial performance for the years then ended. Condensed financial information from 2014 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, and assistance interpreting the financial statements. 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 footnotes, 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, 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.

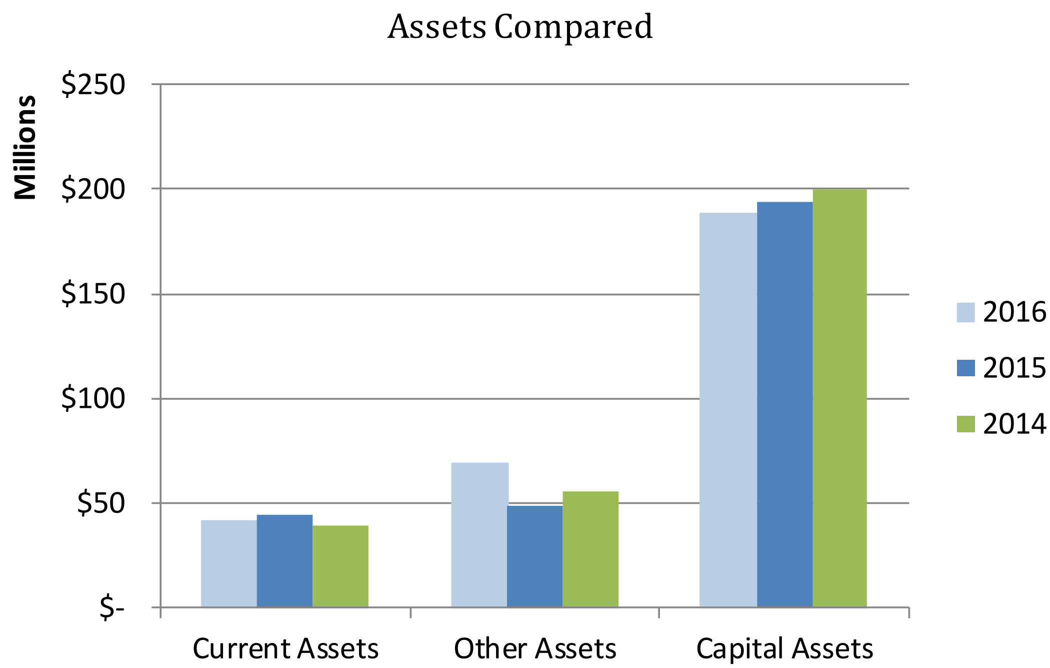
Balance Sheet Discussion

Condensed Balance Sheets
As of December 31

	2016	Restated 2015	Restated 2014
Current assets	$ 41,640,096	$ 44,352,264	$ 39,311,451
Other assets and investments	69,662,642	49,017,504	55,526,709
Capital assets	188,609,020	194,146,976	199,974,161
Total assets	299,911,758	287,516,744	294,812,321
Deferred outflows of resources	5,494,229	3,040,448	1,545,803
Total assets and deferred outflows	$ 305,405,987	$ 290,557,192	$ 296,358,124
Current liabilities	$ 6,197,440	$ 3,322,688	$ 3,654,137
Long-term liabilities	16,779,969	17,350,330	18,380,827
Total Liabilities	22,977,409	20,673,018	22,034,964
Deferred inflows of resources	2,073,443	781,809	2,067,825
Net investment in capital assets	181,077,733	186,496,627	189,915,775
Restricted net position	7,740,914	7,490,015	6,623,733
Unrestricted position	91,536,488	75,115,723	75,715,827
Total net position	280,355,135	269,102,365	272,255,335
Total liabilities, deferred inflows, and net position	$ 305,405,987	$ 290,557,192	$ 296,358,124

The financial statements of December 31, 2014 were restated to give effect to Governmental Accounting Standards Board Statement No. 68, a new accounting standard for reporting pension expense, net pension liability, deferred outflows of resources, and deferred inflows of resources. The restatement was issued when the annual financial report for the December 31, 2015 report date was issued. The effective date of the new standard for employers' financial statements was the first fiscal year beginning after June 15, 2014. The 2014 and 2013 financial statements were restated in order to accommodate correct calculation of pension expense during 2015 and 2014, and to make the 2015 and 2014 financial statements comparable.

Management's Discussion and Analysis



- 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.

- Current assets increased $5 million in 2015. Most of the increase was caused by a reduction in the remaining term of investment securities. There was also an increase in cash due to the redemptions of securities at their maturity dates. Another significant factor was an increase in the amounts receivable for treated water sales and irrigation charges.

- During 2016, other assets increased by $20.6 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 over $5 million during 2016.

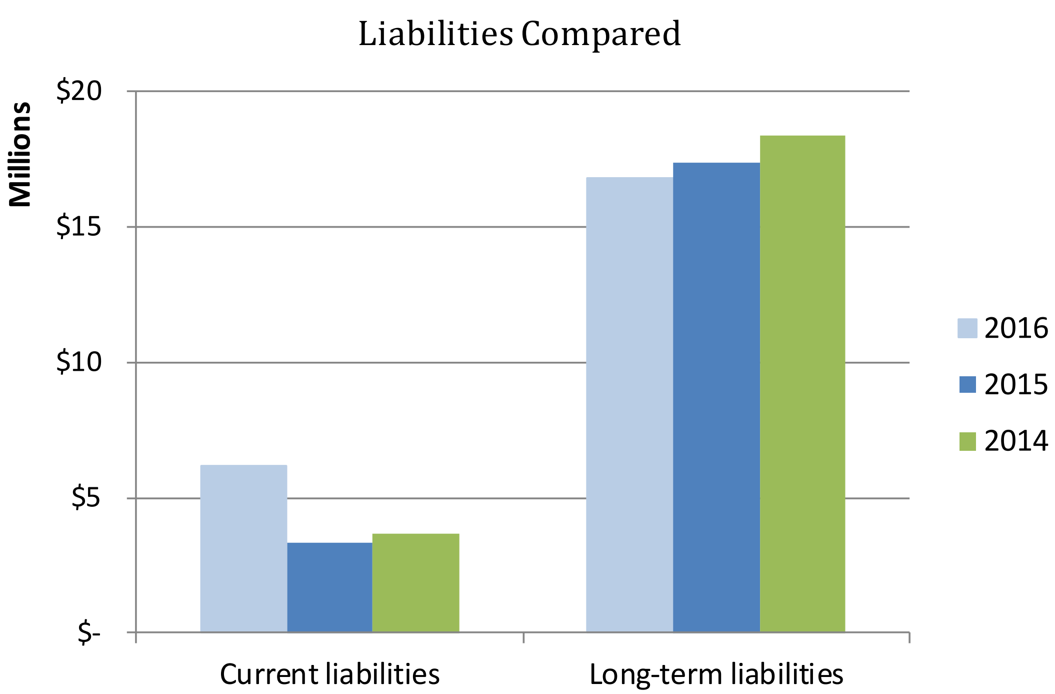
- Other assets decreased by $7.1 million in 2015 due to reductions in the remaining terms of investment securities which consequently shifted into the current assets classification. The net position of the Tri-Dam project fell by $4 million during 2015 which reduced SSJID's investment in Tri-Dam Project by $2 million.

- In 2016 capital assets decreased by $5.5 million because depreciation expense exceeded capital asset additions of $1.7 million.

- In 2015 capital assets decreased by $5.8 million because depreciation expense exceeded capital asset additions of $2.3 million. Depreciation expense for 2015 included an adjustment to increase depreciation expense by $1.3 million. As explained in Note 2P, the adjustment was necessary because it was discovered that the Zenon filter modules, used in the water treatment plant, were materially under-depreciated. Depreciation had been calculated using an estimated useful life of 40 years whereas the actual useful life of the Zenon modules is about 8 years.

- The deferred outflow on refunding of long-term debt decreased $103,000 in 2016 and $128,000 in 2015 due to scheduled amortization over the remaining term of the 2012A bonds. The deferred outflow 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 deferred outflow of resources for pension plans increased $2.6 million in 2016, and $1.6 million in 2015 because of changes in certain components of the net pension liability as prescribed by GASB 68. These changes are added to deferred outflows of resources and then amortized to pension expenses over the estimated average remaining service life of the plan members in order to reduce year-to-year volatility of pension expense.



