



Solano Irrigation District
Annual Financial Report
December 31, 2015 and 2014



Solano Irrigation District
Board of Directors as of December 31, 2015

<u>Name</u>	<u>Division</u>	<u>Title</u>
John D. Kluge	1	Vice President
Bob Bishop	2	Director
Glen Grant	3	President
Guido Colla	4	Director
Mike German	5	Director

Solano Irrigation District
Cary Keaten, General Manager
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Vacaville, California 95688
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Solano Irrigation District

Annual Financial Report

For the Years Ended December 31, 2015 and 2014

Solano Irrigation District
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Financial Section



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Independent Auditor's Report

Board of Directors
Solano Irrigation District
Vacaville, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Solano Irrigation District (District), which comprises the statements of net position as of December 31, 2015 and 2014, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these basic financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Solano Irrigation District as of December 31, 2015 and 2014, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report, continued

Emphasis of Matter

As discussed in note 1 to the financial statements, in 2015, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date - An Amendment of GASB Statement 68*. Our opinion is not modified with respect to this matter.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 and the required supplementary schedules on pages 47 through 49 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audits 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.

Restatement

As part of our audit of the December 31, 2015, financial statements, we audited the adjustments described in note 13. The District recognized its proportionate share of net pension liability; and reclassified its proportionate share of employer pension contributions from expense to deferred outflows of resources and recorded a prior period adjustment to restate net position as of July 1, 2014.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 27, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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. This report can be found on pages 50 and 51.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
June 27, 2016

Solano Irrigation District
Management's Discussion and Analysis
For the Years Ended December 31, 2015 and 2014

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Solano Irrigation District (District) provides an introduction to the financial statements of the District for the years ended December 31, 2015 and 2014. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In 2015, the District's net position increased 5.74% or \$3,363,602 from \$58,590,501 to \$61,954,103 as a result of ongoing operations. In 2014, the District's net position decreased 22.24% or \$16,755,974 from \$75,346,475 to \$58,590,501 as a result of a \$6,701,329 decrease from ongoing operations and a \$10,054,645 decrease related to the implementation of GASB 68 and 71. See note 13 for further discussion.
- The District's 2015, operating revenues decreased 4.13% or \$550,298 due primarily to a decrease of \$376,686 in water service revenues. The District's 2014, operating revenues increased 0.81% or \$106,842 due primarily to an increase of \$289,421 in water service revenues.
- The District's 2015, non-operating revenues increased 9.69% or \$767,000 due primarily to an increase of \$661,401 in detachment, easement/title and annexation fees. The District's 2014, non-operating revenues increased 0.51% or \$39,949 due primarily to an increase of \$208,775 in debt service reimbursement from PG&E.
- The District's 2015, total expenses decreased 35.24% or \$9,848,229 due primarily to a \$9,573,744 one-time non-cash write off of accumulated assets related to the Dixon-Solano Water Authority that occurred in 2014. The District's 2014, total expenses increased 55.16% or \$9,934,829 due primarily to a change in the investment in joint-powers authorities of \$9,573,744 caused by a one-time non-cash write off of accumulated assets related to the Dixon-Solano Water Authority.

Required Financial Statements

This annual report consists of a series of financial statements. The Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Statements of Net Position include all of the District's investments in resources (assets), deferred outflows of resources, the obligations to creditors (liabilities), deferred inflows of resources and net position. They also provide the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current and prior years' revenue and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Net Position. These statements measure the success of the District's operations over the past years and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. These statements can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statements of Cash Flows, which provide information about the District's cash receipts and cash payments during the reporting periods. The Statements of Cash Flows report cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provide answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Solano Irrigation District
Management's Discussion and Analysis
For the Years Ended December 31, 2015 and 2014

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's *net position* and changes in them. You can think of the District's net position – the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources – as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation, such as changes in Federal and State water quality standards.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 14 through 46.

Statements of Net Position

	Condensed Statements of Net Position				
	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>2013</u>	<u>Change</u>
Assets:					
Current assets	\$ 19,841,232	19,110,748	730,484	17,592,431	1,518,317
Non-current assets	12,484,200	12,936,904	(452,704)	23,065,826	(10,128,922)
Capital assets, net	64,195,078	62,295,771	1,899,307	62,125,387	170,384
Total assets	<u>96,520,510</u>	<u>94,343,423</u>	<u>2,177,087</u>	<u>102,783,644</u>	<u>(8,440,221)</u>
Deferred outflows of resources:					
Deferred pension outflows	1,338,301	609,537	728,764	-	609,537
Total deferred outflows of resources	<u>1,338,301</u>	<u>609,537</u>	<u>728,764</u>	<u>-</u>	<u>609,537</u>
Liabilities:					
Current liabilities	6,639,568	5,998,800	640,768	6,204,791	(205,991)
Non-current liabilities	28,318,811	27,667,498	651,313	21,232,378	6,435,120
Total liabilities	<u>34,958,379</u>	<u>33,666,298</u>	<u>1,292,081</u>	<u>27,437,169</u>	<u>6,229,129</u>
Deferred inflows of resources:					
Deferred pension inflows	946,329	2,696,161	(1,749,832)	-	2,696,161
Total deferred inflows of resources	<u>946,329</u>	<u>2,696,161</u>	<u>(1,749,832)</u>	<u>-</u>	<u>2,696,161</u>
Net position:					
Net investment in capital assets	52,812,638	48,947,343	3,865,295	46,828,129	2,119,214
Restricted	5,108,230	4,773,184	335,046	3,385,413	1,387,771
Unrestricted	4,033,235	4,869,974	(836,739)	25,132,933	(20,262,959)
Total net position	<u>\$ 61,954,103</u>	<u>58,590,501</u>	<u>3,363,602</u>	<u>75,346,475</u>	<u>(16,755,974)</u>

Solano Irrigation District
Management's Discussion and Analysis
For the Years Ended December 31, 2015 and 2014

Statements of Net Position, continued

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$61,954,103 and \$58,590,501 as of December 31, 2015 and 2014, respectively.

A portion of the District's net position, 85.12% and 83.54% as of December 31, 2015 and 2014, respectively, reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are *not* available for future spending.

At the end of years 2015 and 2014, the District showed a positive balance in its unrestricted net position of \$4,122,107 and \$4,869,974, respectively. The District has designated \$300,000 and \$150,000 of its unrestricted net position to fund its other post-employment benefit obligation (OPEB) at December 31, 2015 and 2014, respectively. See note 12 for further discussion.

Statements of Revenues, Expenses and Changes in Net Position

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>2013</u>	<u>Change</u>
Revenues:					
Operating revenues	\$ 12,776,471	13,326,769	(550,298)	13,219,927	106,842
Non-operating revenues	8,683,513	7,916,513	767,000	7,876,564	39,949
Total revenues	<u>21,459,984</u>	<u>21,243,282</u>	<u>216,702</u>	<u>21,096,491</u>	<u>146,791</u>
Expenses:					
Operating expenses	14,570,731	14,575,232	(4,501)	14,323,504	251,728
Depreciation expense	2,579,527	2,603,622	(24,095)	2,554,051	49,571
Non-operating expenses	946,124	10,765,757	(9,819,633)	1,132,227	9,633,530
Total expenses	<u>18,096,382</u>	<u>27,944,611</u>	<u>(9,848,229)</u>	<u>18,009,782</u>	<u>9,934,829</u>
Net income before capital contributions	3,363,602	(6,701,329)	10,064,931	3,086,709	(9,788,038)
Capital contributions	-	-	-	589,231	(589,231)
Change in net position	<u>3,363,602</u>	<u>(6,701,329)</u>	<u>10,064,931</u>	<u>3,675,940</u>	<u>(10,377,269)</u>
Net position, beginning of year	58,590,501	75,346,475	(16,755,974)	71,670,535	3,675,940
Prior period adjustment	-	(10,054,645)	10,054,645	-	(10,054,645)
Net position, beginning of the year - as restated	<u>58,590,501</u>	<u>65,291,830</u>	<u>(6,701,329)</u>	<u>71,670,535</u>	<u>(6,378,705)</u>
Net position, end of year	<u>\$ 61,954,103</u>	<u>58,590,501</u>	<u>3,363,602</u>	<u>75,346,475</u>	<u>(16,755,974)</u>

The statements of revenues, expenses and changes in net position show how the District's net position changed during the years. In the case of the District, net position increased 5.74% or \$3,363,602 from \$58,590,501 to \$61,954,103 as a result of ongoing operations for the year ended December 31, 2015. The District's net position decreased 22.24% or \$16,755,974 from \$75,346,475 to \$58,590,501 as a result of a \$6,701,329 decrease from ongoing operations and a \$10,054,645 decrease related to the implementation of GASB 68 and 71 for the year ended December 31, 2014.

Solano Irrigation District
Management's Discussion and Analysis
For the Years Ended December 31, 2015 and 2014

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

A closer examination of the sources of changes in net assets reveals that:

The District's 2015, operating revenues decreased 4.13% or \$550,298 due primarily to a decrease of \$376,686 in water service revenues. The District's 2014, operating revenues increased 0.81% or \$106,842 due primarily to an increase of \$289,421 in water service revenues.

