

**SAN GORGONIO PASS WATER AGENCY**  
**1210 Beaumont Avenue, Beaumont, CA**  
**Board of Directors Meeting**  
**Agenda**  
**December 19, 2016 at 7:00 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, December 5, 2016\*  
(Page 3)
- B. Approval of the Minutes of the Engineering Workshop, December 12, 2016\*  
(Page 8)

**5. Reports (Discussion and Possible Action)**

- A. General Manager's Report
  - 1. Operations Report
  - 2. General Agency Updates\* (Page 10)
- B. General Counsel Report
- C. Directors' Reports

**6. New Business (Discussion and Possible Action)**

- A. Consideration of Acceptance 2015-2016 Audit Report (Linda Devlin, AAD)\*  
(Page 14)
- B. Public Hearing on Determination of Whether to Form a Groundwater Sustainability Agency Pursuant to the Sustainable Groundwater Management Act for One Square Mile in the Verbenia Area.
- C. Consideration of Resolution No. 2016-08 – Election to Become a Groundwater Sustainability Agency\* (Page 67)
- D. Overview of Urban Water Management Plans\* (Page 73)
- E. Consideration of Resolution No. 2016-09 Honoring John Jeter\*(Page 87)
- F. Consideration of Resolution No. 2016-10 Honoring Bill Dickson\*(Page 88)
- G. Consideration of Resolution No. 2016-11 Honoring Mary Ann Melleby\*  
(Page 89)
- H. Ratification of Paid Invoices and Monthly Payroll for November, 2016 by Reviewing Check History Reports in Detail\*(Page 90)
- I. Approval of Pending Legal Invoices for November, 2016\*(Page 93)
- J. Review of November, 2016 Bank Reconciliation\*(Page 94)
- K. Acknowledge Receipt of Budget Report for November, 2016\*(Page 96)
- L. Consideration of Preparations for Filling Board Vacancy\*(Page 101)
- M. Discussion of Resolution 2014-02 – Establishing a Policy for Meeting Future Water Demands\* (Page 104)

## 7. Topics for Future Agendas

## 8. Announcements

- A. Office closed Friday, December 23, 2016 in observance of Christmas Eve
- B. Office closed Monday, December 26, 2016 in observance of Christmas
- C. Canceled – Finance and Budget Workshop, December 26, 2016
- D. Office closed Friday, December 30, 2016 in observance of New Year's Eve
- E. Office closed Monday, January 2, 2017 in observance of New Year's Day
- F. Regular Board Meeting, Tuesday, January 3, 2017 at 7:00 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](http://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**  
**December 5, 2016**

**Directors Present:** John Jeter, President  
Blair Ball, Director  
David Castaldo, Director  
Ron Duncan, Director  
David Fenn, Director  
Leonard Stephenson, Director  
Michael Thompson, Director

**Staff Present:** Jeff Davis, General Manager  
Jeff Ferre, General Counsel  
Cheryle Rasmussen, Executive Assistant

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 7:00 p.m., December 5, 2016 in the Agency Boardroom at 1210 Beaumont Avenue, Beaumont, California. Director Fenn led the Pledge of Allegiance to the flag. A quorum was present.
2. **Swearing in of Directors Castaldo, Duncan, Fenn, Stephenson, and Thompson.** General Manager Davis asked that all directors repeat after him the Oath of Office. The new board members were congratulated.
3. **Roll Call:** President Jeter announced that all members of the board were present.
4. **Adoption and Adjustment of the Agenda:** *President Jeter asked if there were any adjustments to the agenda.* There being none the agenda was adopted as published.
5. **Public Comment:** *President Jeter asked if there were any members of the public that wished to make a public comment on items that are within the jurisdiction of the Agency.* Tom Shalhoub welcomed the new board members and spoke on his appreciation of President Jeter. Mary Ann Melleby also welcomed the new board members. She thanked President Jeter, stating that it has been an honor and privilege to sit next to him for the past 5 ½ years. Bill Dickson thanked everyone for all of the support that he was given while on the board.
6. **Break for Celebration of President Jeter's 15 years of service.**
7. **Consent Calendar:**
  - A. Approval of the Minutes of the Regular Board Meeting, November 21, 2016
  - B. Approval of the Minutes of the Finance and Budget Workshop, November 28, 2016
  - C. Approval of the Finance and Budget Workshop Report, November 28, 2016

Director Stephenson made a motion, seconded by Director Duncan, to adopt the consent calendar as presented. Motion passed 5-0, with Directors Castaldo and Thompson abstaining.

## 8. Reports:

### A. General Manager's Report:

**(1) Operations Report:** General Manager Davis reported on the following: **A.** The Agency delivered 1275 acre-feet for the month of November. **B.** Flows will be increasing to 24 cfs for December. **C.** The Department of Water Resources announced an initial 2017 State Water Project Table A Water Allocation of 20%. **D.** Statewide Precipitation: Autumn 2016 has brought impressive rainfall to the Pacific Northwest and the northern third of California, but so far it has not impacted Lake Oroville storage. In Southern California, conditions remain dry.

**(2) General Agency Updates:** **1: Report on ACWA conference:** General Manager Davis attended the ACWA Conference that took place in Anaheim from November 29 thru December 2. He reported on the following: **a)** ACWA's new branding/logo. **b)** Keynote session on Atmospheric Rivers. **c)** Keynote speaker Mary Nichols, Chairperson of the California Air Resources Board. **d)** Keynote speaker Antonio Villaragosa, who served as Mayor of Los Angeles from 2005-13, also had been speaker of the California State Assembly and is now a declared candidate for Governor in 2018. **e)** Sessions on SGMA. **f)** Newly proposed conservation regulations. **2: Retirements:** A number of experienced water industry officials will soon be retiring including: Mark Cowin, Carl Torgersen, Terry Erlewine, and two members of the State Board, DWR Finance. **3: SGPRWA - Eastern Sub-Committee: Integrated Regional Water Management Plan (IRWMP):** A \$1 million planning grant has been awarded with contingencies. **#1:** To include the Upper Whitewater River. **#2:** Work with Coachella Valley Integrated Regional Water Management group to submit an implementation grant proposal. Matching funds will be required, which will include in-kind contributions. **4. Capacity Fee Cooperative Agreement:** Weekly meetings are taking place with YVWD, City of Calimesa, and SGPWA staff. An agreement has been drafted and under is under review by staff, and our attorney Jeff Ferre. **5. Noble Creek Connection Expansion:** The Agency is in receipt of BCVWD's application to expand its connection from 20 cfs to 34 cfs. An application package will be brought before the Board for consideration sometime in January or February. BB&K is looking into potential CEQA issues. **6. Next Engineering Workshop:** The December 12<sup>th</sup> Engineering Workshop will begin at 1:00 p.m. The meeting time change will allow time for the field trip to Crafton Hills Reservoir, Crafton Hills Pump Station, and Citrus Reservoir. General Manager Davis answered a number of questions from the board members related to the IRWMP and Noble Creek Connection Expansion.

**B. General Counsel Report:** General Counsel Ferre passed on reporting.

**C. Directors Reports:** **1) Director Stephenson** reported on the ACWA/JPIA meeting that he attended on November 28<sup>th</sup> in Anaheim. He informed the Board that as of October 1<sup>st</sup> of this year JPIA initiated cyber liability. Director Stephenson also attended the ACWA conference. He reported on the Atmospheric River session, stating that it was one of the most interesting meetings that he has attended at ACWA. **2) Director Castaldo** reported on the BCVWD Special meeting that took place on December 1<sup>st</sup>. **3) Director Fenn** read the Agency's Mission Statement and the Agency's Vision. He provided his perception of what qualities officers should have for the upcoming term.

## 9. New Business: (Discussion and Possible Action)

**A. Election of Officers:** A staff report was included in the agenda packet. General Counsel Ferre stated that the SGPWA Act requires the Board to elect officers at the first meeting in January every two years, which will be January 3, 2017. However, after the December 5, 2016 meeting, the Board will not have officers for the remainder of December due to election results and the resignation of President Jeter. It is recommended that the Board have officers in place, in case there are any documents that need to be signed before the first board meeting in January. A vote for officers could take place tonight and then again in January, to either confirm the votes from tonight or to take another vote. General Counsel Ferre explained the process of voting. Director Castaldo asked what would need to take place to change the term of officers to one year. General Manager Davis and General Counsel Ferre stated that it would require a change in the Act.

**I. Nominations for President -**

General Counsel Ferre called for nominations for Board President. Director Stephenson nominated Director Duncan for Board President. Director Ball nominated Director Fenn for Board President. Director Castaldo requested that the two nominees explain why they would be best suited for the position. Director Fenn and Director Duncan spoke on their qualifications. General Counsel Ferre requested from the board members their vote for President.

| <u><b>Roll Vote:</b></u> | <b>Duncan</b>                       | <b>Fenn</b>                         |
|--------------------------|-------------------------------------|-------------------------------------|
| Director Stephenson      | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| Director Ball            | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| Director Fenn            | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| Director Castaldo        | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| Director Duncan          | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| Director Thompson        | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| President Jeter          | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |

Director Duncan received 3 votes, Director Fenn received four votes. The vote resulted in Director Fenn becoming the new Board President.

**II. Nominations for Vice President -**

President Fenn called for nominations for Board Vice President. Director Duncan nominated Director Stephenson. Director Stephenson nominated Director Duncan. President Fenn requested a roll call vote.

| <u><b>Roll Vote:</b></u> | <b>Stephenson</b>                   | <b>Duncan</b>                       |
|--------------------------|-------------------------------------|-------------------------------------|
| Director Stephenson      | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| Director Ball            | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| President Fenn           | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| Director Castaldo        | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| Director Duncan          | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| Director Thompson        | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| Director Jeter           | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |

Director Stephenson received one vote, Director Duncan received six votes. The vote resulted in Director Duncan becoming the new Board Vice President.

**III. Nominations for Treasurer -**

President Fenn called for nominations for Treasurer. Director Duncan nominated Director Stephenson. Director Ball nominated Director Thompson. President Fenn requested a roll call vote.

| <u>Roll Vote:</u>   | <i>Stephenson</i>                   | <i>Thompson</i>                     |
|---------------------|-------------------------------------|-------------------------------------|
| Director Stephenson | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| Director Ball       | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| President Fenn      | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| Director Castaldo   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| Director Duncan     | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| Director Thompson   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| Director Jeter      | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |

Director Stephenson received six votes, Director Thompsons received one vote. The vote resulted in Director Stephenson becoming the new Board Treasurer.

**IV. Nominations for Secretary -**

President Fenn made a motion, seconded by Director Duncan, to select General Manager Davis to serve as Secretary. Hearing no objection President Fenn requested a vote. Motion passed 7-0.

**B. Consideration of Representative and Alternate to San Gorgonio Pass Regional Water Alliance (SGPRWA):** A staff report was included in the agenda packet. President Fenn referred to page 28 of the agenda packet. He requested that General Manager Davis go into more detail as to what is involved with being a representative of the SGPRWA. General Manager Davis explained that Mary Ann Melleby was the Vice-Chair and that the Alliance meets once a month. He invited Ms. Melleby to elaborate on her experience. Ms. Melleby explained that the Alliance is made up of thirteen agencies. They were brought together to improve collaboration and communication amongst the agencies. Director Castaldo stated that it was his suggestion to Supervisor Ashley to have the committee formed. He had served on the committee for two years while a councilmember for the city of Beaumont and would be willing to serve as the representative for the Agency. President Fenn stated that he appreciated Director Castaldo volunteering. Director Ball moved, seconded by Director Stephenson, to appoint Director Castaldo to serve on the Alliance committee. Motion passed 7-0. Director Ball moved, seconded by Director Stephenson, to appoint Director Thompson to serve as alternate on the Alliance committee. Motion passed 7-0.

**10. Topics for Future Agendas:** Director Ball requested that the SGPWA Act be reviewed. General Counsel Ferre will review the Act and report back to the Board. Director Castaldo asked to have a benediction, invocation or prayer at the beginning of the meeting. Counsel Ferre stated that he will report back to the Board on the limitations and requirements at the next meeting.

**11. Announcements:** *Vice President Dickson reviewed the following announcements:*

- A. Engineering Workshop December 12, 2016 at 1:00 p.m.
- B. Regular Board Meeting, December 19, 2016 at 7:00 p.m.
- C. Office closed Friday, December 23<sup>rd</sup> and Monday, December 26<sup>th</sup> in observance of the Christmas holiday.
- D. Canceled – Finance and Budget Workshop, December 26, 2016

**12. Closed Session (One Item) Time: 8:35 p.m.**

- A. CONFERENCE WITH REAL PROPERTY NEGOTIATORS  
Pursuant to Government Code Section 54956.8  
Property: Nickel Farms, LLC, Bakersfield, CA – Water Rights  
Agency Negotiator: Jeff Davis, General Manager  
Negotiating Party: Dwayne Chisum, General Manager – AVEK  
Under negotiation: price and terms of payment

**The meeting reconvened to open session at: Time: 9:17 pm**

*General Council Ferre stated that there was no action taken during closed session that is reportable under the Brown Act.*

**13. Adjournment Time: 9:17 pm**

**Draft – Subject to Board Approval**

Jeffrey W. Davis, Secretary of the Board

cmr

**SAN GORGONIO PASS WATER AGENCY**  
**1210 Beaumont Avenue, Beaumont, CA 92223**  
**Minutes of the**  
**Board of Directors Engineering Workshop**  
**December 12, 2016**

**Directors Present:** David Fenn, President  
David Castaldo, Director  
Leonard Stephenson, Director  
Mike Thompson, Director

**Directors Absent:** Blair Ball, Director  
Ron Duncan, Director

**Staff Present:** Jeff Davis, General Manager  
Tom Todd, Finance Manager

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 David Fenn at 1:00 p.m., December 12, 2016 in the Agency Board room at 1210 Beaumont Avenue, Beaumont, California. Director Thompson led the Pledge of Allegiance to the flag. A quorum was present.

2. **Public Comment.** No member of the public wished to speak at this time.

3. **Field Trip to Crafton Hills Reservoir, Crafton Hills Pump Station, and Citrus Reservoir.** General Manager Davis showed a brief Power Point identifying locations of the East Branch Extension, Phases 1 and 2, and summarized the projects for the Board. Members of the Board and Staff then boarded vehicles and drove to Citrus Reservoir. DWR Resident Engineer David Sale welcomed the party and turned them over to Engineer Mike St. Jacques, who did a short safety briefing prior to the tour. He then took the Board, Staff, and members of the public on a tour of Citrus Reservoir and Pump Station. He then led them to Crafton Hills Reservoir, where he provided another tour. Ken Falls, Operations and Maintenance Manager, briefed the Board on operational issues. Mike St. Jacques then left and General Manager Davis led the group to Crafton Hills Reservoir, where they observed the expanded reservoir in operation, and where General Manager Davis briefed the Board on the importance of the facility and the Yucaipa Connector. The group then returned to the Administration Building.

4. **Announcements:**

- A. Regular Board Meeting, December 19, 2016 at 7:00 pm.
- B. Canceled—Finance and Budget Workshop
- C. Office closed Friday, December 23, 2016 in observance of Christmas Eve



D. Office closed Monday, Decemer 26, 2016 in observance of Christmas Day.

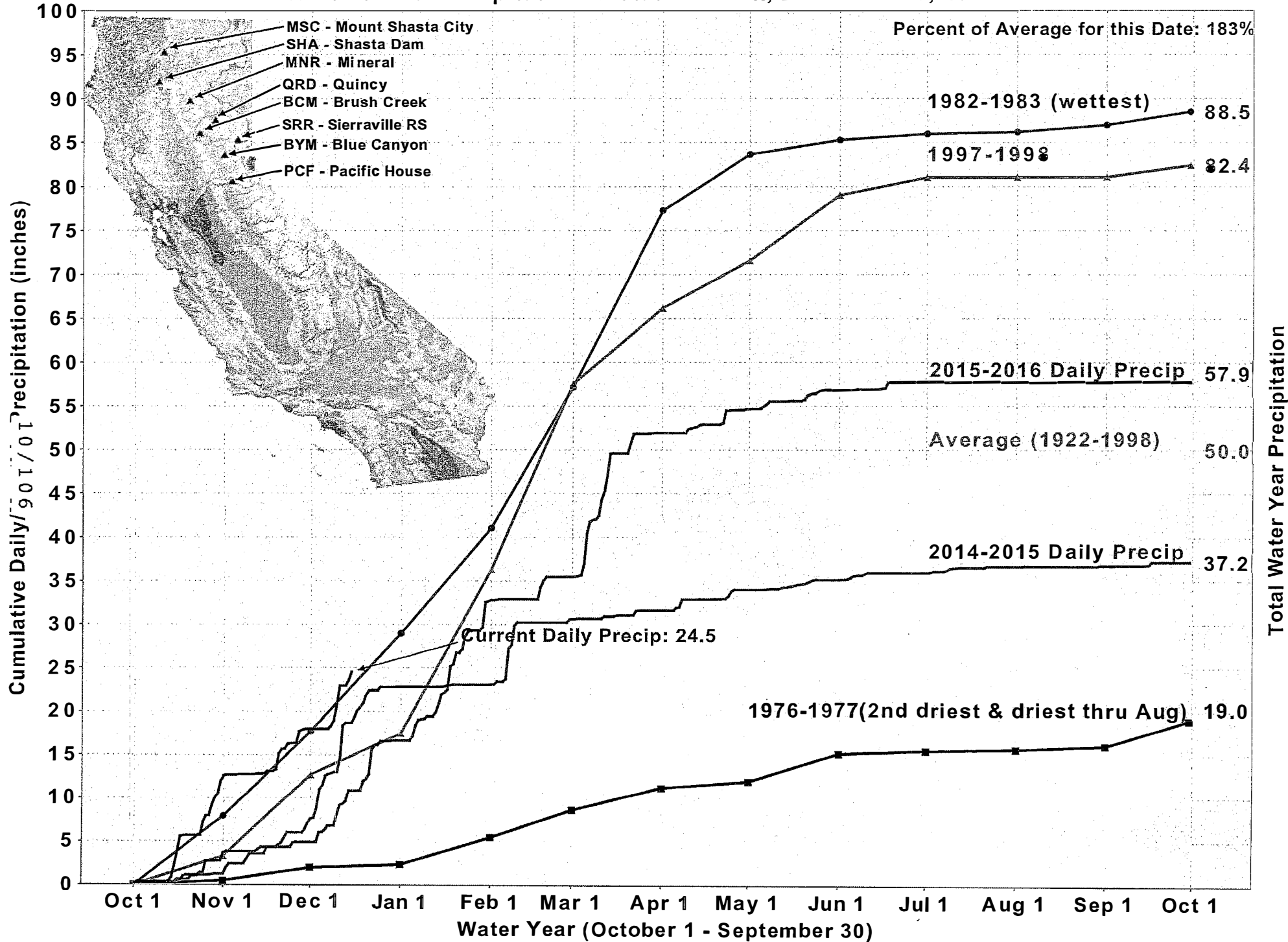
**5. Adjournment:** President Fenn adjourned the meeting at 4:15 p.m. at the Administration Building.

*DRAFT - SUBJECT TO BOARD APPROVAL*

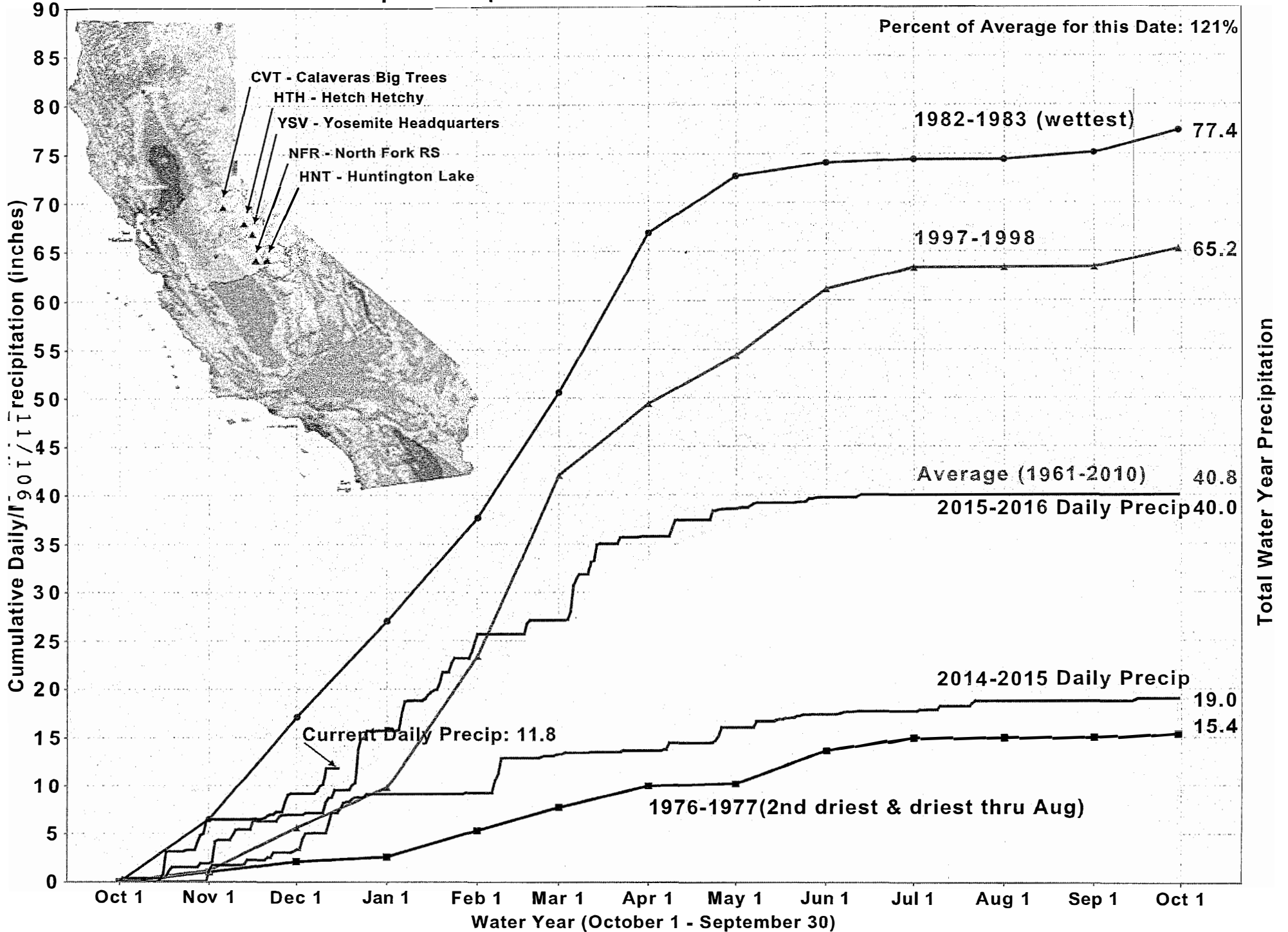
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Jeffrey W. Davis, Secretary to the Board

