

SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue, Beaumont, CA
Board of Directors Meeting
Agenda
October 20, 2014 at 1:30 p.m.

1. Call to Order, Flag Salute and Roll Call

2. Adoption and Adjustment of Agenda

3. Public Comment

Members of the public may address the Board at this time concerning items relating to any matter within the Agency's jurisdiction. To comment on specific agenda items, please complete a speaker's request form and hand it to the board secretary.

4. Consent Calendar:

If any board member requests that an item be removed from the Consent Calendar, it will be removed so that it may be acted upon separately.

- A. Approval of the Minutes of the Regular Board Meeting, October 6, 2014* (Page 2)
- B. Approval of the Minutes of the Engineering Workshop, October 13, 2014* (Page 5)

5. Reports (Discussion and Possible Action)

- A. General Manager's Report
 - 1. Operations Report
 - 2. General Agency Updates
- B. Directors' Reports

6. New Business (Discussion and Possible Action)

- A. Consideration of 2013-2014 Agency Audit (Linda Devlin, AAD)* (Page 7)
- B. Consideration of USGS 2014-2015 Proposed Work Plan* (Page 45)
- C. Review of State Water Contractors Delta Water Diversions Fact Sheet* (Page 49)
- D. Review of California Urban Water Conservation Council Landscape Symposium Report* (Page 51)

7. Topics for Future Agendas

8. Announcements

- A. San Gorgonio Pass Regional Water Alliance – Technical Committee Meeting
October 22, 2014 at 4:30 p.m. - Banning City Hall Conference Room
- B. San Gorgonio Pass Regional Water Alliance – Committee Meeting
October 22, 2014 at 6:00 p.m. - Banning City Council Chambers
- C. Finance and Budget Workshop, **Tuesday**, October 28, 2014 at 1:30 p.m.
- D. Regular Board Meeting, November 3, 2014 at 1:30 p.m.

9. Adjournment

***Information included in Agenda Packet**

(1) Materials related to an item on this Agenda submitted to the Board of Directors after distribution of the agenda packet are available for public inspection in the Agency's office at 1210 Beaumont Avenue, Beaumont during normal business hours. (2) Pursuant to Government Code section 54957.5, non-exempt public records that relate to open session agenda items and are distributed to a majority of the Board less than seventy-two (72) hours prior to the meeting will be available for public inspection at the Agency's office, located at 1210 Beaumont Avenue, Beaumont, California 92223, during regular business hours. When practical, these public records will also be made available on the Agency's Internet Web site, accessible at: www.sgpwa.com (3) Any person with a disability who requires accommodation in order to participate in this meeting should telephone the Agency (951 845-2577) at least 48 hours prior to the meeting in order to make a request for a disability-related modification or accommodation.

SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue, Beaumont, California 92223
Minutes of the
Board of Directors Meeting
October 6, 2014

Directors Present: John Jeter, President
Bill Dickson, Vice President
Ron Duncan, Director
Ted Haring, Director
Mary Ann Melleby, Director
Barbara Voigt, Director

Directors Absent: Ray Morris, Director

Staff Present: Jeff Davis, General Manager
Thomas Todd, Finance Manager
Cheryle Rasmussen, Executive Assistant
Russ Behrens, Legal Counsel

1. **Call to Order, Flag Salute and Roll Call:** The meeting of the San Gorgonio Pass Water Agency Board of Directors was called to order by Board President John Jeter at 1:30 p.m., October 6, 2014 in the Agency Boardroom at 1210 Beaumont Avenue, Beaumont, California. Director Dickson led the Pledge of Allegiance to the flag. A quorum was present.
2. **Adoption and Adjustment of the Agenda:** The agenda was adopted as presented.
3. **Public Comment:** *President Jeter requested comments from the public.* Patsy Reely, a Cherry Valley resident, requested a timeline as to when the Beaumont Avenue Recharge Facility Pipeline roads will be repaved. Luwana Ryan, a Cherry Valley resident, stated her expectations on the repaving of the road in Cherry Valley. President Jeter responded to their comments, stating that staff will provide details on this subject during the General Manager's report. No other members of the public requested to speak at this time.
4. **Consent Calendar:**
 - A. Approval of the Minutes of the Regular Board Meeting, September 15, 2014
 - B. Approval of the Minutes of the Finance and Budget Workshop, September 22, 2014
 - C. Approval of the Finance and Budget Workshop Report, September 22, 2014

Director Dickson moved, seconded by Director Duncan, to approve the consent calendar as presented. Motion carried 6-0, with Director Morris absent.

5. Reports:

A. General Manager's Report:

(1) Operations Report: General Manager Davis reported on the following: **(a) SWP Water Deliveries:** The Agency delivered a total of 526 acre-feet to Beaumont Cherry Valley Water District ponds for the month of September. **(b) Cherry Valley Pump Station** was down as of last week. There is a problem with the automatic hydraulic system that operates

the valves. Until there is a fix the valves are being operated manually. The Department of Water Resources is in the process of resolving this issue.