The District's 2015, non-operating revenues increased 9.69% or \$767,000 due primarily to an increase of \$661,401 in detachment, easement/title and annexation fees. The District's 2014, non-operating revenues increased 0.51% or \$39,949 due primarily to an increase of \$208,775 in debt service reimbursement from PG&E.

The District's 2015, total expenses decreased 35.24% or \$9,848,229 due primarily to a \$9,573,744 one-time non-cash write off of accumulated assets related to the Dixon-Solano Water Authority that occurred in 2014. The District's 2014, total expenses increased 55.16% or \$9,934,829 due primarily to a change in the investment in joint-powers authorities of \$9,573,744 caused by a one-time non-cash write off of accumulated assets related to the Dixon-Solano Water Authority.

Capital Asset Administration

At the end of years 2015 and 2014, the District's investment in capital assets amounted to \$64,195,078 and \$62,295,771 (net of accumulated depreciation), respectively. This investment in capital assets includes land, land rights, water distribution and treatment plant, a power plant, buildings and structures, equipment, vehicles, and construction-in-process. See note 5 for further discussion.

Changes in capital asset amounts for 2015, were as follows:

	<u>Balance 2014</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2015</u>
Capital assets:				
Non-depreciable assets	\$ 6,543,507	4,064,544	(1,234,360)	9,373,691
Depreciable assets	107,150,114	1,735,119	(483,682)	108,401,551
Accumulated depreciation	<u>(51,397,850)</u>	<u>(2,579,527)</u>	<u>397,213</u>	<u>(53,580,164)</u>
Total capital assets, net	<u>\$ 62,295,771</u>	<u>3,220,136</u>	<u>(1,320,829)</u>	<u>64,195,078</u>

Changes in capital asset amounts for 2014, were as follows:

	<u>Balance 2013</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2014</u>
Capital assets:				
Non-depreciable assets	\$ 7,565,152	2,423,953	(3,445,598)	6,543,507
Depreciable assets	103,450,111	4,660,751	(960,748)	107,150,114
Accumulated depreciation	<u>(48,889,876)</u>	<u>(2,603,622)</u>	<u>95,648</u>	<u>(51,397,850)</u>
Total capital assets, net	<u>\$ 62,125,387</u>	<u>4,481,082</u>	<u>(4,310,698)</u>	<u>62,295,771</u>

Solano Irrigation District
Management's Discussion and Analysis
For the Years Ended December 31, 2015 and 2014

Debt Administration

In 2015, long-term debt decreased by \$2,220,009, due primarily to regular principal payments on the District's outstanding debts. In 2014, long-term debt decreased by \$2,044,576, due to regular principal payments on the District's outstanding debts. See note 7 for further discussion.

Changes in long-term debt amounts for 2015, were as follows:

	<u>Balance 2014</u>	<u>Additions/ Deletions</u>	<u>Principal Payments</u>	<u>Balance 2015</u>
Long-term debt:				
Bonds payable	\$ 13,247,515	13,748	(1,945,000)	11,316,263
Capital lease payable	4,111	-	(4,111)	-
Loans payable	<u>2,018,024</u>	<u>-</u>	<u>(284,646)</u>	<u>1,733,378</u>
Total long-term debt	<u>\$ 15,269,650</u>	<u>13,748</u>	<u>(2,233,757)</u>	<u>13,049,641</u>

Changes in long-term debt amounts for 2014, were as follows:

	<u>Balance 2013</u>	<u>Additions/ Deletions</u>	<u>Principal Payments</u>	<u>Balance 2014</u>
Long-term debt:				
Bonds payable	\$ 15,083,767	13,748	(1,850,000)	13,247,515
Capital lease payable	87,522	-	(83,411)	4,111
Loans payable	<u>2,142,937</u>	<u>-</u>	<u>(124,913)</u>	<u>2,018,024</u>
Total long-term debt	<u>\$ 17,314,226</u>	<u>13,748</u>	<u>(2,058,324)</u>	<u>15,269,650</u>

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's Finance Manager at 801 Vaca Valley Parkway, Suite 201, Vacaville, CA 95688 or by phone (707) 448-6847.

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Basic Financial Statements

**Solano Irrigation District
Statements of Net Position
December 31, 2015 and 2014**

	2015	As Restated 2014
Current assets:		
Cash and cash equivalents (note 2)	\$ 7,538,984	7,472,655
Restricted – cash and cash equivalents (note 2)	9,289,720	9,180,421
Accrued interest receivable	9,747	6,887
Accounts receivable – water sales and services	236,406	140,024
Accounts receivable – other	1,088,348	530,872
Contracts receivable – current portion (note 3)	231,901	349,118
Due from other government agencies	600,676	547,493
Materials and supplies inventory	477,373	560,942
Prepaid expenses and other deposits	368,077	322,336
	19,841,232	19,110,748
Non-current assets:		
Contracts receivable – non-current portion (note 3)	-	231,901
Investment in joint-powers authorities (note 4)	12,484,200	12,705,003
Capital assets – not being depreciated (note 5)	9,373,691	6,543,507
Capital assets – being depreciated, net (note 5)	54,821,387	55,752,264
	76,679,278	75,232,675
Total assets	96,520,510	94,343,423
Deferred outflows of resources:		
Deferred pension outflows (note 9)	1,338,301	609,537
Total deferred outflows of resources	\$ 1,338,301	609,537

Continued on next page

See accompanying notes to the basic financial statements

Solano Irrigation District
Statements of Net Position, continued
December 31, 2015 and 2014

	2015	As Restated 2014
Current liabilities:		
Accounts payable and accrued expenses	\$ 713,770	232,110
Accrued payroll and employee benefits	208,586	138,439
PG&E – debt service reimbursement advancement	2,203,100	2,100,250
Deposits for work-orders	504,176	474,944
Unearned revenue	150,833	56,039
Accrued interest payable	311,189	385,765
Long-term liabilities – due in one year:		
Compensated absences (note 6)	379,075	377,496
Bond payable (note 7)	2,050,000	1,945,000
Capital lease payable (note 7)	-	4,111
Loans payable (note 7)	118,839	284,646
Total current liabilities	6,639,568	5,998,800
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 6)	410,664	408,953
Bond payable, net of discount (note 7)	9,266,263	11,302,515
Loans payable (note 7)	1,614,539	1,733,378
Other post-employment benefits payable (note 8)	5,551,323	4,906,658
Net pension liability (note 9)	11,476,022	9,315,994
Total non-current liabilities	28,318,811	27,667,498
Total liabilities	34,958,379	33,666,298
Deferred inflows of resources:		
Deferred pension inflows (note 9)	946,329	2,696,161
Total deferred inflows of resources	946,329	2,696,161
Net position:		
Net investment in capital assets (note 10)	52,812,638	48,947,343
Restricted (note 11)	5,108,230	4,773,184
Unrestricted (note 12)	4,033,235	4,869,974
Total net position	\$ 61,954,103	58,590,501

See accompanying notes to the basic financial statements

Solano Irrigation District
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2015 and 2014

	2015	As Restated 2014
Operating revenues:		
Water sales and service charges:		
Agriculture water sales	\$ 3,574,837	3,864,194
Municipal, industrial and other water sales	616,454	722,904
City water transfers	714,705	708,785
Standby charges	1,062,153	1,061,398
Capital replacement charge	252,794	259,402
Other water service charges	58,720	39,666
	6,279,663	6,656,349
Contracted reimbursement revenue:		
Suisun-Solano Water Authority	2,631,431	2,695,608
Suisun Valley Water System	88,007	83,267
Dixon-Solano Water Authority	948	429,517
Rural North Vacaville Water District	187,265	131,464
U.S. Bureau of Reclamation	494,186	508,876
Putah South Canal	1,356,890	1,275,124
Monticello Power Plant	1,087,795	721,610
Grants	106,241	114,212
Work completed for others	544,045	710,742
	6,496,808	6,670,420
Total operating revenues	12,776,471	13,326,769
Operating expenses:		
Salaries and wages	6,350,377	6,325,360
Employee benefits	2,762,673	2,755,012
Materials and services	5,457,681	5,494,860
	14,570,731	14,575,232
Operating loss before depreciation expense	(1,794,260)	(1,248,463)
Depreciation expense	(2,579,527)	(2,603,622)
Operating loss	\$ (4,373,787)	(3,852,085)