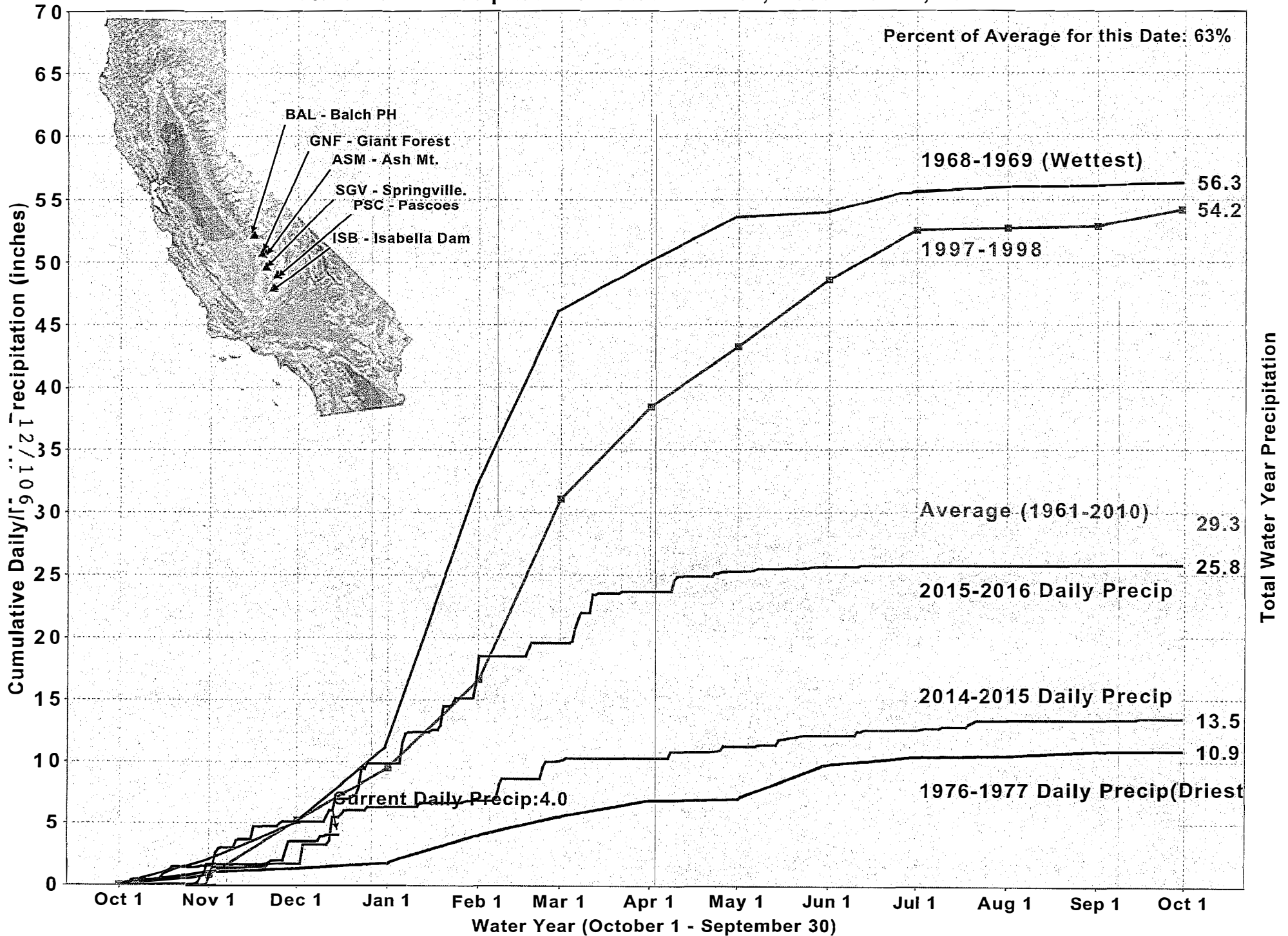
# North Sierra Precipitation: 8-Station Index, December 15, 2016



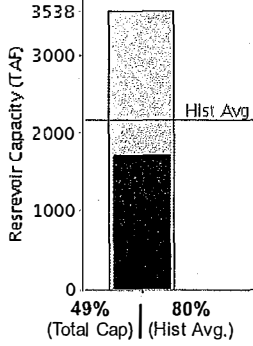
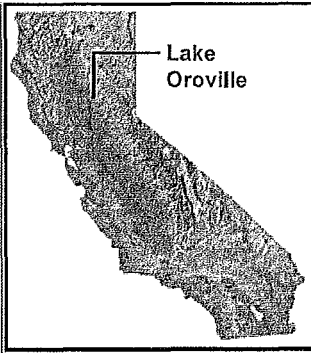
# San Joaquin Precipitation: 5-Station Index, December 15, 2016



# Tulare Basin Precipitation: 6-Station Index, December 15, 2016



OROVILLE - STORAGE CONDITIONS AS OF DECEMBER 15, 2016



Data as of Midnight: December 15, 2016

- Current Storage: 1,717,810 AF
- 49% of Total Capacity
- 80% of Historical Avg. For This Date
- (Total Capacity: 3,537,577 AF)
- (Avg. Storage for Dec 15: 2,155,317 AF)

Change Date:

Major Reservoir Current Conditions Graphs

Printable Version of Current Data

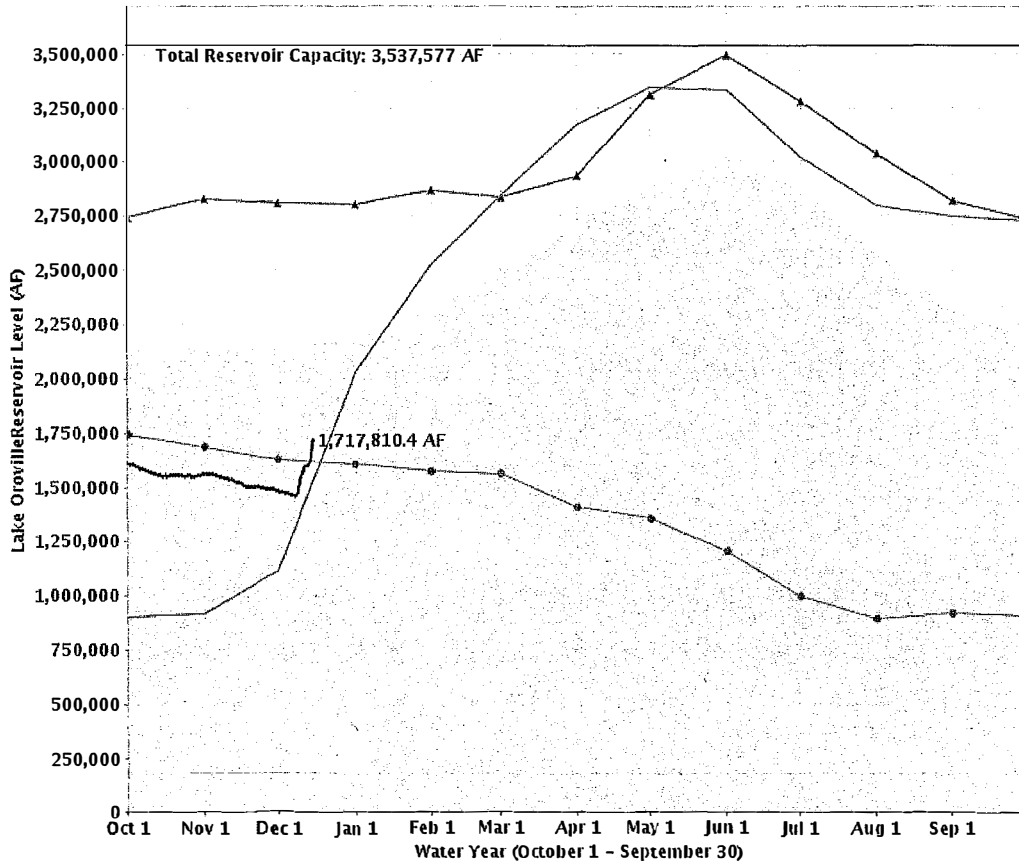
Oroville Storage Level Graph: Choose water years to plot:

- 2012-2013
- 2013-2014
- 2014-2015
- 2015-2016
- 2016-2017(current)

(chart legend appears at bottom)

(ctrl+click for multiple selections)

Lake Oroville Storage Levels



Historical Average — Total Reservoir Capacity — 1976-1977 (dry) — 1982-1983 (wet) — 2016-2017(current) — 1977-1978

## **MEMORANDUM**

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**TO:** Board of Directors

**FROM:** General Manager

**RE:** Consideration of Fiscal Year 2015-2016 Audit

**DATE:** December 19, 2016

**Summary:**

The purpose of this proposed Board action is to consider the 2015-2016 Agency audit by Ahern Adcock and Devlin. The audit was performed in September and October. 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 2015-2016 audit as presented.

**SAN GORGONIO PASS  
WATER AGENCY**  
FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION  
WITH  
INDEPENDENT AUDITORS' REPORT  
FOR THE YEARS ENDED  
JUNE 30, 2016 AND 2015

# SAN GORGONIO PASS WATER AGENCY

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June 30, 2016

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A Division of SingerLewak

**Independent Auditors' Report**

Board of Directors  
San Geronio Pass Water Agency  
Beaumont, California

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, 2016 and 2015 and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion 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 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 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 opinion.

**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, 2016 and 2015, 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.

**Emphasis of Matter**

As discussed in Note 2 to the basic financial statements, effective July 1, 2015, the Agency adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Applications*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*, and GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Our opinion is not modified with respect to this matter.

**Other Matters**

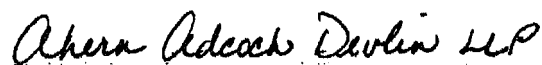
*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis - unaudited information, and information related to the pension and other postemployment benefits plans on pages 3 to 9 and 43 to 45, respectively, 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 that collectively comprise the Agency's basic financial statements. The accompanying supplementary information on pages 46 and 47 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The organizational information on page 46 and schedule of board of directors and insurance coverage on page 47 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.



December 6, 2016

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED**

**SAN GORGONIO PASS WATER AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED**  
**June 30, 2016 and 2015**

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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 years ended June 30, 2016 and 2015. Please read it in conjunction with the Agency's financial statements which begin on page 10.

**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 on April 19, 1961. 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 2017.

**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, Expense 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 - UNAUDITED**  
**June 30, 2016 and 2015**

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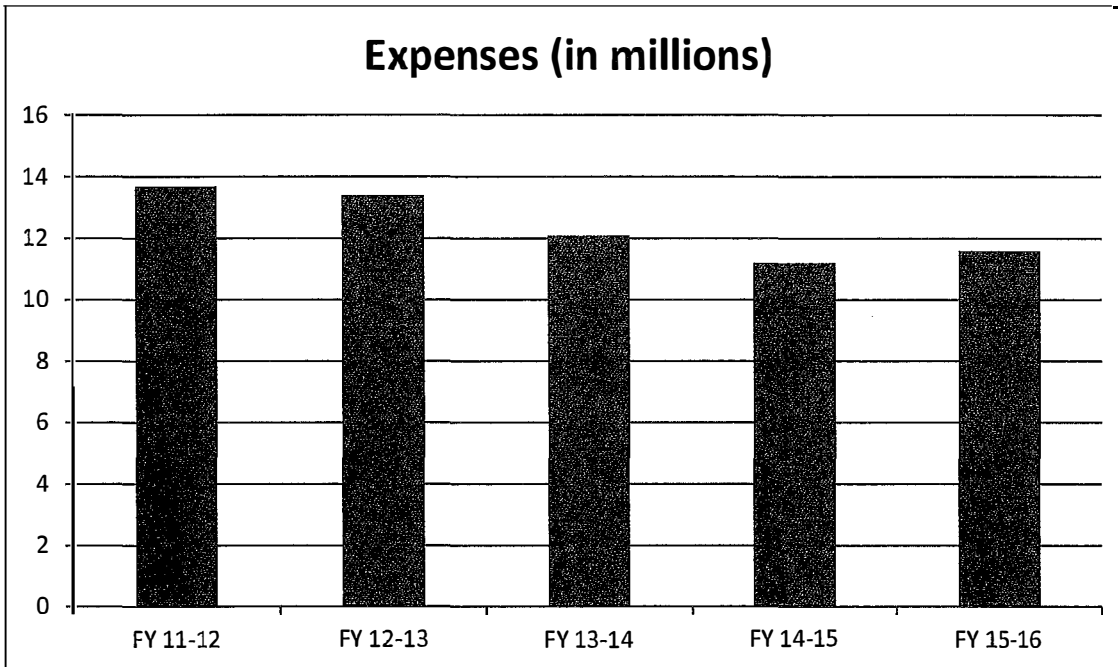
The Statement of Cash Flows conveys to financial statement readers how the Agency managed cash resources during the year. This statement converts the Change in Net Position presented on the Statement of Revenues, Expenses and Changes in Net Position into actual cash provided by or used for operations. 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 GORONIO PASS WATER AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED**  
**June 30, 2016 and 2015**

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By reviewing the table below, it is possible to see that overall income (Operating and Non-operating) totals \$22.98 million for FY 2015-16, an increase of \$1.94 million from FY 2014-15. Overall expenses (Operating and Non-Operating) totaled \$11.59 million for FY 2015-16, an increase of \$0.36 million from FY 2014-15. The resulting Net Income is \$11.49 million.

Total Assets for FY 2015-16 are \$168.02 million, an increase of \$11.79 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 \$1.90 million, Restricted Assets increased \$0.78 million and Capital Assets increased \$9.11 million.

Current Liabilities are \$0.64 million, an increase of \$0.27 million from FY 2014-15. The Total Net Position (Total Assets, Deferred Inflows, Liabilities and Deferred Outflows) for FY 2015-16 is \$166.85 million, a net increase of \$11.49 million.

**Financial Statement Summary**  
**(in millions)**

|                        | 6/30/16  | 6/30/15  | 6/30/14  |
|------------------------|----------|----------|----------|
| Current Assets         | \$ 13.35 | \$ 11.45 | \$ 13.13 |
| Restricted Assets      | 39.70    | 38.92    | 36.16    |
| Capital Assets         | 114.97   | 105.86   | 98.21    |
| Deferred Outflows      | 0.20     | 0.32     | -        |
| Current Liabilities    | 0.64     | 0.37     | 1.13     |
| Noncurrent Liabilities | 1.26     | 0.66     | -        |
| Deferred Inflows       | 0.11     | 0.16     | -        |
| Net Position           | 166.85   | 155.36   | 146.37   |
| Operating Revenues     | 1.86     | 1.48     | 2.44     |
| Operating Expenses     | (11.52)  | (11.18)  | (12.12)  |
| Non-Operating Revenues |          |          |          |
| Interest               | 0.31     | 0.14     | 0.10     |
| Property Taxes         | 20.64    | 19.39    | 16.45    |
| Miscellaneous          | 0.17     | 0.03     | 0.00     |
| Non-Operating Expenses | (0.07)   | (0.05)   | (0.05)   |
| Change in Net Position | 11.49    | 9.81     | 6.88     |

**SAN GORGONIO PASS WATER AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED**  
**June 30, 2016 and 2015**

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In addition, this is the second year that new reporting standards regarding pension liabilities have been required. The new standard changes the way pension expenses and liabilities are recorded, and had a minor impact on the statements of the Agency.

Previously, contributions to the CalPERS defined benefit pension plan were recorded as current expenses. Notes to the financial statements provided information about the composition and status of the miscellaneous risk pool that the Agency was assigned to by CalPERS.

Now, in an attempt to more accurately categorize the transactions associated with current and future pension costs, Agency contributions to pension plans have been reclassified. In the Agency's financial statements, current year pension contributions are recorded. In addition, the statements include deferred outflows and deferred inflows (in essence, pre-payments and deferred expenses), as well as a long-term pension liability.

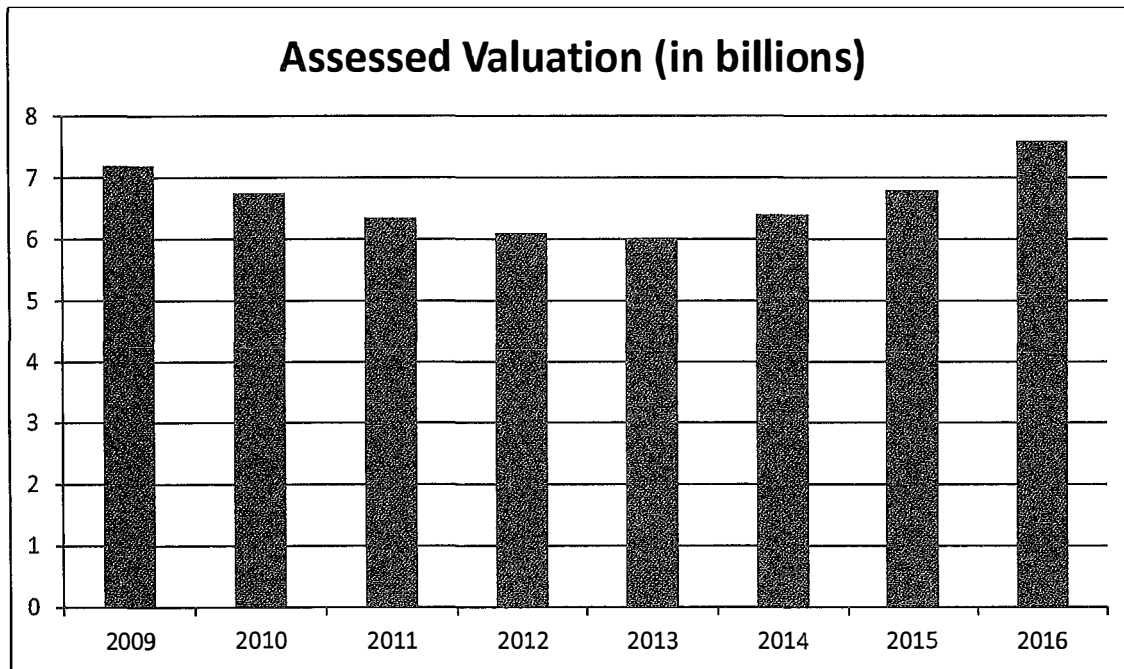
The potential future pension cost is determined by an actuarial study, which takes into account a number of factors, including current employees of the Agency, their years of service, retired employees of the Agency, and estimates for future earnings of investments made by CalPERS. The estimate of the net pension liability of the entire miscellaneous risk pool is the difference between the pension liability and the funded status of the pool. The Agency is allocated a proportionate share of the entire pool. This proportionate share of the net pension liability is listed as a Noncurrent Liability in the Liability section of the Statements of Net Position.

**SAN GORGONIO PASS WATER AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED**  
**June 30, 2016 and 2015**

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**Assessed Valuation**

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 17% by the year ending in 2013. 2014 was the first year to see an increased valuation. This trend has continued, with 2016 not only regaining what was lost since 2009, but increasing slightly above 2009 valuations.



**Categories of Assets**

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

Invested in Capital Assets

At June 30, 2016, Capital Assets totaled \$114.97 million (net of Accumulated Depreciation and Amortization) and consisted of Investment in State Water Project, Utility Plant in Service, and Construction in Progress. 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 on the next page groups these assets by whether they are depreciated or amortized, or not.



**SAN GORGONIO PASS WATER AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED**  
**June 30, 2016 and 2015**

**Capital Asset Activity for the Year**

|   | Balance,<br>July 1, 2014 | Balance<br>July 1, 2015 | Additions           | Deletions       | Balance,<br>June 30, 2016 |
|---|--------------------------|-------------------------|---------------------|-----------------|---------------------------|
| <b>Capital assets, not being depreciated</b>        |                          |                         |                     |                 |                           |
| Land and rights of way                              | \$ 4,138,966             | \$ 4,138,966            |                     |                 | \$ 4,138,966              |
| Construction in progress                            | 3,479,319                | 4,216,149               | \$ 194,273          |                 | 4,410,422                 |
| Total capital assets, not being depreciated         | <u>7,618,285</u>         | <u>8,355,115</u>        | <u>194,273</u>      |                 | <u>8,549,388</u>          |
| <b>Capital assets, being depreciated/ amortized</b> |                          |                         |                     |                 |                           |
| Investments in State Water Rights                   | 107,392,080              | 116,868,930             | 12,642,483          |                 | 129,511,413               |
| Source of supply                                    | 15,271,890               | 15,758,338              |                     |                 | 15,758,338                |
| Transmission and distribution                       | 1,351,614                | 1,351,614               |                     |                 | 1,351,614                 |
| Buildings and improvements                          | 1,524,909                | 1,524,909               |                     |                 | 1,524,909                 |
| Furniture and fixtures                              | 174,261                  | 174,261                 |                     | \$ 1,300        | 172,961                   |
| Technical equipment                                 | 214,823                  | 214,823                 |                     |                 | 214,823                   |
| Transportation equipment                            | 52,060                   | 52,060                  | 44,948              | 22,545          | 74,463                    |
| Total capital assets being depreciated or amortized | <u>125,981,637</u>       | <u>135,944,935</u>      | <u>12,687,431</u>   | <u>23,845</u>   | <u>148,608,521</u>        |
| Total capital assets                                | <u>\$133,599,922</u>     | <u>\$144,300,050</u>    | <u>\$12,881,704</u> | <u>\$23,845</u> | <u>\$157,157,909</u>      |

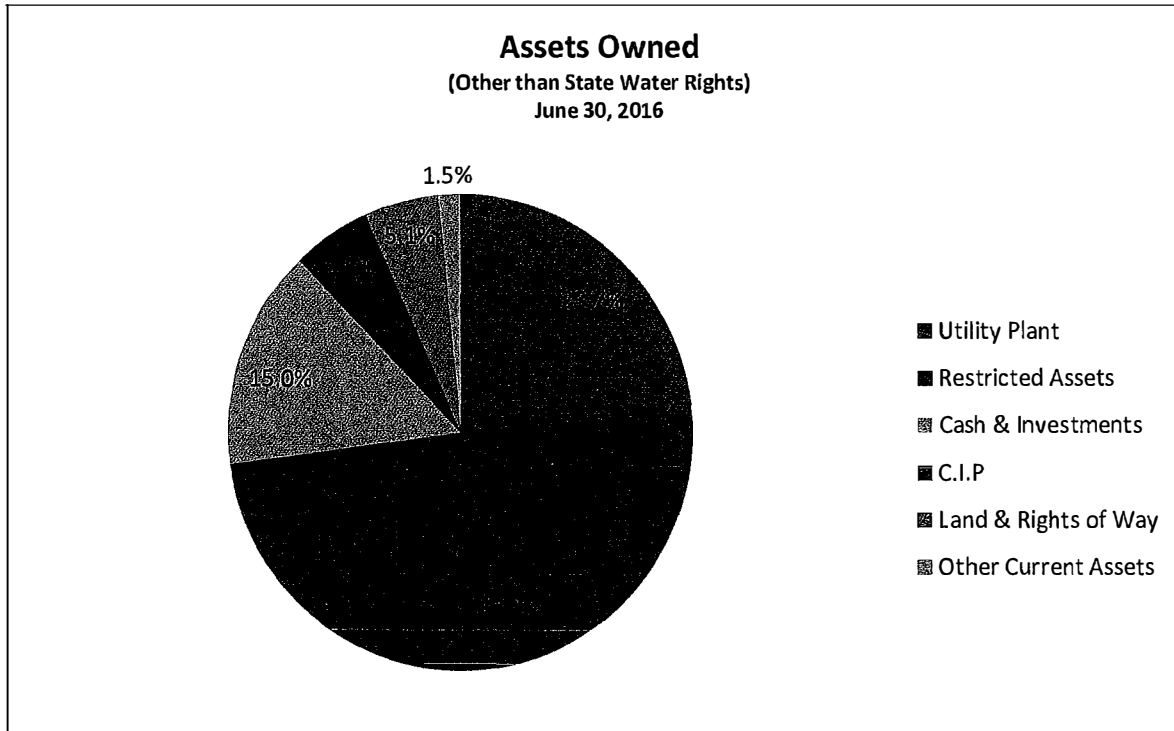
The Agency made payments to the Department of Water Resources during the year totaling \$17.55 million, net of credits and refunds for participation rights in the State Water Project. The unit rate has been determined by dividing the total estimated capital costs to be charged to the Agency by total 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 2015-16 totaled 21 acre-feet. Deliveries to retailers in FY 2015-16 totaled 9,880 AF which is more than the previous fiscal year.