(2) General Agency Updates: **(a) Beaumont Avenue Recharge Facility Pipeline.** General Manager Davis reported that construction is essentially complete. The final paving will take place this week. He informed the board that the pipe passed the pressure test. **(b) Verizon Cell Tower:** The mandatory 48 hour notice was given to staff last Friday; construction will begin tomorrow. **(c) 2013-2014 Financial Audit:** The audit has been completed by the auditors and is under review by staff. Audit findings will most likely be presented at the next board meeting. **(d) East Branch Managers Meeting:** Of the twenty-nine state water contractors, 10-11 receive water from the East Branch. Through the direction of General Manager Davis, an East Branch Managers meeting group has been formed. The group met a couple of weeks ago to discuss issues of common interest. The group will continue to meet on a quarterly basis. **(e) BDCP Cost Allocation:** General Manager Davis stated that he will be asking the Board at a future board meeting to make a decision on whether the Board will participate in the BDCP and how the Agency would want to participate, as there may be multiple options. **(f) Santa Ana River Watershed Conference:** The conference will be held at the Riverside Convention Center on Tuesday October 14th. **(g) School Conservation Programs:** The Board approved a water education and conservation program that is being offered to Banning and Beaumont public and private schools. The first program will take place this Friday. **(h) Drought Solutions Update:** Drought Solutions owner, Susan Savolainen, currently does not carry liability insurance; however she is in the process of obtaining it. Once she has acquired the insurance the Agency will move forward with the adult conservation education programs. **(i) Max Benefit Monitoring Plan:** The Regional Board requested that the cities and the water agencies in the region implement a regional monitoring plan. These public agencies worked together, as a team, and provided the Regional Board with a monitoring plan last week. **(j) 2013-2014 Water Year Findings:** The water year begins October 1st and ends September 30th. The 2013-2014 water year was documented as the fourth driest water year on record; reservoirs are at 19-year lows and are about 58% of normal.

B. Directors Report:

1) Director Melleby reported on the Riverside County Water Task Force meeting that she attended on September 26. The topic was "Paying for Water in California: Bond & Beyond". Director Melleby gave a detailed report on the CSDA Leadership Conference for Special District Officials and Staff that she attended. This conference was held from September 29 – October 2 at the Renaissance Palm Springs Hotel. **2) Ron Duncan** reported that he attended the City of Banning - State of the City Address, on October 1st.

6. New Business: (Discussion and Possible Action)

A. Consideration of Revisions of Procurement Policy: A staff report and a copy of the Draft SGPWA Procurement Policy were included in the agenda packet. General Manager Davis apologized to the board that the Draft SGPWA Procurement Policy that was included in the agenda packet was the incorrect version. (The corrected version was provided to the board and the public at this time). He explained that the changes were not substantive; the changes were mostly related to formatting and rewording. General Manager Davis stated that the procurement policy has been discussed with the Board during the Board meeting that was held three weeks ago, and in greater detail at the Finance and Budget workshop. The revisions that the Board requested have been included in the revised draft version. Director Duncan and Director Voigt requested clarification for

Section 2b. General Counsel Jeff Ferré answered the board member's questions and provided explanation as to why certain items were either added or deleted throughout the document. After discussion, Director Dickson made a motion, seconded by Director Duncan, to approve the SGPWA Procurement Policy with the noted changes. A request was made by the Board to change item 6i, sentence 3, to be rewritten as: Change orders totaling more than 10% of a contract amount must be approved by the Board prior to execution. Director Dickson moved, seconded by Director Duncan, to restate the motion and to include the proposed change to item 6i, sentence 3. Motion passed 6-0, with Director Morris absent.

B. Update and Discussion of Issues Related to San Geronio Flume: A staff report and a copy of 148 FERC ¶ 61,199 (Project No. 14520-001), and a letter written to Danielle Chupa (Manager of the Eastern Hydro Division of Southern California Edison Company) were included in the agenda packet. General Manager Davis stated that the key issue for the Participating Entities (Banning Heights Water Co., City of Banning and SGPWA) is to take full decommissioning of the flume off the table. General Manager Davis reported on the recent actions that have altered the strategy of the Participating Entities regarding transfer of ownership of the flume from Southern California Edison to the Participating Entities. This item was an informational item and no action was taken by the Board.

C. Update and Discussion of Proposition 1, 2014 Water Bond: A staff report was included in the agenda packet. General Manager Davis informed the Board that he attended a Southern California Dialog meeting on September 24. These monthly meetings are for water agency managers and representatives of the environmental community to talk about major water issues; the topic of the meeting was on the water bond. General Manager Davis reported to the Board the water bond information that was provided by various speakers during the meeting.

