

**SAN GORGONIO PASS WATER AGENCY**  
**1210 Beaumont Ave, Beaumont, CA 92223**  
**Board Finance & Budget Workshop**  
**Agenda**  
**October 28, 2019 at 1:30 p.m.**

**1. Call to Order, Flag Salute**

**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 a specific agenda item, please complete a speaker's request form and hand it to the Board secretary. Speakers are requested to keep their comments to no more than five minutes. Under the Brown Act, no action or discussion shall take place on any item not appearing on the agenda, except that the Board or staff may briefly respond to statements made or questions posed for the purpose of directing statements or questions to staff for follow up.

**4. New Business (Discussion and possible recommendations for action at a future regular Board meeting)**

- A. Ratification of Paid Invoices and Monthly Payroll for September, 2019 by Reviewing Check History Reports in Detail\*
- B. Review of Pending Legal Invoices\*
- C. Review of September, 2019 Bank Reconciliation\*
- D. Review of Budget Report for September, 2019\*
- E. Review of Cash Reconciliation Report for June 30, 2019\*
- F. Review of Cash Reconciliation Report for September 30, 2019\*
- G. Review of Reserve Allocation Report for September 30, 2019\*
- H. Review of Investment Report for September 30, 2019\*
- I. Review of Audited Financial Statements for FY 2018-19\*
- J. Review of Proposed Budget Revision for FY2019-20\*

**5. Announcements**

- A. Regular Board Meeting, November 4, 2019, 1:30 pm
- B. Office closed Monday, November 11, 2019 in observance of Veterans Day
- C. Engineering Workshop, Tuesday, November 12, 2019, 1:30 pm

**6. 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 Ave., Beaumont, CA 92223 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, during regular business hours. When practical, these public records will also be available on the Agency's Internet website, accessible at <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 to make a request for a disability-related modification or accommodation.

**San Geronio Pass Water Agency**  
**Check History Report**  
**September 1 through September 30, 2019**

ACCOUNTS PAYABLE

Date	Number	Name	Amount
09/09/2019	119395	ACWA BENEFITS	896.17
09/09/2019	119396	ALBERT WEBB ASSOCIATES	2,949.60
09/09/2019	119397	AUTOMATION PRIDE	674.88
09/09/2019	119398	BEAUMONT-CHERRY VALLEY WATER DISTRICT	493.96
09/09/2019	119399	BDL ALARMS, INC.	78.00
09/09/2019	119400	BEST BEST & KRIEGER	7,204.26
09/09/2019	119401	BEAUMONT HOME CENTER	32.66
09/09/2019	119402	EADIE AND PAYNE LLP	10,715.00
09/09/2019	119403	ERSC	11,551.13
09/09/2019	119404	OFFICE SOLUTIONS	373.75
09/09/2019	119405	RISK SCIENCES	512.18
09/09/2019	119406	THOMAS W. TODD, JR.	1,053.49
09/09/2019	119407	UNDERGROUND SERVICE ALERT	36.40
09/09/2019	119408	UNLIMITED SERVICES BUILDING MAINT.	295.00
09/09/2019	119409	VALLEY OFFICE EQUIPMENT, INC.	276.25
09/09/2019	119410	VISIONARY LOGICS	1,080.00
09/09/2019	119411	WASTE MANAGEMENT INLAND EMPIRE	112.59
09/16/2019	119412	CONTROL TEMP, INC.	530.00
09/16/2019	119413	FRONTIER COMMUNICATIONS	1,305.57
09/16/2019	119414	GOPHER PATROL	51.00
09/16/2019	119415	NICE GRAPHIX	270.00
09/16/2019	119416	OFFICE SOLUTIONS	80.32
09/24/2019	119417	AT&T MOBILITY	206.29
09/24/2019	119418	AUTOMATION PRIDE	100.00
09/24/2019	119419	BARTEL ASSOCIATES, LLC	3,800.00
09/24/2019	119420	ERSC	12,454.05
09/24/2019	119421	GOPHER PATROL	51.00
09/24/2019	119422	MATTHEW PISTILLI LANDSCAPE SERVICES	350.00
09/24/2019	119423	NICE-INCONTACT	65.38
09/24/2019	119424	OFFICE SOLUTIONS	46.91
09/24/2019	119425	PROVOST & PRITCHARD	17,868.70
09/24/2019	119426	SAN BERNARDINO VALLEY MUNI WATER DISTRICT	395,766.31
09/24/2019	119427	SOUTHERN CALIFORNIA EDISON	178.75
09/24/2019	119428	WELLS FARGO ELITE CREDIT CARD	4,152.50
09/28/2019	119429	STANDARD INSURANCE COMPANY	466.84
09/13/2019	581342	EMPLOYMENT DEVELOPMENT DEPARTMENT	1,048.34
09/13/2019	579083	ELECTRONIC FEDERAL TAX PAYMENT SYSTEM	5,368.21
09/28/2019	515245	EMPLOYMENT DEVELOPMENT DEPARTMENT	1,085.63
09/28/2019	576393	ELECTRONIC FEDERAL TAX PAYMENT SYSTEM	6,547.18
09/13/2019	900262	CALPERS RETIREMENT	5,425.98
09/13/2019	900263	CAL PERS RETIREMENT - SIP-457	1,680.00
09/25/2019	900264	CALPERS HEALTH	8,060.54
09/28/2019	900265	CALPERS RETIREMENT	5,532.64
09/28/2019	900266	CAL PERS RETIREMENT - SIP-457	1,680.00
09/29/2019	900267	DEPARTMENT OF WATER RESOURCES	10,786,481.00

TOTAL ACCOUNTS PAYABLE CHECKS

11,298,988.46

**San Gorgonio Pass Water Agency**  
**Check History Report**  
**September 1 through September 30, 2019**

PAYROLL
---------

<u>Date</u>	<u>Number</u>	<u>Name</u>	<u>Amount</u>
09/12/2019	801774	JEFFREY W. DAVIS	5,566.36
09/12/2019	801775	KENNETH M. FALLS	2,973.82
09/12/2019	801776	CHERYLE M. STIFF	2,305.06
09/12/2019	801777	THOMAS W. TODD, JR.	3,798.63
09/27/2019	801778	BLAIR M. BALL	1,237.90
09/27/2019	801779	JEFFREY W. DAVIS	5,651.67
09/27/2019	801780	RONALD A. DUNCAN	1,237.90
09/27/2019	801781	KENNETH M. FALLS	3,233.66
09/27/2019	801782	DAVID L. FENN	990.32
09/27/2019	801783	STEPHEN J. LEHTONEN	1,237.90
09/27/2019	801784	LEONARD C. STEPHENSON	1,237.90
09/27/2019	801785	CHERYLE M. STIFF	2,305.06
09/27/2019	801786	MICHAEL D. THOMPSON	1,237.90
09/27/2019	801787	THOMAS W. TODD, JR.	3,798.63
		TOTAL PAYROLL	<u>36,812.71</u>
		TOTAL DISBURSEMENTS FOR SEPTEMBER 2019	<u><u>11,335,801.17</u></u>

SAN GORGONIO PASS WATER AGENCY  
New Vendors List  
October 2019

Vendor - Name and Address	Expenditure Type
Citizens Business Bank old address: 1010 E. Colorado Blvd; Pasadena, CA 91106 new address: 505 E. Colorado Blvd; Pasadena, CA 91101	(type) Contractor Retention
Desert Fire Extinguisher Co., Inc. P O Box 1607; Palm Springs, CA 92263-1607	Office Maintenance

**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	190930	LEGAL SERVICES SEP19	4,199.02

TOTAL PENDING INVOICES FOR APPROVAL OCTOBER 2019

4,199.02

**SAN GORGONIO PASS WATER AGENCY  
BANK RECONCILIATION  
September 30, 2019**

BALANCE PER BANK AT 09/30/2019 - CHECKING ACCOUNT 760,371.45

LESS OUTSTANDING CHECKS

CHECK NUMBER	AMOUNT	CHECK NUMBER	AMOUNT
119410	1,080.00	119425	17,868.70
119418	100.00	119429	466.84
119420	12454.05		
	13,634.05		18,335.54

TOTAL OUTSTANDING CHECKS -31,969.59

BALANCE PER GENERAL LEDGER **728,401.86**

BALANCE PER GENERAL LEDGER ON 08/31/2019 694,980.07

CASH RECEIPTS FOR SEPTEMBER 570,410.35

**CASH DISBURSEMENTS FOR SEPTEMBER**

ACCOUNTS PAYABLE - CHECK HISTORY REPORT	-11,298,988.46
PAYROLL TRANSFER - BANK OF HEMET	-38,000.00
	<b>-11,336,988.46</b>

BANK CHARGES -0.10

TRANSFER FROM LAIF 10,800,000.00

BALANCE PER GENERAL LEDGER AT 09/30/2019 **728,401.86**

REPORT PREPARED BY:

Cheryl M. Stein

---

Cheryl M. Stein

**SAN GORGONIO PASS WATER AGENCY  
DEPOSIT RECAP  
FOR THE MONTH OF SEPTEMBER 30, 2019**

<u>DATE</u>	<u>RECEIVED FROM</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>TOTAL DEPOSIT AMOUNT</u>
<b>DEPOSIT TO CHECKING ACCOUNT</b>				
9/3/19	YVWD	WATER SALES	19,610.85	19,610.85
9/6/19	STATE OF CALIF/DWR	DRY-YEAR INTEREST 2019	350.66	350.66
9/13/19	STATE OF CALIF/DWR	DAVIS-DOLWIG 2018	29,578.00	29,578.00
9/26/19	TVI	CD - BOND INTEREST	16,534.84	16,534.84
9/27/19	BCVWD	WATER SALES	504,336.00	504,336.00
TOTAL FOR SEPTEMBER 2019			570,410.35	570,410.35

**SAN GORGONIO PASS WATER AGENCY  
BUDGET REPORT FY 2019-20  
BUDGET VS. REVISED BUDGET VS. ACTUAL  
FOR THE THREE MONTHS ENDING ON SEPTEMBER 30, 2019**