Construction in Progress increased by \$0.19 million between July 1, 2015 and June 30, 2016. The projects currently in Construction in Progress include 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. In addition, a deposit was received from the Beaumont-Cherry Valley Water District for study and possible work to increase the size of their connection to the Agency's delivery system.

**SAN GORGONIO PASS WATER AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED**  
**June 30, 2016 and 2015**

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Restricted Assets

The Agency had Restricted Assets of \$39.70 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 Assets of \$13.35 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.

**BASIC FINANCIAL STATEMENTS - AUDITED**

**SAN GORGONIO PASS WATER AGENCY**  
**STATEMENTS OF NET POSITION**  
**June 30, 2016 and 2015**

|   | June 30, | 2016                 | 2015                  |
|---|----------|----------------------|-----------------------|
| ASSETS AND DEFERRED OUTFLOWS<br>OF RESOURCES                              |          |                      | As adjusted<br>Note 2 |
| <b>Current assets</b>   |          |                      |                       |
| Cash and cash equivalents   | \$       | 1,449,062            | \$ 4,581,744          |
| Cash in Local Agency Investment Fund                                      |          | 10,675,678           |                       |
| Investments   |          |                      | 5,997,623             |
| Accounts receivable   |          | 528,421              | 182,755               |
| Property taxes receivable, less allowance<br>of \$8,832 in 2016 and 2015  |          | 639,909              | 639,313               |
| Interest receivable   |          | 47,395               | 39,784                |
| Other   |          | 6,630                | 6,380                 |
| Total current assets  |          | <u>13,347,095</u>    | <u>11,447,599</u>     |
| <b>Restricted assets</b>  |          |                      |                       |
| Cash and cash equivalents   |          |                      | 19,720,149            |
| Cash in Local Agency Investment Fund                                      |          | 1,655,119            | 16,295,887            |
| Investments   |          | 35,237,114           |                       |
| Property taxes receivable, less allowance<br>of \$76,168 in 2016 and 2015 |          | <u>2,804,400</u>     | <u>2,903,814</u>      |
| Total restricted assets   |          | <u>39,696,633</u>    | <u>38,919,850</u>     |
| <b>Noncurrent assets</b>  |          |                      |                       |
| Capital assets  |          |                      |                       |
| Investment in State Water Project   |          | 129,511,413          | 116,868,931           |
| Utility plant in service  |          | 19,097,108           | 19,076,004            |
| Less accumulated depreciation and amortization                            |          | (42,184,563)         | (38,436,931)          |
| Land and rights of way  |          | 4,138,966            | 4,138,966             |
| Construction in progress  |          | <u>4,410,422</u>     | <u>4,216,149</u>      |
| Total noncurrent assets   |          | <u>114,973,346</u>   | <u>105,863,119</u>    |
| Total assets  |          | <u>168,017,074</u>   | <u>156,230,568</u>    |
| <b>Deferred outflows of resources</b>                                     |          |                      |                       |
| Pension related   |          |                      |                       |
| Pension contributions   |          | 109,010              | 321,301               |
| Difference between expected and actual experience                         |          | 6,064                |                       |
| Change in proportion  |          | <u>83,037</u>        |                       |
| Total deferred outflows of resources                                      |          | <u>198,111</u>       | <u>321,301</u>        |
| Total assets and deferred outflows of resources                           |          | <u>\$168,215,185</u> | <u>\$156,551,869</u>  |

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

**SAN GORGONIO PASS WATER AGENCY**  
**STATEMENTS OF NET POSITION**  
**June 30, 2016 and 2015**

|   | June 30, | 2016                 | 2015                  |
|---|----------|----------------------|-----------------------|
| LIABILITIES, DEFERRED INFLOWS OF<br>RESOURCES AND NET POSITION              |          |                      | As adjusted<br>Note 2 |
| <b>Current liabilities</b>  |          |                      |                       |
| Accounts payable  | \$       | 507,487              | \$ 259,590            |
| Accrued vacation and sick leave   |          | 110,463              | 106,099               |
| Construction deposit  |          | 25,000               |                       |
| Total current liabilities   |          | <u>642,950</u>       | <u>365,689</u>        |
| <b>Noncurrent liabilities</b>   |          |                      |                       |
| Net pension liability   |          | <u>613,519</u>       | <u>662,864</u>        |
| Total noncurrent liabilities  |          | <u>613,519</u>       | <u>662,864</u>        |
| Total liabilities   |          | <u>1,256,469</u>     | <u>1,028,553</u>      |
| <b>Deferred inflows of resources</b>  |          |                      |                       |
| Pension related   |          |                      |                       |
| Net difference between projected and actual<br>earnings on plan investments |          | 28,762               | 143,118               |
| Adjustment due to differences in proportions                                |          |                      | 20,300                |
| Difference between actual and projected contributions                       |          | 24,636               |                       |
| Changes in assumptions  |          | <u>57,373</u>        |                       |
| Total deferred inflows of resources   |          | <u>110,771</u>       | <u>163,418</u>        |
| <b>Net position</b>   |          |                      |                       |
| Invested in capital assets, including State<br>Water Project costs          |          | 114,973,346          | 105,863,119           |
| Restricted for State Water Project  |          | 39,696,633           | 38,919,850            |
| Unrestricted  |          | <u>12,177,966</u>    | <u>10,576,929</u>     |
| Total net position  |          | <u>166,847,945</u>   | <u>155,359,898</u>    |
| Total liabilities, deferred inflows of resources,<br>and net position       |          | <u>\$168,215,185</u> | <u>\$156,551,869</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, 2016 and 2015**

|                                     | <b>For the Years Ended June 30,</b> | <b>2016</b>         | <b>2015</b>           |
|-------------------------------------|-------------------------------------|---------------------|-----------------------|
|                                     |                                     |                     | As adjusted<br>Note 2 |
| <b>Operating revenues</b>           |                                     |                     |                       |
| Water sales                         |                                     | <u>\$ 1,859,344</u> | <u>\$ 1,480,339</u>   |
| <b>Operating expenses</b>           |                                     |                     |                       |
| Source of supply                    |                                     |                     |                       |
| Maintenance                         |                                     | 5,168,558           | 5,304,357             |
| Purchased water                     |                                     | <u>1,197,421</u>    | <u>1,284,030</u>      |
| Total source of supply              |                                     | <u>6,365,979</u>    | <u>6,588,387</u>      |
| Transmission and distribution       |                                     |                     |                       |
| Utilities                           |                                     | 9,509               | 9,035                 |
| Maintenance                         |                                     | <u>24,433</u>       | <u>36,173</u>         |
| Total transmission and distribution |                                     | <u>33,942</u>       | <u>45,208</u>         |
| General and administrative expenses |                                     |                     |                       |
| Salaries                            |                                     | 418,698             | 421,889               |
| Director expense                    |                                     | 128,480             | 115,897               |
| Payroll taxes                       |                                     | 36,038              | 35,230                |
| Employee health benefits            |                                     | 60,765              | 59,927                |
| Employee retirement benefits        |                                     | 116,245             |                       |
| Office supplies and expense         |                                     | 29,481              | 21,477                |
| Travel expenses                     |                                     | 20,480              | 18,117                |
| Automotive expense                  |                                     | 9,048               | 2,480                 |
| Utilities and telephone             |                                     | 14,119              | 12,502                |
| Repairs and maintenance             |                                     | 21,868              | 26,712                |
| Insurance                           |                                     | 30,632              | 30,120                |
| Administration expense              |                                     | 4,994               | 4,604                 |
| Membership dues and assessments     |                                     | 27,706              | 25,929                |
| Public relations                    |                                     | 17,040              | 65,034                |
| Sponsorships                        |                                     | 1,000               |                       |
| Election expense                    |                                     |                     | 106,307               |
| Legal services                      |                                     | 166,020             | 177,671               |
| Engineering and consulting services |                                     | 216,280             | 348,855               |
| Accounting and auditing             |                                     | 21,755              | 20,550                |
| Outside professional services       |                                     | 4,350               | 850                   |
| Depreciation                        |                                     | 648,643             | 634,346               |
| Amortization                        |                                     | <u>3,122,834</u>    | <u>2,415,510</u>      |
| Total general and administrative    |                                     | <u>5,116,476</u>    | <u>4,544,007</u>      |
| Total operating expenses            |                                     | <u>11,516,397</u>   | <u>11,177,602</u>     |
| Operating loss                      |                                     | <u>(9,657,053)</u>  | <u>(9,697,263)</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, 2016 and 2015**

|  | <b>For the Years Ended June 30,</b> | <b>2016</b>           | <b>2015</b>           |
|--|-------------------------------------|-----------------------|-----------------------|
| Operating loss   |                                     | \$ <u>(9,657,053)</u> | \$ <u>(9,697,263)</u> |
| <b>Nonoperating revenues (expenses)</b>                            |                                     |                       |                       |
| Property taxes – general purpose                                   |                                     | 2,136,273             | 1,905,088             |
| Property taxes – debt service                                      |                                     | 18,506,495            | 17,482,812            |
| Investment income  |                                     | 306,338               | 136,359               |
| Unrealized gain (loss) on investments                              |                                     | 152,539               | (2,043)               |
| Other  |                                     | 24,720                | 35,562                |
| County collection charge   |                                     | <u>(66,351)</u>       | <u>(47,238)</u>       |
| Total nonoperating revenues (expenses)                             |                                     | <u>21,060,014</u>     | <u>19,510,540</u>     |
| Income before capital contributions                                |                                     | 11,402,961            | 9,813,277             |
| Capital contributions – government                                 |                                     | <u>85,086</u>         |                       |
| Change in net position   |                                     | <u>11,488,047</u>     | <u>9,813,277</u>      |
| <b>Net position</b>  |                                     |                       |                       |
| Beginning of year, as previously reported                          |                                     | 155,359,898           | 146,372,903           |
| Less: cumulative effect of change in accounting principle (Note 2) |                                     |                       | <u>(826,282)</u>      |
| Beginning of year, as restated                                     |                                     | <u>155,359,898</u>    | <u>145,546,621</u>    |
| Net position, end of year  |                                     | <u>\$166,847,945</u>  | <u>\$155,359,898</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, 2016 and 2015

| For the Years Ended June 30,                                    | 2016                 | 2015                 |
|---|----------------------|----------------------|
| <b>Cash flows from operating activities</b>                     |                      |                      |
| Cash received from customers                                    | \$ 1,513,678         | \$ 1,624,186         |
| Cash paid to suppliers and employees                            | <u>(7,422,365)</u>   | <u>(9,213,545)</u>   |
| Net cash used in operating activities                           | <u>(5,908,687)</u>   | <u>(7,589,359)</u>   |
| <b>Cash flows from noncapital financing activities</b>          |                      |                      |
| Property taxes  | 20,741,586           | 19,695,689           |
| Net pension liability   | <u>(49,345)</u>      | <u></u>              |
| Net cash provided by noncapital financing activities            | <u>20,692,241</u>    | <u>19,695,689</u>    |
| <b>Cash flows from capital and related financing activities</b> |                      |                      |
| Purchase of capital assets                                      | (12,881,705)         | (10,700,129)         |
| Other revenue   | 24,720               | 35,562               |
| Contributed capital   | 85,086               |                      |
| Construction deposit  | 25,000               |                      |
| Other expenses  | <u>(66,351)</u>      | <u>(47,238)</u>      |
| Net cash used in capital and related financing activities       | <u>(12,813,250)</u>  | <u>(10,711,805)</u>  |
| <b>Cash flows from investing activities</b>                     |                      |                      |
| Purchased investments   | (30,106,513)         | (5,980,757)          |
| Proceeds from maturing investments and return of principal      | 1,000,000            | 1,000,000            |
| Interest received   | <u>318,288</u>       | <u>89,108</u>        |
| Net cash used in investing activities                           | <u>(28,788,225)</u>  | <u>(4,891,649)</u>   |
| Net change in cash and cash equivalents                         | (26,817,921)         | (3,497,124)          |
| <b>Cash and cash equivalents</b>                                |                      |                      |
| Balance, beginning of year                                      | <u>40,597,780</u>    | <u>44,094,904</u>    |
| Balance, end of year  | <u>\$ 13,779,859</u> | <u>\$ 40,597,780</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, 2016 and 2015

| For the Years Ended June 30,   | 2016                 | 2015                 |
|--|----------------------|----------------------|
| <b>Reconciliation of cash and cash equivalents to statements of net position</b> |                      |                      |
| Unrestricted cash and cash equivalents   | \$ 1,449,062         | \$ 4,581,744         |
| Unrestricted cash in Local Agency Investment Fund                                | 10,675,678           |                      |
| Restricted cash and cash equivalents   |                      | 19,720,149           |
| Restricted cash in Local Agency Investment Fund                                  | <u>1,655,119</u>     | <u>16,295,887</u>    |
| Total cash and cash equivalents  | <u>\$13,779,859</u>  | <u>\$40,597,780</u>  |
| <b>Reconciliation of operating loss to net cash used in operating activities</b> |                      |                      |
| Operating loss   | \$(9,657,053)        | \$(9,697,263)        |
| Adjustments to reconcile operating loss to net cash used in operating activities |                      |                      |
| Depreciation and amortization  | 3,771,477            | 3,049,856            |
| Noncash pension expense  | (141,747)            |                      |
| (Increase) decrease in:  |                      |                      |
| Accounts receivable  | (345,666)            | 143,847              |
| Other current assets   | (250)                | 381                  |
| Pension deferrals  | 212,291              | (321,301)            |
| Increase (decrease) in:  |                      |                      |
| Accounts payable   | 247,897              | (776,639)            |
| Accrued vacation and sick  | <u>4,364</u>         | <u>11,760</u>        |
| Net cash used in operating activities  | <u>\$(5,908,687)</u> | <u>\$(7,589,359)</u> |

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

**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016 and 2015**

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**NOTE 1 - REPORTING ENTITY**

The San Gorgonio Pass Water Agency (the "Agency"), a special district of the state of California, is one of 29 state water contractors created by the state legislature. The Agency will ultimately manage water resources and supply water to local water districts. The Agency's service area extends from Calimesa to Cabazon through the San Gorgonio Pass area in Riverside County (the "County").

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting and Measurement Focus

The Agency 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 Agency is that the costs of providing goods or services to the general public on a continuing basis (including depreciation) be financed or recovered primarily through user charges. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred. An enterprise fund is accounted for on the flow of economic resources measurement focus. This means that all assets and liabilities associated with the activity (whether current or noncurrent) are included on the statements of net position.

The Agency distinguishes operating revenues and expenses from those revenues and expenses that are nonoperating. Operating revenues are those revenues that are generated by water sales while operating expenses pertain directly to the furnishing of those services. Nonoperating revenues and expenses are those revenues and expenses generated that are not directly associated with the normal business of supplying water services.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Agency considers all short-term debt securities purchased with an original maturity of three months or less to be cash equivalents. The Agency invests funds with the State of California's Local Agency Investment Fund (LAIF). Due to the high liquidity of this investment, the funds are classified as cash equivalents. For credit risk purposes, the fund is not rated.

Investments

Investments are reported in the accompanying statements of net position at fair value based on the last reported sales price published on the national exchange. 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.

Property Taxes

The County of Riverside Assessor's Office assesses all real and personal property within the County each year. The County of Riverside Tax Collector's Office bills and collects the Agency's share of property taxes and assessments. The County of Riverside Treasurer's Office remits current and delinquent property tax collections to the Agency throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at 1.0 percent of countywide assessed valuations.

**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016 and 2015**

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**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property taxes receivable at year-end are related to property taxes collected by the County of Riverside, which have not been credited to the Agency's cash balance as of June 30. The property tax calendar is as follows:

|                  |  |
|------------------|--|
| Lien date:       | January 1  |
| Levy date:       | July 1   |
| Due date:        | November 1 – 1st installment<br>February 1 – 2nd installment |
| Collection date: | December 10 – 1st installment<br>April 10 – 2nd installment  |

The County will designate property taxes relating to debt service (restricted) or general purposes. Funds have been established by the Agency to account for the use of these designated assets. As of June 30, 2016, certain taxes levied by the County and allocated to the Agency remain uncollected. The Agency has established allowances to estimate the extent of uncollectible property taxes.

Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. Agency policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated acquisition 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:

| <u>Assets</u>               | <u>Years</u> |
|-----------------------------|--------------|
| Pipelines                   | 20 – 40      |
| Spreading ground facilities | 20           |
| Buildings                   | 25           |
| Furniture and fixtures      | 5 – 10       |
| Technical equipment         | 5            |
| Transportation              | 5            |

Participation rights are being amortized on a unit-rate basis. 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, would then be applied to actual water deliveries in the current year.

**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Accrued Vacation and Sick Leave

The Agency has a policy whereby an employee can accumulate unused sick leave and vacation. Sick leave is to be used for extended periods of sickness; however, upon termination or retirement, a portion will be paid as additional benefits to the employee. At retirement or termination, employees will be paid for 50 percent of the then unused sick leave up to the maximum 480 hours at their regular payroll rates in effect at the date of termination. The Agency has provided for these future costs by accruing 50 percent of the earned and unused sick leave up to the maximum number of hours and 100 percent of the earned and unused vacation.

Pension Accounting

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

Net Position

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

*Invested in Capital Assets, including State Water Project costs* – 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.

*Restricted for State Water Project* – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

*Unrestricted Net Position* – This component of the net position consists of a net position that does not meet the definition of restricted or net investment in capital assets.

Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is the Agency's practice to use restricted resources first, then unrestricted resources as they are needed.

Budgetary Policies

The Agency adopts an annual nonappropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosures made in the accompanying notes to the financial statements. While management believes these estimates are adequate, actual results could differ from those estimates.

Net Pension Liability, Deferred Outflows of Resources, Deferred Inflows of Resources, and Pension Expense

Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (GASB 68), provides requirements for how pension costs and obligations are measured and reported in the basic financial statements. When an organization's pension liability exceeds the pension plan's net position available for paying benefits, there is a net pension liability which must be reported in the basic financial statements. In addition, GASB 68 requires that projected benefit payments be discounted to their actuarial present value using a single rate that reflects (1) a long-term expected rate of return on pension plan investments to the extent that the pension plan's fiduciary net position is projected to be sufficient to pay benefits and pension plan assets are expected to achieve that rate and (2) a tax-exempt, high-quality municipal bond rate to the extent that the conditions under (1) are not met.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* (GASB 71) requires that, at transition to the new accounting standards in accordance with GASB 68, a government should recognize a beginning deferred outflow of resources for its pension contributions made after the measurement date of the beginning net pension liability. However, it continues to require that the beginning balances for other deferred outflows and deferred inflows be reported at transition only if it is practical to determine such amounts. As of July 1, 2014, the Agency restated beginning net position in the amount of (\$826,282) to record the beginning deferred pension contributions and net pension liability.

Implementation of Accounting Principles

Effective July 1, 2015, the Agency adopted the following accounting principles:

Statement No. 72, *Fair Value Measurement and Application* (GASB 72), is intended to improve accounting and financial reporting for state and local governments' investments by enhancing the comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. It also requires measurement at acquisition value for donated capital assets, which were previously required to be measured at fair value.

**SAN GORGONIO PASS WATER AGENCY**  
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**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68* (GASB 73), establishes requirements for defined benefit pensions that are not within the scope of GASB 68, as well as for the assets accumulated for the purposes of providing those pensions. GASB 73 amends certain provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans* (GASB 67), and GASB 68 for pension plans and pensions that are within their respective scopes. GASB 73 addresses the recognition of the total pension liability of such plans and the disclosures necessary for the plans that did not meet the definition of GASB 68.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (GASB 76), identifies the hierarchy of generally accepted accounting principles (GAAP) used to prepare financial statements of state and local governmental entities. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. GASB 76 supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

New Accounting Pronouncements

The Agency is currently evaluating its accounting practices to determine the potential impact on the financial statements for the following GASB statements:

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 74), which establishes new accounting and financial reporting requirements for governments whose employees are provided with other postemployment benefits (OPEB), as well as for certain nonemployer governments that have a legal obligation to provide financial support to OPEB provided to the employees of other entities. GASB 74 also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria. GASB 74 replaces GASB Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended* (GASB 43), and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans* (GASB 57). 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*, GASB 43, and GASB Statement No. 50, *Pension Disclosures*. GASB 74 is effective for the Agency's fiscal year ending June 30, 2017.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75), which establishes new accounting and financial reporting requirements for OPEB improving the accounting and financial reporting by state and local governments for OPEB and provides information provided by state and local government employers about financial support for OPEB that is provided by other entities. This statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and GASB 57. GASB 75 is effective for the Agency's fiscal year ending June 30, 2018.