- 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.

- Current liabilities decreased by $330,000 in 2015 partly because the conservation program liability was fully liquidated and because accounts payable declined.

- 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.

- In 2015 long term liabilities decreased by $1 million. The two largest factors in this change were a reduction in long term debt of $2.5 million in accordance with the debt service schedule for the 2012A bonds, and the growth of the estimated net pension liability by $1.6 million. The increase in the net pension liability was caused by several factors including accrual of interest on the total pension liability, and the difference between expected and actual experience for several actuarial assumptions which are a basis for determining plan contributions.

- In 2016, the deferred inflow of resources for pension plans increased by $1.3 million in 2015 because of changes in certain components of the net pension liability as prescribed by GASB 68. These changes are added to deferred inflows of resources and then amortized to pension expenses over the estimated average remaining service life of the plan members in order to reduce year-to-year volatility of pension expense.

- In 2015, the deferred inflow of resources for pension plans decreased by $1.3 million in 2015 because of changes in certain components of the net pension liability as prescribed by GASB 68. These changes are added to deferred inflows of resources and then amortized to pension expenses over the estimated average remaining service life of the plan members in order to reduce year-to-year volatility of pension expense.

- 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	2016	2015	2014
Debt service reserve fund	$ 1,797,969	$ 1,798,524	$ 1,801,025
Capital replacement fund - water treatment	5,908,968	5,652,987	4,815,404
Accrued interest receivable on restricted investments	33,977	38,503	7,304
Total restricted assets	$ 7,740,914	$ 7,490,014	$ 6,623,733

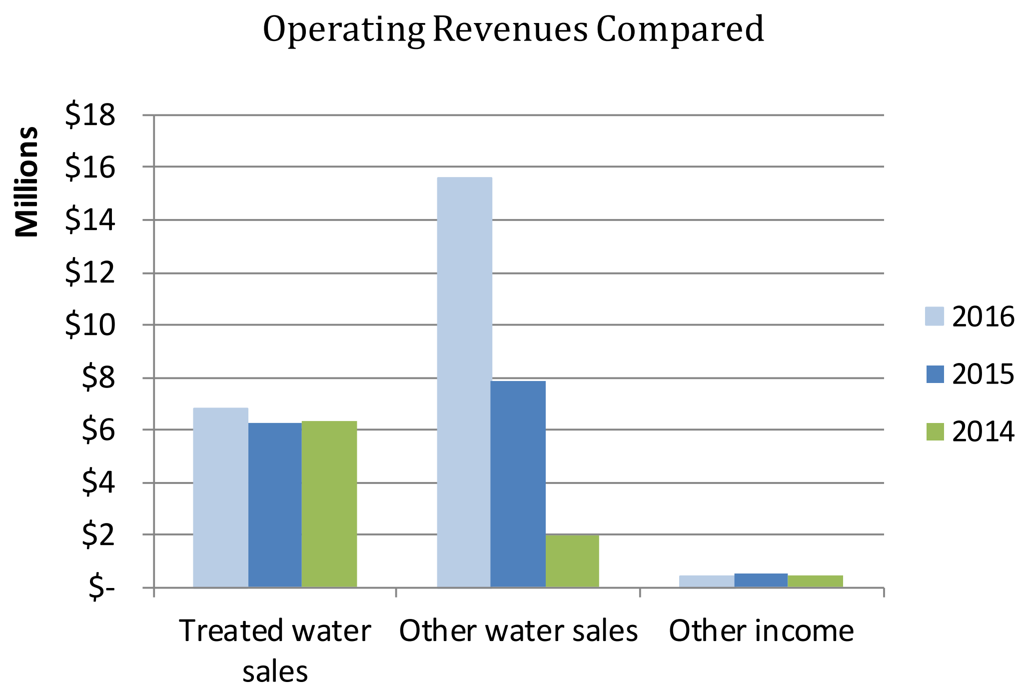
Revenues and Expenses Discussion

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

For the Years Ended December 31

	2016	2015	Restated 2014
Treated water sales	$ 6,777,879	$ 6,234,979	$ 6,352,507
Other water sales	15,571,683	7,835,345	1,960,041
Other income	443,528	502,374	478,625
Total Operating Revenues	22,793,090	14,572,698	8,791,173
Labor	13,872,774	10,927,577	11,740,090
Other operating and maintenance	3,848,242	3,422,295	3,371,524
General and administrative	5,787,293	4,247,941	3,645,789
Depreciation	7,264,114	6,816,446	6,813,750
Total Operating Expenses	30,772,423	25,414,259	25,571,153
Net loss from operations	(7,979,333)	(10,841,561)	(16,779,980)
Net nonoperating revenues	18,205,746	7,231,955	8,972,215
Net Income (Loss) before Contributions	10,226,413	(3,609,606)	(7,807,765)
Capital contributions	1,026,357	1,160,749	1,237,048
Change in Net Position	11,252,770	(2,448,857)	(6,570,717)
Net position, beginning of year as previously reported	269,102,365	272,255,335	289,613,326
Restatement		(704,113)	(10,787,274)
Net position, beginning of year restated	269,102,365	271,551,222	278,826,052
Net Position, End of Year	$ 280,355,135	$ 269,102,365	$ 272,255,335

As explained above, the financial statements for the report date of December 31, 2014 were restated to give effect to Governmental Accounting Standards Board Statement No. 68, a new accounting standard for reporting pension expense and net pension liability. The effective date of the new standard for employers' financial statements was the first fiscal year beginning after June 15, 2014. The 2014 and 2013 financial statements were restated in order to accommodate correct calculation of pension expense during 2015 and 2014, and to make the 2015 and 2014 financial statements comparable.

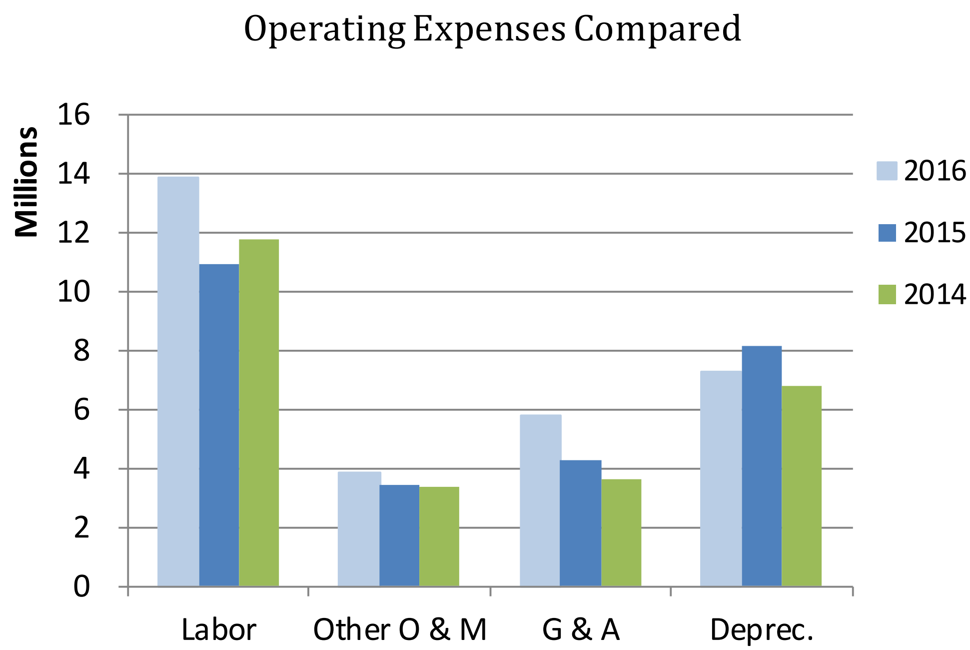


- In 2016 treated water sales to the cities of Manteca, Lathrop, and Tracy grew by $543,000 (1.9%) in response to the end of a 5-year drought.

- In 2015 treated water sales to the cities of Manteca, Lathrop, and Tracy fell by $118,000 (1.9%) in response to continuing drought.