7. **Topics for Future Agendas:** Director Voigt requested that the Agency form an advisory committee that would be relative to water retailers communication issues. This item will be discussed at a future board meeting. No other topics were requested for future agendas.

8. **Announcements:**

- A. Engineering Workshop, October 13, 2014 at 1:30 p.m.
- B. Regular Board Meeting, October 20, 2014 at 1:30 p.m.
- C. San Geronio Pass Regional Water Alliance – Technical Committee Meeting, October 22, 2014 at 4:30 p.m. - Banning City Hall Conference Room
- D. San Geronio Pass Regional Water Alliance – Committee Meeting, October 22, 2014 at 6:00 p.m. - Banning City Council Chambers

9. **Adjournment:** *President Jeter adjourned the meeting at 2:37 p.m.*

DRAFT – SUBJECT TO BOARD APPROVAL

Jeffrey W. Davis, Secretary of the Board

SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue, Beaumont, CA 92223
Minutes of the
Board of Directors Engineering Workshop
October 13, 2014

Directors Present: John Jeter, President
Bill Dickson, Vice President
Ron Duncan, Director
Ted Haring, Director
Mary Ann Melleby, Director
Ray Morris, Director
Barbara Voigt, Director

Staff Present: Jeff Davis, General Manager
Jeff Ferre, General Counsel

1. Call to Order, Flag Salute and Roll Call: The Engineering workshop of the San Gorgonio Pass Water Agency Board of Directors was called to order by President John Jeter at 1:30 p.m., October 13, 2014 in the Agency Board room at 1210 Beaumont Avenue, Beaumont, California. Director Dickson led the Pledge of Allegiance to the flag. A quorum was present.

2. Public Comment: No members of the public wished to address the Board. At this time, President Jeter turned the meeting over to Director Dickson, Chair of the Engineering Committee.

3. Discussion of USGS Proposed Work Plan: A copy of the proposal was included in the agenda package. General Manager Davis reviewed the history of the Agency's partnership with the United States Geological Survey and why working with the USGS has challenges and also rewards. He then reviewed the proposed work plan for this year and detailed the reason for each proposed task. The monitoring is required in order to help fulfill the monitoring plan submitted by local water agencies to the Regional Board. The Burnt Canyon flow analysis is required because of the attention that the San Gorgonio Flume is currently getting. The groundwater modeling is required because the Board requested that modeling be performed as part of a revised look at the Agency's 15.5 policy. He noted that the proposed work is not yet budgeted for this fiscal year, but that he is confident that the work can be performed without adding to the annual budget. After discussion, it was the general consensus of the Board that the proposal be brought to the Board for final approval at the October 20 Board meeting.

4. **Announcements:**
 - A. Regular Board Meeting, October 20, 2014 at 1:30 pm.
 - B. San Gorgonio Pass Regional Water Alliance - Technical Committee Meeting—Wednesday, October 22, 2014 at 4:30 p.m. - Banning City Hall Conference Room.
 - C. San Gorgonio Pass Regional Water Alliance Meeting -Wednesday, October 22, 2014 at 6:00 p.m. – Banning City Council Chambers.
 - D. Finance and Budget Workshop, Tuesday, October 28, 2014 at 1:30 pm

5. **Adjournment:** Chairman Dickson adjourned the meeting at 2:07 p.m.

DRAFT – SUBJECT TO BOARD APPROVAL

Jeffrey W. Davis, Secretary to the Board

MEMORANDUM

TO: Board of Directors
FROM: General Manager
RE: Consideration of Fiscal Year 2013-2014 Audit
DATE: October 20, 2014

Summary:

The purpose of this proposed Board action is to consider the 2013-2014 Agency audit by Ahern Adcock & Devlin. The audit was performed in August and September and the final audit report is included in this agenda package. Linda Devlin from Ahern Adcock & Devlin will be at the meeting to present the report and to answer questions from the Board.

Recommendation:

Staff recommends that the Board accept the 2013-2014 audit as presented.

**SAN GORGONIO PASS
WATER AGENCY**

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEARS ENDED
JUNE 30, 2014 AND 2013**

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Certified Public Accountants



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Certified Public Accountants

Independent Auditors' Report

To the Board of Directors
San Geronio Pass Water Agency

We have audited the accompanying basic financial statements of San Geronio Pass Water Agency (the "Agency") as of and for the years ended June 30, 2014 and 2013 and the related notes as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Agency'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 Agency'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 Agency as of June 30, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 to 8 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the basic financial statements. The accompanying supplementary information on pages 30 through 32 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying pension plan and other post-employment benefits schedules of funding progress are presented for additional analysis as required by the Government Accounting Standards Board. The schedules of funding progress are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The organizational information on page 30 and schedule of board of directors and insurance coverage on page 32 have not been subjected to auditing procedures applied in the audits of the basic financial statements and; accordingly, we do not express opinions or provide any assurance on them.