Continued on next page

See accompanying notes to the basic financial statements

Solano Irrigation District
Statements of Revenues, Expenses and Changes in Net Position, continued
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>As Restated 2014</u>
Non-operating revenue(expense):		
Property taxes – ad valorum	\$ 692,755	1,045,742
PG&E – debt service reimbursement	2,963,351	2,982,350
Rehabilitation and betterment assessment	2,905,695	2,620,212
Other special assessments	483,667	486,654
Power plant revenue	348,373	389,810
Investment earnings	91,592	97,450
Change in investment in joint-powers authorities	(220,804)	(9,782,072)
Interest expense – long-term debt	(681,906)	(864,616)
County administrative fees	(43,414)	(42,174)
Gain from sale of capital assets	13,481	218,997
Detachment, easement/title and annexation fees	736,699	75,298
Other non-operating revenues(expense), net	<u>447,900</u>	<u>(76,895)</u>
Total non-operating revenues(expense), net	<u>7,737,389</u>	<u>(2,849,244)</u>
Change in net position	<u>3,363,602</u>	<u>(6,701,329)</u>
Net position, beginning of year	58,590,501	75,346,475
Prior period adjustment (note 13)	<u>-</u>	<u>(10,054,645)</u>
Net position, beginning of the year - as restated	<u>58,590,501</u>	<u>65,291,830</u>
Net position, end of year	<u>\$ 61,954,103</u>	<u>58,590,501</u>

See accompanying notes to the basic financial statements

Solano Irrigation District
Statements of Cash Flows
For the Years Ended December 31, 2015 and 2014

	2015	As Restated 2014
Cash flows from operating activities:		
Cash receipts from customers for water sales and services	\$ 6,307,307	6,847,125
Cash receipts from contracted reimbursement services	6,443,625	6,518,891
Cash receipts from others	527,596	612,671
Cash paid to vendors and suppliers for materials and services	(6,896,846)	(8,181,426)
Cash paid to employees for salaries and wages	(6,350,377)	(6,325,360)
Net cash provided by (used in) operating activities	31,305	(528,099)
Cash flows from non-capital financing activities:		
Proceeds from property taxes – ad valorem	692,755	1,045,742
Proceeds from rehabilitation and betterment assessment	2,905,695	2,620,212
Proceeds from other special assessments	483,667	486,654
Net cash provided by non-capital financing activities	4,082,117	4,152,608
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(4,565,303)	(2,784,057)
Proceeds from the sale of capital assets	99,950	229,048
PG&E – debt service reimbursement	3,066,201	3,065,500
Proceeds from contracts and debt service contracts receivable	349,118	335,437
Principal paid on long-term debt	(2,220,009)	(2,044,576)
Interest paid on long-term debt	(756,482)	(899,689)
Net cash used in capital and related financing activities	(4,026,525)	(2,098,337)
Cash flows from investing activities:		
Interest and investment earnings	88,731	96,621
Net cash provided by investing activities	88,731	96,621
Net increase in cash and cash equivalents	175,628	1,622,793
Cash and cash equivalents, beginning of year	16,653,076	15,030,283
Cash and cash equivalents, end of year	\$ 16,828,704	16,653,076
Reconciliation of cash and cash equivalents to statements of net position:		
	2015	2014
Cash and cash equivalents	\$ 7,538,984	7,472,655
Restricted – cash and cash equivalents	9,289,720	9,180,421
Total cash and cash equivalents	\$ 16,828,704	16,653,076

Continued on next page

See accompanying notes to the basic financial statements

Solano Irrigation District
Statements of Cash Flows, continued
For the Years Ended December 31, 2015 and 2014

	2015	As Restated 2014
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$ (4,373,787)	(3,852,085)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Deprecation expense	2,579,527	2,603,622
Power plant revenue	348,373	389,810
County administrative fees	(43,414)	(42,174)
Detachment, easement/title and annexation fees	736,699	75,298
Other non-operating revenues	447,900	(76,895)
Changes in assets, deferred outflows, liabilities, and deferred inflows:		
(Increase)Decrease in assets:		
Accounts receivable – water sales and services, net	(96,382)	67,193
Accounts receivable – other	(610,659)	(3,966)
Materials and supplies inventory	83,569	(68,085)
Prepaid expenses and other deposits	(45,741)	(66,607)
(Increase) in deferred outflows of resources:		
Deferred pension outflows	(728,764)	(609,537)
Increase(Decrease) in liabilities:		
Accounts payable and accrued expenses	481,660	(97,769)
Accrued payroll and employee benefits	70,147	(301,970)
Deposits for work-orders	29,232	138,082
Unearned revenue	94,794	(14,499)
Compensated absences	3,290	(101,644)
Other post employment benefits payable	644,665	646,814
Net pension liability	2,160,028	(1,909,848)
Increase(Decrease) in dferred inflows of resources:		
Deferred pension inflows	(1,749,832)	2,696,161
Total adjustments	4,405,092	3,323,986
Net cash provided by (used in) by operating activities	\$ 31,305	(528,099)

See accompanying notes to the basic financial statements

Solano Irrigation District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2015 and 2014

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Solano Irrigation District (District) was organized in 1948 under the provisions of the California Irrigation District Law now codified as Division II of the water code of the State of California. It encompasses some 72,768 acres in Solano County midway between the San Francisco Bay Area and the City of Sacramento. The District provides water for agricultural, commercial and residential purposes, as well as operates and maintains the Monticello Dam and other water distribution systems. The District is governed by a five-member board of directors elected by division within the District's service area.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Statements No. 61, *The Financial Reporting Entity*. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

B. Basis of Accounting and Measurement Focus

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water to its service area on a continuing basis be financed or recovered primarily through user charges (water sales), capital grants and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as water sales and water purchases, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

C. Financial Reporting

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the District's proprietary fund.

Solano Irrigation District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2015 and 2014

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting, continued

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

In June 2012, the GASB issued Statement No. 68 – *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, effective for financial statements for fiscal years beginning after June 15, 2014. The District implemented this new pronouncement in the current year. The purpose of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

In November 2013, the GASB issued Statement No. 71 – *Pension Transition for Contributions made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The District implemented this new pronouncement in the current year. The effect of the implementation of this statement to the District is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this statement are required to be applied simultaneously with the provisions of GASB Statement No. 68.

Prior Year Financial Data Presentation

The District has determined to present the annual financial statements with prior year data for comparative purposes and restated net position at July 1, 2014.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position

1. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosures of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported changes in net assets during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Solano Irrigation District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2015 and 2014

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

3. Investments and Investment Policy

The District has adopted an investment policy directing management to deposit funds in financial institutions.

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

4. Accounts Receivable and Allowance for Uncollectible Accounts

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the District uses the allowance method for the reservation and write-off of those accounts.

5. Property Taxes and Assessments

The County of Solano Assessor's Office assesses all real and personal property within the County each year. The County of Solano Tax Collector's Office bills and collects the District's share of property taxes and assessments. The County of Solano Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes receivable at year-end are related to property taxes collected by the County of Solano, which have not been credited to the District's cash balance as of December 31. The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

6. Materials and Supplies

Materials and supplies consist primarily of water pipe and pipefittings for construction and repair to the District's water treatment and distribution system. Materials and supplies are valued at cost using a weighted average method. Material and supply items are charged to expense at the time the items are consumed.

7. Restricted Assets

Certain assets of the District are restricted for use by ordinance or debt covenant and, accordingly, are shown as restricted assets on the accompanying statements of net position. The District uses restricted resources, prior to using unrestricted resources, to pay expenditures meeting the criteria imposed on the use of restricted resources by a third party.

Solano Irrigation District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2015 and 2014

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

8. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Water distribution plant	25-40 years
Monticello power plant	50 years
Water treatment plant	40 years
Buildings and structures	10-40 years
Machinery and equipment	4-20 years

9. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of resources applicable to future periods.

10. Unearned Revenue

Unearned revenue consists of customer and developer deposits held at year-end.

11. Compensated Absences

The District's personnel policies provide for accumulation of vacation and sick leave. Liabilities for vacation and sick leave are recorded when benefits are earned. Cash payment of unused vacation is available to those qualified employees when retired or terminated.

12. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and addition to/deduction from the Plans' 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. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation Date: June 30, 2014 and 2013
- Measurement Date: June 30, 2015 and 2014
- Measurement Period: July 1, 2014 to June 30, 2015 and July 1, 2013 to June 30, 2014

13. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of resources applicable to future periods.

Solano Irrigation District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2015 and 2014

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

14. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- **Net Investment in Capital Assets Component of Net Position** – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- **Restricted Component of Net Position** – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- **Unrestricted Component of Net Position** – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted components of net position.

15. Reclassification

The District has reclassified certain prior year information to conform with current year presentation.