- Other water sales grew by $7.7 million in 2016, on top of a 2015 increase of $5.9 million. In both years the increase was mostly because of water transfers to the California Department of Water Resources and the San Luis & Delta-Mendota Water Authority. These parties compensated SSJID $9.75 million in 2016 for 32,500 acre-feet of water, and $5,750,000 in 2015 for 11,500 acre-feet of water. The intended purpose of these reservoir releases was to aid fish survival.

- Other income was nearly unchanged in 2016 and 2015.



- Total labor expense, and particularly employee benefits expense, has become much more volatile from year to year because of the new accounting standards for net pension liability under GASB 68. This is why labor expense, including taxes and benefits, rose almost $3 million or 27% in 2016 after falling $800,000 or 7% in 2015. The largest component of these changes is pension expense.

- Wages actually rose only $41,000 in 2016 (0.6%) and $190,000 (2.9%) in 2015. The 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.

- Before GASB 68, pension expense was the amount of pension contributions made by the employer. With GASB 68, which requires the employer's share of the estimated net pension liability to be reported on the employer's balance sheet, 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.

  In 2015, this GASB 68 adjustment reduced pension expense $1.4 million below the amount the district actually contributed to the plan, bringing total pension expense almost to zero. In 2016, this GASB 68 adjustment increased pension expense $2.6 million above the amount the district actually contributed. That is a swing of $4 million dollars to pension expense from one year to the next, while employer contributions run only about $1.5 million per year. 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 term.

- 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.

- In 2015 other operating and maintenance expense was almost unchanged.

- General and administrative expense increased $1.5 million in 2016 and $602,000 in 2015 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 decreased $900,000 in 2016 and increased $1.3 million in 2015 almost entirely because of the adjustment made at December 31, 2015 to restate depreciation expense and accumulated depreciation, as described in Note 2P.

- In 2016, net nonoperating revenues jumped $11 million, or 151%, almost entirely because of increased earnings at Tri-Dam.

- In 2015, net nonoperating revenues fell more than $1.7 million because SSJID's share of Tri-Dam Project earnings fell when Tri-Dam's pension expense was increased by a jump in the net pension liability which, in turn, was driven by lower than expected investment yields for the CalPERS trust. This was partly offset by a $670,000 increase in property tax revenue.

- Capital contributions remained almost unchanged in 2016 and 2015.

- Change in net position increased by $15 million in 2016 after growing $2.8 million in 2015.

Capital Assets and Debt Discussion

Summary of Capital Assets
For the Years Ended December 31

	2016	Restated 2015	2014
Land	$ 7,730,310	$ 7,730,310	$ 7,730,310
Construction in progress	1,926,848	1,366,956	660,822
Water treatment plant & transmission line	127,640,690	126,862,781	126,625,792
Other buildings	1,559,475	1,559,475	1,559,475
Solar generating plant	11,974,734	11,974,734	11,974,734
Irrigation system	106,384,826	106,384,826	105,714,517
Vehicles and equipment	15,208,286	14,920,076	14,293,532
Total	272,425,169	270,799,158	268,559,182
Less: accumulated depreciation	(83,816,149)	(76,652,182)	(68,585,021)
Net capital assets	$ 188,609,020	$ 194,146,976	$ 199,974,161

- Total capital assets increased $1.6 million in 2016 and $2.2 million in 2015.

- The 2016 and 2015 increases were attributable to a variety of typical replacements and improvements to the irrigation distribution system and were less than usual because the district had temporarily slowed the pace of improvements and replacements while conducting a feasibility study of a possible project to pressurize more of the irrigation system. If the district had chosen to embark on this pressurization project it would have rendered unnecessary many scheduled improvement and replacement projects. The increases also included almost $300,000 for vehicles and equipment in 2016 and over $600,000 in 2015.

- See Note 6 for additional information about capital assets.

Summary of Long Term Debt
For the Years Ended December 31

	2016	2015	2014
2012A bonds incl. original issue premium	$ 7,665,376	$ 7,887,413	$ 10,423,485

- During 2016, long-term debt decreased $222,000. 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.

- During 2015 long-term debt decreased $2.5 million as SSJID amortized original issue premium and defeased the 2016 bond maturities in December, 2015.

- Debt service coverage ratios were 5,916% for 2016 and 2,577% for 2015. The ratios for 2016 and 2015 were much higher than usual because of the 2014 defeasance of the 2015 bond maturities, the 2015 defeasance of the 2016 maturities, and the increases in other water sales revenues for both years.

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

Expectations for 2017

As of the date of this report, earnings of the Tri-Dam organizations are continuing a recovery that began in 2016 due to above average precipitation in the Stanislaus River watershed during both 2016 and 2017. For 2017, Tri-Dam Project distributions to SSJID are expected to total about $20,000,000. There are no significant water transfers expected during 2017 as of the date of this writing.

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 in favor of SSJID, but a couple issues are not decided yet. 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.

Requests for Information

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

Basic Financial Statements

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South San Joaquin Irrigation District
Balance Sheets
December 31, 2016 and 2015

	2016	Restated 2015
ASSETS AND DEFERRED OUTFLOWS		
ASSETS		
Current Assets		
Cash & cash equivalents - unrestricted	$ 3,700,112	$ 10,960,208
Investments in marketable securities	29,760,397	27,985,021
Accounts receivable	7,265,773	4,293,504
Accrued interest receivable - unrestricted	347,347	177,140
Prepaid expenses	520,688	880,425
Inventories	45,779	55,966
Total Current Assets	41,640,096	44,352,264
Other Assets and Investments		
Cash & cash equivalents - restricted	2,555,943	4,241,955
Accrued interest receivable - restricted	33,977	38,503
Investments in securities - unrestricted (net of current amounts)	17,866,950	2,506,353
Investments in securities - restricted (reserves for debt service, construction, water treatment plant)	5,150,994	3,209,556
Notes and loans receivable (including accrued interest)	195,594	315,215
Investment in Tri-Dam Project	43,859,184	38,705,922
Total Other Assets and Investments	69,662,642	49,017,504
Capital Assets		
Non-depreciable	9,657,158	9,097,266
Depreciable	262,768,011	261,701,892
Less accumulated depreciation	(83,816,149)	(76,652,182)
Total Capital Assets	188,609,020	194,146,976
TOTAL ASSETS	299,911,758	287,516,744
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding of long term debt	134,088	237,064
Pension	5,360,141	2,803,384
TOTAL DEFERRED OUTFLOWS OF RESOURCES	5,494,229	3,040,448
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 305,405,987	$ 290,557,192

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

South San Joaquin Irrigation District
Balance Sheets
December 31, 2016 and 2015

	2016	Restated 2015
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable	$ 826,264	$ 382,095
Construction contract retentions payable	26,025	49,806
Accrued expenses	416,048	348,814
Unearned revenue	1,322,933	1,321,467
Current portion of long-term debt	2,520,944	222,037
Compensated absences	1,085,226	998,469
Total Current Liabilities	6,197,440	3,322,688
Long-Term Liabilities		
Long-term debt	5,144,431	7,665,376
Net obligation for other post-employment benefits	169,207	60,568
Compensated absences	286,150	302,133
Net pension liability	11,180,181	9,322,253
Total Long-Term Liabilities	16,779,969	17,350,330
TOTAL LIABILITIES	22,977,409	20,673,018
DEFERRED INFLOWS OF RESOURCES		
Pension	2,073,443	781,809
NET POSITION		
Net investment in capital assets	181,077,733	186,496,627
Restricted	7,740,914	7,490,015
Unrestricted	91,536,488	75,115,723
TOTAL NET POSITION	280,355,135	269,102,365
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	$ 305,405,987	$ 290,557,192