**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures* (GASB 77), which requires governments that enter into tax abatement agreements to disclose information about (1) the government's own tax abatement agreements and (2) those that are entered into by other governments and reduce the reporting government's tax revenues. In addition, GASB 77 requires the disclosure of the nature and magnitude of tax abatements to make these transactions more transparent to financial statement users. The Agency does not enter into tax abatement agreements; as such, this statement does not apply.

In March 2016, GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73* (GASB 82). GASB 82 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. GASB 82 is effective for the Agency's fiscal year ending June 30, 2017.

**NOTE 3 - STATE WATER PROJECT**

The Agency has contracted with the State Department of Water Resources to participate in the State Water Project to convey water from Northern California into the Southern California area. This participation requires payments in varying amounts by the Agency for many years into the future, including capital costs in connection with the transportation facilities, conservation (O.M.P. and R.) costs, and variable costs for the actual delivery of water.

These future payments have been estimated at June 30, 2016 by the State Department of Water Resources through 2035 as follows:

|   |                      |
|---|----------------------|
| Transportation charge:  |                      |
| Capital cost components:  |                      |
| State Water Project   | \$ 11,490,240        |
| East branch extension   | 81,247,258           |
| Minimum operations, maintenance, power,<br>and replacement component  | 82,040,428           |
| Variable operations, maintenance, power,<br>and replacement component | <u>61,811,404</u>    |
|   | 236,589,330          |
| Delta water charges   | 23,877,036           |
| Water system revenue bond surcharge                                   | <u>8,163,460</u>     |
| Total   | <u>\$268,629,826</u> |

**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016 and 2015**

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**NOTE 3 - STATE WATER PROJECT (Continued)**

The Agency has been billed formally through calendar year 2016 only. The policy of the Agency is not to accrue any amounts which are due after the fiscal year-end. The payments which have been billed but are not reflected on the books and are not due until after the fiscal year-end of the Agency are approximately as follows:

|   |                            |
|---|----------------------------|
| Transportation charges:   |                            |
| Capital cost component:   |                            |
| State Water Project   |                            |
| Due July 1, 2016  | \$ 234,290                 |
| Due January 1, 2017   | 209,906                    |
| Due July 1, 2017  | 209,906                    |
| Allocated capital costs of East Branch Extension:   |                            |
| Due September 1, 2016   | 8,357,216                  |
| Due March 1, 2017   | 4,343,355                  |
| Due September 1, 2017   | 8,361,799                  |
| Minimum operations, maintenance, power, and replacement component:  |                            |
| Monthly payments of \$345,564 from July 1 to December 31, 2016  | 2,073,383                  |
| Monthly payments of \$413,460 for the calendar year 2017  | 4,961,521                  |
| July 2016 payment of \$9,715 and August through December 2016 payments of \$347 for off-aqueduct power facilities | 11,450                     |
| Monthly payments of \$939 for 2017 off-aqueduct power facilities  | 11,267                     |
| Monthly payments of \$13,838 from July 1 to December 31, 2016 for Devil Canyon – Castaic facilities               | 83,028                     |
| Monthly payments of \$15,344 for 2017 Devil Canyon – Castaic facilities   | 184,128                    |
| Variable operations, maintenance, power, and replacement component:   |                            |
| Monthly payments of \$214,003 from July 1 to December 31, 2016  | 1,284,021                  |
| Monthly payments of \$233,028 for the calendar year 2017  | 2,796,341                  |
| Allocated capital costs of Tehachapi second afterbay facilities:  |                            |
| Due September 1, 2016   | 24,744                     |
| Due March 1, 2017   | 22,918                     |
| Due September 1, 2017   | 22,917                     |
| Allocated capital costs of Devil Canyon – Castaic contract:   |                            |
| Due September 1, 2016   | 48,574                     |
| Due March 1, 2017   | 48,824                     |
| Due September 1, 2017   | 48,824                     |
| Water system revenue bond surcharge and 25 percent bond cover charge:   |                            |
| Due July 1, 2016  | 219,249                    |
| Due January 1, 2017   | 230,320                    |
| Due July 1, 2017  | <u>230,319</u>             |
| <b>Total</b>  | <b><u>\$34,018,300</u></b> |



**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016 and 2015**

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**NOTE 3 - STATE WATER PROJECT (Continued)**

The Agency has committed to purchase other components of Pool B water and flood water that may become available at reasonable prices in the future. The future payments for this excess water are not determinable at this time.

**NOTE 4 – CASH, CASH EQUIVALENTS, AND INVESTMENTS**

The Agency's investment practices are prescribed by various provisions of the California Government Code and by administrative policies. The Agency's investment policy is approved annually by the Board.

Cash, cash equivalents, and investments are included in the statements of net position as follows:

|  | 2016                | 2015                |
|--|---------------------|---------------------|
| Cash and cash equivalents – unrestricted | \$12,124,740        | \$ 4,581,744        |
| Cash and cash equivalents – restricted   | <u>1,655,119</u>    | <u>36,016,036</u>   |
| Total cash and cash equivalents          | 13,779,859          | 40,597,780          |
| Investments                              | <u>35,237,114</u>   | <u>5,997,623</u>    |
|  | <u>\$49,016,973</u> | <u>\$46,595,403</u> |

For purposes of the following discussion, these accounts have been classified as follows:

|             | 2016                | 2015                |
|-------------|---------------------|---------------------|
| Deposits    | \$ 1,449,062        | \$24,301,893        |
| Investments | <u>47,567,911</u>   | <u>22,293,510</u>   |
|             | <u>\$49,016,973</u> | <u>\$46,595,403</u> |

Investments Authorized by the Agency's Investment Policy

Under the provisions of the Agency's investment policy, adopted by Board Resolution No. 2015-10 in September 2015, which is in accordance with California Government Code Sections 53600 through 53686 et seq., the types of investments authorized for deposit are identified in the following table:

| <u>Authorized Investment Type</u>   | <u>Maximum Maturity</u> |
|-------------------------------------|-------------------------|
| U.S. Treasury                       | 2 years                 |
| Federal agency                      |                         |
| Municipal bonds                     |                         |
| Negotiable certificates of deposit  | 30 months               |
| Repurchase agreements               | 1 year                  |
| Medium term notes                   | 5 years                 |
| Money market mutual funds           |                         |
| Local Agency Investment Fund (LAIF) |                         |
| CalTRUST short-term fund            | 2 years                 |
| CalTRUST medium-term fund           | 3 ½ years               |

**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016 and 2015**

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**NOTE 4 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

Concentration of Credit Risk

Investments at June 30 in any one issuer, other than U.S. Treasury Securities, LAIF and CalTRUST that represent 5 percent or more of the total investments of the Agency are as follows:

| Issuer                           | Investment<br>Type     | 2016 | 2015        |
|----------------------------------|------------------------|------|-------------|
| Federal Farm CR BKS 3/2018       | U.S. Government bonds  | -    | \$1,985,400 |
| Federal Farm CR BKS 2/2019       | U.S. Government bonds  | -    | \$2,001,760 |
| Federal Farm CR BKS 2/2018       | U.S. Government bonds  | -    | \$999,780   |
| Federal National Mortgage Assoc. | U.S. agency securities | -    | \$991,440   |

Custodial Credit Risk

The Agency maintains deposits with financial institutions in excess of federal depository insurance limits. California law requires banks and savings and loan institutions to pledge government securities with a market value of 110 percent of the Agency's cash on deposit or first trust deed mortgage notes with a market value of 150 percent of the deposit, as collateral for these deposits. Under California law this collateral is held in a separate investment pool by another institution in the Agency's name and places it ahead of general creditors of the institution.

Interest Rate Risk

Interest rate risk is the possibility 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. As a means of highlighting exposure to interest rate risk, the fair value of all securities is calculated and reported quarterly to the board for investments. Investment fair value and duration at June 30 are as follows:

| Authorized Investment Type         | 2016        | Effective<br>Duration (YR) |
|------------------------------------|-------------|----------------------------|
| U.S. agency securities             | \$2,050,933 | 2020                       |
| U.S. Government bonds              | \$4,000,060 | 2018                       |
| U.S. Government bonds              | \$1,000,040 | 2019                       |
| U.S. Government bonds              | \$1,002,310 | 2020                       |
| Negotiable certificates of deposit | \$7,737,117 | 2017                       |
| Negotiable certificates of deposit | \$1,444,420 | 2018                       |
| Negotiable certificates of deposit | \$750,399   | 2019                       |

**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016 and 2015**

**NOTE 4 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

| Authorized Investment Type | 2015        | Effective Duration (YR) |
|----------------------------|-------------|-------------------------|
| U.S. agency securities     | \$991,440   | 2020                    |
| U.S. Government bonds      | \$2,985,180 | 2018                    |
| U.S. Government bonds      | \$2,001,760 | 2019                    |

Disclosures Relating to Credit Risk

Information about the risk that an issuer or other counterparty to an investment will not fulfill its obligations is provided by the following tables:

| Authorized Investment                | Amount              | Exempt<br>from<br>Disclosure | Aaa                | A(1-3)              | Not<br>Rated | % of<br>Portfolio |
|--------------------------------------|---------------------|------------------------------|--------------------|---------------------|--------------|-------------------|
| As of June 30, 2016:                 |                     |                              |                    |                     |              |                   |
| Cash                                 | \$ 100              |                              |                    |                     | \$100        | N/A               |
| Deposits with financial institutions | 1,448,962           |                              |                    | \$ 1,448,962        |              | N/A               |
| Money markets                        | 77,453              |                              | \$ 77,453          |                     |              | 0.16%             |
| U.S. Government bonds                | 6,002,410           |                              | 6,002,410          |                     |              | 12.62%            |
| U.S. agency securities               | 2,050,933           |                              | 2,050,933          |                     |              | 4.31%             |
| Negotiable certificates of deposit   | 9,931,936           |                              |                    | 9,931,936           |              | 20.88%            |
| CalTRUST short-term fund             | 4,024,219           | \$ 4,024,219                 |                    |                     |              | 8.46%             |
| CalTRUST medium-term fund            | 13,150,164          | 13,150,164                   |                    |                     |              | 27.65%            |
| LAIF                                 | <u>12,330,796</u>   | <u>12,330,796</u>            |                    |                     |              | 25.92%            |
|                                      | <u>\$49,016,973</u> | <u>\$29,505,179</u>          | <u>\$8,130,796</u> | <u>\$11,380,898</u> | <u>\$100</u> | <u>100.00%</u>    |

| Authorized Investment                | Amount              | Exempt<br>from<br>Disclosure | Aaa                | A(1-3)              | Not<br>Rated | % of<br>Portfolio |
|--------------------------------------|---------------------|------------------------------|--------------------|---------------------|--------------|-------------------|
| As of June 30, 2015:                 |                     |                              |                    |                     |              |                   |
| Cash                                 | \$ 100              |                              |                    |                     | \$100        | N/A               |
| Deposits with financial institutions | 24,301,793          |                              |                    | \$24,301,793        |              | N/A               |
| Money market                         | 19,243              |                              | \$ 19,243          |                     |              | 0.09%             |
| U.S. Government bonds                | 4,986,940           |                              | 4,986,940          |                     |              | 22.37%            |
| U.S. agency securities               | 991,440             |                              | 991,440            |                     |              | 4.45%             |
| LAIF                                 | <u>16,295,887</u>   | <u>\$16,295,887</u>          |                    |                     |              | 73.10%            |
|                                      | <u>\$46,595,403</u> | <u>\$16,295,887</u>          | <u>\$5,997,623</u> | <u>\$24,301,793</u> | <u>\$100</u> | <u>100.00%</u>    |

**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 4 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

Deposits

The California Government Code and the Agency'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 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure Agency deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. At June 30, 2016 and 2015, the carrying amount of the Agency's deposits is \$1,449,063 and \$24,301,893, respectively, and the bank balances were \$1,455,324 and \$24,320,749, respectively. The Agency has cash in financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, and the remaining balance is collateralized in accordance with the California Government Code.

LAIF

The Agency is a voluntary participant in LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. For LAIF's annual financial report, contact the California State Treasurer at: 915 Capitol Mall, Room 106, Sacramento, California 95814.

CalTRUST

The Agency is participating in CalTRUST, a Joint Exercise of Powers Agreement of the Investment Trust of California. The principal executive office is located at 1100 K Street, Suite 101, Sacramento, California 95814. CalTRUST is subject to the California Joint Exercise of Powers Act. Each participant in CalTRUST must be a California Public Agency. The purpose of CalTRUST is to consolidate investment activities of its participants and thereby reduce duplication, achieve economies of scale and carry out coherent and consolidated investment strategies through the issuance of shares of beneficial interest in investments purchased by CalTRUST.

CalTRUST currently has a board of trustees that consists of 11 trustees who are responsible for the overall management, supervision and administration of CalTRUST including formulation of investment and operating policy guidelines of the funds.

The two funds the Agency has invested in are the Short-term fund and the Medium-term fund. The Short-term fund has a targeted portfolio duration of 0 to 2 years and the medium-term fund has a targeted portfolio duration of 1 ½ to 3 ½ years. Investment strategies are to attain as high a level of current income as is consistent with the preservation of principal.

**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 4 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

The shares in the two funds are not registered under any federal or state securities law nor under the Investment Company Act of 1940, and are thus not subject to the various protections of the 1940 Act which apply to certain pooled vehicles such as money market funds and other mutual funds. The short-term and medium-term funds are valued at net asset value which is calculated by dividing the total value of the securities and other assets, less any liabilities, by the total outstanding shares of each fund. Liabilities include all accrued expenses and fees of each fund. The value of the portfolio securities is determined on the basis of the market value of such securities or, if market quotations are not readily available, at fair value under guidelines established by the Trustees. Investments with short remaining maturities may be valued at amortized cost which the Trustees have determined to equal fair value.

Short-term fund deposits will be allowed to be invested on the business day they are received, while the medium-term fund deposits may be invested once per month on the last business day. Short-term funds can be redeemed at net asset value per share at the next determined date and/or time of calculation. Medium-term fund withdrawals can only occur once per month on the last business day of the month provided that notice of intent to withdraw is delivered prior to five business days before month end. Shares will be redeemed at net asset value per share determined by the accountant on the last business day of each month. For both funds the investment will remain in the fund until the day they are wired to the Agency. In the event of an emergency as defined by the Trustees, withdrawals may be made at such times and upon such prior notice within parameters defined by the Trustees. CalTRUST may, and is authorized by each participant to, redeem shares owned by such participant (i) to the extent necessary to reimburse CalTRUST for any loss it has sustained by reason of the failure of such participant to make full payment for shares purchased by such participant, (ii) to the extent necessary to collect any charge relating to a transaction effected for the benefit of such participant which is applicable to shares, or (iii) as otherwise deemed necessary and desirable by the Trustees for CalTRUST to effectively carry out its obligations under the agreement, comply with applicable law, or any other obligations in connection with the affairs of CalTRUST. Redemption payments may be made in whole or in part in securities or other property of the funds. Participants receiving any such securities or other property on redemption will bear any costs of sale. Transfers among the funds will be considered a withdrawal from one fund and a deposit to another fund subject to restrictions and limitations of a withdrawal and deposit.

Investments

Fair Value of Investments

GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72), provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under GASB 72 are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets as of the measurement date in active markets that the Agency has the ability to access. Fair values are determined using fund manager estimates

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**NOTE 4 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

Level 2 Inputs to the valuation methodology include quoted prices for similar assets in active markets; quoted prices for identical or similar assets in inactive markets; and model based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets.

Level 3 Inputs to the valuation methodology are unobservable and include situations where there is little, if any, market activity for the investment.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. Disclosure requirements for fair value were adopted in the year ended June 30, 2016. Although the fair value disclosures for investments have been revised, there has been no change in the methodologies used at June 30, 2016 and 2015:

*Money markets:* Valued at \$1 per share in accordance with industry practice.

*U.S. Government bonds:* Valued at the closing price reported in the active market on which the individual bonds are traded.

*U.S. agency securities:* Valued at the closing price reported in the active market on which the individual securities are traded.

*Negotiable certificate of deposit:* Valued at the closing price reported on the active market on which the negotiable paper is traded.

*CalTRUST funds:* The Agency is a voluntary participant in the Investment Trust of California, doing business as CalTRUST. CalTRUST is a joint powers authority that has been established by its members pursuant to the Joint Exercise of Powers Agreement. The fair value of the Agency's investment in CalTRUST is based upon the net asset value (NAV) of shares held by the Agency at year-end. The net asset value per share is computed by dividing the total value of the securities and other assets, less any liabilities, by the total outstanding shares. Liabilities include all accrued expenses and fees, including expenses of the trust. The market value of portfolio securities is determined on the basis of the market value of such securities, or, if market quotations are not readily available, at fair value under guidelines established by the trustees. Investments with short remaining maturities may be valued at amortized cost which the CalTRUST Board has determined to equal fair value.

*State pooled funds (Local Agency Investment Fund):* The Agency is a voluntary participant in LAIF that is regulated by the California Government Code under oversight by the Local Investment Advisory Board, which consists of five members, with the Treasurer of the State of California serving as chairman. The fair value of the Agency's investment in this pool is based upon the Agency'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).

**SAN GORGONIO PASS WATER AGENCY**  
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**NOTE 4 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the Agency believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Agency's investment assets at fair value as of June 30, 2016:

|   | <u>Level 1</u>      | <u>Level 2</u>      | <u>Level 3</u> | <u>Total</u>        |
|---|---------------------|---------------------|----------------|---------------------|
| Money markets                                     | \$ 77,453           |                     |                | \$ 77,453           |
| U.S. government bonds                             | 6,002,410           |                     |                | 6,002,410           |
| U.S. agency securities                            | 2,050,933           |                     |                | 2,050,933           |
| Negotiable certificates of deposit                | 9,931,936           |                     |                | 9,931,936           |
| CalTRUST short-term fund                          |                     | \$ 4,024,219        |                | 4,024,219           |
| CalTRUST medium-term fund                         |                     | 13,150,164          |                | 13,150,164          |
| State pooled funds (Local Agency Investment Fund) |                     | <u>12,330,796</u>   |                | <u>12,330,796</u>   |
|   | <u>\$18,062,732</u> | <u>\$29,505,179</u> | <u>\$ -</u>    | <u>\$47,567,911</u> |

The following table sets forth by level, within the fair value hierarchy, the Agency's investment assets at fair value as of June 30, 2015:

|   | <u>Level 1</u>     | <u>Level 2</u>      | <u>Level 3</u> | <u>Total</u>        |
|---|--------------------|---------------------|----------------|---------------------|
| Money markets                                     | \$ 19,243          |                     |                | \$ 19,243           |
| U.S. government bonds                             | 4,986,940          |                     |                | 4,986,940           |
| U.S. agency securities                            | 991,440            |                     |                | 991,440             |
| State pooled funds (Local Agency Investment Fund) |                    | <u>\$16,295,887</u> |                | <u>\$16,295,887</u> |
|   | <u>\$5,997,623</u> | <u>\$16,295,887</u> | <u>\$ -</u>    | <u>\$22,293,510</u> |

At June 30, 2016 and 2015, the Agency had no investments in repurchase and reverse repurchase agreements and did not invest in such during the years then ended.

**SAN GORGONIO PASS WATER AGENCY**  
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**NOTE 5 – CAPITAL ASSETS**

For the year ended June 30, 2016, the changes in utility plant for the Agency were as follows:

|                                   | Balance<br>July 1, 2015 | Additions           | Disposals       | Balance<br>June 30, 2016 |
|-----------------------------------|-------------------------|---------------------|-----------------|--------------------------|
| Investment in state water project | \$116,868,930           | \$12,642,483        |                 | \$129,511,413            |
| Land and rights of way            | 4,138,966               |                     |                 | 4,138,966                |
| Source of supply                  | 15,774,603              |                     |                 | 15,774,603               |
| Recharge facilities               | 1,351,614               |                     |                 | 1,351,614                |
| Technical equipment               | 94,439                  |                     |                 | 94,439                   |
| Office building                   | 1,508,644               |                     |                 | 1,508,644                |
| Solar equipment                   | 120,384                 |                     |                 | 120,384                  |
| Furniture and fixtures            | 174,261                 |                     | \$ 1,300        | 172,961                  |
| Transportation equipment          | 52,060                  | 44,948              | 22,545          | 74,463                   |
|                                   | <u>\$140,083,901</u>    | <u>\$12,687,431</u> | <u>\$23,845</u> | <u>\$152,747,487</u>     |

For the year ended June 30, 2016, the changes in accumulated depreciation and amortization for the Agency were as follows:

|                                   | Balance<br>July 1, 2015 | Additions          | Disposals       | Balance<br>June 30, 2016 |
|-----------------------------------|-------------------------|--------------------|-----------------|--------------------------|
| Investment in state water project | \$31,704,124            | \$3,122,834        |                 | \$34,826,958             |
| Source of supply                  | 4,916,855               | 496,798            |                 | 5,413,653                |
| Recharge facilities               | 777,178                 | 67,581             |                 | 844,759                  |
| Technical equipment               | 94,439                  |                    |                 | 94,439                   |
| Office building                   | 667,637                 | 60,341             |                 | 727,978                  |
| Solar equipment                   | 54,210                  | 12,031             |                 | 66,241                   |
| Furniture and fixtures            | 170,429                 | 2,903              | \$ 1,300        | 172,032                  |
| Transportation equipment          | 52,059                  | 8,989              | 22,545          | 38,503                   |
|                                   | <u>\$38,436,931</u>     | <u>\$3,771,477</u> | <u>\$23,845</u> | <u>\$42,184,563</u>      |

For the year ended June 30, 2015, the changes in utility plant for the Agency were as follows:

|                                   | Balance<br>July 1, 2014 | Additions          | Disposals   | Balance<br>June 30, 2015 |
|-----------------------------------|-------------------------|--------------------|-------------|--------------------------|
| Investment in state water project | \$107,392,079           | \$9,476,851        |             | \$116,868,930            |
| Land and rights of way            | 4,138,966               |                    |             | 4,138,966                |
| Source of supply                  | 15,288,155              | 486,448            |             | 15,774,603               |
| Recharge facilities               | 1,351,614               |                    |             | 1,351,614                |
| Technical equipment               | 94,439                  |                    |             | 94,439                   |
| Office building                   | 1,508,644               |                    |             | 1,508,644                |
| Solar equipment                   | 120,384                 |                    |             | 120,384                  |
| Furniture and fixtures            | 174,261                 |                    |             | 174,261                  |
| Transportation equipment          | 52,060                  |                    |             | 52,060                   |
|                                   | <u>\$130,120,602</u>    | <u>\$9,963,299</u> | <u>\$ -</u> | <u>\$140,083,901</u>     |



**SAN GORGONIO PASS WATER AGENCY**  
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**NOTE 5 – CAPITAL ASSETS (Continued)**

For the year ended June 30, 2015, the changes in accumulated depreciation and amortization for the Agency were as follows:

|                                   | Balance<br>July 1, 2014 | Additions          | Disposals   | Balance<br>June 30, 2015 |
|-----------------------------------|-------------------------|--------------------|-------------|--------------------------|
| Investment in state water project | \$29,288,614            | \$2,415,510        |             | \$31,704,124             |
| Source of supply                  | 4,426,137               | 490,718            |             | 4,916,855                |
| Recharge facilities               | 709,598                 | 67,580             |             | 777,178                  |
| Technical equipment               | 94,045                  | 394                |             | 94,439                   |
| Office building                   | 607,296                 | 60,341             |             | 667,637                  |
| Solar equipment                   | 42,179                  | 12,031             |             | 54,210                   |
| Furniture and fixtures            | 167,147                 | 3,282              |             | 170,429                  |
| Transportation equipment          | 52,059                  |                    |             | 52,059                   |
|                                   | <u>\$35,387,075</u>     | <u>\$3,049,856</u> | <u>\$ -</u> | <u>\$38,436,931</u>      |

**NOTE 6 – JOINT VENTURES (JOINT POWERS AGREEMENTS)**

The Agency participates in a joint venture under a joint powers agreement (JPA) with the Association of California Water Agencies Joint Powers Insurance Authority (JPIA). The relationship between the Agency and the JPA is such that the JPA is not a component unit of the Agency for financial reporting purposes. Audited financial statements are available by contacting the JPIA at 2100 Professional Drive, Roseville, California 95661.