FOR THE FISCAL YEAR JULY 1, 2019 - JUNE 30, 2020

	ADOPTED BUDGET	REVISIONS TO BUDGET	TOTAL REVISED BUDGET	ACTUAL YTD	REMAINING PERCENT OF BUDGET
<b>GENERAL FUND - INCOME</b>				Comparison:	75%
<b>INCOME</b>					
WATER SALES	5,600,000		5,600,000	1,181,099.85	78.91%
TAX REVENUE	2,750,000		2,750,000	124,935.05	95.46%
INTEREST	350,000		350,000	69,375.68	80.18%
DESIGNATED REVENUES	820,000		820,000	0.00	100.00%
CAPACITY FEE	0		0	0.00	
OTHER (REIMBURSEMENTS, TRANSFERS)	31,000		31,000	50,049.02	-61.45%
<b>TOTAL GENERAL FUND INCOME</b>	<b>9,551,000</b>	<b>0</b>	<b>9,551,000</b>	<b>1,375,410.58</b>	<b>85.60%</b>
<b>GENERAL FUND - EXPENSES</b>					
<b>COMMODITY PURCHASE</b>					
PURCHASED WATER	6,100,000		6,100,000	716,140.72	88.26%
<b>TOTAL COMMODITY PURCHASE</b>	<b>6,100,000</b>	<b>0</b>	<b>6,100,000</b>	<b>716,140.72</b>	<b>88.26%</b>
<b>SALARIES AND EMPLOYEE BENEFITS</b>					
SALARIES	500,000		500,000	122,494.28	75.50%
PAYROLL TAXES	43,000		43,000	10,199.05	76.28%
RETIREMENT	250,000		250,000	68,798.21	72.48%
OTHER POST-EMPLOYMENT BENEFITS (OPEB)	73,000		73,000	6,694.54	90.83%
HEALTH INSURANCE	68,000		68,000	21,942.77	67.73%
DENTAL INSURANCE	5,000		5,000	1,606.00	67.88%
LIFE INSURANCE	1,600		1,600	544.74	65.95%
DISABILITY INSURANCE	5,200		5,200	1,273.94	75.50%
WORKERS COMP INSURANCE	3,800		3,800	0.00	100.00%
SGPWA STAFF MISC. MEDICAL	10,000		10,000	1,295.50	87.05%
EMPLOYEE EDUCATION	1,000		1,000	0.00	100.00%
<b>TOTAL SALARIES AND EMPLOYEE BENEFITS</b>	<b>960,600</b>	<b>0</b>	<b>960,600</b>	<b>234,849.03</b>	<b>75.55%</b>



**SAN GORGONIO PASS WATER AGENCY  
BUDGET REPORT FY 2019-20  
BUDGET VS. REVISED BUDGET VS. ACTUAL  
FOR THE THREE MONTHS ENDING ON SEPTEMBER 30, 2019**

FOR THE FISCAL YEAR JULY 1, 2019 - JUNE 30, 2020

	ADOPTED BUDGET	REVISIONS TO BUDGET	TOTAL REVISED BUDGET	ACTUAL YTD	REMAINING PERCENT OF BUDGET
<b>GENERAL FUND - EXPENSES</b>				Comparison:	75%
<b>ADMINISTRATIVE &amp; PROFESSIONAL</b>					
DIRECTOR EXPENDITURES					
DIRECTORS FEES	115,000		115,000	23,323.83	79.72%
DIRECTORS TRAVEL & EDUCATION	15,000		15,000	2,540.00	83.07%
DIRECTORS MISC. MEDICAL	21,000		21,000	1,856.51	91.16%
OFFICE EXPENDITURES					
OFFICE EXPENSE	15,000		15,000	1,870.75	87.53%
POSTAGE	700		700	0.00	100.00%
TELEPHONE	11,500		11,500	2,581.39	77.55%
UTILITIES	5,000		5,000	760.08	84.80%
SERVICE EXPENDITURES					
COMPUTER, WEB SITE AND PHONE SUPPORT	17,000		17,000	1,725.00	89.85%
GENERAL MANAGER & STAFF TRAVEL	18,000		18,000	5,025.81	72.08%
INSURANCE & BONDS	23,000		23,000	2,420.65	89.48%
ACCOUNTING & AUDITING	21,000		21,000	11,855.00	43.55%
STATE WATER CONTRACT AUDIT	5,500		5,500	0.00	100.00%
DUES & ASSESSMENTS	30,000		30,000	1,052.00	96.49%
OUTSIDE PROFESSIONAL SERVICES	7,500		7,500	4,662.18	37.84%
BANK CHARGES	1,000		1,000	115.48	88.45%
MISCELLANEOUS EXPENSES	500		500	0.00	100.00%
MAINTENANCE & EQUIPMENT EXPENDITURES					
TOOLS PURCHASE & MAINTENANCE	500		500	0.00	100.00%
VEHICLE REPAIR & MAINTENANCE	5,000		5,000	3,107.76	37.84%
MAINTENANCE & REPAIRS - BUILDING	30,000		30,000	3,858.31	87.14%
MAINTENANCE & REPAIRS - FIELD	8,000		8,000	905.45	88.68%
CONTRACT OPERATIONS AND MAINTENANCE	125,000		125,000	54,234.95	56.61%
COUNTY EXPENDITURES					
LAFCO COST SHARE	6,000		6,000	6,651.71	-10.86%
ELECTION EXPENSE	0		0	0.00	0.00%
TAX COLLECTION CHARGES	11,000		11,000	1,317.16	88.03%
<b>TOTAL ADMINISTRATIVE &amp; PROFESSIONAL</b>	<b>492,200</b>	<b>0</b>	<b>492,200</b>	<b>129,864.02</b>	<b>73.62%</b>

**SAN GORGONIO PASS WATER AGENCY  
BUDGET REPORT FY 2019-20  
BUDGET VS. REVISED BUDGET VS. ACTUAL  
FOR THE THREE MONTHS ENDING ON SEPTEMBER 30, 2019**

FOR THE FISCAL YEAR JULY 1, 2019 - JUNE 30, 2020

	ADOPTED BUDGET	REVISIONS TO BUDGET	TOTAL REVISED BUDGET	ACTUAL YTD	REMAINING PERCENT OF BUDGET
<b>GENERAL FUND - EXPENSES</b>				Comparison:	75%
<b>GENERAL ENGINEERING</b>					
NEW WATER					
UPDATED STUDY ON AVAILABLE SOURCES	16,000		16,000	483.00	96.98%
SGMA SUPPORT					
GSP CONSULTANT	500,000		500,000	11,274.42	97.75%
WEBSITE SERVICES	3,000		3,000	0.00	100.00%
UWMP CONSULTANT	35,000		35,000	0.00	100.00%
STUDIES					
USGS	115,000		115,000	49,874.38	56.63%
WATER RATE NEXUS STUDY	35,000		35,000	0.00	100.00%
WATER RATE FINANCIAL MODELING	15,000		15,000	0.00	100.00%
CAPACITY FEE NEXUS STUDY UPDATE	48,000		48,000	0.00	100.00%
WHEELING RATE STUDY	0		0	0.00	0.00%
OTHER PROJECTS					
IRWMP IMPLEMENTATION PROPOSAL	22,000		22,000	0.00	100.00%
FLUME MONITORING	30,000		30,000	0.00	100.00%
INFRASTRUCTURE PLAN	30,000		30,000	0.00	100.00%
BASIN MONITORING TASK FORCE	18,000		18,000	18,046.00	-0.26%
GENERAL AGENCY - CEQA AND GIS SERVICES	7,000		7,000	0.00	100.00%
<b>TOTAL GENERAL ENGINEERING</b>	<b>874,000</b>	<b>0</b>	<b>874,000</b>	<b>79,677.80</b>	<b>90.88%</b>
<b>LEGAL SERVICES</b>					
LEGAL SERVICES - GENERAL	150,000		150,000	19,535.80	86.98%
<b>TOTAL LEGAL SERVICES</b>	<b>150,000</b>	<b>0</b>	<b>150,000</b>	<b>19,535.80</b>	<b>86.98%</b>
<b>CONSERVATION &amp; EDUCATION</b>					
SCHOOL EDUCATION PROGRAMS	12,000		12,000	0.00	100.00%
ADULT EDUCATION PROGRAMS	5,000		5,000	0.00	100.00%
SPONSORSHIPS	10,000		10,000	0.00	100.00%
OTHER CONSERVATION, EDUCATION AND P. R.	15,000		15,000	0.00	100.00%
<b>TOTAL CONSERVATION &amp; EDUCATION</b>	<b>42,000</b>	<b>0</b>	<b>42,000</b>	<b>0.00</b>	<b>100.00%</b>

**SAN GORGONIO PASS WATER AGENCY**  
**BUDGET REPORT FY 2019-20**  
**BUDGET VS. REVISED BUDGET VS. ACTUAL**  
**FOR THE THREE MONTHS ENDING ON SEPTEMBER 30, 2019**

FOR THE FISCAL YEAR JULY 1, 2019 - JUNE 30, 2020

	ADOPTED BUDGET	REVISIONS TO BUDGET	TOTAL REVISED BUDGET	ACTUAL YTD	REMAINING PERCENT OF BUDGET
<b>GENERAL FUND - EXPENSES</b>				Comparison:	75%
<b>GENERAL FUND CAPITAL EXPENDITURES</b>					
<b>BUILDING &amp; EQUIPMENT</b>					
BUILDING	10,000		10,000	0.00	100.00%
FURNITURE & OFFICE EQUIPMENT	25,000		25,000	0.00	100.00%
OTHER EQUIPMENT	0		0	0.00	0.00%
<b>FIESTA RECHARGE FACILITY</b>					
POST DESIGN	20,000		20,000	23,579.54	-17.90%
CONSTRUCTION	76,000		76,000	0.00	100.00%
<b>BUNKER HILL CONJUNCTIVE USE PROJECT</b>	0		0	0.00	0.00%
<b>NOBLE TURNOUT EXPANSION</b>					
CONSTRUCTION	8,000		8,000	5,254.05	34.32%
POST DESIGN	1,500		1,500	0.00	100.00%
<b>SITES RESERVOIR</b>	322,000		322,000	302,057.17	6.19%
<b>MONITORING WELLS USGS</b>	250,000		250,000	116,660.17	53.34%
<b>TOTAL GENERAL FUND CAPITAL EXPENDITURES</b>	712,500	0	712,500	447,550.93	37.19%
<b>TRANSFERS TO OTHER FUNDS</b>	0		0	0.00	
<b>TOTAL GENERAL FUND EXPENSES</b>	9,331,300	0	9,331,300	1,627,618.30	82.56%
<b>WITHDRAWALS FROM RESERVES</b>	1,326,000		1,326,000		
<b>TOTAL TRANSFERS TO/FROM RESERVES</b>	1,326,000		1,326,000	0.00	
<b>GENERAL FUND NET INCOME YEAR TO DATE</b>	1,545,700	0	1,545,700	-252,207.72	

**SAN GORGONIO PASS WATER AGENCY  
BUDGET REPORT FY 2019-20  
BUDGET VS. REVISED BUDGET VS. ACTUAL  
FOR THE THREE MONTHS ENDING ON SEPTEMBER 30, 2019**