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, 2016 and 2015

	2016	2015
OPERATING REVENUES		
Irrigation sales	1,958,039	1,870,583
Treated water sales	6,777,879	6,234,979
Other water sales	13,613,644	5,964,762
Electric sales	177,887	194,731
Other	265,641	307,643
Total Operating Revenues	22,793,090	14,572,698
OPERATING EXPENSES		
Wages	6,863,746	6,823,055
Payroll taxes and benefits	7,009,028	4,104,522
Materials and supplies	1,901,176	1,683,012
Maintenance, repairs, and improvements	1,015,340	723,413
Utilities	931,726	1,015,870
General and administrative	5,787,293	4,247,941
Depreciation	7,264,114	6,816,446
Total Operating Expenses	30,772,423	25,414,259
Net Loss From Operations	(7,979,333)	(10,841,561)
NONOPERATING REVENUES (EXPENSES)		
Proposition 13 subvention property taxes	4,882,092	4,787,711
Interest income	1,332,948	1,305,938
Changes in market value of investments	(993,327)	(1,018,746)
Interest expense	(252,909)	(301,564)
Gain (loss) on property and equipment	24,510	22,093
Tri-Dam Project distributions	7,959,088	4,379,500
Undistributed earnings of Tri-Dam Project	5,153,262	(2,010,161)
Other nonoperating revenues	100,082	67,184
Total Nonoperating Revenues (Expenses)	18,205,746	7,231,955
Net (Loss) before Contributions	10,226,413	(3,609,606)
Capital contributions	1,026,357	1,160,749
Change in Net Position	11,252,770	(2,448,857)
Net Position, Beginning of Year as Previously Reported	269,102,365	272,255,335
Restatement		(704,113)
Net Position, Beginning of Year Restated	269,102,365	271,551,222
NET POSITION, END OF YEAR	$ 280,355,135	$ 269,102,365

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, 2016 and 2015

	2016	Restated 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 20,005,238	$ 13,711,191
Other receipts	34,557	22,907
Payments for goods and services	(14,190,061)	(12,999,604)
Payments to employees for services	(8,141,557)	(7,622,029)
Cash Used by Operating Activities	(2,291,823)	(6,887,535)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property tax receipts	4,708,088	4,593,866
Other nonoperating revenue	100,082	67,184
Cash Provided by Noncapital Financing Activities	4,808,170	4,661,050
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions	1,026,357	1,160,749
Proceeds from the sale of capital assets	24,510	22,092
Purchase of capital assets	(1,248,792)	(2,412,520)
Principal payments on long-term debt	0	(2,260,000)
Interest payments on long-term debt	(439,770)	(474,601)
Cash Used by Capital and Related Financing Activities	(637,695)	(3,964,280)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,167,267	1,331,529
Purchases of investment securities	(57,714,792)	(43,170,521)
Proceeds from sales and maturities of investment securities	37,644,055	44,721,846
Decrease (Increase) in notes and loans receivable	119,622	203,137
Tri Dam Project cash distributions	7,959,088	4,379,500
Cash Provided by Investing Activities	(10,824,760)	7,465,491
Net Increase (Decrease) in Cash and Cash Equivalents	(8,946,108)	1,274,726
Cash and Cash Equivalents at Beginning of Year	15,202,163	13,927,437
Cash and Cash Equivalents at End of Year	$ 6,256,055	$ 15,202,163
RECONCILIATION OF CASH TO BALANCE SHEET		
Cash & cash equivalents - unrestricted	$ 3,700,112	$ 10,960,208
Cash & cash equivalents - restricted	2,555,943	4,241,955
Cash & cash equivalents - total	$ 6,256,055	$ 15,202,163

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, 2016 and 2015

	2016	Restated 2015
RECONCILIATION OF NET LOSS FROM OPERATIONS TO CASH USED FOR OPERATING ACTIVITIES		
Net Loss From Operations	$ (7,979,333)	$ (10,841,561)
Depreciation	7,264,114	8,152,042
(Increase) Decrease in operating assets		
Accounts receivable	(2,798,267)	(837,759)
Prepaid expenses	427,535	(494,969)
Inventories	10,187	94,613
Deferred outflows of resources - pension	(2,556,757)	(1,622,681)
Increase (Decrease) in operating liabilities		
Accounts payable	(56,978)	(107,963)
Conservation program liability	0	(218,076)
Accrued expenses	67,234	11,093
Unearned revenue	1,466	8,788
Net obligation for other post-employment benefits	108,639	(7,833)
Compensated absences	70,775	41,040
Deferred inflows of resources - pension	1,291,634	(1,286,016)
Net pension liability	1,857,928	1,557,343
Cash Used by Operating Activities	$ (2,291,823)	$ (5,551,939)
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Decrease in fair value of investments in marketable securities	$ (993,327)	$ (1,018,746)
Increase (decrease) in investment in Tri Dam Project, net of cash received	5,153,262	(2,010,161)
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 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 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 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 dam, reservoir, and 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 investigation, monitoring, planning, control, mitigation of water issues, and enhancement of the environmental conditions in the Delta which impact the members. The agreement terminates in December 2036, unless extended by the participants. The SJTA was formed in 2012 for similar purposes with the district, Modesto Irrigation District, Oakdale Irrigation District, Turlock Irrigation District, and the City and County of San Francisco as members. These financial statements do not include the SJRGA or the SJTA because the district has only a residual interest, not an equity interest, in the assets of these entities. Both the SJRGA and the SJTA issue financial statements which can be obtained by contacting the executive director of the SJTA at http://calsmartwater.org/contact/.

B. Basis of Accounting

These financial statements are prepared in conformity with generally accepted accounting principles ("GAAP") in the United States of America. The Governmental Accounting Standards Board ("GASB") is the acknowledged standard setting body for accounting and financial reporting standards followed by government 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, so 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. Property taxes are levied as of March 1 on property values assessed as of the same date. State statutes provide that the property tax rate is limited generally to one percent of assessed value, and can be levied by only the county, and shared by applicable jurisdictions within the county. The County of San Joaquin collects the taxes and distributes them to taxing jurisdictions on the basis of assessed valuations subject to voter-approved debt. Property taxes are due to the county on November 1 and March 1, and become delinquent on December 10 and April 10. The district receives property taxes pursuant to an arrangement with the County known as the "Teeter Plan". Under the plan, the County assumes responsibility for the collection of delinquent taxes and pays the full allocation to the district. 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. The district capitalizes as part of the asset cost, any significant interest incurred during the construction phase of the asset. 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 assets other than land. Estimated useful lives as are follows:

Assets	Years
Dams, canals and distributor 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. Conservation Liability

The district offered an on-farm conservation program until early 2014, where the district reimbursed irrigators for part of the cost of installing qualifying conservation measures in order to improve efficiency of use of the district's water resource. Under the on-farm program, an irrigator proposed new water conservation measures for their farm under guidelines issued by the district. The district determined whether the proposal qualified, and if it did, then the district committed to reimburse the farmer for a portion of the cost of the approved measures subject to installation by the farmer and inspection by the district. When the district initially approved an irrigator's conservation proposal, it recorded a liability for the expected reimbursement amount. Once the conservation measures were installed and satisfactorily inspected, the district paid the cost-share reimbursement to the farmer and relieved the liability for that project. Proposals have not been accepted since early 2014, and cost-share reimbursements continued until the conservation liability was fully satisfied during 2015.

K. 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.

L. 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 are expensed as incurred.

M. Pensions

For purposes of measuring the net pension liability and deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the district's 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.

N. Deferred Inflows and Outflows of Resources

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

O. Use of Estimates

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

P. Restatement

After issuing the financial statements of December 31, 2015 it was discovered that water filtration modules used in the water treatment process had been materially under-depreciated. Depreciation had been calculated using an estimated useful life of 40 years whereas the actual useful life of these filtration modules is about 8 years. The correction of this error required an increase in depreciation expense and accumulated depreciation in the amount of the accumulated error at December 31, 2015 which was $1,335,596.

The Tri-Dam Project's 2015 financial statements have been restated due to certain reclassifications and corrections made to the calculation of the Project's deferred outflows and deferred inflows related to the implementation of GASB Statements Nos. 68 and 71 during 2015. These reclassifications and corrections resulted in a non-cash reduction of $1.26 million to pension expense for 2015. The district's share of this reduction to pension expense is $631,483. The effect on the District's financial statements is to increase the asset "investment in Tri-Dam Project" by $631,483 at December 31, 2015.

These two adjustments cause a net decrease in net position of $704,113 for 2015.