(2) Cash and Investments

Cash and investments as of December 31, are classified in the accompanying financial statements as follows:

	2015	2014
Cash and cash equivalents	\$ 7,538,984	7,472,655
Restricted – cash and cash equivalents	9,289,720	9,180,421
Total cash and investments	\$ 16,828,704	16,653,076

Cash and investments as of December 31, consist of the following:

	2015	2014
Cash on hand	\$ 550	550
Deposits with financial institutions	3,428,812	2,539,046
Investments	13,399,342	14,113,480
Total cash and investments	\$ 16,828,704	16,653,076

Solano Irrigation District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2015 and 2014

(2) Cash and Investments, continued

Investments Authorized by the California Government Code and the District's Investment Policy

The following table identifies the investment types that are authorized by the District in accordance with the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage Of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (LAIF)	Upon Demand	None	None	\$50 M
Interest Bearing Checking Accounts	N/A	None	None	100%
U.S. Treasury Money-Market Fund	N/A	None	None	10%
Certificates of Deposit	5 years	IUQCI* of 85	None	\$100,000
U.S. Treasury Bills and Notes	5 years	None	None	100%
U.S. Government Sponsored Entities	5 years	None	None	100%
Banker's Acceptances	180 days	Moody's A	40%	30%
Commercial Paper	270 days	Moody's A	15%	10%
Repurchase Agreements	30 days	None	20%	100%
Medium Term Notes	5 years	Moody's AA	30%	10%
Negotiable Certificates of Deposit	2 years	Moody's A+	30%	10%

*Irwin Union Quality Code Index

Investments Authorized by Debt Agreements

Under the terms of the indentures of trust issued pursuant to the 2006 Monticello Power Project Refunding Hydroelectric Revenue Bonds (see note 7), a fiscal agent is holding funds for debt service reserves. The funds are to be used in the event the District lease payments are insufficient to pay debt service due on the bonds. As of December 31, 2015 and 2014, the balance with the fiscal agent had been invested in the First American Treasury Obligation Class D Money Market Fund.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of December 31, 2015 and 2014, bank balances are federally insured up to \$250,000. The remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

Solano Irrigation District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2015 and 2014

(2) Cash and Investments, continued

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on an amortized cost basis.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity date:

Investment maturities as of December 31, 2015, were as follows:

Investment Type	Amount	Remaining Maturity (in Months)		
		12 Months Or Less	13 to 24 Months	25-60 Months
Local Agency Investment Fund (LAIF)	\$ 10,629,051	10,629,051	-	-
First American Treasury obligation	2,770,291	2,770,291	-	-
Total	\$ 13,399,342	13,399,342	-	-

Investment maturities as of December 31, 2014, were as follows:

Investment Type	Amount	Remaining Maturity (in Months)		
		12 Months Or Less	13 to 24 Months	25-60 Months
Local Agency Investment Fund (LAIF)	\$ 11,595,310	11,595,310	-	-
First American Treasury obligation	2,518,170	2,518,170	-	-
Total	\$ 14,113,480	14,113,480	-	-

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the years ended for each investment type.

Solano Irrigation District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2015 and 2014

(2) Cash and Investments, continued

Credit Risk, continued

Credit ratings as of December 31, 2015, were as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of year-end</u>	
			<u>Moody's Aaa</u>	<u>Not Rated</u>
Local Agency Investment Fund (LAIF)	\$ 10,629,051	N/A	\$ -	10,629,051
First American Treasury obligation	2,770,291	Aaa	2,770,291	-
Total	\$ 13,399,342		\$ 2,770,291	10,629,051

Credit ratings as of December 31, 2014, were as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of year-end</u>	
			<u>Moody's Aaa</u>	<u>Not Rated</u>
Local Agency Investment Fund (LAIF)	\$ 11,595,310	N/A	\$ -	11,595,310
First American Treasury obligation	2,518,170	Aaa	2,518,170	-
Total	\$ 14,113,480		\$ 2,518,170	11,595,310

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments.

(3) Contracts Receivable

The balance at December 31, consists of the following:

	<u>2014</u>	<u>Additions</u>	<u>Payment Received</u>	<u>2015</u>
City of Fairfield – Reclaimed water	\$ 578,751	-	(346,850)	231,901
Elmira Improvement District	2,268	-	(2,268)	-
Contract receivable	581,019	-	(349,118)	231,901
Less: current portion	(349,118)			(231,901)
Total non-current	\$ 231,901			-

The balance at December 31, consists of the following:

	<u>2013</u>	<u>Additions</u>	<u>Payment Received</u>	<u>2014</u>
City of Fairfield – Reclaimed water	\$ 912,261	-	(333,510)	578,751
Elmira Improvement District	4,195	-	(1,927)	2,268
Contract receivable	916,456	-	(335,437)	581,019
Less: current portion	(335,437)			(349,118)
Total non-current	\$ 581,019			231,901

Solano Irrigation District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2015 and 2014

(3) Contracts Receivable, continued

City of Fairfield – Reclaimed Water

On October 1, 2002, the District, the City of Fairfield and the Fairfield-Suisan Sewer District entered into an agreement known as the “Second Amended Agreement” which modified Amendment No. 1 dated July 19, 1976. In this agreement, the District agreed to transfer immediately to the City of Fairfield, the District’s entire reclaimed water rights established by Section III of the agreement. The District is receiving payment for these reclaimed water rights over a period of time from the City of Fairfield.

Elmira Improvement District

In 1994, the District entered into an agreement with the Elmira Improvement District whereby the District charged landowners the cost of metered connection to the water system built for the Elmira Improvement District’s landowners. Under the terms of the agreement, each landowner pays their share of the cost over a 10 year period at 3.46% interest rate. As of December 31, 2015, the contract was paid in full; and as of December 31, 2014, the outstanding balance of the charge was \$2,268.

(4) Investment in Joint-Powers Authorities

Jointly governed organizations are legal entities or other organizations that result from a contractual arrangement and that are owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility as permitted by the California Government Code. The District is a participant in the following organizations:

The balance at December 31, consists of the following:

	2015	2014
Suisun-Solano Water Authority	\$ 12,429,952	12,650,755
Solano Water Authority	54,248	54,248
Total investment in joint powers authorities	\$ 12,484,200	12,705,003

The District has recorded its interest in the joint-powers authorities under the equity method of accounting whereby, the District's equity in the joint-powers authorities is equal to the original cost of assets contributed plus their pro rata share of the net position of the joint-powers authorities.

Suisun-Solano Water Authority

On May 17, 1976, the District and the City of Suisun City entered into a joint exercise powers agreement for the construction and operation of a domestic water system in the Tolenas and joint service area; and in May 1990, the District and the City of Suisun City entered into a joint powers agreement. Under the terms of the agreement, the District is responsible for the operation and maintenance of all water facilities. The City of Suisun City is responsible for all of the billing of water service and the collection and investment of all monies.

Solano Irrigation District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2015 and 2014

(4) Investment in Joint-Powers Authorities, continued

Suisun-Solano Water Authority, continued

Pursuant to the agreement, a Joint Executive Committee has been established consisting of one member of the City Council, the City Administrator, the Secretary-Manager and one member of the Board from the District. On July 1, 1982, the day-to-day water service function was taken over by the District. The City is the treasurer of the joint authority and has the responsibility of billing the water customers. The cost of the water treatment plant is recorded as an asset of the District under property, plant and equipment. Audited financial statements are available from the City of Suisun City at 701 Civic Center Boulevard, Suisun City, CA 94585.

Solano Water Authority

On September 22, 1987, the District entered into a joint powers agreement with various cities and other entities to form the Solano Water Authority (Authority). The joint powers was formed to acquire, construct, operate and maintain any project for the purpose of providing water resources or water treatment for public or private uses and to enter into project agreements to provide security for the repayment of any revenue bonds issued to finance such project, subject to the conditions and restrictions contained in the project agreement. Audited financial statements are available from the Authority at 810 Vaca Valley Parkway, Suite 203, Vacaville, CA 95687.

(5) Capital Assets

Changes in capital assets for 2015, were as follows:

	<u>Balance 2014</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2015</u>
Non-depreciable assets:				
Land and land rights	\$ 3,619,706	-	-	3,619,706
Construction-in-process	<u>2,923,801</u>	<u>4,064,544</u>	<u>(1,234,360)</u>	<u>5,753,985</u>
Total non-depreciable assets	<u>6,543,507</u>	<u>4,064,544</u>	<u>(1,234,360)</u>	<u>9,373,691</u>
Depreciable assets:				
Water distribution plant	67,943,314	1,234,360	-	69,177,674
Monticello power plant	15,527,224	-	-	15,527,224
Water treatment plant	4,665,948	-	-	4,665,948
Buildings and structures	12,862,167	-	-	12,862,167
Machinery and equipment	<u>6,151,461</u>	<u>500,759</u>	<u>(483,682)</u>	<u>6,168,538</u>
Total depreciable assets	<u>107,150,114</u>	<u>1,735,119</u>	<u>(483,682)</u>	<u>108,401,551</u>
Accumulated depreciation:				
Water distribution plant	(32,857,709)	(1,476,583)	-	(34,334,292)
Monticello power plant	(9,472,383)	(310,554)	-	(9,782,937)
Water treatment plant	(2,698,755)	(56,815)	-	(2,755,570)
Buildings and structures	(1,448,021)	(328,981)	-	(1,777,002)
Machinery and equipment	<u>(4,920,982)</u>	<u>(406,594)</u>	<u>397,213</u>	<u>(4,930,363)</u>
Total accumulated depreciation	<u>(51,397,850)</u>	<u>(2,579,527)</u>	<u>397,213</u>	<u>(53,580,164)</u>
Total depreciable assets, net	<u>55,752,264</u>	<u>(844,408)</u>	<u>(86,469)</u>	<u>54,821,387</u>
Total capital assets, net	<u>\$ 62,295,771</u>	<u>3,220,136</u>	<u>(1,320,829)</u>	<u>64,195,078</u>