Ahena Adeach Devlin LLP

Riverside, California
October 8, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

SAN GORGONIO PASS WATER AGENCY

Management's Discussion and Analysis

June 30, 2014

Our discussion and analysis of San Gorgonio Pass Water Agency's (the "Agency") financial performance provides an overview of the Agency's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the Agency's financial statements which begin on page 9.

The Agency

The San Gorgonio Pass Water Agency is one of 29 local government organizations, called State Water Contractors, who have contracted with the State of California to import water to their local service areas through the State Water Project. The Agency was created by the Legislature of the State of California under Senate Bill 8, Chapter 40, which was signed into law by Governor Edmund "Pat" Brown in April 19, 1962. The purpose for creating this public agency by special law was for the "planning, conservation, development, distribution, control and use of an adequate water supply for the public good and for the protection of life and property therein." As part of the act, the Agency was given taxing authority similar to the taxing power of other local governments.

The Agency has entered into a contract with the State Department of Water Resources to receive an annual allotment of 17,300 acre-feet from the State Water Project. However, water did not get delivered to the region, which extends from Calimesa through the San Gorgonio Pass area to Cabazon, until the completion of the East Branch Extension Phase 1 in 2003. The Department of Water Resources is currently constructing Phase 2, which will increase the capacity of the facilities to deliver water by adding an additional pipeline, an additional reservoir, additional pumps and expanding an existing reservoir. The anticipated completion date is 2016.

The Basic Financial Statements

The San Gorgonio Pass Water Agency is a special purpose government organization (Special District) engaged only in activities that support themselves through user and capacity fees and tax levies. Accordingly, the accompanying financial statements are presented in the format prescribed for proprietary funds by the Governmental Accounting Standards Board.

These financial statements consist of three interrelated statements designed to provide the reader with relevant, understandable data about the Agency's financial condition and operating results. They are the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows.

The Statement of Net Position presents the Agency's assets and liabilities and the difference, or net between what is owned and what is owed as of the last day of the Agency's fiscal year. The Statement of Revenues, Expenses and Changes in Net Position describes the financial results of the Agency's operations for the years reported. The results, or changes in net position, are the increases or decreases in the bottom line of the Statement of Net Position.

SAN GORGONIO PASS WATER AGENCY

Management's Discussion and Analysis
(Continued)

June 30, 2014

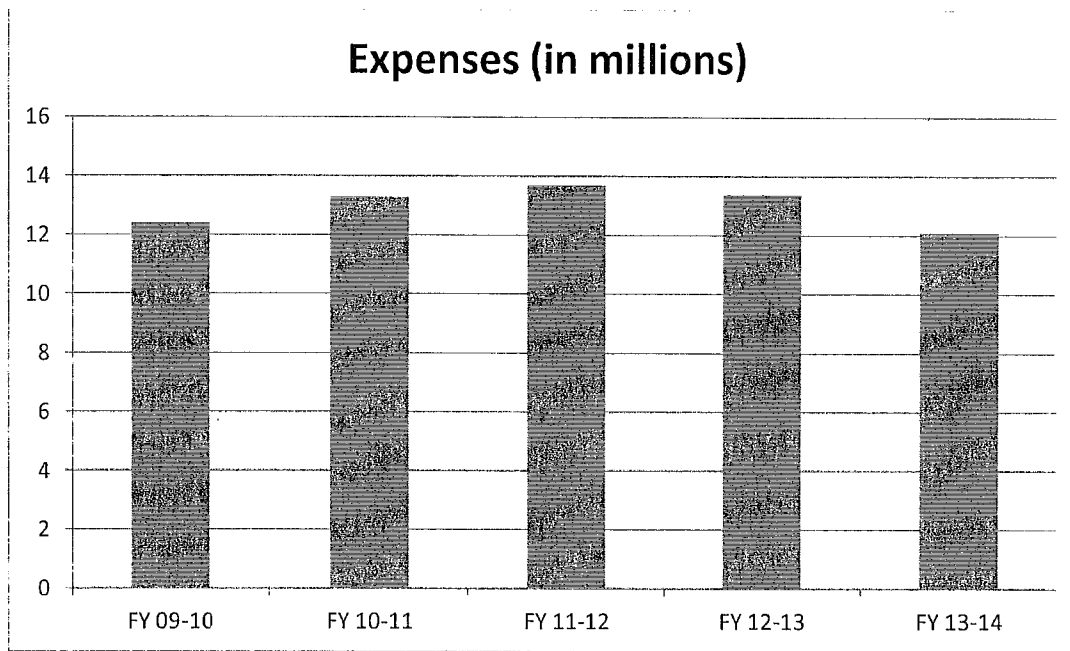
The statement of cash flows conveys to financial statement readers how the Agency managed cash resources during the year. This statement converts the change in net position presented on the statement of revenues, expenses and changes in net position into actual cash provided by or used for operations. The statement of cash flows also details how the Agency obtains cash through financing and investing activities and, conversely, how cash is spent for these purposes.