NOTE 3 – Cash and Investments

A. Classification

Cash and investments are classified in the financial statements as shown below at December 31, 2016 and 2015:

Notes to the Basic Financial Statements

	2016	2015
Cash and cash equivalents - unrestricted	$ 3,700,112	$ 10,960,208
Cash and cash equivalents - restricted	2,555,943	4,241,955
Total cash and cash equivalents	6,256,055	15,202,163
Investments in marketable securities - current portion, unrestricted	29,760,397	27,985,021
Investments in marketable securities - noncurrent portion, unrestricted	17,866,950	2,506,353
Investments in securities - restricted (reserves for debt service, water treatment plant)	5,150,994	3,209,556
Total investments in marketable securities	52,778,341	33,700,930
Total cash and investments	$ 59,034,396	$ 48,903,093

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	N/A	None	N/A
Obligations issued by United States government or its agencies	5 years	N/A	None	None
Obligations of any state or any local agency within any state in the United States	5 years	N/A	None	None
Bankers acceptances	180 days	N/A	40%	30%
Commercial paper	270 days	AAA/Aaa	25%	10%
Negotiable certificates of deposits	5 years	N/A	30%	None
Medium term corporate notes	5 years	A	30%	None
California Local Agency Investment Fund	N/A	N/A	None	$ 65,000,000
Collateralized obligations and mortgage backed bonds	5 years	A	20%	None
Repurchase agreements	1 year	N/A	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	0.3	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 the 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, 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**

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, 2015 and the credit ratings assigned.

2015 INVESTMENTS BY MATURITY AND RATINGS

Category	Moody's or S&P Rating	Year of Maturity 2016	2017	2018	Total
State and municipal debt					
	A	$ 1,156,824	$ -	$ -	$ 1,156,824
	A-	127,205			127,205
	A Insured	249,218			249,218
	A- Insured	102,123			102,123
	A+		199,488	637,583	837,071
	A1	1,184,171			1,184,171
	A1 Insured	1,564,854			1,564,854
	A2 Insured	847,224			847,224
	A3	101,804			101,804
	A3 Insured	2,216,000	511,545		2,727,545
	AA	6,282,648			6,282,648
	AA-	1,738,792			1,738,792
	AA Insured	621,476		242,654	864,130
	AA- Insured	343,748	342,713	347,092	1,033,552
	AA+	1,683,916			1,683,916
	Aa1	3,169,371			3,169,371
	Aa2	1,232,051			1,232,051
	Aa3 Insured	289,272			289,272
	AAA	1,375,590	1,262,482		2,638,072
	SP-1	50,844			50,844
Total state and municipal debt		24,337,129	2,316,228	1,227,328	27,880,685
Negotiable certificates of deposit					
	FDIC Insured	2,693,741	489,672		3,183,412
Corporate debt					
	A-	1,519,769			1,519,769
	BBB+	1,117,063			1,117,063
Total corporate debt		2,636,832			2,636,832
Total		**29,667,702**	**2,805,900**	**1,227,328**	**33,700,930**

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, 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

Investments in the securities of any individual issuer, other than U.S. Treasury securities, mutual funds, and external investment funds that represent 5% or more of total district-wide investments were as follows at December 31, 2015.

Issuer	Investment Type		Amount
Tennessee State School Bond Authority	Municipal Bonds	$	4,995,100

At December 31, 2016 cash and investments included $10,200,158 held in commercial banks, and at December 31, 2015, cash and investments included $5,746,386 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, 2016:

Investments by Fair Value Level

	Exempt	Level 1	Level 2	Total
U. S. agency securities			$ 8,758,324	$ 8,758,324
State and municipal debt			27,387,422	27,387,422
Negotiable certificates of deposit			8,799,142	8,799,142
Medium term corporate notes			7,833,453	7,833,453
Local Agency Investment Fund	$ 1,069,932			1,069,932
Money market mutual funds		$ 3,784,307		3,784,307
Total investments	$ 1,069,932	$ 3,784,307	$52,778,341	57,632,580
Cash in banks and on hand				1,401,816
Total cash & investments				$59,034,396

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 or liabilities in active markets, quoted prices for identical or similar assets in markets that are not active, or significant other observable inputs. The California Local Agency Investment Fund classified in level 2 is valued based on the fair value factor provided by the treasurer of the State of California, which is calculated as fair value divided by the amortized cost of the investment pool. These prices are obtained from various pricing sources by the custodian bank.

NOTE 4 – Accounts and Notes Receivable

Accounts receivable are composed of the following elements:

	2016	2015
Proposition 13 subvention property taxes	$ 2,545,327	$ 2,371,323
Water treatment plant sales to cities	1,336,032	1,251,766
Irrigation charges	1,307,097	417,472
Water transfer	2,063,218	244,500
Miscellaneous	14,099	8,443
Total	$ 7,265,773	$ 4,293,504

Notes and loans receivable consist of one significant amount at December 31, 2016 and December 31, 2015. 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, and in the principal amount of $314,691 and accrued interest of $524 at December 31, 2015. 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% has been in effect since June 1, 2012 through the date of this report. The developer is dividing property in order to sell building lots. Upon the sale of each lot, $1,500 is due the district for payment of interest and principal until all interest and principal is paid. During 2016 and 2015, the developer made a number of payments to the district, which were applied both to accrued interest and principal. Any principal and interest remaining unpaid on June 1, 2017 is due on that date.

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, 2016 and 2015

	2016	Restated 2015
Current assets	$ 28,480,203	$ 17,487,478
Capital assets	62,948,188	64,830,835
Deferred outflows	1,277,349	639,151
Total assets and deferred outflows	$ 92,705,740	$ 82,957,464
Current liabilities	$ 651,086	$ 846,020
Noncurrent liabilities	5,302,736	4,245,002
Total liabilities	5,953,822	5,091,022
Deferred inflows - pension	296,517	454,599
Net investment in capital assets	62,948,188	64,830,835
Unrestricted net position	23,507,213	12,581,008
Total net position	86,455,401	77,411,843
Total liabilities, deferred inflows, and net position	$ 92,705,740	$ 82,957,464

Tri Dam Project

Condensed Statements of Revenues, Expenses, & Changes in Net Position
For the Years Ended December 31, 2016 and 2015

	2016	Restated 2015
Operating revenues	$ 33,800,302	$ 15,302,362
Operating expenses	8,001,913	8,004,476
Net Income from Operations	25,798,389	7,297,886
Nonoperating Revenues (Expenses)		
Beardsley boat launch grant revenue		
Reimbursements	184,784	171,341
Water sales	133,246	106,953
Rental of equipment and facilities	93,946	79,596
Investment earnings	92,843	43,633
Other nonoperating revenue	247,825	24,417
River habitat studies	(1,191,330)	(1,450,228)
Goodwin Dam expenses	(315,179)	(271,955)
(Loss) gain on disposal of capital assets	(82,790)	
Total Nonoperating Revenues (Expenses)	(836,655)	(1,296,243)
Change in Net Position	24,961,734	6,001,643
Net position, beginning of year as previously reported	77,411,843	80,169,200
Less: distributions to member districts	(15,918,176)	(8,759,000)
Net Position, End of Year	$ 86,455,401	$ 77,411,843

Notes to the Basic Financial Statements

NOTE 6 – Capital Assets

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

	Restated December 31, 2015	Additions	Disposals	Transfers and Adjustments	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	0	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	105,904,650				105,904,650
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	261,701,892	1,037,526	(100,147)	128,740	262,768,011
Less accumulated depreciation:					
Improvements	(256,940)	(28,799)			(285,739)
Dams, canals, and laterals	(35,819,075)	(2,265,470)			(38,084,545)
Buildings	(634,776)	(33,040)			(667,816)
Vehicle and excavators	(2,940,130)	(335,733)	62,473		(3,213,390)
Machinerey 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	(76,652,182)	(7,264,114)	100,147		(83,816,149)
Net Depreciable Capital Assets	185,049,710	(6,226,588)		128,740	178,951,862
Net Capital Assets	$ 194,146,976	$ (5,537,956)	$ -	$ -	$ 188,609,020

Notes to the Basic Financial Statements

Changes in capital assets accounts for the year ended December 31, 2015 are summarized below:

	December 31, 2014	Restated Additions	Disposals	Transfers and Adjustments	December 31, 2015
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	652,722	1,794,076		(1,079,842)	1,366,956
Construction in progress - WTP	8,100			(8,100)	0
Total	8,391,132	1,794,076		(1,087,942)	9,097,266
Capital assets being depreciated:					
Improvements	480,176				480,176
Dams, canals, and laterals	105,234,341	81,112		589,197	105,904,650
Buildings	1,559,475				1,559,475
Vehicle and excavators	3,946,320	152,342	(84,880)		4,013,782
Machinery and equipment	9,892,328	68,436		490,646	10,451,410
Water treatment plant ("WTP") vehicles	454,884				454,884
WTP improvements	711,229	12,500			723,729
WTP building and equipment	50,073,506	199,889		8,100	50,281,495
WTP original construction	66,095,744	16,500			66,112,244
WTP pump stations - original construction	9,745,313				9,745,313
Solar plant	11,974,734				11,974,734
Total	260,168,050	530,779	(84,880)	1,087,943	261,701,892
Less accumulated depreciation:					
Improvements	(231,437)	(28,796)		3,293	(256,940)
Dams, canals, and laterals	(33,568,744)	(2,250,331)			(35,819,075)
Buildings	(601,736)	(33,040)			(634,776)
Vehicle and excavators	(2,707,532)	(314,185)	84,880	(3,293)	(2,940,130)
Machinerey and equipment	(2,160,173)	(298,452)			(2,458,625)
Water treatment plant ("WTP") vehicles	(323,236)	(28,003)			(351,239)
WTP improvements	(190,492)	(43,271)			(233,763)
WTP building and equipment	(10,090,019)	(1,307,371)			(11,397,390)
WTP original construction	(12,787,294)	(3,021,393)			(15,808,687)
WTP pump stations - original construction	(2,595,597)	(327,627)			(2,923,224)
Solar plant	(3,328,761)	(499,572)			(3,828,333)
Total	(68,585,021)	(8,152,041)	84,880		(76,652,182)
Net Depreciable Capital Assets	191,583,029	(7,621,262)		1,087,943	185,049,710
Net Capital Assets	$ 199,974,161	$ (5,827,186)	$ -	$ 1.00	$ 194,146,976

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:

2017	$ 19,512
2018	19,512
2019	13,873
2020	0
Total	$ 52,897

NOTE 8 – Long-term Liabilities

A. Description of individual long-term debt issues outstanding

Long-term debt at December 31, 2016 and 2015 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 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 $2,355,000 to $2,545,000 due on October 1 annually through 2019, and semi-annual interest payments, ranging from $50,900 to $146,900, 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, 2016 and 2015, in the long-term debt accounts, was as shown in the following tables:

	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

	Restated December 31, 2014	Additions	Reductions	December 31, 2015	Due Within One Year
Long-Term Liabilities					
2012A Refunding Bonds	$ 9,605,000	$ -	$ (2,260,000)	$ 7,345,000	$ -
Original issue premium on 2012A Refunding Bonds	818,485	-	(276,072)	542,413	222,037
Subtotal long term debt	10,423,485	-	(2,536,072)	7,887,413	222,037
Net obligation for other post-employment benefits	68,401	117,174	(125,007)	60,568	
Compensated absences	1,259,563	871,591	(830,552)	1,300,602	998,469
Net pension liability	9,322,253	-	-	9,322,253	
Total long term liabilities	$ 21,073,702	$ 988,765	$ (3,491,631)	$ 18,570,836	$ 1,220,506

C. Debt service requirements to maturity

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

	Principal	Interest	Total
2017	$ 2,355,000	$ 293,800	$ 2,648,800
2018	2,445,000	199,600	2,644,600
2019	2,545,000	101,800	2,646,800
Total	$ 7,345,000	$ 595,200	$ 7,940,200

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.

On December 1, 2014 the district defeased the 2015 maturities of the 2012A Bond Series by placing $2,267,200 in an irrevocable trust to pay the $2,180,000 principal amount of bonds maturing October 1, 2015 and $87,200 of interest payable thereon April 1 and October 1, 2015. Interest on the remaining 2012A Bond maturities was payable in 2015, and subject to the 125% debt service coverage requirement. This reduced the minimum required net revenues for 2015, 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 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 2017 bond maturities, and annual principal and interest payments on the bonds are expected to require approximately 20% of net revenues in 2017. Total principal and interest remaining to be paid on the bonds was $7,940,200 and $8,234,000 at December 31, 2016 and 2015 respectively. Cash basis principal and interest paid on the bonds in in 2016 was $293,800, and in 2015 was $384,200 (not including $2,350,400 paid into an escrow account to defease the 2016 maturities). Total water system net revenues calculated in accordance with the covenants were $17,381,309 and $9,900,201 at December 31, 2016 and 2015, respectively, producing debt service coverage ratios of and 5,916% and 2,577% for 2015. Without the partial defeasance, the debt service coverage ratio would have been 675% and 373% for 2016 and 2015 respectively. Without the withdrawal from the rate stabilization fund, the debt service coverage ratio for 2014 would have been 151%.

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.

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 a material amount 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, 2016 and 2015:

	2016	Restated 2015
Total capital assets, net of accumulated depreciation	$ 188,609,020	$ 194,146,976
Less current portion LT debt	(2,520,944)	(222,037)
Less noncurrent portion LT debt	(5,144,431)	(7,665,376)
Add deferred amount on refunding of 2012A Refunding Revenue Bonds	134,088	237,064
Total	$ 181,077,733	$ 186,496,627

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, 2016 and 2015.

	2016	2015
Debt service reserve	$ 1,797,969	$ 1,798,524
Water treatment plant funds	5,908,968	5,652,988
Accrued interest receivable on restricted investments	33,977	38,503
Total	$ 7,740,914	$ 7,490,015

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 $1,839,805 on December 31, 2016 and $1,862,509 on December 31, 2015. 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.

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:

	2016	2015
Developers	$ 39,765	$ -
Municipal customers of water treatment plant	962,592	1,160,749
Irrigation customers	24,000	
	$ 1,026,357	$ 1,160,749

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 are not already CalPERS eligible participants. 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, equal to one year of full time employment. 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:

	2016		2015	
	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%	6.50%	8%	6.50%
Required employer contribution rates:				
July 1 to December 31	10.100%	6.800%	9.671%	6.237%
January 1 to June 30	9.671%	6.237%	18.324%	6.250%

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:

	2016			2015		
	Misc. Plan	PEPRA Plan	Total	Misc. Plan	PEPRA Plan	Total
Employer contributions	$ 1,256,087	34,441	$ 1,290,528	$ 1,645,581	20,579	$ 1,666,160
Employee contributions paid by employer	359,919		359,919	333,172		333,172
Total	$ 1,616,006	$ 34,441	$ 1,650,447	$ 1,978,753	$ 20,579	$ 1,999,332

The 2016 employer contributions above include a payment of a $616,529 invoice from CalPERS to amortize the "unfunded liability". This amount was billed for the year ending June 30, 2017. The 2015 employer contributions above include a payment of a $555,358 invoice from CalPERS to amortize the "unfunded liability". This amount was billed for the year ending June 30, 2016. As explained above, before July 1, 2015, contributions required to amortize the net pension liability were included in the required employer contribution rate. Therefore, during January through June, 2015 employer payroll contribution rates included the amortization of the unfunded liability, in addition to the first annual invoice for the same purpose that was paid in July 2015 for the year ending June 30, 2016. For this reason employer contributions are less in 2016.

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:

	2016	2015
Miscellaneous and PEPRA plans	$ 11,180,181	$ 9,322,253

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, 2016 and 2015 is measured as of June 30, 2016 and 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 and 2014 rolled forward to June 30, 2016 and 2015, 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:

	2016	2015
Proportion at June 30, 2015	0.3397980%	
Proportion at June 30, 2016	0.3218360%	
Increase (Decrease)	(0.0179620%)	
Proportion at June 30, 2014		0.3141800%
Proportion at June 30, 2015		0.3397980%
Increase (Decrease)		0.0256180%

For the years ended December 31, 2016 and 2015 the district recognized pension expense of $1,341,783 and $235,753 respectively. At December 31, the district reported deferred outflows of resources and deferred inflows of resources from the following sources:

	2016		2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions after measurement date	$ 528,182		$ 774,333	$ -
Differences between actual and expected experience	44,010	$ (10,085)	82,636	
Change in assumptions		(416,375)		(781,809)
Differences between employer's contributions and employer's proportionate share of contributions	221,245		245,414	
Change in employer's proportion	1,076,368	(323,742)	1,113,826	
Net differences between projected and actual earnings on plan investments	3,490,336	(1,323,241)	587,175	
Total	$ 5,360,141	$ (2,073,443)	$ 2,803,384	$ (781,809)

The $528,183 and $774,333 reported at December 31, 2016 and 2015 as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended December 31, 2017 and 2016, respectively.