	FOR THE FISCAL YEAR JULY 1, 2019 - JUNE 30, 2020				
	ADOPTED BUDGET	REVISIONS TO BUDGET	TOTAL REVISED BUDGET	ACTUAL YTD	REMAINING PERCENT OF BUDGET
<b>DEBT SERVICE FUND - INCOME</b>				Comparison:	75%
<b>INCOME</b>					
TAX REVENUE	23,995,229		23,995,229	679,779.25	97.17%
INTEREST	650,000		650,000	245,968.32	62.16%
DWR CREDITS - BOND COVER, OTHER	3,031,777		3,031,777	29,928.66	99.01%
<b>TOTAL DEBT SERVICE FUND INCOME</b>	<b>27,677,006</b>	<b>0</b>	<b>27,677,006</b>	<b>955,676.23</b>	<b>96.55%</b>
<b>DEBT SERVICE FUND - EXPENSES</b>					
<b>EXPENSES</b>					
SALARIES	60,000		60,000	15,352.28	74.41%
PAYROLL TAXES	4,700		4,700	1,174.39	75.01%
BENEFITS	74,000		74,000	13,491.09	81.77%
STATE WATER CONTRACT PAYMENTS	24,500,000		24,500,000	12,047,702.00	50.83%
WATER TRANSFERS	1,625,000		1,625,000	0.00	100.00%
SWC CONTRACTOR DUES	75,000		75,000	37,126.00	50.50%
DELTA CONVEYANCE FACILITY AUTHORITY	40,000		40,000	50,000.00	-25.00%
EBX CONTRACT OPERATIONS AND MAINTENANCE	125,000		125,000	16,313.64	86.95%
SWP ENGINEERING AND MAINTENANCE	450,000		450,000	227,979.91	49.34%
DEBT SERVICE UTILITIES	11,000		11,000	3,410.06	69.00%
STATE WATER PROJECT LEGAL SERVICES	0		0	1,850.28	0.00%
TAX COLLECTION CHARGES	70,000		70,000	10,130.74	85.53%
<b>TOTAL DEBT SERVICE FUND EXPENSES</b>	<b>27,034,700</b>	<b>0</b>	<b>27,034,700</b>	<b>12,424,530.39</b>	<b>54.04%</b>
<b>TRANSFERS FROM RESERVES</b>	<b>0</b>		<b>0</b>	<b>0.00</b>	
<b>DEBT SERVICE NET INCOME YEAR TO DATE</b>	<b>642,306</b>	<b>0</b>	<b>642,306</b>	<b>-11,468,854.16</b>	

**SAN GORGONIO PASS WATER AGENCY  
CASH RECONCILIATION REPORT  
FY 2018-19  
FOR THE TWELVE MONTHS ENDING ON JUNE 30, 2019**

**DEBT SERVICE FUND - RESTRICTED**

BEGINNING BALANCE - JULY 1, 2018	<u>44,426,814</u>	
RESERVE FOR STATE WATER PROJECT		<u>44,426,814</u>
DEBT SERVICE ACTIVITY		
DEBT SERVICE DEPOSITS		
PROPERTY TAX - DEBT SERVICE DEPOSITS	24,469,415	
INTEREST INCOME	784,368	
DWR REFUNDS	3,102,175	
DEBT SERVICE DISBURSEMENTS	(21,758,197)	
<b>ENDING RESTRICTED FUNDS BALANCE - - - 6/30/19</b>	<u>51,024,575</u>	<u>51,024,575</u>

**GENERAL FUND - UNRESTRICTED**

BEGINNING BALANCE - JULY 1, 2018	<u>18,694,651</u>	
GENERAL FUND ACTIVITY		
GENERAL FUND DEPOSITS		
WATER SALES	3,831,436	
PROPERTY TAX - GENERAL PURPOSE DEPOSITS	3,081,117	
INTEREST INCOME	348,681	
OTHER INCOME	817,493	
CHANGE IN RECEIVABLES	52,713	
GENERAL FUND DISBURSEMENTS		
CHANGE IN LIABILITIES	(2,106,574)	
CHANGE IN CAPITAL ASSETS	(4,984,410)	
OPERATING EXPENDITURES	(5,259,719)	
<b>ENDING UNRESTRICTED FUNDS BALANCE - - - 6/30/19</b>	<u>14,475,387</u>	<u>14,475,387</u>

<b>TOTAL CASH - - - 6/30/19</b>	<u>65,499,962</u>	<u>65,499,962</u>
---------------------------------	-------------------	-------------------

**LOCATION OF CASH - - - 6/30/19**

PETTY CASH	100
CASH IN WELLS FARGO CHECKING ACCOUNT	161,848
CASH IN BANK OF HEMET CHECKING ACCOUNT	9,288
BANK OF HEMET LOCAL AGENCY MONEY MARKET ACCOUNT	514,539
LOCAL AGENCY INVESTMENT FUND	21,217,212
CALTRUST	20,566,975
TIME VALUE INVESTMENTS	23,030,000

<b>TOTAL - - - 6/30/19</b>	<u>65,499,962</u>	<u>65,499,962</u>
----------------------------	-------------------	-------------------

**SAN GORGONIO PASS WATER AGENCY  
CASH RECONCILIATION REPORT**

FY 2018-19  
BY QUARTER

	SEP 30, 18	DEC 31, 18	MAR 31, 19	JUN 30, 19
<b><u>DEBT SERVICE FUND - RESTRICTED</u></b>				
BEGINNING BALANCE - JULY 1, 2018				
RESERVE FOR STATE WATER PROJECT	<u>44,426,814</u>	<u>44,426,814</u>	<u>44,426,814</u>	<u>44,426,814</u>
DEBT SERVICE ACTIVITY				
DEBT SERVICE DEPOSITS				
PROPERTY TAX - D. S. DEPOSITS	1,172,878	5,933,665	13,951,517	24,469,415
INTEREST INCOME	220,596	394,360	625,068	784,368
DWR REFUNDS	29,037	1,459,773	1,459,773	3,102,175
DEBT SERVICE DISBURSEMENTS	(12,252,526)	(13,250,274)	(20,148,881)	(21,758,197)
<b><u>ENDING RESTRICTED FUNDS BALANCE</u></b>	<u><u>33,596,799</u></u>	<u><u>38,964,338</u></u>	<u><u>40,314,291</u></u>	<u><u>51,024,575</u></u>
<b><u>GENERAL FUND - UNRESTRICTED</u></b>				
BEGINNING BALANCE - JULY 1, 2018	<u>18,694,651</u>	<u>18,694,651</u>	<u>18,694,651</u>	<u>18,694,651</u>
GENERAL FUND ACTIVITY				
GENERAL FUND DEPOSITS				
WATER SALES	773,291	1,912,747	2,679,548	3,831,436
PROPERTY TAX - GENERAL DEPOSITS	199,398	912,110	1,763,163	3,081,117
INTEREST INCOME	94,541	196,023	283,615	348,681
OTHER INCOME	27,241	27,521	812,699	817,493
CHANGE IN RECEIVABLES	595,212	595,212	595,212	52,713
GENERAL FUND DISBURSEMENTS				
CHANGE IN LIABILITIES	(2,096,763)	(2,107,820)	(2,113,323)	(2,106,574)
CHANGE IN CAPITAL ASSETS	(88,730)	(1,729,305)	(3,277,015)	(4,984,410)
OPERATING EXPENDITURES	(744,751)	(2,097,733)	(2,790,868)	(5,259,719)
<b><u>ENDING UNRESTRICTED FUNDS BALANCE</u></b>	<u><u>17,454,091</u></u>	<u><u>16,403,406</u></u>	<u><u>16,647,682</u></u>	<u><u>14,475,387</u></u>
<b><u>TOTAL CASH - END OF QUARTER</u></b>	<u><u>51,050,890</u></u>	<u><u>55,367,744</u></u>	<u><u>56,961,973</u></u>	<u><u>65,499,962</u></u>
<b><u>CASH AND INVESTMENTS</u></b>				
PETTY CASH	100	100	100	100
CASH IN W. F. CHECKING ACCOUNT	219,391	142,548	332,981	161,848
CASH IN B. OF H. CHECKING ACCOUNT	13,898	17,216	20,991	9,288
BANK OF HEMET L A M M A	512,045	512,902	513,706	514,539
LOCAL AGENCY INVESTMENT FUND	12,085,157	11,328,913	12,617,212	21,217,212
CALTRUST	20,212,299	20,327,065	20,442,983	20,566,975
TIME VALUE INVESTMENTS	18,008,000	23,039,000	23,034,000	23,030,000
<b><u>TOTAL - END OF QUARTER</u></b>	<u><u>51,050,890</u></u>	<u><u>55,367,744</u></u>	<u><u>56,961,973</u></u>	<u><u>65,499,962</u></u>

**SAN GORGONIO PASS WATER AGENCY  
CASH RECONCILIATION REPORT  
FY 2019-20  
FOR THE THREE MONTHS ENDING ON SEPTEMBER 30, 2019**

**DEBT SERVICE FUND - RESTRICTED**

BEGINNING BALANCE - JULY 1, 2019	<u>51,024,575</u>	
RESERVE FOR STATE WATER PROJECT		<u>51,024,575</u>
DEBT SERVICE ACTIVITY		
DEBT SERVICE DEPOSITS		
PROPERTY TAX - DEBT SERVICE DEPOSITS	679,779	
INTEREST INCOME	245,968	
DWR REFUNDS	29,929	
DEBT SERVICE DISBURSEMENTS	(12,424,530)	
<b>ENDING RESTRICTED FUNDS BALANCE - - - 9/30/19</b>	<u>39,555,721</u>	<u>39,555,721</u>

**GENERAL FUND - UNRESTRICTED**

BEGINNING BALANCE - JULY 1, 2019	<u>14,475,387</u>	
GENERAL FUND ACTIVITY		
GENERAL FUND DEPOSITS		
WATER SALES	1,181,100	
PROPERTY TAX - GENERAL PURPOSE DEPOSITS	124,935	
INTEREST INCOME	69,376	
OTHER INCOME	50,049	
CHANGE IN RECEIVABLES	926,208	
GENERAL FUND DISBURSEMENTS		
CHANGE IN LIABILITIES	(1,018,232)	
CHANGE IN CAPITAL ASSETS	(465,420)	
OPERATING EXPENDITURES	(1,199,153)	
<b>ENDING UNRESTRICTED FUNDS BALANCE - - - 9/30/19</b>	<u>14,144,249</u>	<u>14,144,249</u>

<b><u>TOTAL CASH - - - 9/30/19</u></b>		<u>53,699,970</u>
--	--	-------------------

**LOCATION OF CASH - - - 9/30/19**

PETTY CASH	100
CASH IN WELLS FARGO CHECKING ACCOUNT	728,402
CASH IN BANK OF HEMET CHECKING ACCOUNT	8,750
BANK OF HEMET LOCAL AGENCY MONEY MARKET ACCOUNT	515,401
LOCAL AGENCY INVESTMENT FUND	8,740,203
CALTRUST	20,684,114
TIME VALUE INVESTMENTS	23,023,000

<b><u>TOTAL - - - 9/30/19</u></b>	<u>53,699,970</u>
-----------------------------------	-------------------

**SAN GORGONIO PASS WATER AGENCY  
RESERVE ALLOCATION REPORT  
FY 2019-20  
FOR THE THREE MONTHS ENDING SEPTEMBER 30, 2019**