Summary Financial Information and Analysis

The Agency exists for two major purposes: one is to deliver water to retail customers, and the other is to pay its portion of the indebtedness and maintenance and operations of the State Water Project. Because of this, the financial statements typically look a bit different from other organizations that have only one major type of income.

The Agency receives two major sources of funding: revenue from water sales, and revenue from property taxes. Revenue from water sales falls into the operations portion of the statements, and revenue from property taxes falls into the non-operations portion of the statements.

However, the expenses to maintain the operations portion of the Agency's efforts exceed its income at this time. Examination of just the operations portion of the statements reveals what looks like a loss. However, tax revenue, by design, has been enacted to pay for some of the operations expense, but is relegated to the non-operations portion of the statements by accounting convention. So, even though operations looks like a loss, in actuality, by viewing the statements as a whole, it is clear that the Agency is receiving more than it spends.



Graph of Combined Operating and Nonoperating Expenses

SAN GORGONIO PASS WATER AGENCY

Management's Discussion and Analysis
(Continued)

June 30, 2014

By reviewing the table below, it is possible to see that overall income (Operating and Non-operating) totals \$19.05 million for FY 2013-14, a decrease of \$1.80 million from FY 2012-13. Overall expenses (Operating and Non-Operating) totaled \$12.17 million for FY 2013-14, a decrease of \$1.33 million from FY 2012-13. The resulting Net Income is \$6.88 million.

Total Assets for FY 2013-14 are \$147.50 million, an increase of \$7.51 million from the previous fiscal year. This is divided into three categories: Current Assets (cash and investments that can be liquidated in 12 months), Restricted Assets (assets that are designated for a particular purpose) and Capital Assets (assets that have a life longer than 1 year and are not intended for sale during the normal course of business). Current Assets increased \$0.80 million, Restricted Assets increased \$3.34 million and Capital Assets increased \$3.37 million.

Total Liabilities are \$1.13 million, an increase of \$.63 million from FY2012-13. Therefore, Total Net Position (Assets less Liabilities) for FY 2013-14 is \$146.37 million, a net increase of \$6.88 million.

Financial Statement Summary
(in millions)

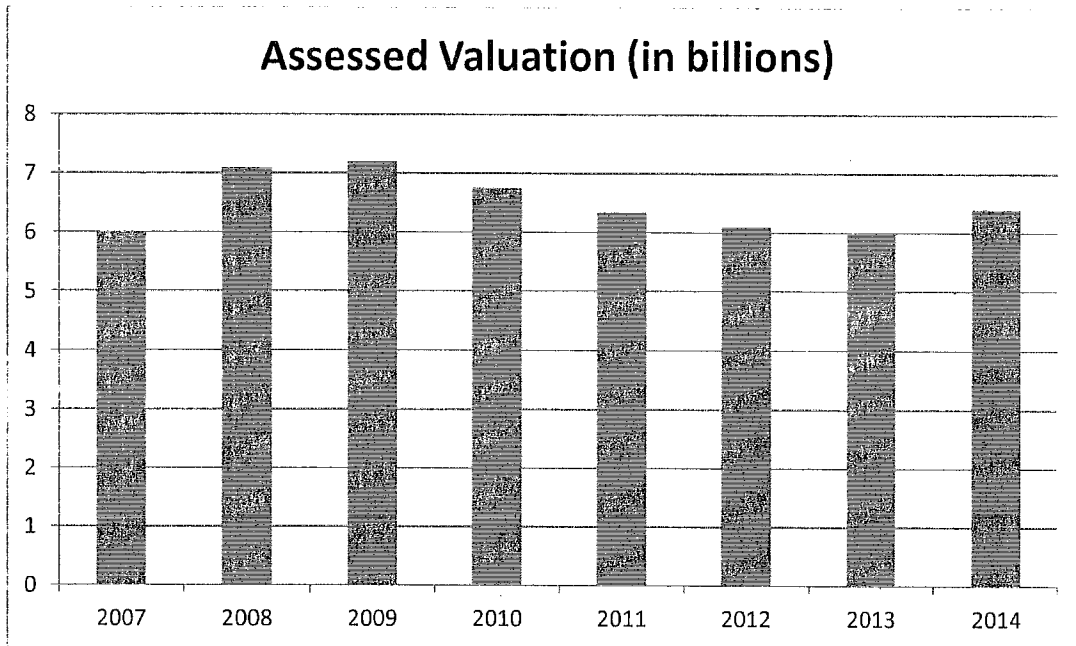
	6/30/14	6/30/13
Current Assets	\$ 13.13	\$ 12.33
Restricted Assets	36.16	32.82
Capital Assets	98.21	94.84
Total Liabilities	1.13	.50
Net Position	146.37	139.49
Operating Revenues	2.44	2.59
Operating Expenses	(12.12)	(13.44)
Non-Operating Revenues		
Interest	.16	.11
Property Taxes	16.45	18.24
Miscellaneous	.00	(.09)
Non-Operating Expenses	(.05)	(.06)
Change in Net Position	\$ 6.88	\$ 7.35