Solano Irrigation District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2015 and 2014

(5) Capital Assets, continued

Changes in capital assets for 2014, were as follows:

	<u>Balance 2013</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2014</u>
Non-depreciable assets:				
Land and land rights	\$ 3,619,706	-	-	3,619,706
Construction-in-process	3,945,446	2,423,953	(3,445,598)	2,923,801
Total non-depreciable assets	<u>7,565,152</u>	<u>2,423,953</u>	<u>(3,445,598)</u>	<u>6,543,507</u>
Depreciable assets:				
Water distribution plant	63,849,458	4,093,856	-	67,943,314
Monticello power plant	15,527,224	-	-	15,527,224
Water treatment plant	5,314,206	206,791	(855,049)	4,665,948
Buildings and structures	12,862,167	-	-	12,862,167
Machinery and equipment	5,897,056	360,104	(105,699)	6,151,461
Total depreciable assets	<u>103,450,111</u>	<u>4,660,751</u>	<u>(960,748)</u>	<u>107,150,114</u>
Accumulated depreciation:				
Water distribution plant	(31,489,847)	(1,367,862)	-	(32,857,709)
Monticello power plant	(9,161,829)	(310,554)	-	(9,472,383)
Water treatment plant	(2,629,497)	(69,258)	-	(2,698,755)
Buildings and structures	(1,119,065)	(328,956)	-	(1,448,021)
Machinery and equipment	(4,489,638)	(526,992)	95,648	(4,920,982)
Total accumulated depreciation	<u>(48,889,876)</u>	<u>(2,603,622)</u>	<u>95,648</u>	<u>(51,397,850)</u>
Total depreciable assets, net	<u>54,560,235</u>	<u>2,057,129</u>	<u>(865,100)</u>	<u>55,752,264</u>
Total capital assets, net	<u>\$ 62,125,387</u>	<u>4,481,082</u>	<u>(4,310,698)</u>	<u>62,295,771</u>

(6) Compensated Absences

Changes in compensated absences for 2015, were as follows:

	<u>Balance 2014</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2015</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$	<u>786,449</u>	<u>704,612</u>	<u>(701,322)</u>	<u>789,739</u>	<u>379,075</u>	<u>410,664</u>

Changes in compensated absences for 2014, were as follows:

	<u>Balance 2013</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2014</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$	<u>888,093</u>	<u>643,164</u>	<u>(744,808)</u>	<u>786,449</u>	<u>377,496</u>	<u>408,953</u>

Solano Irrigation District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2015 and 2014

(7) Long-term Debt

Changes in long-term debt amounts for 2015, were as follows:

	<u>Balance 2014</u>	<u>Additions/ Deletions</u>	<u>Principal Payments</u>	<u>Balance 2015</u>
Long-term debt:				
<i>Bonds payable:</i>				
2006 – Revenue refunding bonds – MPP	\$ 13,330,000	-	(1,945,000)	11,385,000
Less: Unamortized bond discount	(82,485)	13,748	-	(68,737)
<i>Total bonds payable</i>	<u>13,247,515</u>	<u>13,748</u>	<u>(1,945,000)</u>	<u>11,316,263</u>
<i>Capital lease payable:</i>				
Capital lease payable	4,111	-	(4,111)	-
<i>Loans payable:</i>				
1988 Economic Development Administration	96,802	-	(30,625)	66,177
2000 DWR – Gibson Canyon Improv. District	1,131,483	-	(162,591)	968,892
2004 DWR – Blue Ridge Improvement District	546,194	-	(63,234)	482,960
2004 DWR – Peabody Improvement District	243,545	-	(28,196)	215,349
<i>Total loans payable</i>	<u>2,018,024</u>	<u>-</u>	<u>(284,646)</u>	<u>1,733,378</u>
Total long-term debt	15,269,650	<u>13,748</u>	<u>(2,233,757)</u>	13,049,641
Less: current portion	(2,233,757)			(2,168,839)
Total non-current portion	<u>\$ 13,035,893</u>			<u>10,880,802</u>

Changes in long-term debt amounts for 2014, were as follows:

	<u>Balance 2013</u>	<u>Additions/ Deletions</u>	<u>Principal Payments</u>	<u>Balance 2014</u>
Long-term debt:				
<i>Bonds payable:</i>				
2006 – Revenue refunding bonds – MPP	\$ 15,180,000	-	(1,850,000)	13,330,000
Less: Unamortized bond discount	(96,233)	13,748	-	(82,485)
<i>Total bonds payable</i>	<u>15,083,767</u>	<u>13,748</u>	<u>(1,850,000)</u>	<u>13,247,515</u>
<i>Capital lease payable:</i>				
Capital lease payable	87,522	-	(83,411)	4,111
<i>Loans payable:</i>				
1988 Economic Development Administration	125,969	-	(29,167)	96,802
2000 DWR – Gibson Canyon Improv. District	1,184,442	-	(52,959)	1,131,483
2004 DWR – Elmira Improvement District	13,013	-	(13,013)	-
2004 DWR – Blue Ridge Improvement District	566,786	-	(20,592)	546,194
2004 DWR – Peabody Improvement District	252,727	-	(9,182)	243,545
<i>Total loans payable</i>	<u>2,142,937</u>	<u>-</u>	<u>(124,913)</u>	<u>2,018,024</u>
Total long-term debt	17,314,226	<u>13,748</u>	<u>(2,058,324)</u>	15,269,650
Less: current portion	(2,058,352)			(2,233,757)
Total non-current portion	<u>\$ 15,255,874</u>			<u>13,035,893</u>

Solano Irrigation District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2015 and 2014

(7) Long-Term Debt, continued

Bonds Payable

2006 Bonds Payable – Monticello Power Project 2006 Refunding Hydroelectric Revenue Bonds

On February 6, 2006, the District issued \$19,015,000 in bonds with an average interest rate of 5.39% to advance refund \$15,185,000 of outstanding Monticello Power Project 1986 Refunding Hydroelectric Revenue Bonds with an average interest rate of 9.18%. The net proceeds of \$18,263,595 (after payment of \$751,405 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for the future debt service payments on the 1986 series bonds. As a result, a portion (\$15,185,000) of the 1986 Series bonds are considered to be defeased and the liability for those bonds has been removed from the District's long-term debt.

The District has pledged future revenue to be received from PG&E to repay the Refunding Hydroelectric Revenue Bonds through 2020. Projected revenue from PG&E is expected to provide coverage over debt service of 1.15 over the life of the bonds. Principal payments are due annually on January 1st and interest payments are due semi-annually on January 1st and July 1st. Bond payments are due through January 1, 2020.

Annual debt service requirements for the 2006 bonds payable are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 2,050,000	564,847	2,614,847
2017	2,150,000	451,823	2,601,823
2018	2,265,000	331,072	2,596,072
2019	2,395,000	203,621	2,598,621
2020	<u>2,525,000</u>	<u>69,059</u>	<u>2,594,059</u>
Total	11,385,000	<u><u>1,620,422</u></u>	<u><u>13,005,422</u></u>
Discount	(68,737)		
Less: current	<u>(2,050,000)</u>		
Total non-current	\$ <u><u>9,266,263</u></u>		

Solano Irrigation District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2015 and 2014

(7) Long-Term Debt, continued

1988 Economic Development Administration Loan

In December 1988, the District entered into an agreement to borrow funds from the Economic Development Administration, in the amount of \$613,100. The funds are being used for the acquisition, construction and completion of improvements to the District's water system. Principal and interest payments are due annually on July 1st with an interest rate of 5.00%. Loan payments are due through July 1, 2017. Annual debt service requirements for the loan payable are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 32,187	3,278	35,465
2017	33,990	1,533	35,523
Total	66,177	4,811	70,988
Less: current	(32,187)		
Total non-current	\$ 33,990		

2000 Department of Water Resources Gibson Canyon Improvement District Loan

In June 2000, the District entered into a contract to borrow funds from the Department of Water Resources. The loan totaled \$2,127,300, bearing an interest rate of 2.32%, with a 20 year term. The funds were used to finance the construction of a project to improve water quality. Principal payments are due annually on January 1st and interest payments are due semi-annually on January 1st and July 1st. Loan payments are due through January 1, 2024. Annual debt service requirements for the loan payable are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 55,460	11,239	66,699
2017	112,856	20,541	133,397
2018	115,490	17,907	133,397
2019	118,185	47,833	166,018
2020	120,942	12,455	133,397
2021-2024	445,959	20,931	466,890
Total	968,892	130,906	1,099,798
Less: current	(55,460)		
Total non-current	\$ 913,432		

Solano Irrigation District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2015 and 2014