	JUN 30, 19	SEP 30, 19	DEC 31, 19	MAR 31, 20	JUN 30, 20
<b>RESTRICTED</b>					
STATE WATER CONTRACT FUND	51,024,575	39,555,721			
<b>UNRESTRICTED</b>					
OPERATIONS	1,500,000	1,500,000			
NEW INFRASTRUCTURE	9,422,177	9,778,050			
Additions or Adjustments	3,120,609	-331,139			
Expenditures	-2,764,737				
Ending Balance	9,778,050	9,446,911	0	0	0
ADDITIONAL WATER	4,175,505	1,647,338			
Adjustments from Other Sources					
Ratepayer - Balance Forward					
Ratepayer - Current Contribution					
Rate Stabilization - Balance Forward					
Excess Rate Stabilization - Current					
Expenditures	-2,528,167				
Ending Balance	1,647,338	1,647,338	0	0	0
RATE STABILIZATION					
Taxpayer Contribution	0	0			
Previous Ratepayer Balance	150,000	150,000			
Ratepayer Contribution					
Excess Contribut.-To Addnl. Water					
Expenditures					
Ending Balance	150,000	150,000	0	0	0
REPLACEMENTS	1,250,000	1,250,000			
UNEXPECTED LEGAL SERVICES	150,000	150,000			
TOTAL UNRESTRICTED RESERVES	14,475,387	14,144,249	0	0	0
<b>TOTAL RESERVES</b>	<b>65,499,962</b>	<b>53,699,970</b>	<b>0</b>	<b>0</b>	<b>0</b>

**CASH LOCATION**

Petty Cash	100	100			
Wells Fargo Checking Account	161,848	728,402			
Bank of Hemet Checking Account	9,288	8,750			
Bank of Hemet L A M M A	514,539	515,401			
LAIF	21,217,212	8,740,203			
CalTRUST	20,566,975	20,684,114			
Time Value Investments	23,030,000	23,023,000			
<b>TOTAL CASH</b>	<b>65,499,962</b>	<b>53,699,970</b>	<b>0</b>	<b>0</b>	<b>0</b>



**SAN GORGONIO PASS WATER AGENCY  
INVESTMENT REPORT  
FY 2019-20  
FOR THE THREE MONTHS ENDING ON SEPTEMBER 30, 2019**

Accounting convention defines Current Assets as assets that can be liquidated within 1 year. By this definition, funds invested in Wells Fargo accounts, Bank of Hemet accounts, LAIF and CalTRUST accounts would all be considered Current Assets, or short-term investments.

The Agency categorizes its investments into three groups: Short-Term (can be liquidated or mature in 1 year); Medium-Term (mature in more than 1 year up to 5 years) and Long-Term (mature after 5 years).

For the purposes of this report, a "Hybrid" category is included for investments that can be liquidated in a year, but whose underlying securities may mature in more than one year. LAIF and CalTRUST both fall into this category.

This report includes a summary of cash and investments, and a detail of investments by category. The summary can be compared to the Cash Reconciliation Report. The detail of investments may differ slightly from the summary, due to rounding differences. This report also includes charts to show graphically the different investment categories, and what they are earning.

**CASH AND INVESTMENT SUMMARY**


**LOCATION - INSTITUTION**

PETTY CASH	100
CASH IN CHECKING ACCOUNTS	737,152
BANK OF HEMET LOCAL AGENCY MONEY MARKET ACCOUNT	515,401
LOCAL AGENCY INVESTMENT FUND	8,740,203
CALTRUST SHORT-TERM	5,298,229
CALTRUST MEDIUM-TERM	15,385,885
TIME VALUE INVESTMENTS	23,023,000
US TREASURY	-

<b><u>TOTAL</u></b>	<b><u>53,699,970</u></b>
---------------------	--------------------------

ALL INVESTMENTS LISTED ON THE INVESTMENT REPORT AND HELD BY THE SAN GORGONIO PASS WATER AGENCY ARE IN COMPLIANCE WITH THE AGENCY'S STATEMENT OF INVESTMENT POLICY.

THE AGENCY CAN MEET ITS EXPENDITURE REQUIREMENTS FOR THE NEXT SIX MONTHS.

  
\_\_\_\_\_

October 23, 2019

**SAN GORGONIO PASS WATER AGENCY  
INVESTMENT REPORT  
FY 2019-20  
FOR THE THREE MONTHS ENDING ON SEPTEMBER 30, 2019**

**INVESTMENT DETAIL**

**SHORT-TERM**

INSTITUTION	Account	YIELD RATE	STATEMENT DATE	CURRENT VALUE
Bank of Hemet	Local Agency Money Market	0.65%	9/30/19	515,401.21

**BROKER: TIME VALUE INVESTMENTS T-BILLS**

ISSUER	PURCHASE AMOUNT	YIELD RATE	MATURITY DATE	FACE VALUE	CURRENT VALUE
US Treasury	4,999,302.15	2.09%	10/3/19	5,025,000.00	5,024,547.75

**HYBRID**

INSTITUTION	Account	YIELD RATE	STATEMENT DATE	BOOK VALUE	CURRENT VALUE
State of California	LAIF	2.28% *	9/30/19	8,740,202.59	8,740,202.59
CalTRUST	Short-Term	2.22% *	9/30/19	5,298,229.01	5,308,825.72
CalTRUST	Medium-Term	2.11% *	9/30/19	15,385,885.36	15,446,379.57

\*Average for September, 2019

**MEDIUM-TERM**

**BROKER: TIME VALUE INVESTMENTS BONDS**

ISSUER	TYPE	PURCHASE AMOUNT	YIELD to Maturity	MATURITY DATE	FACE VALUE	CURRENT VALUE
FFCB	Callable*	1,000,770	1.38%	3/2/20	1,000,000	998,180.00
FNMA	Callable*	1,050,000	1.40%	11/25/20	1,050,000	1,044,886.50
FFCB	Callable*	2,000,000	1.97%	8/19/21	2,000,000	1,991,700.00
FHLB	Callable*	1,995,298	2.13%	6/29/22	2,050,000	2,051,906.50
FHLB	Callable*	998,618	1.90%	5/25/23	1,000,000	1,000,010.00
FHLB	Callable*	973,769	1.87%	10/11/23	1,000,000	1,000,010.00
TOTALS		8,018,455	1.84%		8,100,000	8,086,693.00

\* Can be redeemed before maturity date.

**BROKER: TIME VALUE INVESTMENTS CDs**

ISSUER	PURCHASE AMOUNT	YIELD RATE	MATURITY DATE	FACE VALUE	CURRENT VALUE
Various banks	9,898,000	2.40%	2-22 months	9,898,000	9,959,734.88

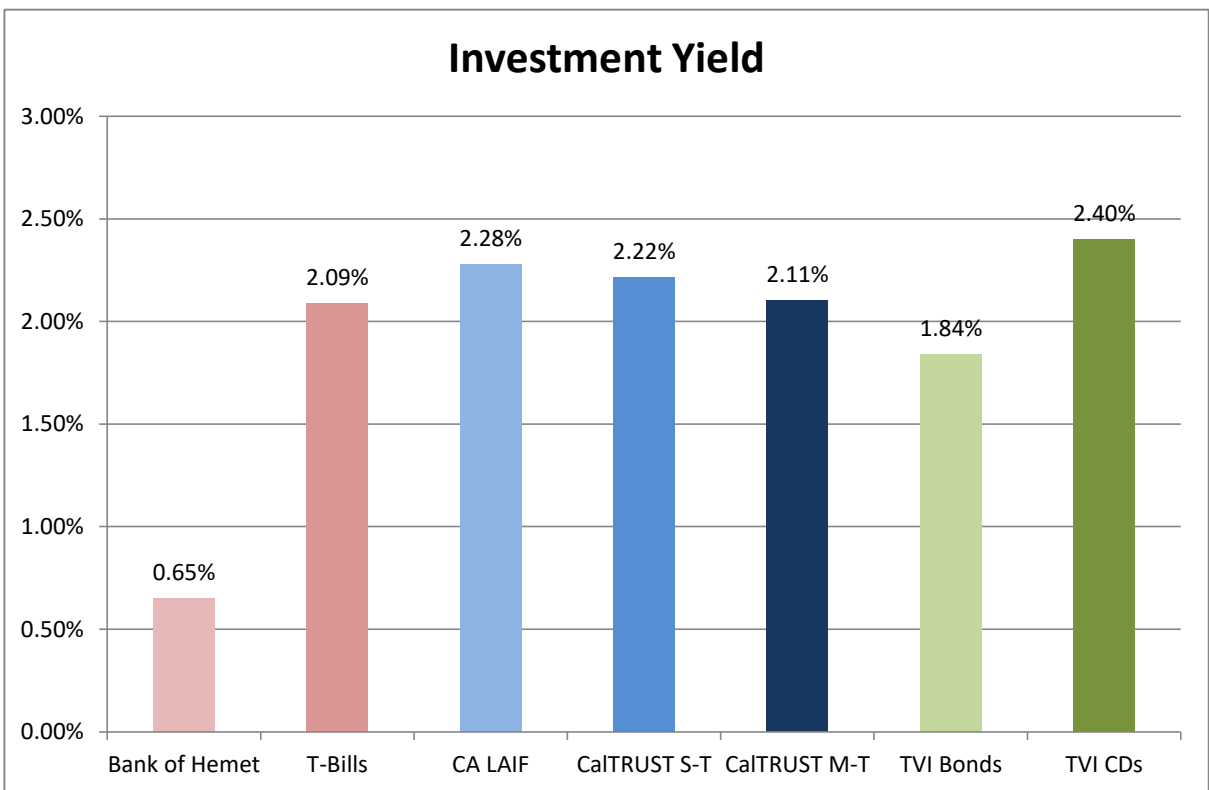
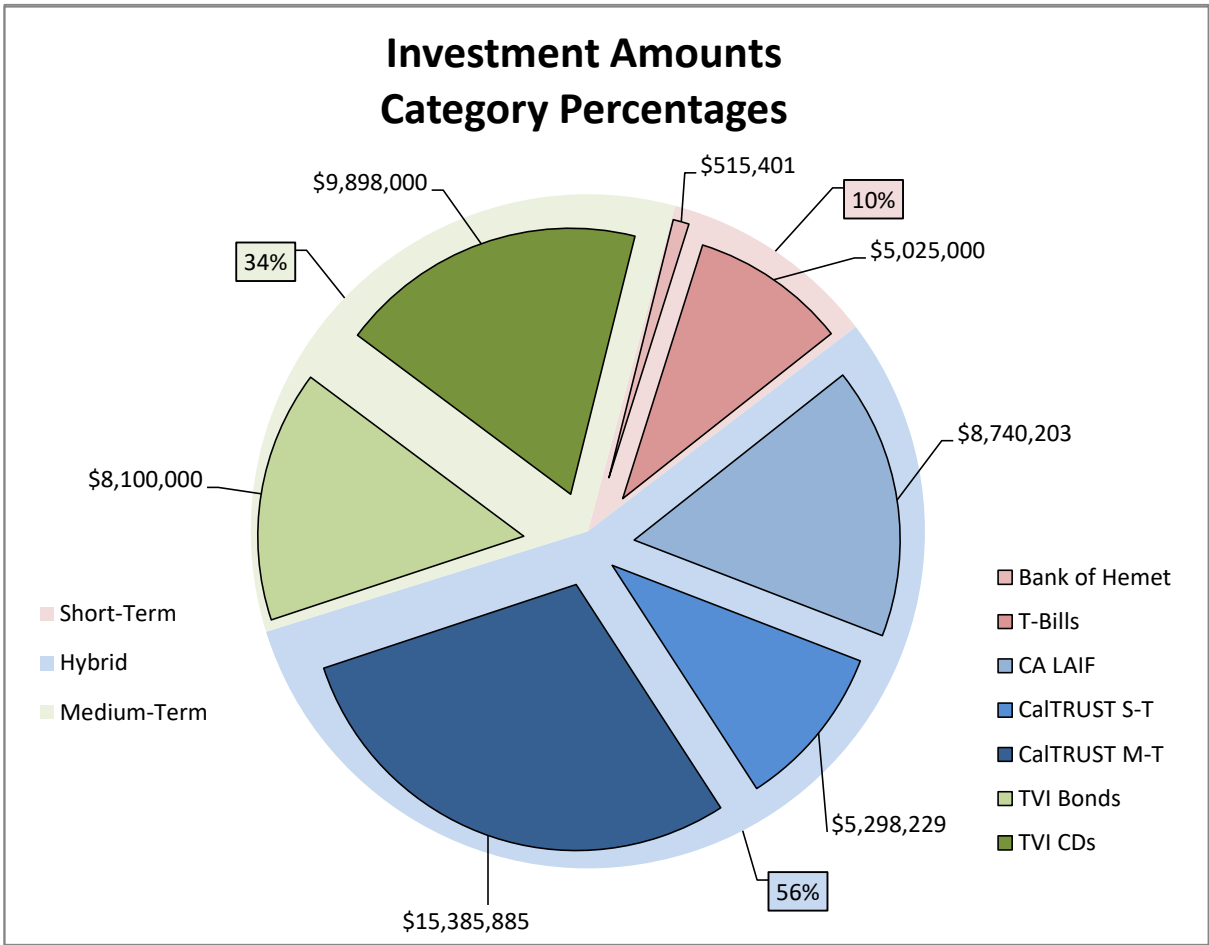
**LONG-TERM**