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

Deferred Outflows (Inflows)

Year of Expense Recognition	December 31	
	2016	**2015**
2016		$ 289,431
2017	$ 646,856	275,452
2018	544,209	181,374
2019	1,006,147	500,985
2020	561,303	0
	$ 2,758,515	$ 1,247,242

Actuarial Assumptions

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

Report date	December 31, 2016	December 31, 2015
Valuation date	June 30, 2015	June 30, 2014
Measurement date	June 30, 2016	June 30, 2015
Actuarial cost method	Entry-age normal cost method	Entry-age normal cost method
Actuaral assumptions:		
Discount rate	7.50%	7.65%
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%	7.65%
Mortality derived using	CalPERS membership for all funds	CalPERS membership for all fun(

(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, 2015 and 2014 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 7.65% and 7.50% in the June 30, 2014 and 2015 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.

CalPERS is scheduled to review all actuarial assumptions as part of its regular asset/liability management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require CalPERS board action and proper stakeholder outreach.

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 and rounded down to the nearest one quarter of one percent.

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.

Asset Class	2016 New Strategic Allocation	2016 Real Return Years 1 - 10 [a]	2016 Real Return Years 11+ [b]	2015 New Strategic Allocation	2015 Real Return Years 1 - 10 [a]	2015 Real Return Years 11+ [b]
Global equity	51.00%	5.25%	5.71%	51.00%	5.25%	5.71%
Global fixed income	19.00%	0.99%	2.43%	19.00%	0.99%	2.43%
Inflation sensitive	6.00%	0.45%	3.36%	6.00%	0.45%	3.36%
Private equity	10.00%	6.83%	6.95%	10.00%	6.83%	6.95%
Real estate	10.00%	4.50%	5.13%	10.00%	4.50%	5.13%
Infrastructure and forestland	2.00%	4.50%	5.09%	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%	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:

	2016	2015
Discount decreased 1 percentage point	6.50%	6.65%
Resulting net pension liability	$ 17,418,429	$ 15,634,057
Current discount rate	7.50%	7.65%
Resulting net pension liability	$ 11,180,181	$ 9,322,253
Discount increased 1 percentage point	8.50%	8.65%
Resulting net pension liability	$ 6,024,579	$ 4,111,113

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, 2016 and 2015, 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 2K. 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, 2016 and 2015, the district made health insurance premium payments on behalf of retirees of $127,789 and $125,008 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, 2016 and 2015, the amount actually contributed to the plan, and changes in the district's net OPEB obligation:

	2016	2015
Annual required contribution end of year	$ 235,796	$ 115,107
Interest on net OPEB obligation	4,076	4,830
Adjustment to annual required contribution	(3,444)	(2,762)
Annual OPEB cost (expense)	236,428	117,175
Contributions made including credited interest	(127,789)	(125,008)
Increase (decrease) in net OPEB obligation	108,639	(7,833)
Net OPEB obligation, beginning of period	60,568	68,401
Net OPEB obligation, end of period	$ 169,207	$ 60,568

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
2014	$ 116,868	126.59%	$ 68,401
2015	117,175	106.68%	60,568
2016	236,428	54.05%	169,207

Funded Status and Funding Progress

The funded status of the plan as of December 31, 2016 and 2015, from the plan's most recent actuarial valuation, was as follows:

	2016	2015
Actuarial accrued liability ("AAL")	$ 4,012,344	$ 2,507,829
Value of plan assets	2,497,439	2,335,824
Unfunded actuarial accrued liability (asset) ("UAAL")	$ 1,514,905	$ 172,005
Funded ratio (value of plan assets/AAL)	62.24%	93.14%
Covered payroll (active plan participants)	$ 8,345,807	$ 7,966,717
UAAL (asset) as a percentage of covered payroll	18.15%	2.16%

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, 2013 valuation included a 7.06 percent investment rate of return (net of administrative expenses), healthcare premium increases starting at 9.0 percent and declining to 4.64 percent for 2025 and later, a general inflation assumption of 3.0 percent, and projected salary increases of 3.25 percent. 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 2016 and 2015 were entirely from fees for services the district provided to Lathrop Irrigation District. SSJID provides meter reading, billing, and customer service for Lathrop Irrigation District's retail electric utility.

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, 2016.

Type of Coverage	Limit per Occurrence	Aggregate Limit	Deductible
General liability	$ 10,000,000	$ -	$ 500
Automobile liability (incl. personal injury, property damage)	10,000,000		1,000
Uninsured/Underinsured motorists	750,000		
Employment practices liability	10,000,000	10,000,000	
Workers comp - statutory	Statutory		
Workers comp – employer liability	5,000,000		
Public officials and employees E & O	10,000,000	10,000,000	
Personal liability for Board members	500,000	500,000	500
Employee benefits liability	10,000,000	10,000,000	
Property coverage (including fire & theft)	1,000,000,000		10,000
Property coverage - flood	10,000,000		250,000
Employee dishonesty	1,000,000		35,000
Boiler & machinery	100,000,000		1,000
Excess insurance	40,000,000		

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

NOTE 15 – Commitments and Contingencies

Matters Pending Before State Water Resources Control Board

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. It is not expected that implementation will be completed in 2017.

Water Fix Hearings. The SWRCB is currently conducting hearings on the 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 Sacramento River to convey water through two tunnels 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.

Curtailment. 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 2016, which was a year of average to above average precipitation, storage levels in New Melones Reservoir remained low. Following a wet winter storage levels in new Melones Reservoir have fully recovered. 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 the order is 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 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. SSJID, at.al v. SWRCB (I) deals with the authority and methodology of the SWRCB to curtail the use of very senior water rights such as those of the district during droughts. That matter has been briefed and is set for hearing in December 2017. SSJID, et. al. v. SWRCB (II) involves enforcement actions brought by the SWRCB against other districts in which the district has intervened. That case has been coordinated with the first for disposition. Finally, C-SPA v. EPA, in which the district has intervened involves the authority of the SWRCB to relax water quality standards during drought. The matter is in discovery and summary judgment motions are pending. Significant legal principles impacting the regulatory environment in which the district must function are at issue, but because of the end of the drought none of the cases is expected to have a direct impact on the fiscal condition of the district.

Water Quality Issues before the Central Valley Water Quality Control Board

Pollution standards under Clean Water Act. The Central Valley Water Quality Control Board is charged with responsibility to establish a program to set total maximum daily loads ("TMDL") for the various pollutants that contribute to the San Joaquin River and its tributaries being listed as impaired water bodies. The river and its tributaries are also listed as impaired for temperature because of adverse impacts to fisheries. 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, contribute to the problem. The possible impacts on the district are unknown at this time. The district participates in these regulatory proceedings jointly with other irrigation districts in the region.

Other Water Quality Issues

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 storm drainage in the winter to the Stanislaus and San Joaquin Rivers. The storm drainage includes storm drainage from cities within the district. The cities' discharge is not exempt and is subject to the CWA, including its permitting requirements. The district's position, like that of other irrigation districts in the area, is that the storm drainage does not result in loss of the agricultural exemption under the CWA and has not sought a permit for its agricultural discharges. Much of the Central Valley of California is provided storm drainage services in this manner. If this determination is ever challenged, and the district does not prevail, the district could be subject to prosecution and fines for violating the CWA and would be subject to the CWA's permitting requirements. It is reasonable to expect that should permit enforcement be asserted and prevail, administrative negotiation with the respective agencies will resolve most outstanding issues. Modifying and permitting drainage facilities could result in substantial expense, much of which will be cost shared with local municipal customers. This unknown or unlikely expense is not expected to materially impact the fiscal condition of the district.