The Association of California Water Agencies Joint Powers Insurance Authority arranges for and provides insurance coverage for its nearly 365 member districts. JPIA is governed by a board of directors and each member agency is required to designate one representative from its local board of directors to participate in the JPIA board. From the board of directors, nine members of a ten-member executive committee are elected and delegated the authority to make JPIA's preliminary policy decisions relying upon input received from other standing and ad hoc committees and subcommittees. These policy decisions, along with other matters such as financial and claims data, are ultimately brought before the full board for review and/or ratification. The board controls the operations of the JPIA, including selection of management and approval of operating budgets, independent of any influence by the member agencies beyond their representation on the board. JPIA provides joint protection coverage for losses in excess of the member districts' individually specified self-insurance retention levels. Individual claims (and aggregate public liability and property claims) in excess of specified levels are covered by excess insurance policies purchased from commercial insurance carriers.

**SAN GORGONIO PASS WATER AGENCY**  
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**NOTE 6 – JOINT VENTURES (JOINT POWERS AGREEMENTS) (Continued)**

Condensed audited financial information of the Association of California Water Agencies Joint Powers Insurance Authority for the years ended September 30 follows:

|   | <u>2015</u>           | <u>2014</u>           |
|---|-----------------------|-----------------------|
| Total assets  | \$194,775,717         | \$195,584,006         |
| Deferred outflows of resources                        | 625,003               |                       |
| Total assets and deferred outflows of resources       | <u>\$195,400,720</u>  | <u>\$195,584,006</u>  |
| Total liabilities                                     | \$113,620,777         | \$107,626,833         |
| Deferred inflows of resources                         | 846,155               |                       |
| Net position  | <u>80,933,818</u>     | <u>87,957,173</u>     |
| Total liabilities, deferred inflows, and net position | <u>\$195,400,750</u>  | <u>\$195,584,006</u>  |
| Total revenues  | \$ 157,661,735        | \$ 142,014,403        |
| Total expenses  | (164,195,428)         | (149,684,189)         |
| Total other income                                    | <u>2,738,962</u>      | <u>1,111,191</u>      |
| Change in net position                                | <u>\$ (3,794,731)</u> | <u>\$ (6,558,595)</u> |

**NOTE 7 – PENSION PLAN**

(a) General Information About the Pension Plan  
Plan Description

All full-time Agency employees are required to participate in the San Geronio Pass Water Agency Miscellaneous Plan with CalPERS, a cost-sharing multiple-employer public employee defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employee's Retirement Law. The Agency selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through Board approval. CalPERS issues a separate comprehensive annual report. Copies of CalPERS' annual financial report may be obtained from its Executive Office, 400 Q Street, Sacramento, CA 95811.

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are based on year 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 improved non-industrial disability benefits after five years of service. The Agency has chosen the Optional Settlement 2W Death Benefit.

**SAN GORGONIO PASS WATER AGENCY**  
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**NOTE 7 – PENSION PLAN (Continued)**

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance any unfunded accrued costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Agency is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The Agency's total employer contributions were \$109,010 and \$112,424 for the fiscal years ended June 30, 2016 and 2015, respectively. Active plan members who were hired before January 1, 2013, sometimes referred to as "Classic" employees, are required to contribute 8 percent of their annual covered salary. A resolution passed by the Board of the Agency directed the Agency to pay this portion, called Employer Paid Member Contributions (EPMC) through December 31, 2012. Beginning January 1, 2013, the Agency established two classes of employees, as dictated by the newly enacted Public Employees Pension Reform Act (PEPRA). By Board action, "Classic" employees began paying a portion of the EPMC starting January 1, 2013. For calendar year 2013, they contributed 1.0 percent of the annual covered salary as a pre-tax deduction. For calendar year 2014, they paid 2 percent of their annual covered salary. For calendar year 2015, and continuing, they pay 3 percent of their annual covered salary.

The employee contribution rate was 8.0 percent of annual pay for Classic members and 7.0 percent for PEPRA members for the measurement periods ended June 30, 2015 and 2014. The Agency contributes 5 percent for Classic members. At June 30, 2016 and 2015 the Agency's pickup of the employee's 5% share was \$23,093 and \$25,107, respectively. There are no PEPRA members employed by the Agency.

The plan's provisions and benefits in effect at June 30, 2016 and 2015 are summarized as follows:

|  | <u>Miscellaneous</u>            |                                    |
|--|---------------------------------|------------------------------------|
|  | <u>Prior to January 1, 2013</u> | <u>On or after January 1, 2013</u> |
| Hire date  | Prior to January 1, 2013        | On or after January 1, 2013        |
| Benefit formula  | 3.0 percent at 60               | 2.0 percent at 62                  |
| Benefit vesting schedule                               | 5 years                         | 5 years                            |
| Benefit payments                                       | Monthly for life                | Monthly for life                   |
| Final average compensation period                      | 12 months                       | 12 months                          |
| Sick leave credit                                      | Yes                             | Yes                                |
| Retirement age   | 60                              | 62                                 |
| Monthly benefits as a percent of eligible compensation | 2.0 percent to 2.418 percent    | 2.0 percent to 2.5 percent         |
| Cost of living adjustment                              | 4.0 percent maximum             | 4.0 percent maximum                |
| Required employee contribution rates                   |                                 |                                    |
| 2016   | 3.0 percent                     | 7.0 percent                        |
| 2015   | 3.0 percent                     | 7.0 percent                        |
| Required employee paid member contributions            |                                 |                                    |
| 2016   | 5.0 percent                     | 0 percent                          |
| 2015   | 5.0 percent                     | 0 percent                          |
| Required employer contribution rates                   |                                 |                                    |
| 2016   | 13.995 percent                  |                                    |
| 2015   | 19.028 percent                  |                                    |

**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 7 – PENSION PLAN (Continued)**

Net Pension Liability

The Agency’s net pension liability for the Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The pension liability and fiduciary net position was calculated as a portion of the CalPERS miscellaneous risk pool in a report entitled “Schedule of Employer Allocation by Rate Plan” in which the Agency’s proportionate share of the pension liability was .021259 percent and the fiduciary net position was .022108 percent. The Agency’s share of contributions was .032166 percent.

(b) Actuarial Methods and Assumptions Used to

Determine Total Pension Liability

For the measurement period ending June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability determined in the June 30, 2014 actuarial accounting valuation.

The June 30, 2015 total pension liability was based on the following actuarial methods and assumptions:

|                                  |      |  |
|----------------------------------|------|--|
| Actuarial cost method            |      | Entry age normal in accordance with the requirements of GASB Statement No. 68  |
| Actuarial Assumptions:           |      |  |
| Discount rate                    | 2015 | 7.65 percent   |
|                                  | 2014 | 7.50 percent   |
| Inflation                        |      | 2.75 percent   |
| Salary increases                 |      | Varies by entry age and service  |
| Investment rate of return        | 2015 | 7.65 percent net of pension plan investment expenses, including inflation.   |
|                                  | 2014 | 7.50 percent net of pension plan investment and administrative expenses; includes inflation  |
| Mortality rate table             |      | Derived using CalPERS’ membership data for all funds   |
| Post-retirement benefit increase |      | Contract COLA up to 2.75 percent until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75 percent thereafter. |

*The mortality table used was developed based on CalPERS’ specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.*

All other actuarial assumptions used in the June 30, 2014 and 2013 valuations were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS’ website under Forms and Publications.

**SAN GORGONIO PASS WATER AGENCY**  
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**NOTE 7 – PENSION PLAN (Continued)**

Change of Assumptions

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.50 percent (net of administrative expense in 2014) to 7.65 percent as of the June 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expense.

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2015 and 2014 was 7.65 percent and 7.50 percent, respectively. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans, 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 of the plans, the tests revealed the assets would not run out. Therefore, the discount rates used at June 30, 2015 and 2014 measurement dates were appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rates of 7.65 percent and 7.50 percent at June 30, 2015 and 2014 measurement dates, respectively, were applied to all plans in the Public Employees Retirement Funds. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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 (Public Employees' Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) 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. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects 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. The target allocation shown was adopted by the Board effective on July 1, 2014.

**SAN GORGONIO PASS WATER AGENCY**  
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**NOTE 7 – PENSION PLAN (Continued)**

| Asset Class                   | New Strategic Allocation |             | Real Return             |                  |
|-------------------------------|--------------------------|-------------|-------------------------|------------------|
|                               | 2015                     | 2014        | Years 1-10 <sup>1</sup> | 11+ <sup>2</sup> |
| Global equity                 | 51%                      | 47%         | 5.25%                   | 5.71%            |
| Global fixed income           | 19%                      | 19%         | .99%                    | 2.43%            |
| Inflation sensitive           | 6%                       | 6%          | .45%                    | 3.36%            |
| Private equity                | 10%                      | 12%         | 6.83%                   | 6.95%            |
| Real estate                   | 10%                      | 11%         | 4.50%                   | 5.13%            |
| Infrastructure and forestland | 2%                       | 3%          | 4.50%                   | 5.09%            |
| Liquidity                     | 2%                       | 2%          | (.55)%                  | (1.05)%          |
| Total                         | <u>100%</u>              | <u>100%</u> |                         |                  |

<sup>1</sup>An expected inflation of 2.5 percent used for this period.

<sup>2</sup>An expected inflation of 3.0 percent used for this period.

(c) Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the plan as of the measurement date calculated using the discount rate of 7.65 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.0 percentage – 1.0 point lower (6.65 percent) or 1.0 percentage-point higher (8.65 percent) than current rate:

|                       |      | Discount Rate<br>-1.0% | Current<br>Discount  | Discount Rate<br>+1.0% |
|-----------------------|------|------------------------|----------------------|------------------------|
| Net pension liability | 2015 | (6.65%)<br>\$1,028,914 | (7.65%)<br>\$613,519 | (8.65%)<br>\$270,563   |
|                       | 2014 | (6.50%)<br>\$1,027,215 | (7.50%)<br>\$662,864 | (8.50%)<br>\$360,487   |

Pension Plan Fiduciary Net Position

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

Payment Activity

The Agency paid \$201,578 to CalPERS on September 8, 2014 subsequent to measurement date of June 30, 2014. The payment produced a reduction in the employer contribution rate from 27.173 percent to 19.028 percent as of September 15, 2014. The purpose of this payment was to eliminate an obligation the Agency incurred when joining CalPERS in 1990. This obligation was called a "side fund" and was the difference between the funded status of the pool and the funded status of the Agency. The Agency has paid an amortized portion of the original obligation annually since joining CalPERS. This payment eliminated the obligation and produced a reduction in the employer contribution rate from 27.173 percent of covered payroll to 19.028 percent of covered payroll as of September 15, 2014.

**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 7 – PENSION PLAN (Continued)**

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, actuarial gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

|  |   |
|--|---|
| Difference between projected<br>and actual earnings on pension<br>plan investments | 5 year straight-line amortization   |
| All other amounts  | Straight-line amortization over the average expected remaining<br>service lives of all members that are provided with pensions<br>(active, inactive, and retired) as of the beginning of the<br>measurement period. |

The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments is amortized over a five-year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period, and the remaining Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments at the measurement date is to be amortized over the remaining four-year period. The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments in the Schedule of Collective Pension amounts represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

Deferred outflows of resources and deferred inflows of resources relating to Differences Between Expected and Actual Experience, Changes of Assumptions and employer-specific amounts should be amortized over the Expected Average Remaining Service Lifetime (EARSL) of members provided with pensions through the Plan. The EARSL for the plan for the June 30, 2015 measurement date is 3.8 years, which was obtained by dividing the total service years of 467,023 (the sum of remaining service lifetimes of the active employees) by 122,410 (the total number of participants: active, inactive, and retired). Inactive employees and retirees have remaining service lifetimes equal to zero. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016 and 2015**

**NOTE 7 – PENSION PLAN (Continued)**

(d) Pension Expense, Deferred Outflows and Deferred

Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the Agency recognized pension expense of \$129,173. At June 30, 2016, the Agency deferred inflows and outflows of resources related to pensions as follows:

|  | <b>Deferred<br/>Outflows<br/>of Resources</b> |                  | <b>Deferred<br/>Inflows<br/>of Resources</b> |                    |
|--|---|------------------|--|--------------------|
|  | <b>2016</b>                                   | <b>2015</b>      | <b>2016</b>                                  | <b>2015</b>        |
| Pension contributions subsequent to measurement date                             | \$109,010                                     | \$321,301        |  |                    |
| Net difference between projected and actual earnings on pension plan investments |   |                  | \$ (28,762)                                  | \$(143,118)        |
| Difference between actual and projected contributions                            |   |                  | (24,636)                                     |                    |
| Changes in assumptions   |   |                  | (57,373)                                     |                    |
| Difference between expected and actual experience                                | 6,064   |                  |  |                    |
| Change in proportion   | 83,037  |                  |  | (20,300)           |
| <b>Total</b>   | <b>\$198,111</b>                              | <b>\$321,301</b> | <b>\$(110,771)</b>                           | <b>\$(163,418)</b> |

The amounts above are net of outflows and inflows recognized in the pension expense for the fiscal year ended June 30, 2016. The \$109,010 reported 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 in the fiscal year ended June 30, 2016.

The net differences between projected and actual earnings on pension plan investments will be recognized in future pension expense as follows:

| <b>Fiscal Year<br/>Ending June 30,</b> | <b>Deferred Inflows<br/>of Resources</b> | <b>Deferred Outflows<br/>of Resources</b> |
|--|--|---|
| 2017                                   | \$(40,617)                               | \$139,682                                 |
| 2018                                   | \$(40,025)                               | \$31,316                                  |
| 2019                                   | \$(30,129)                               | \$27,113                                  |

Fiscal Year 2015 Pension Disclosures

(e) Funding Policy

The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2015 was 13.995 percent. The contribution rate is established and may be amended by CalPERS. The Agency's proportionate share of the Plan's contributions was \$94,616 or .032166 percent.



**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016 and 2015**

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**NOTE 7 – PENSION PLAN (Continued)**

(f) Annual Pension Cost and Net Pension Obligation

For fiscal year 2015, the Agency's annual pension cost and contribution made were \$109,010. The annual pension cost included \$23,093 for the Agency's pickup of the employee's 5 percent share at June 30, 2015. The required contribution for fiscal year 2015 was based on CalPERS June 30, 2012 actuarial valuation using the actuarial assumptions discussed in Note 6(b). For fiscal year 2014, the Agency's annual pension cost and contribution made were \$112,424. The annual pension cost included \$28,167 for the Agency's pickup of the employee's 6 percent for 6 months and 7 percent for 6 months share.

Two-Year Trend Information for CalPERS

| <u>Year ended June 30</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation (Asset)</u> |
|---------------------------|----------------------------------|--------------------------------------|---------------------------------------|
| 2013                      | \$100,368                        | 100%                                 | 0                                     |
| 2014                      | \$112,424                        | 100%                                 | 0                                     |
| 2015                      | \$109,010                        | 100%                                 | 0                                     |

(g) Funded Status and Funding Progress

The Schedule of Funding Progress, presented as required supplementary information (RSI) following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**NOTE 8 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

Plan Description

The Agency offers health care benefits to active and retired employees, as well as their qualified dependents through CalPERS. The CalPERS plan is an agent multiple-employer plan governed by the Public Employees' Medical & Hospital Care Act (PEMHCA). Under PEMHCA, health coverage for the employee continues into retirement for employees who have reached at least age 50 with a minimum of five years of service. Eligible retirees may enroll in any of the plans available through the CalPERS program. The Agency pays the entire cost of coverage for the retiree and their dependents. The Agency provided health care benefits continue for the life of the retiree and the spouse. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 "P" Street, Sacramento, California 95814.

**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016 and 2015**

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**NOTE 8 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

Funding Policy and Annual Other Postemployment Benefit Costs

Contribution requirements of the Agency are established and may be amended through board action to update the original Ordinance. The Agency’s annual OPEB expense for the plan is calculated based on the annual required contribution of the employer (ARC), 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 normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The remaining amortization period at June 30, 2016 was 23 years. The Agency’s annual OPEB cost for the current year and the related information for the plan are shown below.

The Agency’s annual OPEB cost, which is equal to its annual required contribution, has been paid during the normal course of business and a reimbursement has been requested from CERBT due to the other post employment benefits being fully funded at June 30, 2016.

The Agency’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended June 30, 2016, 2015, and 2014 are presented below:

| <u>Fiscal Year</u> | <u>Annual OPEB<br/>Cost</u> | <u>Actual<br/>Contribution</u> | <u>Percentage of<br/>OPEB Cost<br/>Contributed</u> | <u>Net OPEB<br/>Obligation</u> |
|--------------------|-----------------------------|--------------------------------|--|--------------------------------|
| 6/30/14            | \$42,358                    | \$42,358*                      | 100%   | -0-                            |
| 6/30/15            | \$44,120                    | \$44,120*                      | 100%   | -0-                            |
| 6/30/16            | \$45,958                    | \$45,958*                      | 100%   | -0-                            |

\*Applied from \$318,970 contribution made in fiscal year 2014-15.

The funded status of the plan as of June 30, 2016, based on the July 1, 2013 actuarial valuation is as follows:

|   |                    |
|---|--------------------|
| Actuarial accrued liability (AAL)                       | \$598,332          |
| Actuarial value of trust assets                         | <u>644,392</u>     |
| Funding in excess of actuarial accrued liability (UAAL) | <u>\$( 46,060)</u> |
| Funded ratio (actuarial value of trust assets/AAL)      | 108%               |
| Covered payroll (active members)                        | N/A                |
| UAAL as a percentage of covered payroll                 | N/A                |

Actuarial valuations of the ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016 and 2015**

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**NOTE 8 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

Actuarial Methods and Assumptions

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

Significant methods and assumptions were as follows:

|   |                                   |
|---|-----------------------------------|
| Valuation date                                | July 1, 2013                      |
| Actuarial cost method                         | Entry age normal                  |
| Amortization method                           | Level percent of covered payroll  |
| Remaining amortization period                 | 27 years as of the valuation date |
| Asset valuation method                        | N/A – no assets                   |
| Actuarial assumptions:                        |                                   |
| Investment rate of return                     | 7.61%                             |
| Payroll growth                                | 3.25%                             |
| Healthcare trend rate<br>(Estimated Increase) |                                   |
| 2016  | 6.4%                              |
| 2017  | 6.1%                              |
| 2018  | 5.8%                              |
| 2019  | 5.5%                              |
| 2020  | 5.0%                              |

**NOTE 9 – REIMBURSEMENT OF PRIOR YEAR EXPENSES**

During the year ended June 30, 2016, the Agency received refunds on various payments made by the State Department of Water Resources for the Agency’s participation in the State Water Project. Some of these refunds were applicable to prior years. Since the Agency has no way to determine when and if the Agency will receive refunds from the State, these funds have been reflected in the year in which they were received and included in operating revenues.

**NOTE 10 – RISK MANAGEMENT**

The Agency is exposed to various risks of loss related to torts, theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance through participation in the Association of California Water Agencies Joint Powers Insurance Authority. See Note 6. The insurance purchased is for liability, property and workers’ compensation insurance and there are various self-insured retention levels, similar to a deductible, per occurrence.

**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016 and 2015**

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**NOTE 11 – CONTRACTUAL COMMITMENTS**

The Agency has entered into various contractual agreements for engineering and consulting services. The remaining contractual commitments for the Beaumont Avenue recharge project total \$105,857, the geological studies total \$99,610, and various others total \$146,788 as of June 30, 2016. These commitments have not been recorded in the accompanying financial statements.

**NOTE 12 – SUBSEQUENT EVENTS**

In the preparation of these financial statements, the Agency considered subsequent events through December 6, 2016, which is the date these financial statements were issued.

**SUPPLEMENTARY INFORMATION - UNAUDITED**

**SAN GORGONIO PASS WATER AGENCY**  
**REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED**  
**June 30, 2016**

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Pension Plan

The Agency is a participant in CalPERS a cost-sharing multiple-employer public employee defined benefit pension plan in the miscellaneous risk pool. In the most recent valuation for the year ended June 30, 2015, CalPERS changed their method of reporting to the various participant employers. As part of the valuation for June 30, 2015 there were changes in the method of calculating the pension components.