The Agency has no Long-Term investments at the date of this report.

**PERCENTAGE OF PORTFOLIO**

LAIF	US Treasury	CDs	Bonds	Money Market
16%	9%	19%	15%	39%

**SAN GORGONIO PASS WATER AGENCY  
INVESTMENT REPORT  
FY 2019-20  
FOR THE THREE MONTHS ENDING ON SEPTEMBER 30, 2019**



---

**SAN GORGONIO PASS WATER AGENCY**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION WITH  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEARS ENDED  
JUNE 30, 2019 AND 2018**

**SAN GORGONIO PASS WATER AGENCY**  
**CONTENTS**  
**June 30, 2019**

---

	<u>Page</u>
<b>Independent Auditor's Report</b>	1 - 2
Management's Discussion and Analysis - Unaudited	3 - 9
<b>Basic Financial Statements - Audited</b>	
Statements of Net Position	10 - 11
Statements of Revenues, Expenses, and Changes in Net Position	12 - 13
Statements of Cash Flows	14 - 15
Notes to Financial Statements	16 - 46
<b>Supplementary Information - Unaudited</b>	
Required Supplementary Information - Unaudited	47 - 50
Organizational Information - Unaudited	51
Schedule of Board of Directors and Insurance Coverage - Unaudited	52
<b>Independent Auditor's Report on Internal Control Over Financials Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	53 - 54

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
San Gorgonio Pass Water Agency  
Beaumont, California

We have audited the accompanying financial statements of San Gorgonio Pass Water Agency (Agency), as of and for the years ended June 30, 2019 and 2018, 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.

### Auditor's 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



#### Eadie + Payne, LLP

3880 Lemon St., Ste. 300  
Riverside, CA 92501

P.O. Box 1529  
Riverside, CA 92502-1529

Office: 951-241-7800

[www.eadiepaynellp.com](http://www.eadiepaynellp.com)

## **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, 2019 and 2018, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and information related to the pension and other postemployment benefits plan on pages 3-9 and 47-50, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's basic financial statements. The organizational information and schedule of board of directors and insurance coverage are presented for purposes of additional information and are not a required part of the basic financial statements. The organizational information and schedule of board of directors and insurance coverage have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2019, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

*Eddie and Payne HP*

October 7, 2019  
Riverside, California

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



**SAN GORGONIO PASS WATER AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED**  
**June 30, 2019 and 2018**

---

### **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 of California 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. In 2018, the Department of Water Resources completed the construction of Phase 2, which increased the capacity of the facilities to deliver water by adding an additional pipeline, an additional reservoir, additional pumps and expanding an existing reservoir.

### **The Basic Financial Statements**

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

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

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

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.

**SAN GORGONIO PASS WATER AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED**  
**June 30, 2019 and 2018**

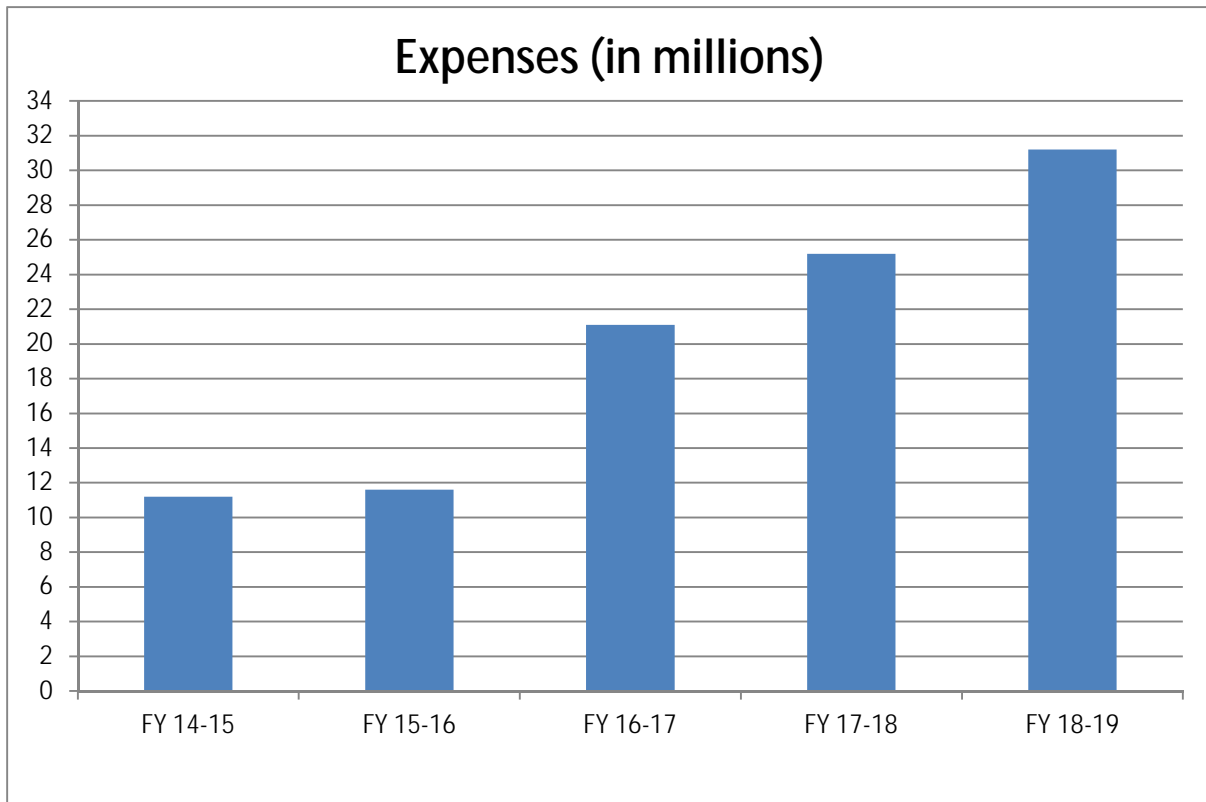
---

**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. At this time, these two different purposes use two distinct types of income to sustain their related activities. 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 from operations 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 at least enough to cover its expenses.



Graph of Combined Operating and Non-Operating Expenses

**SAN GORGONIO PASS WATER AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED**  
**June 30, 2019 and 2018**

By reviewing the table below, it is possible to see that overall income (Operating and Non-operating) totals \$35.50 million for FY 2018-19, an increase of \$4.70 million from FY 2017-18. Overall expenses (Operating and Non-Operating) totaled \$31.15 million for FY 2018-19, an increase of \$5.87 million from FY 2017-18. The Agency purchased additional water in FY 2018-19, and sold more water this year as well. This increased expenses, and increased the amortization expense of State Water Rights. The resulting Net Income was \$4.35 million.

Total Assets and deferred outflows for FY 2018-19 were \$185.54 million, an increase of \$3.84 million from the previous fiscal year. This is divided into four categories: Current Assets (cash and investments that can be liquidated in 12 months), Restricted Assets (assets that are designated for a particular purpose), Capital Assets (assets that have a life longer than 1 year and are not intended for sale during the normal course of business) and Pension Assets (the result of the new GASB rules). Current Assets decreased \$3.34 million, Restricted Assets increased \$7.30 million, Capital Assets decreased \$0.63 million, and Pension Assets totaled \$0.51 million.

Current Liabilities were \$1.21 million, a decrease of \$0.93 million from FY 2017-18. Long Term Liabilities were \$1.15 million, a decrease of about \$64,700. Deferred Inflows (pension related deferred inflows) were about \$56,000. Therefore, Net Assets (the combination of Total Assets, Liabilities, Deferred Inflows and Deferred Outflows) for FY 2018-19 were \$183.12 million, a net increase of \$4.35 million.

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

	6/30/2019	6/30/2018	6/30/2017
Current Assets	16.16	19.50	14.90
Restricted Assets	54.06	46.76	44.89
Capital Assets	114.81	115.44	115.54
Deferred Outflows	0.51	0.36	0.33
Current Liabilities	1.21	2.14	0.98
Noncurrent Liabilities	1.15	1.09	0.65
Deferred Inflows	0.06	0.06	0.06
Net Position	183.12	178.78	173.67
Operating Revenues	4.55	4.62	4.75
Operating Expenses	(31.07)	(25.20)	(21.09)
Non-Operating Revenues			
Interest	1.33	0.76	0.48
Property Taxes	28.25	25.20	22.78
Miscellaneous	1.36	0.21	(0.17)
Non-Operating Expenses	(0.08)	(0.08)	(0.08)
Change in Net Position	4.35	5.23	6.70

**SAN GORGONIO PASS WATER AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED**  
**June 30, 2019 and 2018**

---

The past few years have seen new reporting standards regarding pension liabilities and other post-employment benefits. The new standards change the way pension expenses and liabilities are recorded, and this change has 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 investment 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 more closely match the year they impact pension balances. In addition, the statements include deferred outflows (in essence, future expenses) and deferred inflows (in essence, future credits), 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 Agency has been assigned to an investment pool that is managed by CalPERS. The estimate of the pension liability of the entire pool is a current estimate of the difference between the estimated pension cost and the funded status of the pool. The Agency is allocated a proportionate share of the entire pool. The proportionate share is listed as a Noncurrent Liability in the Liability section of the Net Assets statement. Future contributions to the unfunded liability could change the classification of the fund balance.