Endangered Species Issues

Jurisdiction over fisheries migrating to or in the oceans under the Endangered Species Act rests with the United States Department of Commerce's National Marine Fisheries Service a division of the Oceanic and Atmospheric Administration ("NOAA"). In June, 2009, NOAA issued a Biological Opinion and imposed new flow requirements on the USBR in its operation of New Melones Reservoir. The new flow requirements and the effects of a multi-year drought have depleted the volume of water stored at New Melones Reservoir and impact the water available to the district and Oakdale Irrigation District ("OID") under the 1988 Agreement and Stipulation. In 2015, the two districts notified the USBR and NOAA that water being released from New Melones into the Stanislaus River for the spring pulse flow was a violation of the two districts' water rights and the districts threatened to withhold the water until their interests were protected. Later in the year, the two districts were compensated for the fall pulse flows released by the USBR under an agreement which stipulated that the fall release used 2015's water, even though those flows occurred after the end of the 2015 water year. SSJID was compensated in part because of its extraordinary water conservation efforts in 2015, including the imposition of a 36" allotment it imposed on its customers. Because of continuing low storage in New Melones Reservoir this year and the same water supply concerns that led to the adoption of water allotment in 2015, the district's board of directors adopted a 40" allotment for 2016. In August of 2016, the district's board took additional action to relax the allotment through the remainder of the 2016 water year in light of the lower than expected water demand.

Contract Commitments

The district had no significant contract commitments outstanding as of December 31, 2016. At December 31, 2015, the district had a contingent commitment to purchase a new model of filter modules for the water treatment plant in the amount of $739,000. The district issued a purchase order for this purchase on December 18, 2015, but the district's acceptance of the modules was contingent on the vendor obtaining from the state required regulatory approval of the new modules. Approval from the state came early 2016 and the modules were received, installed, and paid for.

Retail Electric Litigation

<u>Pacific Gas & Electric Company v. San Joaquin County Local Agency Formation Commission.</u> The San Joaquin County Local Agency Formation Commission ("LAFCo") approved the district's plan to provide electric utility distribution services in December, 2014. Pacific Gas & Electric Company ("PG&E") filed a lawsuit in February, 2015, to modify or overturn LAFCo's decision. SSJID is defending the case through outside counsel and is also paying the defense costs incurred by LAFCo. Two of the three issues have been decided in favor of SSJID, those being PG&E's argument that LAFCo erred in (i) not determining whether SSJID would be capable of providing service at a 15% discount when it determined that SSJID would have sufficient revenue to provide electric service and (ii) approving the environmental impact report. The third issue, that being PG&E's argument that the LAFCo condition requiring SSJID to make payments to the County of San Joaquin and to the cities of Manteca, Escalon and Ripon in lieu of property taxes and franchise fees is unconstitutional, was tried to the court on July 27. This last issue is under submission and a decision is expected by the end of October. Either PG&E or SSJID may appeal the decision if adverse to their respective interests.

<u>South San Joaquin Irrigation District v. PG&E.</u> The district filed an eminent domain action in July, 2016, to acquire PG&E's retail electric distribution system within the district's

boundaries. The case was filed after the district's board of directors approved a resolution of necessity on June 28, 2016, after conducting a public hearing at a meeting held on that date. The district will incur substantial outside legal costs in pursuing this case. If the district dismisses the case or the court determines that the district cannot acquire PG&E's property, the district would be responsible for PG&E's litigation expenses, as approved by the court. The right to take portion of the case is set to be tried starting on March 26, 2018.

Property Damage Litigation

Diane Johnson v. SSJID. This is a lawsuit for property damage in December, 2010 caused by storm water. The property was previously damaged by flooding. The district's defense is provided by the district's insurance carrier without a reservation of rights. A judgment was issued after trial based at least in part on inverse condemnation and included an award of attorney's fees, for a total of approximately $1.5 million. The case is now on appeal. The district's insurance policy excludes coverage for inverse condemnation, but an endorsement to the policy removes the exception and the district believes that if the decision is upheld on appeal, the judgment will be covered by its insurance policy.

Tyler v. Oakdale Irrigation District. SSJID was named in this suit for inverse condemnation. In this lawsuit, a landowner at Tulloch Reservoir is seeking damages for loss of property value from settling that has damaged his residence. The districts are defended by counsel retained by their carriers. The trial judge recently granted the districts' demurrer to the complaint, with leave to amend.

Personnel Claims and Litigation

Thomas J. Johnson v. SSJID. A former employee challenged his August, 2013 termination. An advisory arbitration on his grievance was conducted in accordance with the district's grievance provisions in the memorandum of understanding. The arbitrator's recommendation that the employee be reinstated was rejected by the district's board of directors. This lawsuit was filed in October, 2015 seeking to overturn the decision. The district's carrier assigned counsel to defend the district. The case was tried to the court in March, 2017 and the judge decided in favor of the District. The case was not appealed and is now final.

Other Claims

Escalon Sportsman's Club. SSJID received a complaint from San Joaquin County Environmental Health in January, 2017, because of lead shot pellets along its canal banks and below the water line of its main distribution canal west of McHenry Avenue and adjacent to the Escalon Sportsman's Club. The notice cites State law and San Joaquin County ordinances and states that the District is required to "contain, clean up and dispose of the waste at an authorized, permitted location." With the assistance of an outside expert, the District submitted a soil remediation plan for the County's review and approval. The District's periodic testing of the water in its canal for lead contamination during the 2017 irrigation season has shown no violations of the allowable limits. At the end of the irrigation season, the District is prepared to mobilize the necessary forces to remediate the lead shot pellets from its canal property, if the County approves the remediation plan. To date it has not done so and has also not approved the Sportsman's Club's plan to erect a barrier to prevent additional lead pellets from leaving its property. Ultimately, SSJID will bear the remediation costs to remediate the lead shot contamination from its property when its plan is approved.

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 25, 2017. 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, 2017, the district received a distribution of $6.1 million from Tri-Dam Project and a distribution of $692,000 from the Tri-Dam Power Authority. In July, 2017, the district received a distribution of $10.3 million from Tri-Dam Project.

NOTE 17 – New Accounting Standards

In February 2015, the GASB approved Statement No. 72, Fair Value Measurement and Application. This Statement addresses accounting and financial reporting issues related to fair value measurements, and requires additional disclosures about assets and liabilities measured at fair value. This statement is effective for periods beginning after June 15, 2015. The district implemented this Statement in fiscal year 2016.

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 June 2015, the GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The requirements of this Statement are effective for periods beginning after June 15, 2015, and should be applied retroactively. The district implemented this standard in 2016.

In December 2015, the GASB issued Statement No. 79, Certain External Investment Pools and Pool Participants. This Statement establishes criteria allowing investment pools meeting certain maturity, quality, diversification and other criteria to measure its investments at amortized cost for financial reporting purposes rather than at fair value and allowing the pool's users to measure their investment in the pool at amortized cost. This Statement is effective for periods beginning after June 15, 2015 with some provisions effective for periods beginning after December 15, 2015.

In January 2016, the GASB issued Statement No. 80, Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14. This Statement amends the blending requirements for component units to add an additional criterion that requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for the years beginning after June 15, 2016.

In March 2016, the GASB issued Statement No. 82, Pension Issues, an Amendment of GASB Statements No. 67, No. 68, and No. 73. This Statement clarifies certain accounting and reporting issues related to pension plans, including the presentation of payroll related measures in required supplementary information, clarifies the use of the term deviation for the selection of assumptions, and clarifies the classification of employer-paid member contributions and the period in which they should be recognized. The requirements of this Statement are effective for periods beginning after June 15, 2015, and should be applied retroactively. The district implemented this standard in 2016.

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

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Required Supplementary Information

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

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

Notes to Schedule:

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, 2015 for 2016 and June 30, 2014 for 2015.

Changes in assumptions: None.

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

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

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

Notes to Schedule:

Valuation date: June 30, 2015 for 2016, and June 30, 2014 for 2015

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 2016 and 2015
Investment rate of return	7.65% for 2016 and 2015 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]
12/31/2014	$ 2,387,174	$ 2,419,569	$ 32,395	98.66%	$ 7,965,526	0.41%
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%