There was a change in assumptions with respect to the discount rate being used. The discount rate was 7.5 as of June 30, 2014, and was changed to 7.65 as of the June 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expense.

CalPERS also changed it's method of reporting to the participant employers. The prior year reporting included valuations by employer plan for purposes of GASB 68 reporting. In the current reporting period ended June 30, 2015, CalPERS provided reporting by plan only to the extent of the employer's participation in the miscellaneous risk pool. This change resulted in the individual actuarial valuations by employer and the amounts reported in the pool being different. Since GASB 68 requirements are met in the miscellaneous risk pool reporting, those calculated pension components are being used. In the report the Agency's proportionate share of the collective pension liability is \$613,519 or .021259% of the total liability, and the fiduciary net position was \$2,179,235 or .022108%.

**SAN GORGONIO PASS WATER AGENCY**  
**REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED**  
**June 30, 2016**

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**Schedule of Plan Contributions<sup>1</sup>**

| (Dollars in thousands)  | <b>2016</b>     |
|---|-----------------|
| Actuarially determined contribution                                     | \$109,010       |
| Contributions in relation to the actuarially<br>determined contribution | <u>109,010</u>  |
| Contribution deficiency (excess)  | \$ <u>    -</u> |
| Covered employee payroll  | \$461,852       |
| Contributions as a percentage of covered-employee payroll               | 23.60%          |

<sup>1</sup>Historical information is required only for measurement periods for which GASB 68 is applicable.

**SAN GORGONIO PASS WATER AGENCY**  
**REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED**  
**June 30, 2016**

**Funding Progress of Pension Plan**

The table below provides a history of the funded status of the Agency's pension plan.

| <b>Actuarial Valuation Date</b> | <b>Entry Age Normal Accrued Liability</b> | <b>Actuarial Asset Value</b> | <b>Unfunded Liability</b> | <b>Funded Ratio</b> | <b>Covered Payroll</b> | <b>Unfunded Actuarial Liability as Percentage of Covered Payroll</b> |
|---------------------------------|---|------------------------------|---------------------------|---------------------|------------------------|--|
| 6/30/11                         | \$2,115,823                               | \$1,466,019                  | \$649,804                 | 69.3%               | \$385,932              | 168.37%  |
| 6/30/12                         | \$2,253,971                               | \$1,500,685                  | \$753,286                 | 66.6%               | \$387,781              | 194.26%  |
| 6/30/13                         | \$2,438,712                               | \$1,757,288                  | \$681,424                 | 72.1%               | \$413,338              | 164.86%  |
| 6/30/14                         | \$2,792,754                               | \$2,179,235                  | \$613,519                 | 78.0%               | \$432,672              | 141.80%  |

**Funding Progress of Other Postemployment Benefits**

The table below provides a history of the funded status of the Agency's OPEB obligation. The information reflects the most recent biennial actuarial valuation and the preceding valuations.

| <b>Actuarial Valuation Date</b> | <b>Accrued Liability</b> | <b>Actuarial Asset Value</b> | <b>Unfunded Liability</b> | <b>Funded Ratio</b> | <b>Covered Payroll</b> | <b>Unfunded Actuarial Liability as Percentage of Covered Payroll</b> |
|---------------------------------|--------------------------|------------------------------|---------------------------|---------------------|------------------------|--|
| 7/01/13*                        | \$511,306                | \$304,451                    | \$206,855                 | 59.54%              | N/A                    | N/A  |
| 7/01/11                         | \$621,526                | \$236,645                    | \$384,881                 | 38.07%              | N/A                    | N/A  |

\*Most recent actuarial valuation date.



**SAN GORGONIO PASS WATER AGENCY**  
**ORGANIZATIONAL INFORMATION - UNAUDITED**  
**June 30, 2016**

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**Organization and Description of the Agency**

San Gorgonio Pass Water Agency (the "Agency") was formed in 1961 by the Legislature of the State of California through the enactment of special legislation. The Agency was formed for the purpose of importing water by contracting for participation in the State Water Project of the State Department of Water Resources and for any other activities authorized by the Legislature as proper for the Agency to conduct. The Agency's contract for water provides for delivery of up to 17,300 acre feet of water per year, effective January 1, 2008.

The Agency is committed to pay its proportionate share of the capital and other costs of the State Water Project, including the capital costs in connection with both the transportation facilities and the conservation facilities, the operation and maintenance costs in connection therewith, and the variable costs incident to the actual delivery of water. Annually, the State Department of Water Resources issues a bulletin known as the 132 Series in which the capital and operating costs are estimated for the life of the project. On June 30 of each year, they bill for the costs to be paid during the next succeeding calendar year. The capital costs are being capitalized as utility plant while the other costs are charged to operations. The capital costs are being amortized on a unit rate based on water deliveries projected over the life of the State Water Project to the year 2035.

**SAN GORGONIO PASS WATER AGENCY**  
**SCHEDULE OF BOARD OF DIRECTORS AND**  
**INSURANCE COVERAGE - UNAUDITED**  
**June 30, 2016**

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**Officers, Directors, and Senior Management**

The officers, directors, and senior management of the Agency are listed below:

|  | <u>Term Expires</u> |
|--|---------------------|
| John Jeter, President                                  | November 2018       |
| Bill Dickson, Vice President                           | November 2016       |
| Mary Ann Melleby, Treasurer                            | November 2016       |
| Ron Duncan, Director                                   | November 2016       |
| Lenard Stephenson, Director                            | November 2016       |
| Blair Ball, Director                                   | November 2018       |
| David Fenn, Director                                   | November 2018       |
| Jeff Davis, General Manager and Secretary of the Board | N/A                 |

**Insurance Coverage**

The agreement with the Joint Powers Insurance Authority (JPIA) is for liability, property, and workers' compensation insurance.

For liability coverage, the first \$2,000,000 of basic coverage is pooled self-insured coverage. For coverage in excess of \$2,000,000, the JPIA has a number of excess liability policies and insures the Agency for the \$2,000,000 base through \$60,000,000.

For property coverage, there is a \$1,000 deductible for buildings, fixed equipment and personal property, and a \$500 deductible for vehicles.

## MEMORANDUM

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**TO:** Board of Directors

**FROM:** General Manager

**RE:** Election to Become a Groundwater Sustainability Agency for One Square Mile in Verbenia Area

**DATE:** December 19, 2016

**Summary:**

At the November 7 Board meeting, after a presentation by Staff, the Board authorized Staff to move towards electing to become a Groundwater Sustainability Agency (GSA) for one square mile within the Agency's service area. The purpose of this proposed Board action is to determine if the Board wishes to become the GSA for this one square mile.

**Background:**

The Sustainable Groundwater Management Act (SGMA), enacted by the State Legislature in 2014, requires all high and medium priority groundwater basins in California to be managed sustainably. The first major milestone in this process is for public agencies to declare as GSA's for these basins by June 30, 2017. The Agency is in the process of working with other local water districts to jointly declare as GSA's for two groundwater basins—the San Gorgonio Pass Sub-basin and the San Timoteo Sub-basin.

The Mission Springs Water District (MSWD) elected to be a GSA for one square mile of land that is in its service area, as well as the Agency's service area, in October. This was affirmed by the Department of Water Resources in November. The Agency has 90 days to also elect to be a GSA for this area, or MSWD would be the sole GSA for the one square mile.

Staff outlined at the November 7 meeting why that would not be in the best interests of the groundwater basin, or the Agency, and would be

inefficient and likely cost more to develop a Groundwater Sustainability Plan (GSP) for the basin.

**Detailed Report:**

During a series of meetings with local water districts over the past eight months, MSWD has made it clear that it is not opposed to the Agency electing to become part of a GSA for the one square mile. Assuming the Board elects to do so, the Agency would negotiate a Memorandum of Understanding with MSWD to jointly manage the one square mile. This will be required because the Department of Water Resources (DWR) will declare that there is an overlap for this one square mile, necessitating an agreement between the Agency and MSWD that will need to be provided to DWR. Meanwhile, another MOU is being developed with other local water districts and public agencies that would create a GSA for the rest of the basin. That MOU will likely be brought to the Board within the next 60 days.

As part of the process to elect to be a GSA, the Agency must hold a public hearing, which is on the agenda for the December 19 Board meeting. The public hearing is expected to be a short one.

It is anticipated that Staff will bring the Board two additional actions to create GSA's in the next few months. One, as noted above, will be for the San Gorgonio Pass Sub-basin. The other will be for the San Timoteo Sub-basin. Each of these will require a public hearing and resolution, as well as creation of an MOU to jointly manage the basins with other entities.

**Fiscal Impact:**

The overall fiscal impact of SGMA on the water industry will be great over the next 20 years. Development of Groundwater Sustainability Plans, or GSP's, will be costly, necessitating modeling and other best management practices. In this case, Staff believes that joining MSWD in forming a GSA for the one square mile will be less costly than if the Agency did not join, as it will facilitate better communication and coordination of the overall GSA for the entire basin.

**Relationship to Strategic Plan:**

Working with other local water districts to implement SGMA for groundwater basins within the Agency's service area is an example of the Agency playing a regional leadership role, which is called for in the strategic plan. Thus, this action is consistent with the strategic plan.

**Recommendation:**

Staff recommends that the Board approve Resolution 2016-08, electing to become a GSA for the one square mile in the Verbenia area, thus allowing the Agency to participate in overall management of the San Geronio Pass Sub-basin, and that the Board authorize Staff to file the appropriate documentation with DWR to become a GSA.

RESOLUTION 2016 - 08

A RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE SAN GORGONIO PASS WATER AGENCY (SGPWA)  
TO ESTABLISH THE SGPWA AS A GROUNDWATER SUSTAINABILITY AGENCY  
FOR A PORTION OF THE SAN GORGONIO PASS SUB-BASIN WITHIN THE  
COACHELLA VALLEY GROUNDWATER BASIN UNDERLYING THE SGPWA  
JURISDICTIONAL BOUNDARIES

WHEREAS, the Sustainable Groundwater Management Act of 2014 (SGMA) went into effect on January 1, 2015; and

WHEREAS, SGMA provides for the sustainable management of groundwater basins at the local level by providing local water supply, water management and land use agencies with the authority to sustainably manage groundwater; and

WHEREAS, California Water Code Section 10721(j) defines a Groundwater Sustainability Agency as one or more local agencies that implement the provisions of SGMA; and

WHEREAS, any local public agency that has water supply, water management or land use responsibilities within a groundwater basin may decide to become a Groundwater Sustainability Agency over that basin or portion thereof (California Water Code sections 10721 and 10723); and

WHEREAS, the SGPWA is a local agency with water supply and water management responsibilities, the service area of which overlies the San Gorgonio Pass Sub-Basin of the Coachella Valley Groundwater Basin; and

WHEREAS, on September 27, 2016, Mission Springs Water District (MSWD) filed an Amended Notice of Election to become a Groundwater Sustainability Agency (Amended Notice) for an area of approximately one square mile within a portion of the MSWD service area that overlies the San Gorgonio Pass Sub-basin and also falls within the SGPWA jurisdictional boundaries; and

WHEREAS, SGPWA is committed to sustainable management of groundwater resources within all portions of its jurisdictional boundaries; and

WHEREAS, SGPWA has determined that it desires to act as the Groundwater Sustainability Agency for that same portion of the San Gorgonio Pass Sub-basin designated by MSWD in its Amended Notice because it intends to be involved in any GSA which falls within the SGPWA jurisdictional boundaries, as it believes it is important for efficient and consistent implementation of SGMA; and

WHEREAS, pursuant to the requirements of SGMA, SGPWA held a public hearing on this date after publication of notice pursuant to California Government Code section 6066 to consider adoption of this Resolution.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SAN GORGONIO PASS WATER AGENCY that:

1. SGPWA hereby declares and elects that it be established as the Groundwater Sustainability Agency, with the powers and the duties set forth in California Water Code sections 10720 et seq., for the same approximately one square mile of area designated in the MSWD Amended Notice within the San Gorgonio Pass Sub-basin of the Coachella Valley Groundwater Basin and which falls within the SGPWA jurisdictional boundaries.
2. The Groundwater Sustainability Agency that is the subject of this Resolution shall be known as the Verbenia Groundwater Sustainability Agency and will use the existing legislative body of SGPWA for governance purposes.
3. The Secretary of SGPWA shall submit a notice of this Resolution and Groundwater Sustainability Agency formation to the California Department of Water Resources.
4. The Verbenia Groundwater Sustainability Agency shall consider the interests of all beneficial uses and users of groundwater within the GSA, as well as those responsible for implementing groundwater sustainability plans within the San Gorgonio Pass Sub-basin and will develop an outreach program for all stakeholders.
5. The Verbenia Groundwater Sustainability Agency shall establish and maintain a list of persons interested in receiving notices regarding preparation of a groundwater sustainability plan, meeting announcements, and availability of draft plans, maps, and other relevant documents, where any person may request in writing to be placed on the list of interested persons.

Resolution 2016-08 was adopted upon roll call by the following vote:

AYES:

[Names]

NOES:

[Names or None.]

ABSTAIN:

[Names or None.]

ABSENT:

[Names or None.]

I HEREBY CERTIFY that the foregoing is a true, full and correct copy of Resolution 2016-08 that was duly introduced, passed and adopted at a regular meeting of the Board of Directors of the San Geronio Pass Water Agency, at its regular meeting on December 19, 2016.

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Jeffrey W. Davis, Secretary to the Board  
San Geronio Pass Water Agency



# San Geronio Pass Water Agency Urban Water Management Plan Overview

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San Geronio Pass Water Agency  
December 19, 2016

# What is an Urban Water Management Plan?

- An Urban Water Management Plan (UWMP) is a comprehensive planning document that describes and evaluates existing and projected water supply, existing and projected water demands, demand management measures, water shortage contingency measures, water service reliability, and other related information

# Who is Required to Prepare an UWMP?

- Publicly or privately owned water suppliers (including wholesalers), providing water for municipal purposes either directly or indirectly to more than 3,000 customers or supplying more than 3,000 acre-feet per year

# Why are UWMPs Developed? (Generally)

- Compliance with the Urban Water Management Planning Act (Water Code § 10610 et seq.)
- Compliance with the Water Conservation Act of 2009 (“SBX7-7”) (“20% x 2020”) (Water Code § 10608 et seq.)
- Provide detailed description of all supply sources (surface, groundwater, recycled, other)
- Identify relationships between supply and demand during normal, single-dry, and multiple-dry year periods over the next 20-year planning horizon

# Why are UWMPs Developed? (Generally)

- Identify Demand Management Measures (water conservation programs and efforts)
- Address water quality issues
- Discuss recycled water planning, planned water supply projects and programs, and opportunities for development of alternative water supplies
- Develop water shortage contingency plan

# UWMPs: Other Nuts & Bolts

- Must be prepared once every five years
- Must be submitted to and deemed complete by DWR to be eligible for certain water grant and loan funding opportunities
- To the extent practicable, preparation of an UWMP must be coordinated with other water supply agencies, and cities and counties within which the water supplier provides service
- Various procedural requirements apply, e.g., notice to cities and counties, making UWMP available for public review, published notice of hearing, public hearing

# UWMPs: Other Nuts & Bolts

- Must contain:

- Water demand projections in specific water use sectors over the past five years and for a 20-year projection in five-year increments
- Description of water supply reliability in average, single dry and multiple dry year periods
- If groundwater is a source of supply, include: description of groundwater basin(s); analysis of location, amount, and sufficiency of past and projected groundwater production; copy of any Groundwater Management Plan

# UWMPs: Other Nuts & Bolts

- Must contain:
  - Description of sources of supply
  - Description of opportunities for short or long-term exchanges or transfers
  - Description of existing and potential recycled water supplies and demands
  - Water shortage contingency plan (up to 50% supply reduction), including catastrophic outage



# UWMPs: Other Nuts & Bolts

- Must contain:
  - Information regarding water conservation
    - Retailers: Description of Demand Management Measures and 20x2020 reduction targets and progress in meeting targets
    - Wholesalers: Assessment of present and proposed future measures, programs, and policies to help retailers achieve their water use reduction targets

# UWMPs: Other Nuts & Bolts

- Must contain:

- Water Loss Reporting

- 2015 UWMPs must quantify distribution system water loss for most recent 12-month period available

- Reported in accordance with DWR-developed worksheets

- Standardized data tables developed by DWR

# UWMPs: Other Nuts & Bolts

- Water use projections may account for water savings estimated to result from adopted codes, standards, ordinances, or transportation and land use plans applicable to the service area (referred to as “passive savings”)
  - New for 2015 UWMPs
  - Completely voluntary/optional, but must state in UWMP whether or not water use projections account for passive savings
  - DWR has developed guidance to prepare estimates

# UWMPs: Other Nuts & Bolts

- Water suppliers may report the energy intensity of water supply activities in an UWMP
  - New for 2015 UWMPs
  - Completely voluntary/optional
  - DWR has developed guidance and calculators to assist water suppliers in calculating energy intensity

# Important Roles of UWMPs

- Often used as key reference document for land use planning and decision making
  - Example: A city or county, when adopting or revising its General Plan, shall utilize as a source document any UWMP submitted to the city or county by a water agency. (Govt. Code § 65302.2.)
- Often used as source document for CEQA review, Water Supply Assessments (WSAs), Written Verifications (WVs), and other water supply analyses
- Reflects progress on local and regional water supply portfolios

# General Overview of UWMPs

Questions?

# Resolution No. 2016-09

## A RESOLUTION HONORING JOHN JETER FOR HIS SERVICE TO THE SAN GORGONIO PASS WATER AGENCY

**WHEREAS**, JOHN JETER served on the Board of Directors of the San Gorgonio Pass Water Agency for 15 years; and

**WHEREAS**, JOHN JETER distinguished himself as President of the Board for 12 years; and

**WHEREAS**, under his leadership, the Agency brought State Water Project water to the San Gorgonio Pass; and

**WHEREAS**, under his leadership, the Agency completed the East Branch Extension, Phases 1 and 2; and

**WHEREAS**, under his leadership, the Agency constructed and moved into its own Administration Building; and

**WHEREAS**, under his leadership, the Agency was generally recognized as a prudent and fiscally well-managed public agency, despite the State of California taking money from the Agency's General Fund several times during this period; and

**WHEREAS**, because of his leadership, the Agency is now poised to meet the water demands of future generations of San Gorgonio Pass residents.

**NOW THEREFORE BE IT RESOLVED** by the Board of Directors of the San Gorgonio Pass Water Agency, that this Board does hereby congratulate, recognize, and commend JOHN JETER for his 15 years of service to the Agency and to the residents of the San Gorgonio Pass.

**BE IT FURTHER RESOLVED** that this Board wishes JOHN JETER and his wife PAT all the best in their future endeavors.

We certify that this is a true, full and correct copy of the Resolution No. 2016-09 adopted by the San Gorgonio Pass Water Agency Board of Directors at its meeting December 19, 2016.

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**DAVID FENN, BOARD PRESIDENT**

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**DATE**

# Resolution No. 2016-10

## A RESOLUTION HONORING BILL DICKSON FOR HIS SERVICE THE SAN GORGONIO PASS WATER AGENCY

WHEREAS, BILL DICKSON served as Director of the San Gorgonio Pass Water Agency for eight years, and

WHEREAS, Director Dickson distinguished himself as Vice President for 5 years; and

WHEREAS, Director Dickson served as Chairman of the Engineering Committee for 5 years; and

WHEREAS, Director Dickson continually volunteered to serve in other ways that helped the Agency and his community; and

WHEREAS, Director Dickson always put the well-being of Agency staff on his list of highest priorities; and

WHEREAS, Director Dickson always considered the impact on taxpayers and ratepayers of any action that he took; and

WHEREAS, Director Dickson played a key role in managing Agency reserves and improving yields, thus augmenting Agency revenues.

NOW THEREFORE BE IT RESOLVED by the Board of Directors of the San Gorgonio Pass Water Agency, that this Board does hereby congratulate, recognize, and commend BILL DICKSON for his eight years of service to this Board and the citizens of the San Gorgonio Pass.

BE IT FURTHER RESOLVED that this Board wishes BILL DICKSON good health, happiness, and success in his future endeavors.

We certify that this is a true, full and correct copy of the Resolution No. 2016-10 adopted by the San Gorgonio Pass Water Agency Board of Directors at its meeting December 19, 2016.

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**DAVID FENN, BOARD PRESIDENT**

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**DATE**



# Resolution No. 2016-11

## A RESOLUTION HONORING MARY ANN MELLEBY FOR HER SERVICE TO THE SAN GORGONIO PASS WATER AGENCY

**WHEREAS**, MARY ANN MELLEBY served as a Director of the San Gorgonio Pass Water Agency for five years; and

**WHEREAS**, Director Melleby distinguished herself as Treasurer of the Agency for 5 years; and

**WHEREAS**, Director Melleby served admirably as Chair of the Finance and Budget Committee for 1 year; and as Chair of the Strategic Planning Committee for 4 years; and

**WHEREAS**, Director Melleby brought her expertise from 12 years in the water industry to the Agency and its Board; and

**WHEREAS**, this expertise helped and enabled the Agency develop a strategic plan and to increase its outreach efforts to the community; and

**WHEREAS**, Director Melleby represented the Agency on the ACWA Region 9 Board of Directors for 3 years.

**NOW THEREFORE BE IT RESOLVED** by the Board of Directors of the San Gorgonio Pass Water Agency, that this Board does hereby congratulate, recognize, and commend MARY ANN MELLEBY for her years of service to this Agency and to the residents of the San Gorgonio Pass.

**BE IT FURTHER RESOLVED** that this Board does hereby wish MARY ANN MELLEBY safe travels and good health as she progresses to the next stage of her life.

We certify that this is a true, full and correct copy of the Resolution No. 2016-11 adopted by the San Gorgonio Pass Water Agency Board of Directors at its meeting December 19, 2016.