(7) Long-Term Debt, continued

2004 Department of Water Resources Blue Ridge Improvement District Loan

In January 2004, the District entered into a contract to borrow funds from the Department of Water Resources. The loan totaled \$866,000 bearing an interest rate of 2.34%, with a 20 year term. The funds were used to finance the construction of a project to improve water quality. Principal payments are due annually on January 1st and interest payments are due semi-annually on January 1st and July 1st. Loan payments are due through January 1, 2026. Annual debt service requirements for the loan payable are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 21,573	5,651	27,224
2017	43,906	10,541	54,447
2018	44,940	9,508	54,448
2019	45,998	8,449	54,447
2020	47,080	7,368	54,448
2021-2025	252,554	19,684	272,238
2026	26,909	315	27,224
Total	482,960	61,516	544,476
Less: current	(21,573)		
Total non-current	\$ 461,387		

2004 Department of Water Resources Peabody Improvement District Loan

In January 2004, the District entered into a contract to borrow funds from the Department of Water Resources. The loan totaled \$386,000 bearing an interest rate of 23.4%, with a 20 year term. The funds were used to finance construction of a project to improve water quality. Principal payments are due annually on January 1st and interest payments are due semi-annually on January 1st and July 1st. Loan payments are due through January 1, 2026. Annual debt service requirements for the loan payable are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 9,619	2,520	12,139
2017	19,578	4,700	24,278
2018	20,038	4,240	24,278
2019	20,510	3,768	24,278
2020	20,993	3,285	24,278
2021-2025	112,612	8,778	121,390
2026	11,999	140	12,139
Total	215,349	27,431	242,780
Less: current	(9,619)		
Total non-current	\$ 205,730		

Solano Irrigation District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2015 and 2014

(8) Other Post-Employment Benefits Payable

Plan Description – Eligibility

The District administers its post-employment benefit plan, a single-employer defined benefit plan (Plan). The following requirements must be satisfied in order to be eligible for post-employment medical, dental and vision benefits: (1) Attainment of age 55, and 20 years of full-time service, and (2) Retirement from the District (the District must be the last employer prior to retirement).

Plan Description – Benefits

The District offers post-employment medical, dental and vision benefits to retired employees who satisfy the eligibility rules. Spouses and surviving spouses are also eligible to receive benefits. Retirees may enroll in any plan available through the ACWA-JPIA medical, dental and vision programs. The contribution requirements of Plan members and the District are established and may be amended by the Board of Directors.

Funding Policy

The District is required to contribute the *Annual Required Contribution (ARC) of the Employer*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate (annual required contribution / covered payroll) is 14.90% for 2015 and 14.85% for 2014 of the annual covered payroll.

The District will pay 100% of the cost of the post-employment benefit plan. The District funds the plan on a pay-as-you-go basis and maintains reserves (and records a liability) for the difference between pay-as-you-go and the actuarially determined ARC cost.

Annual Cost

For the years ended December 31, 2015 and 2014, the District's ARC cost was \$1,092,191 and \$1,054,049, respectively. The District's net OPEB payable obligation amounted to \$5,551,323 and \$4,906,658 for the years ended December 31, 2015 and 2014, respectively. The District contributed \$465,927 and \$423,210 in age adjusted contributions for current retiree OPEB premiums for the years ended December 31, 2015 and 2014, respectively.

Solano Irrigation District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2015 and 2014

(8) Other Post-Employment Benefits Payable, continued

Annual Cost, continued

The balance at December 31, consists of the following:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Annual OPEB expense:			
Annual required contribution (ARC)	\$ 1,092,191	1,054,049	1,044,272
Interest on net OPEB obligation	220,800	191,693	161,578
Adjustment to annual required contribution	<u>(202,399)</u>	<u>(175,718)</u>	<u>(148,352)</u>
Total annual OPEB expense	1,110,592	1,070,024	1,057,498
Change in net OPEB payable obligation:			
Age adjusted contributions made	<u>(465,927)</u>	<u>(423,210)</u>	<u>(388,266)</u>
Total change in net OPEB payable obligation	644,665	646,814	669,232
OPEB payable – beginning of year	<u>4,906,658</u>	<u>4,259,844</u>	<u>3,590,612</u>
OPEB payable – end of year	<u>\$ 5,551,323</u>	<u>4,906,658</u>	<u>4,259,844</u>

The District’s annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2015 and the two preceding years are as follows:

Three-Year History of Net OPEB Obligation

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Age Adjusted Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation Payable</u>
2015	\$ 1,110,592	465,927	41.95%	\$ 5,551,323
2014	1,070,024	423,210	39.55%	4,906,658
2013	1,057,498	388,266	36.72%	4,259,844

Funded Status and Funding Progress of the Plan

The most recent valuation (dated December 31, 2015) includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of \$13,373,666. The District funds on a pay-as-you-go basis and has determined to fund the total annual OPEB expense through age adjusted contributions and additions to internal reserves. At December 31, 2015, the District’s annual required OPEB expense was \$1,110,592. Of this amount, the District made age adjusted contributions of \$465,927 and increased OPEB reserves in the amount of \$150,000. Total OPEB reserves at December 31, 2015, were \$300,000. At December 31, 2014, the District’s annual required OPEB expense was \$1,070,024. Of this amount, the District made age adjusted contributions of \$423,210 and increased OPEB reserves in the amount of \$150,000. Total OPEB reserves at December 31, 2014, were \$150,000.

The covered payroll (annual payroll of active employees covered by the plan) for the year ended December 31, 2015, was \$7,328,722. The ratio of the unfunded actuarial accrued liability to annual covered payroll was 182.48% as of December 31, 2015. See page 49 for the Schedule of Funding Status.

Solano Irrigation District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2015 and 2014

(8) Other Post-Employment Benefits Payable, continued

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits.

The following is a summary of the actuarial assumptions and methods:

Valuation date	December 31, 2015
Actuarial cost method	Projected unit credit with linear proration to decrement
Amortization method	Level % of pay over 30 years based on an open group
Actuarial assumptions:	
Investment rate of return	4.50%
Inflation - discount rate	3.00% per year
Individual salary growth	District annual COLA
Health Care Trend Rates	Annual trend rates by benefit are as shown below:

FYE	Medical / Rx	
	Pre-65	Post-65
2016	8.00%	7.75%
2017	7.50%	7.25%
2018	7.00%	6.75%
2019	6.50%	6.25%
2020	6.00%	7.75%
2021	5.50%	5.25%
2022+	5.00%	5.00%

(9) Defined Benefit Pension Plan

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Pension Plan (Plan or PERF C) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of a miscellaneous risk pool and a safety risk pool, which are comprised of individual employer miscellaneous and safety plans, respectively. Benefit provisions under the Plan are established by State statute and the District's resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website or may be obtained from their executive office at 400 P Street, Sacramento, California 95814.

Solano Irrigation District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2015 and 2014

(9) Defined Benefit Pension Plan, continued

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 with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the District's CalPERS 2.0% at 60 Risk Pool Retirement Plan to new employee entrants effective December 31, 2012. All employees hired after January 1, 2013, are eligible for the District's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

The District participates in the Plan's miscellaneous risk pool. The provisions and benefits for the Plan's miscellaneous pool in effect at December 31, 2015, are summarized as follows:

	<u>Classic</u>	<u>New Classic</u>	<u>PEPRA</u>
	Prior to January 1, 2011	On or after January 1, 2011 - December 31, 2012	On or after January 1, 2013
Hire date			
Benefit formula	2.7% @ 55	2.0% @ 60	2.0% @ 62
Benefit vesting schedule		5 years of service	
Benefit payments		monthly for life	
Retirement age	50 - 55	60 - 65	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.1% to 2.4%	1.0% to 2.5%
Required employee contribution rates	8.00%	7.00%	6.25%
Required employer contribution rates	10.30%	6.71%	6.24%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1, following notice of a change in the rate. Funding contributions for the Plan 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, with an additional amount 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.

Solano Irrigation District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2015 and 2014

(9) Defined Benefit Pension Plan, continued

Contributions, continued

For the years ended December 31, 2015 and 2014, the contributions recognized as part of pension expense for the Plan were as follows:

	2015	2014
Contributions – employer	\$ 1,039,516	1,061,438

Net Pension Liability

As of December 31, 2015 and 2014, the District reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	2015	2014
Proportionate share of net pension liability	\$ 11,476,022	9,315,994

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability for the miscellaneous risk pool. As of December 31, 2015 and 2014, the net pension liability of the Plan is measured as of June 30, 2015 and 2014 (the measurement dates), respectively. The total pension liability for the Plan's miscellaneous risk pool used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 and 2013 (the valuation dates), rolled forward to June 30, 2015 and 2014, respectively, using standard update procedures. 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 plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan's miscellaneous risk pool as of the measurement dates June 30, 2015 and 2014, was as follows:

	Proportionate Share
Proportion – June 30, 2013	0.15113 %
Increase in proportion	0.22581
Proportion – June 30, 2014	0.37694
Increase in proportion	0.04136
Proportion – June 30, 2015	0.41830 %

Solano Irrigation District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2015 and 2014

(9) Defined Benefit Pension Plan, continued

Deferred Outflows/Inflows of Resources Related to Pensions

For the years ended December 31, 2015 and 2014, the District recognized pension expense of \$859,466 and \$824,618, respectively.