SAN GORGONIO PASS WATER AGENCY

Management's Discussion and Analysis (Continued)

June 30, 2014

The following chart reflects the Agency's assessed property tax valuations. Assessed valuations increased significantly from the years ending June 30, 2005 to 2008; however as a result of the economic downturn, assessed values leveled off for the year ending in 2009, and declined by about 15% by the year ending in 2013. The year 2014 is the first year to see an increased valuation.



Categories of Net Position

The Agency is required to present its net position in three categories: Invested in Capital Assets, Restricted and Unrestricted.

Invested in Capital Assets

At June 30, 2014, Net Position Invested in Capital Assets totaled \$98.21 million and consisted of Investment in State Water Rights, Utility Plant in Service, and Construction in Progress, net of Accumulated Depreciation and Amortization. Utility Plant in Service is divided into additional categories of Land and Rights of Way, Source of Supply, Transmission and Distribution, Buildings, Furniture and Fixtures, Technical Equipment and Transportation Equipment. The table below groups these assets by whether they are depreciated or amortized, or not.

SAN GORGONIO PASS WATER AGENCY

Management's Discussion and Analysis

(Continued)

June 30, 2014

Capital Asset Activity for the Year

	Balance, July 1, 2013	Additions	Deletions	Balance, June 30, 2014
Capital assets, not being depreciated				
Land and rights of way	\$ 4,138,966		\$ -	\$ 4,138,966
Construction in progress	2,709,249	\$ 770,070		3,479,319
Total capital assets, not being depreciated	<u>6,848,215</u>	<u>770,070</u>	<u>-</u>	<u>7,618,285</u>
Capital assets, being depreciated/ amortized				
Investments in State Water Rights	100,253,014	7,139,066		107,392,080
Source of supply	15,181,890	90,000		15,271,890
Transmission and distribution	1,351,614			1,351,614
Buildings and improvements	1,524,909			1,524,909
Furniture and fixtures	174,261			174,261
Technical equipment	214,823			214,823
Transportation equipment	52,060			52,060
Total capital assets being depreciated or amortized	<u>118,752,571</u>	<u>7,229,066</u>		<u>125,981,637</u>
Total capital assets	<u>\$125,600,786</u>	<u>\$7,999,136</u>	<u>\$ -</u>	<u>\$133,599,922</u>

The Agency made payments to the Department of Water Resources during the year totaling \$10.56 million net of credits and refunds for participation rights in the State Water Project. The unit rate has been determined by dividing the total estimated capital costs to be charged to the Agency by total estimated water deliveries over the project repayment period. The resulting rate, which will be adjusted periodically to reflect changes in estimates, will then be applied to actual water deliveries in the current year.

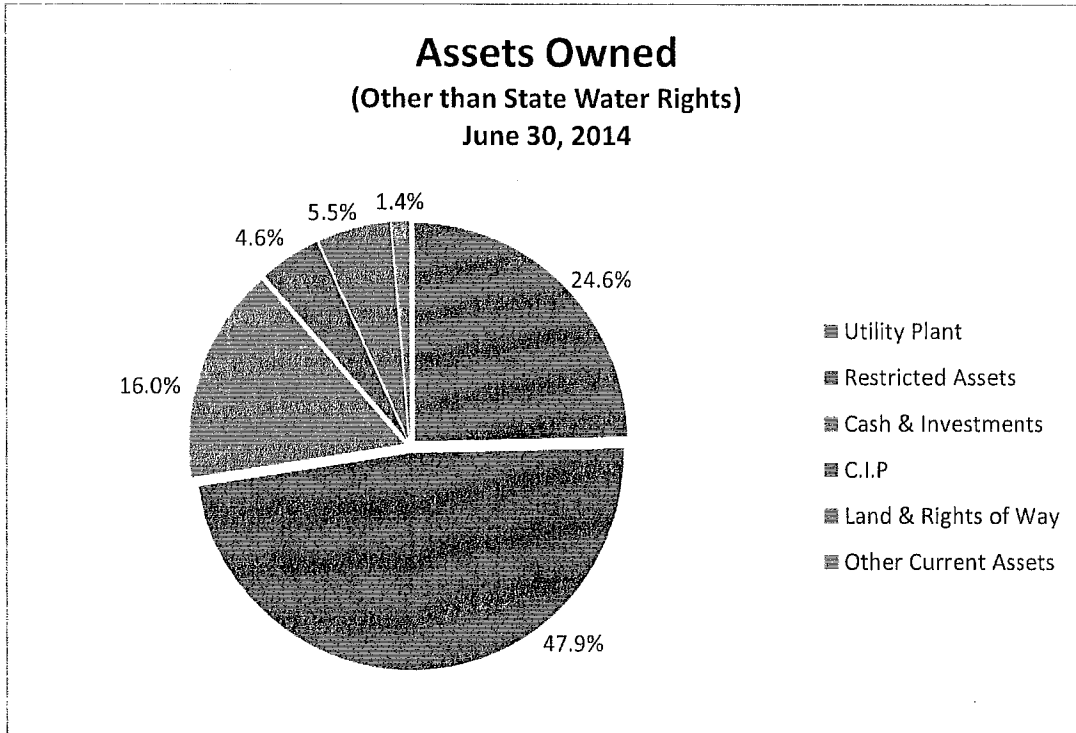
State Water Project deliveries through the East Branch Extension and the Cherry Valley Pump Station to the Agency service area started in July, 2003. Deliveries to the Little San Gorgonio Creek Recharge Facility in FY 2013-14 totaled 623 acre-feet for overdraft mitigation. Deliveries to retailers in FY 2013-14 totaled 7,712 acre-feet which is only 455 acre-feet less than the previous fiscal year, despite the drought California has been experiencing.