For Other Post-Employment Benefits (OPEB), the Agency joined an investment pool sponsored by CalPERS to build a trust fund to pay for future OPEB expenses. The Agency's first contribution to the pool, California Employers' Retiree Benefit Trust (CERBT), was made in 2009. Annual contributions were made in accordance with GASB Statement No. 45, and contributions to the trust and direct payments for health care costs were recorded as current expenses.

Starting with FY 2017-18, GASB Statement No.75 took effect, which is an attempt to more accurately categorize the transactions associated with current and future OPEB costs. Agency contributions to CERBT and direct expenses have been reclassified, and the statements include deferred outflows and deferred inflows, as well as a long-term OPEB liability. The estimate of OPEB liability is a current estimate of the difference between the estimated OPEB cost and the funded status of CERBT. This amount is listed as a Noncurrent Liability in the Liability section of the Net Assets statement. Future contributions to CERBT could change the classification of the balance of the Agency's net OPEB obligation.

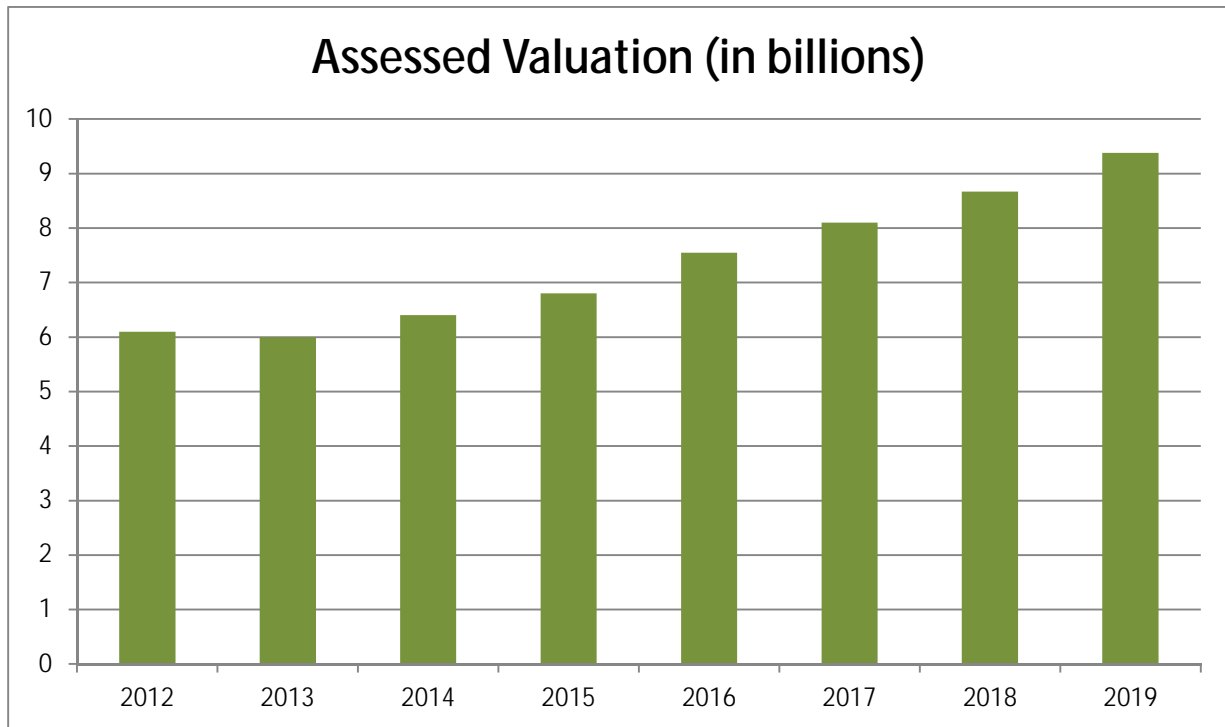
The Agency's involvement with CERBT requires that an actuarial study to determine the Agency's potential future OPEB costs be made every 2 years. The study also estimates the current level of funding, to help gauge the Agency's progress in fully funding its OPEB obligations.

**SAN GORGONIO PASS WATER AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED**  
**June 30, 2019 and 2018**

---

**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 15% by the year ending in 2013. Assessed valuations finally increased in 2014, and have increased each year since.



**Categories of Assets**

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

Net Investment in Capital Assets

At June 30, 2019, Capital Assets totaled \$114.81 million (net of Accumulated Depreciation and Amortization) and consisted of Investment in State Water Rights, 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 being depreciated or amortized, or not.

**SAN GORGONIO PASS WATER AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED**  
**June 30, 2019 and 2018**

**Capital Asset Activity for the Year**

	Balance July 1, 2017	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Capital Assets, not being depreciated					
Land and Rights of Way	\$ 4,138,966	\$ 4,138,966	\$ -	\$ -	\$ 4,138,966
Construction in Progress	5,174,280	7,137,872	4,984,410	-	12,122,281
Total Capital Assets, not being depreciated	9,313,246	11,276,838	4,984,410	-	16,261,247
Capital Assets, being depreciated/amortized					
Investment in State Water Rights	140,127,118	144,528,729	4,533,973	-	149,062,702
Source of Supply	15,758,338	15,758,338	-	-	15,758,338
Transmission and Distribution	1,351,614	1,351,614	-	-	1,351,614
Buildings and Improvements	1,645,293	1,645,293	-	-	1,645,293
Furniture and Fixtures	172,961	136,899	-	7,042	129,857
Technical Equipment	94,439	94,439	-	-	94,439
Transportation Equipment	74,462	78,613	-	-	78,613
Total Capital Assets being depreciated or amortized	159,224,225	163,593,925	4,533,973	7,042	168,120,856
Total Capital Assets	\$ 168,537,470	\$ 174,870,763	\$ 9,518,383	\$ 7,042	\$ 184,382,104

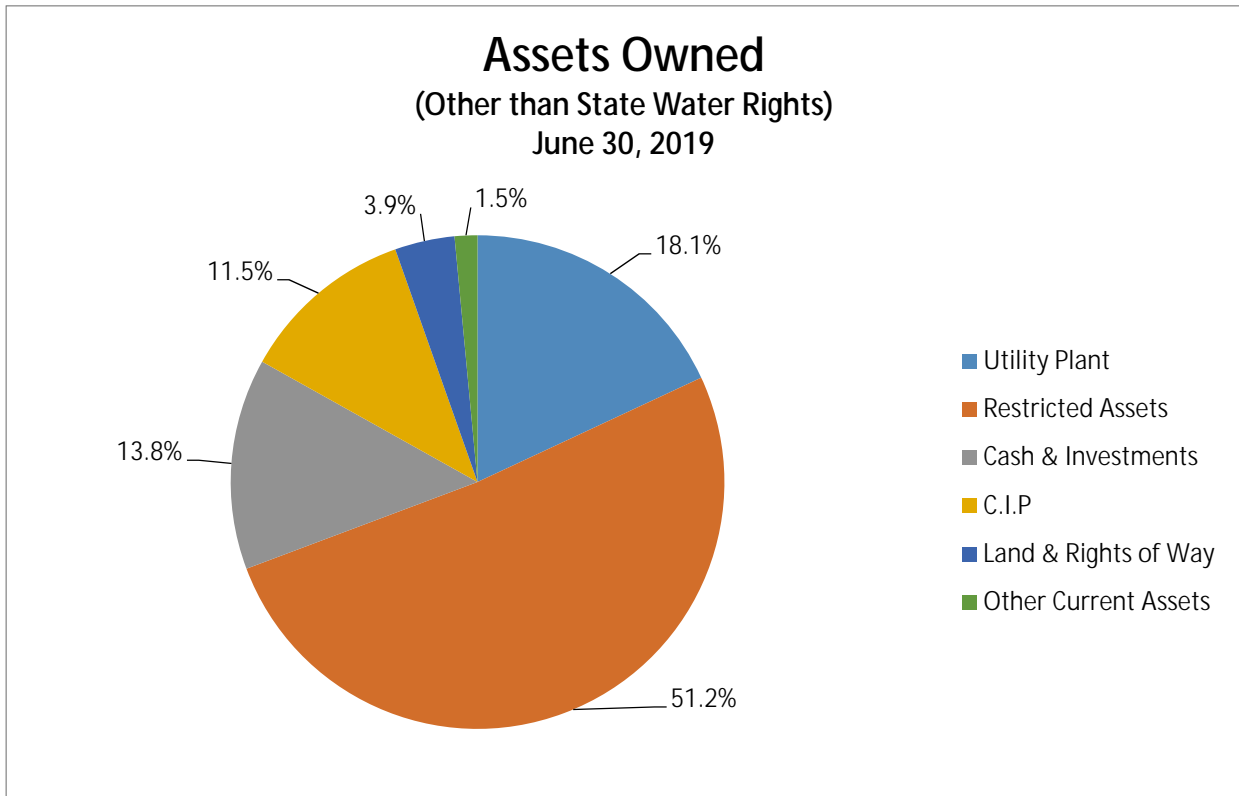
The Agency made payments to the Department of Water Resources during the year totaling \$22.37 million. This amount included expenditures for water purchases, as well as payments for indebtedness, and operations and maintenance of the State Water Project.

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 retailers in FY 2018-19 totaled 13,350 AF, and included deliveries to Yucaipa Valley Water District through facilities jointly owned and operated with the San Bernardino Valley Municipal Water District. Even though the Agency's allocation for 2018 was significantly less than 2017, water purchased from other sources allowed the Agency to meet retailers' requests for this fiscal year.

Construction in Progress increased by \$4.98 million between July 1, 2018 and June 30, 2019. The projects currently in Construction in Progress include improvements to the East Branch Extension Phase 1 and Phase 2 project, plans for a pipeline for water delivery to the City of Banning, enlargement of the Noble turnout which delivers water to the Beaumont Cherry Valley Water District, construction of a recharge facility on Brookside and Beaumont Avenue, participation rights in a feasibility study to build a new reservoir named Sites Reservoir to increase the reliability of the State Water Project, pipeline improvements to sections owned jointly by the Agency and the San Bernardino Valley Municipal Water District, and new monitoring wells being installed by the USGS.