\_\_\_\_\_  
**DAVID FENN, BOARD PRESIDENT**

\_\_\_\_\_  
**DATE**

**San Gorgonio Pass Water Agency**  
**Check History Report**  
**November 1 through November 30, 2016**

ACCOUNTS PAYABLE

| <u>Date</u> | <u>Number</u> | <u>Name</u>                           | <u>Amount</u> |
|-------------|---------------|---------------------------------------|---------------|
| 11/07/2016  | 118189        | BEAUMONT-CHERRY VALLEY WATER DISTRICT | 465.48        |
| 11/07/2016  | 118190        | BDL ALARMS, INC.                      | 78.00         |
| 11/07/2016  | 118191        | BEST BEST & KRIEGER                   | 20,467.02     |
| 11/07/2016  | 118192        | CONTROL TEMP, INC.                    | 220.00        |
| 11/07/2016  | 118193        | CV STRATEGIES                         | 12,745.21     |
| 11/07/2016  | 118194        | WILLIAM E. DICKSON                    | 64.33         |
| 11/07/2016  | 118195        | RONALD A. DUNCAN                      | 2,434.33      |
| 11/07/2016  | 118196        | ROY McDONALD                          | 5,687.50      |
| 11/07/2016  | 118197        | RED TRUCK FIRE & SAFETY CO            | 262.10        |
| 11/07/2016  | 118198        | UNDERGROUND SERVICE ALERT             | 15.00         |
| 11/07/2016  | 118199        | UNLIMITED SERVICES BUILDING MAINT.    | 295.00        |
| 11/07/2016  | 118200        | WASTE MANAGEMENT INLAND EMPIRE        | 94.80         |
| 11/07/2016  | 118201        | RONALD A. DUNCAN                      | 395.01        |
| 11/14/2016  | 118202        | SEE PAYROLL CATEGORY, JOHN R. JETER   |               |
| 11/15/2016  | 118203        | CALPERS RETIREMENT                    | 4,636.47      |
| 11/15/2016  | 118204        | CALPERS 457-SIP                       | 1,150.00      |
| 11/15/2016  | 118205        | FRANCHISE TAX BOARD                   | 196.91        |
| 11/16/2016  | 118206        | ACWA BENEFITS                         | 748.93        |
| 11/16/2016  | 118207        | CALPERS HEALTH                        | 6,908.59      |
| 11/16/2016  | 118208        | DAVID L. FENN                         | 470.00        |
| 11/16/2016  | 118209        | FRONTIER COMMUNICATIONS               | 1,206.73      |
| 11/16/2016  | 118210        | GOPHER PATROL                         | 48.00         |
| 11/16/2016  | 118211        | INCONTACT, INC.                       | 75.95         |
| 11/16/2016  | 118212        | IN-SITU, INC.                         | 2,319.04      |
| 11/16/2016  | 118213        | KENNEDY JENKS CONSULTANTS             | 1,801.95      |
| 11/16/2016  | 118214        | PITNEY BOWES RESERVE ACCOUNT          | 400.00        |
| 11/16/2016  | 118215        | PROVOST & PRITCHARD                   | 594.25        |
| 11/16/2016  | 118216        | STATE WATER PROJECT CONT. AUTHORITY   | 1,846.00      |
| 11/16/2016  | 118217        | THOMAS W. TODD, JR.                   | 1,650.69      |
| 11/16/2016  | 118218        | WELLS FARGO REMITTANCE CENTER         | 2,322.90      |
| 11/21/2016  | 118219        | CORELOGIC SOLUTIONS, LLC.             | 3,679.92      |
| 11/21/2016  | 118220        | CSDA                                  | 6,485.00      |
| 11/21/2016  | 118221        | ERNST & YOUNG LLP                     | 502.00        |
| 11/21/2016  | 118222        | MATTHEW PISTILLI LANDSCAPE SERVICES   | 325.00        |
| 11/21/2016  | 118223        | CHERYLE M. RASMUSSEN                  | 36.25         |
| 11/21/2016  | 118224        | SOUTHERN CALIFORNIA EDISON            | 119.28        |
| 11/23/2016  | 118225        | AT&T MOBILITY                         | 256.87        |
| 11/23/2016  | 118226        | CHERYLE M. RASMUSSEN                  | 51.84         |
| 11/23/2016  | 118227        | VALLEY OFFICE EQUIPMENT, INC.         | 188.40        |
| 11/26/2016  | 118228        | WILLIAM E. DICKSON                    | 58.59         |
| 11/26/2016  | 118229        | LEONARD C. STEPHENSON                 | 77.00         |
| 11/26/2016  | 118230        | WATER EDUCATION FOUNDATION            | 3,450.00      |
| 11/29/2016  | 118231        | CALPERS RETIREMENT                    | 4,502.63      |
| 11/29/2016  | 118232        | CALPERS 457-SIP                       | 1,150.00      |
| 11/29/2016  | 118233        | STANDARD INSURANCE COMPANY            | 418.99        |

**San Gorgonio Pass Water Agency  
Check History Report  
November 1 through November 30, 2016**

**ACCOUNTS PAYABLE (CON'T)**

| <u>Date</u>                   | <u>Number</u> | <u>Name</u>                           | <u>Amount</u>     |
|-------------------------------|---------------|---------------------------------------|-------------------|
| 11/15/2016                    | 563752        | EMPLOYMENT DEVELOPMENT DEPARTMENT     | 1,105.56          |
| 11/15/2016                    | 593094        | ELECTRONIC FEDERAL TAX PAYMENT SYSTEM | 6,061.32          |
| 11/29/2016                    | 508000        | EMPLOYMENT DEVELOPMENT DEPARTMENT     | 1,202.44          |
| 11/29/2016                    | 578011        | ELECTRONIC FEDERAL TAX PAYMENT SYSTEM | 6,598.35          |
| 11/30/2016                    | 900128        | DEPARTMENT OF WATER RESOURCES         | 711,306.00        |
| TOTAL ACCOUNTS PAYABLE CHECKS |               |                                       | <u>817,175.63</u> |

**PAYROLL**

| <b>CHECKS</b>        |               |               |               |
|----------------------|---------------|---------------|---------------|
| <u>Date</u>          | <u>Number</u> | <u>Name</u>   | <u>Amount</u> |
| 11/14/2016           | 118202        | JOHN R. JETER | 724.41        |
| TOTAL PAYROLL CHECKS |               |               | <u>724.41</u> |

| <b>DIRECT DEPOSIT</b>                  |               |                         |                          |
|--|---------------|-------------------------|--------------------------|
| <u>Date</u>                            | <u>Number</u> | <u>Name</u>             | <u>Amount</u>            |
| 11/14/2016                             | 801287        | JEFFREY W. DAVIS        | 4,885.37                 |
| 11/14/2016                             | 801288        | WILLIAM E. DICKSON      | 942.50                   |
| 11/14/2016                             | 801289        | KENNETH M. FALLS        | 3,153.87                 |
| 11/14/2016                             | 801290        | CHERYLE M. RASMUSSEN    | 2,119.57                 |
| 11/14/2016                             | 801291        | THOMAS W. TODD, JR.     | 3,306.77                 |
| 11/28/2016                             | 801292        | BLAIR M. BALL           | 1,139.41                 |
| 11/28/2016                             | 801293        | JEFFREY W. DAVIS        | 4,885.37                 |
| 11/28/2016                             | 801294        | RONALD A. DUNCAN        | 1,139.41                 |
| 11/28/2016                             | 801295        | KENNETH M. FALLS        | 2,694.10                 |
| 11/28/2016                             | 801296        | MARY ANN HARVEY-MELLEBY | 1,139.41                 |
| 11/28/2016                             | 801297        | CHERYLE M. RASMUSSEN    | 2,119.57                 |
| 11/28/2016                             | 801298        | LEONARD C. STEPHENSON   | 1,139.41                 |
| 11/28/2016                             | 801299        | THOMAS W. TODD, JR.     | 3,306.77                 |
| TOTAL PAYROLL DIRECT DEPOSIT           |               |                         | <u>31,971.53</u>         |
| TOTAL PAYROLL                          |               |                         | <u>32,695.94</u>         |
| TOTAL DISBURSEMENTS FOR NOVEMBER, 2016 |               |                         | <u><u>849,871.57</u></u> |

SAN GORGONIO PASS WATER AGENCY  
New Vendors List  
December, 2016

| Vendor - Name and Address | Expenditure Type |
|---------------------------|------------------|
|---------------------------|------------------|

Automation Pride

Office Maintenance

Change of Address:

old: P O Box 3300, Beaumont, CA 92223

new: 41-905 Boardwalk, Suite P, Palm Desert, CA 92211

**SAN GORGONIO PASS WATER AGENCY**

**LEGAL INVOICES  
ACCOUNTS PAYABLE INVOICE LISTING**

| <u>VENDOR</u>        | <u>INVOICE NBR</u> | <u>COMMENT</u>       | <u>AMOUNT</u> |
|----------------------|--------------------|----------------------|---------------|
| BEST, BEST & KRIEGER | 161130             | LEGAL SERVICES NOV16 | 12,906.43     |

TOTAL PENDING INVOICES FOR NOVEMBER 2016

12,906.43

**SAN GORGONIO PASS WATER AGENCY  
BANK RECONCILIATION  
November 30, 2016**

BALANCE PER BANK AT 11/30/2016 - CHECKING ACCOUNT 27,706.21

LESS OUTSTANDING CHECKS

| <u>CHECK<br/>NUMBER</u> | <u>AMOUNT</u>   | <u>CHECK<br/>NUMBER</u> | <u>AMOUNT</u>   |
|-------------------------|-----------------|-------------------------|-----------------|
| 118215                  | 594.25          | 118230                  | 3,450.00        |
| 118216                  | 1846.00         | 118231                  | 4,502.63        |
| 118222                  | 325.00          | 118232                  | 1,150.00        |
| 118229                  | 77.00           | 118233                  | 418.99          |
|                         | <u>2,842.25</u> |                         | <u>9,521.62</u> |

TOTAL OUTSTANDING CHECKS (12,363.87)

BALANCE PER GENERAL LEDGER 15,342.34

BALANCE PER GENERAL LEDGER AT 10/31/2016 1,442,267.21

CASH RECEIPTS FOR NOVEMBER 423,080.02

CASH DISBURSEMENTS FOR NOVEMBER

ACCOUNTS PAYABLE - CHECK HISTORY REPORT (817,175.63)

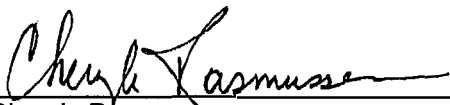
NET PAYROLL FOR NOVEMBER (32,695.94) (849,871.57)

BANK CHARGES (133.32)

TRANSFER TO LAIF OR WELLS FARGO (1,000,000.00)

BALANCE PER GENERAL LEDGER AT 11/30/2016 15,342.34

REPORT PREPARED BY:

  
 \_\_\_\_\_  
 Cheryl Rasmussen

**SAN GORGONIO PASS WATER AGENCY  
DEPOSIT RECAP  
FOR THE MONTH OF NOVEMBER 30, 2016**

| <u>DATE</u>                        | <u>RECEIVED FROM</u> | <u>DESCRIPTION</u>      | <u>AMOUNT</u> | <u>TOTAL DEPOSIT AMOUNT</u> |
|------------------------------------|----------------------|-------------------------|---------------|-----------------------------|
| <b>DEPOSIT TO CHECKING ACCOUNT</b> |                      |                         |               |                             |
| 11/3/16                            | STATE OF CALIF/DWR   | SMIF INTEREST JAN-JUN16 | 12,146.00     | 12,146.00                   |
| 11/15/16                           | BCVWD                | WATER SALES             | 363,599.00    |                             |
| 11/15/16                           | YVWD                 | WATER SALES             | 15,913.50     | 379,512.50                  |
| 11/18/16                           | RIVERSIDE COUNTY     | PROPERTY TAXES          | 7,053.85      | 7,053.85                    |
| 11/18/16                           | RIVERSIDE COUNTY     | PROPERTY TAXES          | 8,067.76      | 8,067.76                    |
| 11/22/16                           | RIVERSIDE COUNTY     | PROPERTY TAXES          | 53.11         | 53.11                       |
| 11/28/16                           | TVI                  | CD - BOND INTEREST      | 16,246.80     | 16,246.80                   |
| TOTAL FOR NOVEMBER 2016            |                      |                         | 423,080.02    | 423,080.02                  |

**SAN GORGONIO PASS WATER AGENCY  
BUDGET REPORT FY 2016-17  
BUDGET VS. REVISED BUDGET VS. ACTUAL  
FOR THE FIVE MONTHS ENDING ON NOVEMBER 30, 2016**

FOR THE FISCAL YEAR JULY 1, 2016 - JUNE 30, 2017

|   | ADOPTED<br>BUDGET | REVISIONS<br>TO BUDGET | TOTAL<br>REVISED<br>BUDGET | ACTUAL<br>YTD       | REMAINING<br>PERCENT<br>OF BUDGET |
|---|-------------------|------------------------|----------------------------|---------------------|-----------------------------------|
| <b>GENERAL FUND - INCOME</b>                |                   |                        |                            |                     | Compare: 58%                      |
| <b>INCOME</b>                               |                   |                        |                            |                     |                                   |
| WATER SALES                                 | 3,993,000         |                        | 3,993,000                  | 1,536,698.45        | 61.52%                            |
| TAX REVENUE                                 | 2,240,000         |                        | 2,240,000                  | 185,903.96          | 91.70%                            |
| INTEREST                                    | 64,000            |                        | 64,000                     | 40,292.94           | 37.04%                            |
| CAPACITY FEE                                | 0                 |                        | 0                          | 0.00                | 0.00%                             |
| GRANTS                                      | 0                 |                        | 0                          | 0.00                | 0.00%                             |
| OTHER (REIMBURSEMENTS, TRANSFERS)           | 69,000            |                        | 69,000                     | 41,074.98           | 40.47%                            |
| <b>TOTAL GENERAL FUND INCOME</b>            | <b>6,366,000</b>  | <b>0</b>               | <b>6,366,000</b>           | <b>1,803,970.33</b> | <b>71.66%</b>                     |
| <b>GENERAL FUND - EXPENSES</b>              |                   |                        |                            |                     |                                   |
| <b>COMMODITY PURCHASE</b>                   |                   |                        |                            |                     |                                   |
| PURCHASED WATER                             | 3,875,000         |                        | 3,875,000                  | 1,239,393.00        | 68.02%                            |
| <b>TOTAL COMMODITY PURCHASE</b>             | <b>3,875,000</b>  | <b>0</b>               | <b>3,875,000</b>           | <b>1,239,393.00</b> | <b>68.02%</b>                     |
| <b>SALARIES AND EMPLOYEE BENEFITS</b>       |                   |                        |                            |                     |                                   |
| SALARIES                                    | 431,000           |                        | 431,000                    | 178,053.60          | 58.69%                            |
| PAYROLL TAXES                               | 39,000            |                        | 39,000                     | 14,270.95           | 63.41%                            |
| RETIREMENT                                  | 108,000           |                        | 108,000                    | 57,968.89           | 46.33%                            |
| OTHER POST-EMPLOYMENT BENEFITS (OPEB)       | 23,000            |                        | 23,000                     | 11,261.82           | 51.04%                            |
| HEALTH INSURANCE                            | 52,000            |                        | 52,000                     | 25,517.94           | 50.93%                            |
| DENTAL INSURANCE                            | 4,500             |                        | 4,500                      | 2,145.12            | 52.33%                            |
| LIFE INSURANCE                              | 1,100             |                        | 1,100                      | 623.34              | 43.33%                            |
| DISABILITY INSURANCE                        | 4,500             |                        | 4,500                      | 1,846.12            | 58.98%                            |
| WORKERS COMP INSURANCE                      | 3,700             |                        | 3,700                      | 864.00              | 76.65%                            |
| SGPWA STAFF MISC. MEDICAL                   | 10,000            |                        | 10,000                     | 2,261.74            | 77.38%                            |
| EMPLOYEE EDUCATION                          | 1,000             |                        | 1,000                      | 0.00                | 100.00%                           |
| <b>TOTAL SALARIES AND EMPLOYEE BENEFITS</b> | <b>677,800</b>    | <b>0</b>               | <b>677,800</b>             | <b>294,813.52</b>   | <b>56.50%</b>                     |

901/96



**SAN GORGONIO PASS WATER AGENCY**  
**BUDGET REPORT FY 2016-17**  
**BUDGET VS. REVISED BUDGET VS. ACTUAL**  
**FOR THE FIVE MONTHS ENDING ON NOVEMBER 30, 2016**

FOR THE FISCAL YEAR JULY 1, 2016 - JUNE 30, 2017

|   | ADOPTED<br>BUDGET | REVISIONS<br>TO BUDGET | TOTAL<br>REVISED<br>BUDGET | ACTUAL<br>YTD     | REMAINING<br>PERCENT<br>OF BUDGET |
|---|-------------------|------------------------|----------------------------|-------------------|-----------------------------------|
| <b>GENERAL FUND - EXPENSES</b>                  |                   |                        |                            |                   | Compare: 58%                      |
| <b>ADMINISTRATIVE &amp; PROFESSIONAL</b>        |                   |                        |                            |                   |                                   |
| <b>DIRECTOR EXPENDITURES</b>                    |                   |                        |                            |                   |                                   |
| DIRECTORS FEES                                  | 105,000           |                        | 105,000                    | 42,442.72         | 59.58%                            |
| DIRECTORS TRAVEL & EDUCATION                    | 20,000            |                        | 20,000                     | 1,375.00          | 93.13%                            |
| DIRECTORS MISC. MEDICAL                         | 32,000            |                        | 32,000                     | 7,254.68          | 77.33%                            |
| <b>OFFICE EXPENDITURES</b>                      |                   |                        |                            |                   |                                   |
| OFFICE EXPENSE                                  | 18,000            |                        | 18,000                     | 6,955.77          | 61.36%                            |
| POSTAGE   | 1,000             |                        | 1,000                      | 489.27            | 51.07%                            |
| TELEPHONE                                       | 10,000            |                        | 10,000                     | 4,415.80          | 55.84%                            |
| UTILITIES                                       | 5,000             |                        | 5,000                      | 1,478.19          | 70.44%                            |
| <b>SERVICE EXPENDITURES</b>                     |                   |                        |                            |                   |                                   |
| COMPUTER, WEB SITE AND PHONE SUPPORT            | 9,000             |                        | 9,000                      | 1,007.00          | 88.81%                            |
| GENERAL MANAGER & STAFF TRAVEL                  | 20,000            |                        | 20,000                     | 8,203.60          | 58.98%                            |
| INSURANCE & BONDS                               | 23,000            |                        | 23,000                     | 19,692.00         | 14.38%                            |
| ACCOUNTING & AUDITING                           | 22,000            |                        | 22,000                     | 15,080.35         | 31.45%                            |
| STATE WATER CONTRACT AUDIT                      | 5,000             |                        | 5,000                      | 5,012.00          | -0.24%                            |
| DUES & ASSESSMENTS                              | 29,000            |                        | 29,000                     | 29,472.50         | -1.63%                            |
| SPONSORSHIPS                                    | 8,000             |                        | 8,000                      | 1,000.00          | 87.50%                            |
| OUTSIDE PROFESSIONAL SERVICES                   | 650               |                        | 650                        | 650.00            | 0.00%                             |
| BANK CHARGES                                    | 1,600             |                        | 1,600                      | 703.50            | 56.03%                            |
| MISCELLANEOUS EXPENSES                          | 1,000             |                        | 1,000                      | 2.79              | 99.72%                            |
| <b>MAINTENANCE &amp; EQUIPMENT EXPENDITURES</b> |                   |                        |                            |                   |                                   |
| TOOLS PURCHASE & MAINTENANCE                    | 3,500             |                        | 3,500                      | 28.38             | 99.19%                            |
| VEHICLE REPAIR & MAINTENANCE                    | 9,000             |                        | 9,000                      | 4,395.65          | 51.16%                            |
| MAINTENANCE & REPAIRS - BUILDING                | 11,000            |                        | 11,000                     | 5,240.98          | 52.35%                            |
| MAINTENANCE & REPAIRS - FIELD                   | 6,500             |                        | 6,500                      | 2,720.45          | 58.15%                            |
| CONTRACT OPERATIONS AND MAINTENANCE             | 150,000           |                        | 150,000                    | 0.00              | 100.00%                           |
| <b>COUNTY EXPENDITURES</b>                      |                   |                        |                            |                   |                                   |
| LAFCO COST SHARE                                | 5,000             |                        | 5,000                      | 4,440.49          | 11.19%                            |
| ELECTION EXPENSE                                | 175,000           |                        | 175,000                    | 0.00              | 100.00%                           |
| TAX COLLECTION CHARGES                          | 9,500             |                        | 9,500                      | 459.94            | 95.16%                            |
| <b>TOTAL ADMINISTRATIVE &amp; PROFESSIONAL</b>  | <b>679,750</b>    | <b>0</b>               | <b>679,750</b>             | <b>162,521.06</b> | <b>76.09%</b>                     |

97/106

**SAN GORGONIO PASS WATER AGENCY**  
**BUDGET REPORT FY 2016-17**  
**BUDGET VS. REVISED BUDGET VS. ACTUAL**  
**FOR THE FIVE MONTHS ENDING ON NOVEMBER 30, 2016**