Construction in Progress increased by \$770,070 to \$3.48 million between July 1, 2013 and June 30, 2014. The projects in Construction in Progress include a permanent turnout for the Beaumont Cherry Valley Water District, improvements to the East Branch Extension Phase 1 project, a new recharge facility, plans for a pipeline for water delivery to the City of Banning, and the East Branch Extension Phase 2 project.

SAN GORGONIO PASS WATER AGENCY

**Management's Discussion and Analysis
(Continued)**

June 30, 2014



Restricted Assets

The Agency had Restricted Net Position of \$36.16 million, which consisted of tax proceeds that were levied for State Water Project payments less actual State Water Project related expenditures.

Unrestricted Assets

The Agency had Unrestricted Net Position of \$12.00 million, which consisted primarily of water sales, general purpose tax proceeds and investment income, less general and administrative expenses not related to State Water Project expenditures.

Contacting the Agency's Financial Management

This financial report is designed to provide our customers, taxpayers, and creditors with an overview of the agency's financial operations and condition. If you have questions about this report or need additional information, please contact the Agency's Finance Manager at 1210 Beaumont Ave., Beaumont, California 92223.

FINANCIAL STATEMENTS

SAN GORGONIO PASS WATER AGENCY

Statements of Net Position

	June 30,	2014	2013
ASSETS			
Current assets			
Cash and cash equivalents	\$	11,104,418	\$ 8,623,024
Investments		1,000,042	2,939,979
Accounts receivable		326,602	258,462
Property taxes receivable, less allowance of \$8,832 in 2014 and 2013		684,494	406,348
Interest receivable		11,400	19,017
Other		6,760	6,789
Total current assets		<u>13,133,716</u>	<u>12,253,619</u>
Restricted assets			
Cash and cash equivalents		13,741,472	2,455,239
Cash in Local Agency Investment Fund		19,249,014	27,314,634
Property taxes receivable, less allowance of \$76,168 in 2014 and 2013		<u>3,166,423</u>	<u>3,132,770</u>
Total restricted assets		<u>36,156,909</u>	<u>32,902,643</u>
Noncurrent assets			
Capital assets			
Investment in state water rights		107,392,080	100,253,014
Utility plant in service		18,589,556	18,499,556
Less accumulated depreciation and amortization		(35,387,075)	(30,759,992)
Land and rights of way		4,138,966	4,138,966
Construction in progress		<u>3,479,319</u>	<u>2,709,249</u>
Total noncurrent assets		<u>98,212,846</u>	<u>94,840,793</u>
Total assets		<u>147,503,471</u>	<u>139,997,055</u>
LIABILITIES			
Current liabilities			
Accounts payable		1,036,229	427,306
Accrued vacation and sick leave		<u>94,339</u>	<u>75,887</u>
Total liabilities		<u>1,130,568</u>	<u>503,193</u>
NET POSITION			
Invested in capital assets, net of related debt		98,212,846	94,840,793
Restricted for state water project		36,156,909	32,902,643
Unrestricted		<u>12,003,148</u>	<u>11,750,426</u>
Total net position		<u>\$146,372,903</u>	<u>\$139,493,862</u>

The accompanying notes are an integral part of these financial statements.