**SAN GORGONIO PASS WATER AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED**  
**June 30, 2019 and 2018**

---



Restricted Assets

The Agency had Restricted Assets of \$54.06 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 \$14.26 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, 2019 and 2018**

	2019	2018
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 685,775	\$ 818,693
Cash in Local Agency Investment Fund	13,904,602	17,450,259
Accounts receivable	728,785	440,278
Property taxes receivable	636,741	629,053
Interest receivable	197,424	154,934
Other	4,950	7,782
Total current assets	<u>16,158,277</u>	<u>19,500,999</u>
<b>Restricted assets</b>		
Cash in Local Agency Investment Fund	7,348,929	6,738,780
Investments	43,675,646	37,688,838
Property taxes receivable	3,033,074	2,336,855
Total restricted assets	<u>54,057,649</u>	<u>46,764,473</u>
<b>Noncurrent assets</b>		
<b>Capital assets</b>		
Investment in State Water Project	149,062,702	144,528,729
Utility plant in service	19,058,154	19,065,197
Less accumulated depreciation and amortization	(69,575,945)	(59,433,754)
Land and rights of way	4,138,967	4,138,967
Construction in progress	12,122,281	7,137,871
Total noncurrent assets	<u>114,806,159</u>	<u>115,437,010</u>
Total assets	<u>185,022,085</u>	<u>181,702,482</u>
<b>Deferred outflows of resources</b>		
Pension related	488,149	350,920
OPEB related	25,564	7,315
Total deferred outflows of resources	<u>513,713</u>	<u>358,235</u>
Total assets and deferred outflows of resources	<u>\$ 185,535,798</u>	<u>\$ 182,060,717</u>

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

**SAN GORGONIO PASS WATER AGENCY**  
**STATEMENTS OF NET POSITION**  
June 30, 2019 and 2018

	2019	2018
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 1,184,080	\$ 2,115,008
Construction deposit	25,000	25,000
Total current liabilities	<u>1,209,080</u>	<u>2,140,008</u>
<b>Noncurrent liabilities</b>		
Accrued vacation and sick leave	145,411	137,039
Net pension liability	755,595	771,794
Net OPEB liability	248,742	176,213
Total noncurrent liabilities	<u>1,149,748</u>	<u>1,085,046</u>
Total liabilities	<u>2,358,828</u>	<u>3,225,054</u>
<b>Deferred inflows of resources</b>		
Pension related	34,039	40,166
OPEB related	22,003	20,395
Total deferred inflows of resources	<u>56,042</u>	<u>60,561</u>
<b>Net position</b>		
Net investment in capital assets, including State		
Water Project costs	114,806,159	115,437,010
Restricted for State Water Project	54,057,649	46,764,473
Unrestricted	14,257,120	16,573,619
Total net position	<u>183,120,928</u>	<u>178,775,102</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 185,535,798</u>	<u>\$ 182,060,717</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, 2019 and 2018

	2019	2018
<b>Operating revenues</b>		
Water sales	\$ 4,549,420	\$ 4,621,936
<b>Operating expenses</b>		
Source of supply		
Maintenance	14,210,934	10,600,004
Purchased water	5,180,411	6,678,299
Total source of supply	19,391,345	17,278,303
Transmission and distribution		
Utilities	10,207	11,938
Maintenance	11,861	31,067
Total transmission and distribution	22,068	43,005
General and administrative expenses		
Salaries	480,209	468,098
Director expense	129,228	125,334
Payroll taxes	40,279	39,367
Employee health benefits	75,961	69,867
Employee retirement benefits	237,035	253,780
Office supplies and expense	20,379	21,617
Travel expenses	20,061	26,208
Automotive expense	4,585	6,899
Utilities and telephone	16,211	15,805
Repairs and maintenance	22,208	19,818
Insurance	27,374	32,453
Administrative expense	41,651	5,817
Membership dues and assessments	33,122	31,259
Public relations	26,700	22,585
Election expense	28,126	-
Legal services	123,352	218,635
Engineering and consulting services	157,421	278,851
Accounting and auditing	21,515	20,600
Outside professional services	6,037	8,604
Depreciation	654,157	652,369
Amortization	9,495,077	5,555,829
Total general and administrative	11,660,688	7,873,795
Total operating expenses	31,074,101	25,195,103
Operating loss	\$ (26,524,681)	\$ (20,573,167)

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, 2019 and 2018**

	2019	2018
Operating loss	<u>\$ (26,524,681)</u>	<u>\$ (20,573,167)</u>
<b>Nonoperating revenues (expenses)</b>		
Property taxes - general purpose	3,088,805	2,528,567
Property taxes - debt service	25,165,634	22,676,193
Investment income	1,330,472	764,064
Unrealized gain (loss) on investments	539,885	(298,659)
Other revenue	27,359	27,360
County collection charge	<u>(77,260)</u>	<u>(76,993)</u>
Total nonoperating revenues (expenses)	<u>30,074,895</u>	<u>25,620,532</u>
Income before capital contributions	3,550,214	5,047,365
Capital contributions - government	<u>795,612</u>	<u>179,800</u>
Change in net position	<u>4,345,826</u>	<u>5,227,165</u>
<b>Net position</b>		
Beginning of year, as previously reported	178,775,102	173,667,262
Less: Prior-period adjustment in net pension (Note 12)	<u>-</u>	<u>(119,325)</u>
Beginning of year	<u>178,775,102</u>	<u>173,547,937</u>
Net position, end of year	<u><u>\$ 183,120,928</u></u>	<u><u>\$ 178,775,102</u></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, 2019 and 2018

	2019	2018
<b>Cash flows from operating activities</b>		
Cash received from customers	\$ 4,263,745	\$ 4,781,794
Cash paid to suppliers and employees	<u>(21,951,090)</u>	<u>(17,540,596)</u>
Net cash used in operating activities	<u>(17,687,345)</u>	<u>(12,758,802)</u>
<b>Cash flows from noncapital financing activities</b>		
Property taxes	<u>27,550,532</u>	<u>25,551,697</u>
Net cash provided by noncapital financing activities	<u>27,550,532</u>	<u>25,551,697</u>
<b>Cash flows from capital and related financing activities</b>		
Purchase of capital assets	(9,518,383)	(6,406,041)
Other revenue	27,359	27,360
Contributed capital	795,612	179,800
County collection charge	<u>(77,260)</u>	<u>(76,993)</u>
Net cash used in capital and related financing activities	<u>(8,772,672)</u>	<u>(6,275,874)</u>
<b>Cash flows from investing activities</b>		
Purchased investments	(5,446,923)	(372,422)
Interest received	<u>1,287,982</u>	<u>672,273</u>
Net cash provided by (used in) investing activities	<u>(4,158,941)</u>	<u>299,851</u>
Net change in cash and cash equivalents	(3,068,426)	6,816,872
<b>Cash and cash equivalents</b>		
Balance, beginning of year	<u>25,007,732</u>	<u>18,190,860</u>
Balance, end of year	<u><u>\$ 21,939,306</u></u>	<u><u>\$ 25,007,732</u></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, 2019 and 2018

	2019	2018
<b>Reconciliation of cash and cash equivalents to statements of net position</b>		
Unrestricted cash and cash equivalents	\$ 685,775	\$ 818,693
Unrestricted cash in Local Agency Investment Fund	13,904,602	17,450,259
Restricted cash in Local Agency Investment Fund	<u>7,348,929</u>	<u>6,738,780</u>
Total cash and cash equivalents	<u>\$ 21,939,306</u>	<u>\$ 25,007,732</u>
<b>Reconciliation of operating loss to net cash used in operating activities</b>		
Operating loss	\$ (26,524,681)	\$ (20,573,167)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation and amortization	10,149,234	6,208,198
Noncash pension expense	(103,667)	147,698
(Increase) decrease in:		
Accounts receivable	(288,507)	160,910
Other current assets	2,832	(1,052)
Increase (decrease) in:		
Accounts payable	(930,928)	1,286,447
Accrued vacation and sick	<u>8,372</u>	<u>12,164</u>
Net cash used in operating activities	<u>\$ (17,687,345)</u>	<u>\$ (12,758,802)</u>

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

**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2019 and 2018

---

**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.

Accounts Receivable

Accounts receivable consists of amounts owed by local districts in the regular course of business operations. Accounts receivable is stated net of an allowance for doubtful accounts. The Agency considers accounts receivable to be fully collectible and no allowance for doubtful accounts is provided in these financial statements.

**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

---

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

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.

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, 2019. The property tax calendar is as follows:

Lien date:		January 1
Levy date:		July 1
Due date:	First installment	November 1
	Second installment	February 1
Collection date:	First installment	December 10
	Second installment	April 10

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, 2019, certain taxes levied by the County and allocated to the Agency remain uncollected. The Agency considers these property taxes to be fully collectible and no allowance is provided in these financial statements.

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:

Assets	Years
Pipelines	20 - 40
Buildings	25
Spreading ground facilities	20
Furniture and fixtures	5 - 10
Technical equipment	5
Transportation	5



**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

---

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

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.

Construction in progress includes all capitalized costs for expenditures directly incurred to bring a capital asset to a useable condition. These capitalize costs will be recorded to capital assets when the asset is operational. At that time, the costs will be depreciated or amortized over the respective capital asset's useful life.

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.

Postemployment Benefits Other Than Pensions (OPEB)

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. The Agency adopted GASB 75 beginning in the fiscal year ending June 30, 2018. Under GASB 75, for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CalPERS plan governed by the Public Employees' Medical & Hospital Care Act (PEMHCA) and additions to/deductions from PEMHCA's fiduciary net position have been determined on the same basis as they are reported by PEMHCA. For this purpose, PEMHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

---

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

Net Position

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

*Net investment 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.

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.

**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

---

**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.

The Agency has been billed formally through calendar year 2019 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:

<b>Charges for Capital and Minimum Operations, Maintenance,</b>	
<b>Power and Replacement Components</b>	
Water System Revenue Bond	
Due July 1, 2019	\$ 289,515
Due January 1, 2020	211,046
Due July 1, 2020	211,045
Capital Cost Components	
Delta Water Charges	
Due July 1, 2019	183,876
Due January 1, 2020	261,390
Due July 1, 2020	261,389
Transportation Charges	
Due July 1, 2019	(128,912)
Due January 1, 2020	(277,754)
Due July 1, 2020	(277,754)
Minimum O.M.P. & R.	
Delta Water Charge	
Due monthly, starting July 1, 2019	65,973
Total for six months	395,838
Due monthly, starting January 1, 2020	69,675
Total for six months	418,050
Due monthly, starting July 1, 2020	69,675
Total for six months	418,050
Transportation Charge	
Due monthly, starting July 1, 2019	499,936
Total for six months	2,999,616
Due monthly, starting January 1, 2020	524,558
Total for six months	3,147,348
Due monthly, starting July 1, 2020	524,558
Total for six months	3,147,348

**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

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

**Charges for the Devil Canyon-Castaic Contract**

Debt Service on Bonds	
Due July 1, 2019	\$ 48,904
Due January 1, 2020	48,768
Due July 1, 2020	48,768
O.M.P.& R. Component	
Due monthly, starting July 1, 2019	17,452
Total for six months	104,712
Due monthly, starting January 1, 2020	17,396
Total for six months	104,376
Due monthly, starting July 1, 2020	17,395
Total for six months	104,370

**Charges for Off-Aqueduct Power Facilities**

Maintenance	
Due monthly, starting July 1, 2019	(18)
Total for six months	(108)
Due monthly, starting January 1, 2020	130
Total for six months	780
Due monthly, starting July 1, 2020	130
Total for six months	780
RG4 Separation	
Due monthly, starting July 1, 2019	167
Total for six months	1,002
Due monthly, starting January 1, 2020	1,298
Total for six months	7,788
Due monthly, starting July 1, 2020	1,297
Total for six months	7,782

**Charges for East Branch Extension Facilities**

Allocated Charges	
Due September 1, 2019	9,881,702
Due March 1, 2020	4,677,144
Due September 1, 2020	10,141,577

**Charges for Tehachapi Second Afterbay Facilities**

Capital Cost of Transportation Charge	
Due September 1, 2019	22,084
Due March 1, 2020	16,965
Due September 1, 2020	16,965

**Totals for All Charges of the State Water Project**

Total Due July 1, 2019	13,798,229
Total Due January 1, 2020	8,615,901
Total Due for FY 2019-20	<u>22,414,130</u>
Total Due July 1, 2020	<u>14,080,320</u>
Total Due for Calendar Year 2020	<u>\$ 22,696,221</u>

**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

---

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

The Agency has committed to purchase other components of 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 as of June 30, 2019 and 2018 are included in the statements of net position as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents - unrestricted	\$ 14,590,377	\$ 18,268,952
Cash and cash equivalents - restricted	7,348,929	6,738,780
Total cash and cash equivalents	<u>21,939,306</u>	<u>25,007,732</u>
Investments	<u>43,675,646</u>	<u>37,688,838</u>
	<u>\$ 65,614,952</u>	<u>\$ 62,696,570</u>

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

	<u>2019</u>	<u>2018</u>
Deposits	\$ 685,775	\$ 818,693
Investments	<u>64,929,177</u>	<u>61,877,877</u>
	<u>\$ 65,614,952</u>	<u>\$ 62,696,570</u>

**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

---

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

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	36 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

Concentration of Credit Risk

There were no investments in any one issuer, other than U.S. Treasury Securities, LAIF and CalTRUST that represent five percent or more of the total investments of the Agency at June 30, 2019 and 2018.