FOR THE FISCAL YEAR JULY 1, 2016 - JUNE 30, 2017

|   | ADOPTED<br>BUDGET | REVISIONS<br>TO BUDGET | TOTAL<br>REVISED<br>BUDGET | ACTUAL<br>YTD     | REMAINING<br>PERCENT<br>OF BUDGET |
|---|-------------------|------------------------|----------------------------|-------------------|-----------------------------------|
| <b>GENERAL FUND - EXPENSES</b>                    |                   |                        |                            |                   | Compare: 58%                      |
| <b>GENERAL ENGINEERING</b>                        |                   |                        |                            |                   |                                   |
| RECHARGE  |                   |                        |                            |                   |                                   |
| B.A.R.F. DESIGN + CONSTRUCTION                    |                   |                        | CAPITAL EXPENDITURE        |                   |                                   |
| B.A.R.F. ENVIRONMENTAL MITIGATION                 |                   |                        | CAPITAL EXPENDITURE        |                   |                                   |
| FERC/FLUME  |                   |                        |                            |                   |                                   |
| FLUME SUPPORT                                     | 40,000            |                        | 40,000                     | 21,674.57         | 45.81%                            |
| NEW WATER   |                   |                        |                            |                   |                                   |
| PROGRAMATIC EIR                                   | 75,000            |                        | 75,000                     | 0.00              | 100.00%                           |
| UPDATED STUDY ON AVAILABLE SOURCES                | 45,000            |                        | 45,000                     | 16,583.45         | 63.15%                            |
| SITES RESERVOIR                                   | 300,000           |                        | 300,000                    | 0.00              | 100.00%                           |
| BCVWD CONNECTION                                  |                   |                        |                            |                   |                                   |
| ENGINEERING                                       | 30,000            |                        | 30,000                     | 5,200.00          | 82.67%                            |
| CEQA  | 15,000            |                        | 15,000                     | 0.00              | 100.00%                           |
| INTEGRATED REGIONAL WATER MANAGEMENT PLAN (IRWMP) | 5,000             |                        | 5,000                      | 0.00              | 100.00%                           |
| SGMA SUPPORT                                      | 15,000            |                        | 15,000                     | 0.00              | 100.00%                           |
| STUDIES   |                   |                        |                            |                   |                                   |
| USGS  | 100,000           |                        | 100,000                    | 29,054.12         | 70.95%                            |
| WATER RATE NEXUS STUDY                            | 50,000            |                        | 50,000                     | 0.00              | 100.00%                           |
| WATER RATE FINANCIAL MODELING                     | 30,000            |                        | 30,000                     | 0.00              | 100.00%                           |
| CAPACITY FEE NEXUS STUDY UPDATE                   | 0                 |                        | 0                          | 0.00              | 0.00%                             |
| SUPPORT - CAPACITY FEE & AGREEMENTS               | 0                 |                        | 0                          | 0.00              | 0.00%                             |
| UPDATED UWMP                                      | 10,000            |                        | 10,000                     | 27,370.35         | -173.70%                          |
| OTHER PROJECTS                                    |                   |                        |                            |                   |                                   |
| BASIN MONITORING TASK FORCE                       | 21,000            |                        | 21,000                     | 20,180.00         | 3.90%                             |
| BUNKER HILL CONJUNCTIVE USE PROJECT               | 20,000            |                        | 20,000                     | 0.00              | 100.00%                           |
| GENERAL AGENCY - CEQA AND GIS SERVICES            | 35,000            |                        | 35,000                     | 23,433.18         | 33.05%                            |
| <b>TOTAL GENERAL ENGINEERING</b>                  | <b>791,000</b>    | <b>0</b>               | <b>791,000</b>             | <b>143,495.67</b> | <b>81.86%</b>                     |

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**SAN GORGONIO PASS WATER AGENCY**  
**BUDGET REPORT FY 2016-17**  
**BUDGET VS. REVISED BUDGET VS. ACTUAL**  
**FOR THE FIVE MONTHS ENDING ON NOVEMBER 30, 2016**

FOR THE FISCAL YEAR JULY 1, 2016 - JUNE 30, 2017

|  | ADOPTED<br>BUDGET | REVISIONS<br>TO BUDGET | TOTAL<br>REVISED<br>BUDGET | ACTUAL<br>YTD | REMAINING<br>PERCENT<br>OF BUDGET |
|--|-------------------|------------------------|----------------------------|---------------|-----------------------------------|
| <b>GENERAL FUND - EXPENSES</b>                 |                   |                        |                            |               | Compare: 58%                      |
| <b>LEGAL SERVICES</b>                          |                   |                        |                            |               |                                   |
| LEGAL SERVICES - GENERAL                       | 175,000           |                        | 175,000                    | 77,433.07     | 55.75%                            |
| <b>TOTAL LEGAL SERVICES</b>                    | 175,000           | 0                      | 175,000                    | 77,433.07     | 55.75%                            |
| <b>CONSERVATION &amp; EDUCATION</b>            |                   |                        |                            |               |                                   |
| SCHOOL EDUCATION PROGRAMS                      | 10,000            |                        | 10,000                     | 0.00          | 100.00%                           |
| ADULT EDUCATION PROGRAMS                       | 5,000             |                        | 5,000                      | 0.00          | 100.00%                           |
| OTHER CONSERVATION, EDUCATION AND P. R.        | 20,000            | 15,000                 | 35,000                     | 21,263.87     | 39.25%                            |
| <b>TOTAL CONSERVATION &amp; EDUCATION</b>      | 35,000            | 15,000                 | 50,000                     | 21,263.87     | 57.47%                            |
| <b>GENERAL FUND CAPITAL EXPENDITURES</b>       |                   |                        |                            |               |                                   |
| BUILDING                                       | 15,000            |                        | 15,000                     | 0.00          | 100.00%                           |
| FURNITURE & OFFICE EQUIPMENT                   | 5,000             |                        | 5,000                      | 0.00          | 100.00%                           |
| OTHER EQUIPMENT                                | 0                 |                        | 0                          | 0.00          | 0.00%                             |
| TRANSPORTATION EQUIPMENT                       | 37,000            |                        | 37,000                     | 0.00          | 100.00%                           |
| MT. VIEW TURNOUT + B.A.R.F. CONSTRUCTION       | 0                 |                        | 0                          | 31,125.01     |                                   |
| SBVMWD PIPELINE CAPACITY PURCHASE              | 330,000           |                        | 330,000                    | 0.00          | 100.00%                           |
| <b>TOTAL GENERAL FUND CAPITAL EXPENDITURES</b> | 387,000           | 0                      | 387,000                    | 31,125.01     | 91.96%                            |
| <b>TRANSFERS TO OTHER FUNDS</b>                | 0                 | 0                      | 0                          | 0.00          |                                   |
| <b>TOTAL GENERAL FUND EXPENSES</b>             | 6,620,550         | 15,000                 | 6,635,550                  | 1,970,045.20  | 70.31%                            |
| <b>TRANSFERS FROM RESERVES</b>                 | 300,000           |                        | 300,000                    |               |                                   |
| <b>TOTAL TRANSFERS FROM RESERVES</b>           | 300,000           | 0                      | 300,000                    | 0             |                                   |
| <b>GENERAL FUND NET INCOME YEAR TO DATE</b>    | 45,450            | -15,000                | 30,450                     | -166,074.87   |                                   |

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**SAN GORGONIO PASS WATER AGENCY**  
**BUDGET REPORT FY 2016-17**  
**BUDGET VS. REVISED BUDGET VS. ACTUAL**  
**FOR THE FIVE MONTHS ENDING ON NOVEMBER 30, 2016**

FOR THE FISCAL YEAR JULY 1, 2016 - JUNE 30, 2017

|   | ADOPTED<br>BUDGET | REVISIONS<br>TO BUDGET | TOTAL<br>REVISED<br>BUDGET | ACTUAL<br>YTD        | REMAINING<br>PERCENT<br>OF BUDGET |
|---|-------------------|------------------------|----------------------------|----------------------|-----------------------------------|
| <b>DEBT SERVICE FUND - INCOME</b>           |                   |                        |                            |                      | Compare: 58%                      |
| <b>INCOME</b>                               |                   |                        |                            |                      |                                   |
| TAX REVENUE                                 | 19,350,000        |                        | 19,350,000                 | 1,161,997.80         | 93.99%                            |
| INTEREST                                    | 170,000           |                        | 170,000                    | 110,937.05           | 34.74%                            |
| GRANTS                                      | 0                 |                        | 0                          | 0.00                 | 0.00%                             |
| DWR CREDITS - BOND COVER, OTHER             | 3,170,000         |                        | 3,170,000                  | 1,837,143.66         | 42.05%                            |
| <b>TOTAL DEBT SERVICE FUND INCOME</b>       | <b>22,690,000</b> | <b>0</b>               | <b>22,690,000</b>          | <b>3,110,078.51</b>  | <b>86.29%</b>                     |
| <b>DEBT SERVICE FUND - EXPENSES</b>         |                   |                        |                            |                      |                                   |
| <b>EXPENSES</b>                             |                   |                        |                            |                      |                                   |
| SALARIES                                    | 52,000            |                        | 52,000                     | 21,961.58            | 57.77%                            |
| PAYROLL TAXES                               | 4,000             |                        | 4,000                      | 1,680.03             | 58.00%                            |
| BENEFITS                                    | 28,000            |                        | 28,000                     | 13,318.31            | 52.43%                            |
| SWC CONTRACTOR DUES                         | 33,000            |                        | 33,000                     | 40,558.00            | -22.90%                           |
| STATE WATER CONTRACT PAYMENTS               | 18,600,000        |                        | 18,600,000                 | 10,692,186.00        | 42.52%                            |
| PURCHASED WATER                             | 5,000             |                        | 5,000                      | 322.00               | 93.56%                            |
| STATE WATER PROJECT LEGAL SERVICES          | 0                 |                        | 0                          | 0.00                 | 0.00%                             |
| USGS  | 0                 |                        | 0                          | 0.00                 | 0.00%                             |
| CONTRACT OPERATIONS AND MAINTENANCE         | 120,000           |                        | 120,000                    | 2,033.22             | 98.31%                            |
| SWP ENGINEERING                             | 30,000            |                        | 30,000                     | 477.86               | 98.41%                            |
| DEBT SERVICE UTILITIES                      | 10,000            |                        | 10,000                     | 4,277.62             | 57.22%                            |
| TAX COLLECTION CHARGES                      | 60,000            |                        | 60,000                     | 2,633.27             | 95.61%                            |
| <b>TOTAL DEBT SERVICE FUND EXPENSES</b>     | <b>18,942,000</b> | <b>0</b>               | <b>18,942,000</b>          | <b>10,779,447.89</b> | <b>43.09%</b>                     |
| <b>TRANSFERS FROM RESERVES</b>              |                   |                        | 0                          | 0.00                 |                                   |
| <b>DEBT SERVICE NET INCOME YEAR TO DATE</b> | <b>3,748,000</b>  | <b>0</b>               | <b>3,748,000</b>           | <b>-7,669,369.38</b> |                                   |

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## MEMORANDUM

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**TO:** Board of Directors

**FROM:** General Counsel

**RE:** Action to authorize Staff to proceed with the notice requirements and other preparations for filling the Board vacancy, by appointment, which has resulted from the resignation of John Jeter, Division 3.

**DATE:** December 19, 2016

### **Background:**

During the November 21, 2016 Board meeting, President John Jeter announced that he had submitted a letter of resignation from the Board, effective December 7, 2016 at 11:00 p.m.

The Board is required to make an appointment within 60 days of notification of, or the effective date of, the vacancy, whichever is later. Therefore, the vacancy needs to be filled on or before February 6, 2017. The action can be taken at a regular or special Board meeting. A Notice of Vacancy must be posted at least 15 days prior to whatever date the Board chooses for that meeting.

It is recommended that the Board take action to authorize moving forward with the Notice requirement. Said action is not strictly required, but is recommended in order to publically announce that there is a vacancy on the Board and that the Board will fill the vacancy by appointment.

Right after the Board appoints someone, that person should immediately take the oath of office, walk up to the Board table/dais, and begin serving as a member of the Board.

The appointee's term of office will expire at the same time as President Jeter's term would have expired. The election for Division 3 will take place in November of 2018.

## **Legal Requirements:**

Section 12 of the Agency Act provides that any vacancy in the Board of Directors shall be filled by a majority of the remaining directors, the person so chosen shall be qualified to fill such vacancy and shall hold office for the remainder of the unexpired term. A majority of the remaining 6 directors would be 4 directors voting in favor of a candidate for the vacancy. Government Code Section 1780 sets forth procedures for filling a vacancy.

## **Notice Requirements:**

1. The Agency secretary needs to notify the county elections official of a vacancy no later than 15 days after notification of, or the effective date of, the vacancy, whichever is later. President Jeter's resignation is effective on December 7, 2016. Therefore, it is recommended that the county registrar of voters be notified on or before December 22, 2016. A phone call would suffice along with any follow up written notice the registrar may require.
2. A Notice of Vacancy must be posted in 3 or more conspicuous places in the Agency's jurisdiction at least 15 days prior to the appointment. Such a Notice should also set forth the deadline for interested individuals to submit Letters Of Interest to the Agency and should also set forth the schedule by which the Board will interview applicants and make a decision as to who will fill the vacancy. A copy of the Notice is enclosed.
3. Within 15 days after the Board makes an appointment, the District secretary needs to notify the registrar of voters of the appointment.

## **Recommendation:**

Authorize Staff to proceed with the notice requirements and other preparations for filling the vacancy on the Board of Directors, by appointment, which has resulted from the resignation of John Jeter, Division 3.

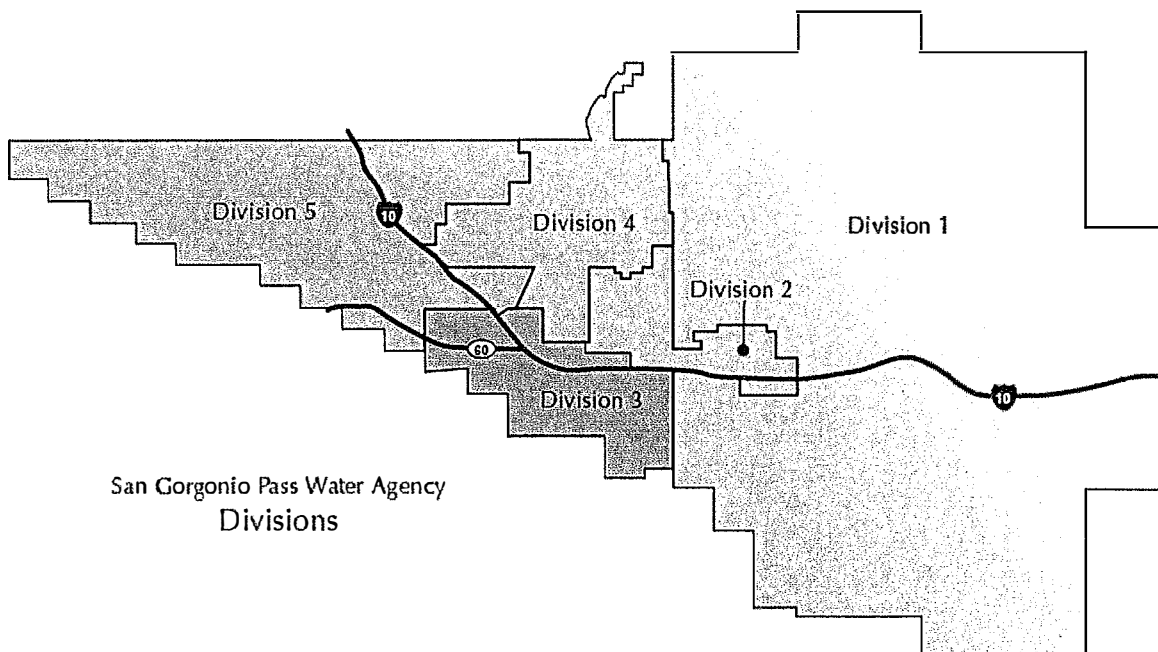
**NOTICE OF VACANCY  
BOARD OF DIRECTORS  
SAN GORGONIO PASS WATER AGENCY**

Please take notice that the seat on the Board of Directors of the San Gorgonio Pass Water Agency for Division 3 is vacant due to the resignation of John Jeter. The Board will, within 60 days of December 7, 2016, appoint a successor for the office of Director for Division 3. The boundaries for Division 3 are generally described below. Questions regarding Division 3 boundaries should be directed to the Agency at the contact information set forth below.

Anyone interested in being appointed is requested to submit a letter of interest setting forth a brief summary of the person's interest, qualifications, background, and information regarding residence in order to verify that the candidate resides within the boundaries of Division 3. Letters of interest must be personally delivered or mailed to the Agency offices so that they are received at the Agency offices no later than 5:00 p.m. on \_\_\_\_\_, 2016. Letters of interest must include the applicant's address and phone number and must be delivered or mailed to the following address:

**San Gorgonio Pass Water Agency**  
1210 Beaumont Ave.  
Beaumont, CA 92223  
Phone (951) 845-2577  
Attn: Jeff Davis

The Agency will contact the applicants regarding the time, date and location of the open and public Board meeting(s) during which interviews will be conducted and during which the Board will make a decision regarding appointment. The Board has taken action to schedule such interviews for the open and public Board meeting at \_\_\_\_ PM on \_\_\_\_\_, 2016 at the above address and during which the Board will potentially make a decision regarding an appointment. The Board may elect to schedule additional meetings if necessary.



## RESOLUTION NO. 2014-02

### A RESOLUTION OF THE SAN GORGONIO PASS WATER AGENCY ESTABLISHING A POLICY FOR MEETING FUTURE WATER DEMANDS

WHEREAS, the San Gorgonio Pass Water Agency ("Agency") is a state water contractor that was formed with the purpose of importing water from the State Water Project ("SWP") into the San Gorgonio Pass area in 1961. The Agency's service area encompasses approximately 228 square miles and includes the Cities of Beaumont, Calimesa, and Banning, as well as the unincorporated areas of Cherry Valley, Cabazon, Poppet Flat, Banning Bench, and San Timoteo and Live Oak Canyons; and

WHEREAS, the mission of the Agency is to import water and to protect and enhance local water supplies for use by present and future water users and to sell imported water to local water agencies within the Agency's service area. The Agency is able to import water from sources that provide the highest quality and the most cost effective price, including the SWP and other potential sources. The Agency also works with local retail agencies to manage local and regional water resources in a sustainable manner designed to manage overdraft within the Agency's service area; and

WHEREAS, the Agency has a contract with the California Department of Water Resources for 17,300 acre-feet of SWP water which is used to supplement local demands including eliminating groundwater overdraft. Information and reports obtained by the Agency, including but not limited to, the Agency's 2010 Urban Water Management Plan, indicate that said amount of SWP water will likely not be sufficient to meet all future supplemental water demands within the Agency's service area. The Agency has the responsibility to manage the present and future water supply needs for all users within its jurisdiction. Increased demand from new growth and decreasing reliability will continue to present challenges to the Agency's ability to deliver wholesale water on a reliable basis. In addition, the Agency has made substantial investments in facilities and infrastructure to bring said supplies to the region and to store and deliver said supplies. Said facilities include pipelines, pump stations, turnouts, reservoirs and spreading grounds; and

WHEREAS, the Board of Directors of the Agency desires to adopt this Resolution in order to establish a policy which will work toward the goal of meeting future water demands in the region.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SAN GORGONIO PASS WATER AGENCY AS FOLLOWS:

1. Incorporation of Recitals All of the foregoing Recitals are true and correct and the Board so finds and determines. The Recitals set forth above are incorporated herein and made an operative part of this Resolution.

2. Definitions The types of water rights, supplies and resources which are subject to this Resolution and the policy set forth herein include, but are not limited to, the following:

(a) Carryover Water - Water belonging to a State Water Contractor that is not used in a given calendar year and thus is carried over to the next year for use in that year or in a future year.

(b) Dry Year Yield Water - Water made available in a dry year for that year only, typically from a farming interest, irrigation district or other type of agency providing service to farming interests.

(c) Exchange Water - Water obtained from another water agency in exchange for a promise of water at a subsequent time such as in a future month or future year. An exchange may be a one-to-one exchange or an exchange with a different ratio.

(d) Long-Term Water Rights - Water rights owned by another entity which is willing to sell the rights to the water and not just a water supply. Long-Term Water Rights are frequently defined as



lasting as long as the State Water Project.

(e) Short-Term Water - Water available under certain conditions in any given year or for a limited number of years for a defined period only.

(f) Spot Water - Water available in any given year for that year only.

(g) Transfer Water - Water transferred from one area of the state to another through the actions of public agencies.

### 3. Regional Water Management

(a) Meeting The Water Supply Needs Of The Region - The Agency is prepared to take the necessary actions to provide its service area with adequate supplies of water to meet expanding and increasing needs in the years ahead. As additional water resources are required to meet increasing needs, the Agency will be prepared to take the necessary actions to deliver such supplies.

(b) Funding And Construction Of Facilities - Taxpayers and water users residing within the Agency's service area already have obligated themselves for the construction of a supply and distribution system. This system has been designed and constructed, and future facilities will be designed and constructed, in a manner to deliver the Agency's full share of SWP water, as well as water from other sources as may be required in the years ahead.

(c) Acquiring Supplemental Water Supplies - The Agency is prepared to take the necessary actions to meet the water supply needs of the region. For example, and not by way of limitation, the Agency is authorized to pursue the acquisition of Short-Term Water, Spot Water, Dry Year Yield Water, and Long-Term Water Rights. The Board of Directors of the Agency has the discretion to reasonably determine the timing and other details of acquiring such supplies, and will also manage the Agency's current supplies to maximum effect, as determined in the Board's direction. In order to meet this commitment, the Agency has the discretion to reasonably determine which type of water source to pursue including, but not limited to, Carryover Water, one-year or multi-year Exchange Water, Transfers, or other purchases of water or water rights.

4. Consideration Of A Wheeling Request The Agency will consider "wheeling" water to the region subject to the terms of this Resolution, Agency wheeling policies, applicable law, and upon payment of the applicable charge. In the event of any such wheeling, the Agency's facilities, including its rights to use SWP facilities, may be used to transport water not owned or controlled by the Agency to a retail agency or other public or private entity within the Agency's service area.

5. Potential For Future Policies Regarding Water Supplies Nothing in this Resolution shall limit or otherwise impact the authority of the Board to adopt future policies regarding water supplies including, but not limited to, any potential water shortage plans that the Board may deem to be necessary in order to establish how the Agency will allocate deliveries of water to local retail agencies during single and multiple dry years where the total amount of annual orders from local retail agencies exceeds the amount of SWP water available in that calendar year or years.


6. Controlling Effect All ordinances, resolutions, minute orders, or administrative actions by the Board of Directors, or parts thereof, that are inconsistent with any provision of this Resolution are hereby superseded only to the extent of such inconsistency.

7. CEQA Compliance - The Board finds that the establishment of a policy for meeting future water demands constitutes general policy and procedure making and also constitutes organizational or administrative activities that will not result in direct or indirect physical changes in the environment. Based on this finding, the Board determines that the establishment of a policy for meeting future water demands, by way of adoption of this Resolution, is exempt from the requirements of the California Environmental Quality Act pursuant to section 15378(b)(2) and (5) of the State CEQA Guidelines.

8. Effective Date - The President of the Board shall sign this Resolution and the Secretary of the Board shall attest thereto, and this Resolution shall be in full force and effect immediately upon adoption.

9. Severability - If any section, subsection, clause or phrase in this Resolution is for any reason held invalid, the validity of the remainder of this Resolution shall not be affected thereby. The Board hereby declares that it would have passed this Resolution and each section, subsection, sentence, clause, or phrase thereof, irrespective of the fact that one or more sections, subsections, sentences, clauses or phrases or the application thereof be held invalid.

**ADOPTED AND APPROVED** this 18th day of February, 2014.

  
\_\_\_\_\_  
President, Board of Directors  
San Geronio Pass Water Agency

ATTEST:

  
\_\_\_\_\_  
Secretary, Board of Directors  
San Geronio Pass Water Agency