As of December 31, 2015 and 2014, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>2015</u>		<u>2014</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 650,093	-	543,314	-
Differences between actual and expected experience	66,625	-	-	-
Changes in assumptions	-	(630,335)	-	-
Net differences between projected and actual earnings on plan investments	-	(315,994)	-	(2,696,161)
Adjustment due to differences/changes in proportions of net pension liability	621,583	-	66,223	-
Total	<u>\$ 1,338,301</u>	<u>(946,329)</u>	<u>609,537</u>	<u>(2,696,161)</u>

As of December 31, 2015 and 2014, the District reported \$650,093 and \$543,314, respectively, as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the years ended December 31, 2016 and 2015, respectively.

As of December 31, 2015, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Fiscal Year Ending December 31,</u>	<u>Deferred Net Inflows of Resources</u>
2016	\$ (210,854)
2017	(215,585)
2018	(235,599)
2019	403,917

Solano Irrigation District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2015 and 2014

(9) Defined Benefit Pension Plan, continued

Actuarial Assumptions

The total pension liabilities in the June 30, 2014, actuarial valuations were determined using the following actuarial assumptions and methods:

The following is a summary of the actuarial assumptions and methods:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.50%
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment Rate of Return	7.50 % Net of Pension Plan Investment and Administrative Expenses; includes inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014, valuation were based upon the most recent CalPERS Experience Study (covering the period June 30, 1997 through June 30, 2011) that was completed and adopted in April 2014. Further details of the Experience Study can found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the 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 run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. For the year ended December 31, 2014, the 7.50% investment return assumption used in the accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. For the year ended December 31, 2015, the discount rate was changed from 7.50% (net of administrative expense) to 7.65% to correct for an adjustment to exclude administrative expenses.

Solano Irrigation District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2015 and 2014

(9) Defined Benefit Pension Plan, continued

Discount Rate, continued

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 tables below reflect the long-term expected real rate of return by asset class. 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.

As of December 31, 2015, the target allocation and the long-term expected real rate of return by asset class were as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return Years 1-10</u>	<u>Real Return Year 11+</u>
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Asset	10.0	4.50	5.13
Infrastructure and Forestland	2.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)
Total	<u>100.0%</u>		

Solano Irrigation District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2015 and 2014

(9) Defined Benefit Pension Plan, continued

Discount Rate, continued

As of December 31, 2014, the target allocation and the long-term expected real rate of return by asset class were as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return Years 1-10</u>	<u>Real Return Year 11+</u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)
Total	<u>100.0%</u>		

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 for the Plan, calculated using the discount rate for the Plan, 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 one-percentage point lower or one-percentage point higher than the current rate.

As of December 31, 2015, the District's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, are as follows:

	<u>Discount Rate - 1%</u>	<u>Current Discount Rate</u>	<u>Discount Rate + 1%</u>
	<u>6.65%</u>	<u>7.65%</u>	<u>8.65%</u>
District's Net Pension Liability	\$ <u>19,246,090</u>	<u>11,476,022</u>	<u>5,060,929</u>

As of December 31, 2014, the District's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, are as follows:

	<u>Discount Rate - 1%</u>	<u>Current Discount Rate</u>	<u>Discount Rate + 1%</u>
	<u>6.50%</u>	<u>7.50%</u>	<u>8.50%</u>
District's Net Pension Liability	\$ <u>15,759,151</u>	<u>9,315,994</u>	<u>3,968,789</u>

Solano Irrigation District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2015 and 2014

(9) Defined Benefit Pension Plan, continued

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. See pages 47 and 48 for the Required Supplementary Information.

(10) Net Investment in Capital Assets

The balance at December 31, consists of the following:

	<u>2015</u>	<u>2014</u>
Capital assets – not being depreciated	\$ 9,373,691	6,543,507
Capital assets – being depreciated, net	54,821,387	55,752,264
Bonds payable	(11,385,000)	(13,330,000)
Bonds payable – discount	68,737	82,485
Capital lease payable	-	(4,111)
Loan payable – EDA loan	(66,177)	(96,802)
Net investment in capital assets	<u>\$ 52,812,638</u>	<u>48,947,343</u>

(11) Restricted Net Position

The balance at December 31, consists of the following:

	<u>2015</u>	<u>2014</u>
Restricted – cash and cash equivalents	\$ 9,289,720	9,180,421
PG&E – debt service reimbursement advancement	(2,203,100)	(2,100,250)
Accrued interest payable	(311,189)	(385,765)
Loans payable – Improvement Districts	(1,667,201)	(1,921,222)
Total restricted net position	<u>\$ 5,108,230</u>	<u>4,773,184</u>

Solano Irrigation District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2015 and 2014

(12) Designations of Unrestricted Net Position

The balance at December 31, consists of the following:

	<u>2015</u>	<u>As Restated 2014</u>
Non-spendable assets:		
Materials and supplies inventory	\$ 477,373	560,942
Prepaid expenses and other deposits	368,077	322,336
Investment in joint-powers authorities	12,484,200	12,705,003
Total non-spendable assets	<u>13,329,650</u>	<u>13,588,281</u>
Unrestricted net position designated for OPEB	<u>300,000</u>	<u>150,000</u>
Undesignated net position(deficit)	<u>(9,596,415)</u>	<u>(8,868,307)</u>
Add back – Long-term operational liabilities:		
Other post-employment benefits payable	5,551,323	4,906,658
Net pension liability	11,476,022	9,315,994
Total long-term operational liabilities	<u>17,027,345</u>	<u>14,222,652</u>
Undesignated net position, before liabilities	<u>7,430,930</u>	<u>5,354,345</u>
Long-term operational liabilities	<u>(17,027,345)</u>	<u>(14,222,652)</u>
Total unrestricted net position	<u>\$ 4,033,235</u>	<u>4,869,974</u>

(13) Restatement of Net Position

Net Pension Liability – GASB 68 Implementation

In fiscal year 2015, the District implemented GASB pronouncements 68 and 71 to recognize its proportionate share of the net pension liability. Following the implementation, the District recognized the pension liability and recorded a prior period adjustment of \$10,054,645 at January 1, 2014. The District recorded a prior period adjustment to reclassify from expense to deferred outflows of resources, the prior year's proportionate share of employer pension contribution of \$1,061,438; recognize the District's proportionate share of net pension liability of \$12,182,752; and adjust the District's side fund payoff of \$1,066,669.

The effect of the implementation of GASB 68 is recorded as an adjustment for the year ended December 31, 2014. The effect of the above adjustment is summarized as follows:

Net position at December 31, 2013, as previously stated	\$ <u>75,346,475</u>
Effect of adjustment to side fund	1,066,669
Effect of adjustment to record deferred pension outflows	1,061,438
Effect of adjustment to net pension liability as a result of GASB 68	<u>(12,182,752)</u>
Total adjustment to net position	<u>(10,054,645)</u>
Net position at July 1, 2014, as restated	<u>\$ 65,291,830</u>

Solano Irrigation District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2015 and 2014

(14) Deferred Compensation Savings Plan

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program (Program). The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors.

The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statements of net position.

(15) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase the appropriate amount of insurance coverage. At December 31, 2015, the District participated in the liability and property programs of the ACWA/JPIA as follows:

- General and auto liability: The District has a zero deductible for general and auto liability. General and auto coverage are pooled for the first \$2 million with additional excess coverage for up to \$6 million.

In addition to the above, the District also has the following insurance coverage:

- Employee dishonesty coverage up to \$100,000 per loss includes public employee dishonesty, forgery or alteration, and computer fraud coverages.
- Property loss is paid based on the replacement cost or actual cash value for the property on file. If the property is replaced within two years after the loss or otherwise paid on an actual cash value basis, to a combined total of \$100 million per occurrence it is subject to a \$1,000 deductible per occurrence for vehicles and \$10,000 deductible per occurrence for other covered properties.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence, subject to various deductibles depending on the type of equipment.
- Workers' compensation insurance provides coverage with a self-insured retention limit of \$2 million for all work related injuries/illnesses covered by California law. The ACWA/JPIA has purchased an excess insurance policy for an additional \$2 million to statutory limits.

Solano Irrigation District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2015 and 2014

(15) Risk Management, continued

In addition, the District maintains a separate policy from ACWA/JPIA with underwriters at Lloyd's for commercial earthquake/business income interruption insurance. This insurance was purchased to safeguard the District in case of a major earthquake until disaster relief funds are made available by state and federal agencies. This policy has the followings provisions:

- The loss limit is \$1,000,000 per occurrence and in annual aggregate.
- Deductible is 5% of values per unit of insurance subject to \$75,000 minimum per occurrence.
- Coverage for 2029 East Avenue Q location is \$2,780,625 building limit and \$378,000 contents, including \$6,000,000 business income.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ended December 31, 2015 and 2014. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of December 31, 2015 and 2014.