SAN GORGONIO PASS WATER AGENCY
Statements of Revenues, Expenses, and Changes in Net Position

	For the Years Ended June 30,	2014	2013
Operating revenues			
Water sales		\$ 2,443,119	\$ 2,587,785
Operating expenses			
Source of supply			
Maintenance		3,879,540	5,229,591
Purchased water		1,914,896	1,775,015
Total source of supply		5,794,436	7,004,606
Transmission and distribution			
Utilities		8,585	9,035
Maintenance		82,707	6,543
Total transmission and distribution		91,292	15,578
General and administrative expenses			
Salaries		407,378	387,731
Director fees		123,978	126,779
Payroll taxes		34,258	32,846
Employee health benefits		59,302	62,976
Employee retirement benefits		409,175	179,221
Office supplies and expense		21,557	16,801
Travel expenses		22,270	17,106
Automotive expense		11,962	16,645
Utilities and telephone		12,649	12,193
Repairs and maintenance		22,326	45,789
Insurance		29,387	28,809
Administration expense		3,963	81,254
Membership dues and assessments		27,661	23,693
Public relations		9,200	11,556
Legal services		131,164	84,335
Engineering and consulting services		239,729	125,287
Accounting and auditing		24,574	23,842
Outside professional services		18,604	
Depreciation		643,350	648,907
Amortization		3,983,733	4,492,797
Total general and administrative		6,236,220	6,418,567
Total operating expenses		12,121,948	13,438,751
Loss from operations		(9,678,829)	(10,850,966)

SAN GORGONIO PASS WATER AGENCY
Statements of Revenues, Expenses, and Changes in Net Position

	For the Years Ended June 30,	2014	2013
Loss from operations		\$ (9,678,829)	\$ (10,850,966)
Nonoperating revenues (expenses)			
Property taxes – general purpose		1,999,626	2,042,707
Property taxes – debt service		14,453,011	16,200,996
Investment income		95,602	109,151
Unrealized gain (loss) on investments		58,351	(91,552)
Other		3,150	107
County collection charge		(51,870)	(55,883)
Total nonoperating revenues (expenses)		<u>16,557,870</u>	<u>18,205,526</u>
Increase in net position		6,879,041	7,354,560
Net position, beginning of year		<u>139,493,862</u>	<u>132,139,302</u>
Net position, end of year		<u>\$146,372,903</u>	<u>\$139,493,862</u>

The accompanying notes are an integral part of these financial statements.

SAN GORGONIO PASS WATER AGENCY

Statements of Cash Flows

For the Years Ended June 30,	2014	2013
Cash flows from operating activities		
Cash received from customers	\$ 2,374,978	\$ 2,587,581
Cash paid to suppliers and employees	<u>(6,867,461)</u>	<u>(8,273,675)</u>
Net cash used in operating activities	<u>(4,492,483)</u>	<u>(5,686,094)</u>
Cash flows from noncapital financing activities		
Property taxes	<u>16,140,839</u>	<u>17,139,806</u>
Net cash provided by noncapital financing activities	<u>16,140,839</u>	<u>17,139,806</u>
Cash flows from capital and related financing activities		
Purchase of capital assets	(7,999,136)	(6,935,666)
Other revenue	3,150	107
Other expenses	<u>(51,870)</u>	<u>(55,883)</u>
Net cash used in capital and related financing activities	<u>(8,047,856)</u>	<u>(6,991,442)</u>
Cash flows from investing activities		
Purchased investments	(2,000,000)	(3,000,000)
Proceeds from maturing investments and return of principal	4,000,000	2,000,000
Interest received	<u>101,507</u>	<u>91,311</u>
Net cash provided by (used in) investing activities	<u>2,101,507</u>	<u>(908,689)</u>
Net increase in cash and cash equivalents	5,702,007	3,553,581
Cash and cash equivalents		
Balance, beginning of year	<u>38,392,897</u>	<u>34,839,316</u>
Balance, end of year	<u>\$44,094,904</u>	<u>\$38,392,897</u>

SAN GORGONIO PASS WATER AGENCY

Statements of Cash Flows

	For the Years Ended June 30,	2014	2013
Reconciliation of cash and cash equivalents to statements of net position			
Unrestricted cash and cash equivalents		\$11,104,418	\$ 8,623,024
Restricted cash and cash equivalents		<u>32,990,486</u>	<u>29,769,873</u>
Total cash and cash equivalents		<u>\$44,094,904</u>	<u>\$38,392,897</u>
Reconciliation of operating loss to net cash used in operating activities			
Operating loss		\$(9,678,829)	\$(10,850,966)
Adjustments to reconcile operating loss to net cash used in operating activities			
Depreciation and amortization		4,627,083	5,141,704
(Increase) decrease in:			
Accounts receivable		(68,141)	(204)
Other current assets		29	(479)
Increase in:			
Accounts payable		608,923	9,246
Accrued vacation and sick		<u>18,452</u>	<u>14,605</u>
Net cash used in operating activities		<u>\$(4,492,483)</u>	<u>\$ (5,686,094)</u>

The accompanying notes are an integral part of these financial statements.