(16) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

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

Governmental Accounting Standards Board Statement No. 72

In February 2015, the GASB issued Statement No. 72 – *Fair Value Measurement and Application*. The objective of this Statement is to enhance comparability of financial statements among governments by measurement of certain assets and liabilities at their fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 73

In June 2015, the GASB issued Statement No. 73 – *Accounting and Financial Reporting for Pensions*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the Scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans as pensions that are within their respective scopes.

Solano Irrigation District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2015 and 2014

(16) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

Governmental Accounting Standards Board Statement No. 73, continued

The requirements of this statement that address accounting and financial reporting by employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after December 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement No. 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 74

In June 2015, the GASB issued Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness or information about postemployment benefits other than pensions (OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No.50, *Pension Disclosures*.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2016. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 75

In June 2015, the GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2017. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Solano Irrigation District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2015 and 2014

(16) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

Governmental Accounting Standards Board Statement No. 76

In June 2015, the GASB issued Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within the source of authoritative GAAP.

This Statement replaces the requirements of Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015, and should be applied retroactively.

Governmental Accounting Standards Board Statement No. 77

In August 2015, the GASB issued Statement No. 77 – *Tax Abatement Disclosures*. The objective of this Statement is to improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Financial statement users need information about certain limitations on a government’s ability to raise resources. This includes limitations on revenue-raising capacity resulting from governmental programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. This Statement is effective for financial statements for periods beginning after December 15, 2015. It is believed that the implementation of this Statement will not have a material effect to the District’s financial statements.

Governmental Accounting Standards Board Statement No. 78

In December 2015, the GASB issued Statement No. 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that meet certain criteria. This Statement is effective for financial statements for periods beginning after December 15, 2015. It is believed that the implementation of this Statement will not have a material effect to the District’s financial statements.

Solano Irrigation District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2015 and 2014

(16) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

Governmental Accounting Standards Board Statement No. 79

In December 2015, the GASB issued Statement No. 79 – *Certain External Investment Pools and Pool Participants*. This Statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. This Statement are effective for financial statements for periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. The impact of the implementation of this Statement to the District’s financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 80

In January 2016, the GASB issued Statement No. 80 – *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The additional criterion 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 reporting periods beginning after June 15, 2016. It is believed that the implementation of this Statement will not have a material effect to the District’s financial statements.

Governmental Accounting Standards Board Statement No. 81

In March 2016, the GASB issued Statement No. 81 – *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

Governmental Accounting Standards Board Statement No. 82

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 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Solano Irrigation District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2015 and 2014

(16) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

Governmental Accounting Standards Board Statement No. 82, continued

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

(17) Commitments and Contingencies

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's replacement reserves and advances for construction.

Other Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. Nevertheless, after consultation with legal counsel, the District believes that these actions, when finally concluded and determined, are not likely to have a material adverse effect on the District's financial position, results of operations, or cash flows.

Putah Creek

The District, in prior years, was involved in litigation known as *Putah Creek Council v. Solano Irrigation District, et al.*, Sacramento County Superior Court Case No. 515766. This matter was coordinated with the matter of *Solano Irrigation District, et al. v. All Interested Appropriative Water Rights Holders in Upper Basin, et al.*, Solano County Superior Court Case No. 108552. The Trial Court rendered judgment in favor of requiring additional amounts of water to be released down the Putah Creek and awarded attorneys' fees of approximately \$2,000,000, against the Solano interests including the District. A settlement was then entered into under which Agreement of the participants the amounts of attorney fees ordered will finally be payable by the Solano Water Agency, which the District landowners contribute to through taxes and water charges.

The Settlement Agreement terms permit the lawsuit's reopening under certain conditions. Substantial reduction in water yields in the Solano Project will be encountered due to the settlement and substantial costs of enforcement and compliance of the Settlement Agreement terms. The District receives in excess of 70% of its water from the Solano Project and, therefore, would suffer a loss of revenues and its landowners will be less able to financially support the District. This may have a potential detrimental financial impact to the District and the significance and the possibility of a reopening most likely would relate to a claim that further amounts of water should be released for flooding areas for fish habitat, thus further reducing reliable future water yields to the District and others.

Solano Irrigation District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2015 and 2014

(17) Commitments and Contingencies, continued

Taxing Authority

Proposition 13, Proposition 4, and now Proposition 218, each provide limitations upon the use of funds acquired from property-related assessments, shares of property tax and limitations upon charges and rates for service or the like for the operation, maintenance and rehabilitation of the District's facilities. At the time the Solano Project was built, which facilities provide water service with the District, it was anticipated that substantial rehabilitation would be required from year 30 to year 50, and it is now in the latter portion of that period of time. The availability of funds to provide for that rehabilitation is essential to the continued financial viability of the District. Court decisions regarding Proposition 13 limits voter-approved initiatives, such as Proposition 218, relating to standby charges, property tax, levies and benefit assessments regarding powers to charge the District occur from time to time, resulting in new legal interpretations and principles applicable as a result of these voter initiatives.

These Court decisions often alter or constrain the ability of the District to obtain the funds necessary to rehabilitate or operate the water distribution system and may require that monies be reimbursed. As a result, the District is unable at this time to assure that it will have the funds necessary to provide for operation, reconstruction and rehabilitation of these aging facilities which are deteriorating rapidly. Rehabilitation and reconstruction of aging water conveyance, storage, measurement and operation facilities are essential for the continued viability of the District.

(18) Subsequent Events

Events occurring after December 31, 2015, have been evaluated for possible adjustment to the financial statements or disclosure as of June 27, 2016, which is the date the financial statements were available to be issued. The District is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

Required Supplementary Information

Solano Irrigation District
Schedule of the District's Proportionate Share of the Net Pension Liability
As of December 31, 2015
Last Ten Years*

Description	Measurement Dates	
	6/30/2015	6/30/2014
District's proportion of the net pension liability(asset)	0.16719%	0.14971%
District's proportionate share of the net pension liability(asset)	\$ 11,476,022	9,315,995
District's covered-employee payroll	\$ 6,589,354	5,775,666
District's proportionate share of the net pension liability(asset) as a percentage of its covered-employee payroll	174.16%	161.30%
Plan's fiduciary net position as a percentage of the total pension liability	78.40%	79.82%

Notes to the Schedule of the District's Proportionate Share of Net Pension Liability

Changes in Benefit Terms – The figures above do not include any liability impact that may have resulted from Plan changes which occurred after the June 30, 2014, valuation date.

Changes of Assumptions – For the June 30, 2015, measurement date, the discount rate was changed from 7.50% (net of administrative expense) to 7.65% percent to correct for an adjustment to exclude administrative expense.

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

Solano Irrigation District
Schedule of Pension Plan Contributions
As of December 31, 2015
Last Ten Years*

Description	Measurement Dates	
	6/30/2015	6/30/2014
Actuarially determined contribution	\$ 1,039,516	961,166
Contributions in relation to the actuarially determined contribution	<u>(1,039,516)</u>	<u>(961,166)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>
District's covered payroll	<u>\$ 6,589,354</u>	<u>5,775,666</u>
Contribution's as a percentage of covered-employee payroll	<u>15.78%</u>	<u>16.64%</u>

Notes to the Schedule of Pension Plan Contributions

The actuarial methods and assumptions used to set the actuarially determined contributions from June 30, 2014 through June 30, 2015 (the measurement period), were derived from the June 30, 2012, funding valuation report.

There were no changes in methods or assumptions used to determine the legally required contributions, which are actuarially determined, from the June 30, 2011 to the June 30, 2012, funding valuation report.

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

**Solano Irrigation District
Schedule of Funding Status
As of December 31, 2015 and 2014**

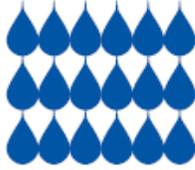
Other Post-Employment Benefits Payable

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
12/31/2015	\$ -	13,373,666	13,373,666	0.00%	\$ 7,328,722	182.48%
12/31/2014	-	12,902,104	12,902,104	0.00%	7,098,036	181.77%
12/31/2013	-	12,690,488	12,690,488	0.00%	6,874,611	184.60%

Funding progress is presented for the past three years that an actuarial study has been prepared since the effective date of GASB Statement 45. Actuarial review and analysis of the post-employment benefits liability and funding status is performed annually. The next scheduled actuarial review and analysis of the post-employment benefits liability and funding status will be performed in 2016 based on the year ending December 31, 2015.

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Report on Internal Controls and Compliance



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Independent Auditor's Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on the Audits of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Solano Irrigation District
Vacaville, California

We have audited, 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, the financial statements of the Solano Irrigation District (District), which comprise the statements of net position as of December 31, 2015 and 2014, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon date June 27, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

**Independent Auditor's Report on Internal Control Over Financial Reporting
And on Compliance and Other Matters Based on the Audits of Financial
Statements Performed in Accordance with *Government Auditing Standards, continued***

Purpose of this Report

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

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
June 27, 2016