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.

**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

---

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

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 current values of all securities are reported quarterly to the board for investments. Investment fair value and duration at June 30, 2019 and 2018 are as follows:

Authorized Investment Type	2019	Effective Duration
U.S. agency securities	\$ 5,027,894	2019
U.S. government bonds	999,610	2019
U.S. government bonds	2,038,975	2020
U.S. government bonds	2,001,500	2021
U.S. government bonds	2,051,251	2022
U.S. government bonds	996,080	2023
Negotiable certificates of deposit	2,474,723	2019
Negotiable certificates of deposit	4,978,356	2020
Negotiable certificates of deposit	2,484,470	2021

Authorized Investment Type	2018	Effective Duration
U.S. agency securities	\$ 1,020,915	2020
U.S. government bonds	1,977,880	2019
U.S. government bonds	978,960	2020
U.S. government bonds	1,980,060	2021
Negotiable certificates of deposit	2,469,949	2018
Negotiable certificates of deposit	4,918,199	2019
Negotiable certificates of deposit	2,467,749	2020

**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

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

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 from Disclosure	Aaa	A(1-3)	Not Rated	% of Portfolio
As of June 30, 2019:						
Cash	\$ 100	\$ -	\$ -	\$ -	\$ 100	N/A
Deposits with financial institutions	685,675	-	-	685,675	-	N/A
U.S. government bonds	8,087,416	-	8,087,416	-	-	12.46%
U.S. agency securities	5,027,894	-	5,027,894	-	-	7.74%
Negotiable certificates of deposit	9,937,549	-	-	9,937,549	-	15.31%
CalTRUST short-term fund	5,277,287	5,277,287	-	-	-	8.13%
CalTRUST medium-term fund	15,345,500	15,345,500	-	-	-	23.63%
LAIF	21,253,531	21,253,531	-	-	-	32.73%
	<u>\$ 65,614,952</u>	<u>\$ 41,876,318</u>	<u>\$ 13,115,310</u>	<u>\$ 10,623,224</u>	<u>\$ 100</u>	<u>100.00%</u>

Authorized Investment	Amount	Exempt from Disclosure	Aaa	A(1-3)	Not Rated	% of Portfolio
As of June 30, 2018:						
Cash	\$ 100	\$ -	\$ -	\$ -	\$ 100	N/A
Deposits with financial institutions	818,593	-	-	818,593	-	N/A
Money markets	2,000,000	-	2,000,000	-	-	3.23%
U.S. government bonds	4,936,900	-	4,936,900	-	-	7.98%
U.S. agency securities	1,020,915	-	1,020,915	-	-	1.65%
Negotiable certificates of deposit	9,855,897	-	-	9,855,897	-	15.93%
CalTRUST short-term fund	5,135,294	5,135,294	-	-	-	8.30%
CalTRUST medium-term fund	14,739,832	14,739,832	-	-	-	23.82%
LAIF	24,189,039	24,189,039	-	-	-	39.09%
	<u>\$ 62,696,570</u>	<u>\$ 44,064,165</u>	<u>\$ 7,957,815</u>	<u>\$ 10,674,490</u>	<u>\$ 100</u>	<u>100.00%</u>



**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

---

**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, 2019 and 2018, the carrying amount of the Agency's deposits was \$685,775 and \$818,693, respectively, and the bank balances were \$693,745 and \$825,258, 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 9 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 1½ to 3½ 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**  
**June 30, 2019 and 2018**

---

**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.

**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

---

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

*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.
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. There has been no change in the methodologies used at June 30, 2019 and 2018.

*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

**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

---

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

*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).

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.

**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

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

The following table sets forth by level, within the fair value hierarchy, the Agency's investment assets at fair value as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
U.S. government bonds	\$ 8,087,416	\$ -	\$ -	\$ 8,087,416
U.S. agency securities	5,027,894	-	-	5,027,894
Negotiable certificates of deposit	9,937,549	-	-	9,937,549
CalTRUST short-term fund	-	5,277,287	-	5,277,287
CalTRUST medium-term fund	-	15,345,500	-	15,345,500
State pooled funds (Local Agency Investment Fund)	-	21,253,531	-	21,253,531
	<u>\$ 23,052,859</u>	<u>\$ 41,876,318</u>	<u>\$ -</u>	<u>\$ 64,929,177</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, 2018:

	Level 1	Level 2	Level 3	Total
Money markets	\$ 2,000,000	\$ -	\$ -	\$ 2,000,000
U.S. government bonds	4,936,900	-	-	4,936,900
U.S. agency securities	1,020,915	-	-	1,020,915
Negotiable certificates of deposit	9,855,897	-	-	9,855,897
CalTRUST short-term fund	-	5,135,294	-	5,135,294
CalTRUST medium-term fund	-	14,739,832	-	14,739,832
State pooled funds (Local Agency Investment Fund)	-	24,189,039	-	24,189,039
	<u>\$ 17,813,712</u>	<u>\$ 44,064,165</u>	<u>\$ -</u>	<u>\$ 61,877,877</u>

At June 30, 2019 and 2018, 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**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

**NOTE 5 - CAPITAL ASSETS**

For the year ended June 30, 2019, the changes in capital assets for the Agency were as follows:

	Balance July 1, 2018	Additions	Disposals	Balance June 30, 2019
<b>Non-depreciable capital assets</b>				
Land and rights of way	\$ 4,138,967	\$ -	\$ -	\$ 4,138,967
Construction in progress	7,137,871	4,984,410	-	12,122,281
	11,276,838	4,984,410	-	16,261,248
<b>Depreciable capital assets</b>				
Investment in state water project	144,528,729	4,533,973	-	149,062,702
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	136,900	-	7,043	129,857
Transportation equipment	78,613	-	-	78,613
	163,593,926	4,533,973	7,043	168,120,856
	\$ 174,870,764	\$ 9,518,383	\$ 7,043	\$ 184,382,104

For the year ended June 30, 2019, the changes in accumulated depreciation and amortization for the Agency were as follows:

	Balance July 1, 2018	Additions	Disposals	Balance June 30, 2019
<b>Depreciable capital assets</b>				
Investment in state water project	\$ 50,850,550	\$ 9,495,077	\$ -	\$ 60,345,627
Source of supply	6,406,548	496,798	-	6,903,346
Recharge facilities	979,920	67,581	-	1,047,501
Technical equipment	94,439	-	-	94,439
Office building	848,659	60,352	-	909,011
Solar equipment	90,305	12,031	-	102,336
Furniture and fixtures	129,632	1,672	7,043	124,261
Transportation equipment	33,701	15,723	-	49,424
	\$ 59,433,754	\$ 10,149,234	\$ 7,043	\$ 69,575,945

**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

**NOTE 5 - CAPITAL ASSETS (Continued)**

For the year ended June 30, 2018, the changes in capital assets for the Agency were as follows:

	Balance July 1, 2017	Additions	Disposals	Balance June 30, 2018
<b>Non-depreciable capital assets</b>				
Land and rights of way	\$ 4,138,966	\$ -	\$ -	\$ 4,138,966
Construction in progress	5,174,280	1,963,591	-	7,137,871
	<u>9,313,246</u>	<u>1,963,591</u>	<u>-</u>	<u>11,276,837</u>
<b>Depreciable capital assets</b>				
Investment in state water project	140,127,118	4,401,611	-	144,528,729
Source of supply	15,774,604	-	-	15,774,604
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	172,961	7,173	43,234	136,900
Transportation equipment	74,462	33,666	29,515	78,613
	<u>159,224,226</u>	<u>4,442,450</u>	<u>72,749</u>	<u>163,593,927</u>
	<u>\$ 168,537,472</u>	<u>\$ 6,406,041</u>	<u>\$ 72,749</u>	<u>\$ 174,870,764</u>

For the year ended June 30, 2018, the changes in accumulated depreciation and amortization for the Agency were as follows:

	Balance July 1, 2017	Additions	Disposals	Balance June 30, 2018
<b>Depreciable capital assets</b>				
Investment in state water project	\$ 45,294,721	\$ 5,555,829	\$ -	\$ 50,850,550
Source of supply	5,910,452	496,096	-	6,406,548
Recharge facilities	912,340	67,580	-	979,920
Technical equipment	94,439	-	-	94,439
Office building	788,319	60,340	-	848,659
Solar equipment	78,272	12,033	-	90,305
Furniture and fixtures	172,269	597	43,234	129,632
Transportation equipment	47,493	15,723	29,515	33,701
	<u>\$ 53,298,305</u>	<u>\$ 6,208,198</u>	<u>\$ 72,749</u>	<u>\$ 59,433,754</u>

**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

---

**NOTE 5 - CAPITAL ASSETS (Continued)**

Construction in Progress is divided into 2 major categories. The first category consists of items that are generally considered tangible and have an identifiable estimated cost. Examples could be pipelines, valves, or fencing. The second category consists of items that may be intangible, or items for which a total cost estimate is not identifiable. Examples could be participation rights in studies for a future project, rights-of-way, or plans.

In Category 1, the Agency currently has expended approximately \$10,113,800 and expects to expend and additional \$340,000 to complete the projects; the projects are about 97% completed.

In Category 2, the Agency has expended approximately \$2,382,600.

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

The Association of California Water Agencies

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**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

**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, 2018 and 2017 are as follows:

	2018	2017
Total assets	\$ 188,344,217	\$ 199,365,344
Deferred outflows of resources	<u>1,098,315</u>	<u>1,404,974</u>
Total assets and deferred outflows of resources	<u>\$ 189,442,532</u>	<u>\$ 200,770,318</u>
Total liabilities	\$ 100,820,701	\$ 123,871,469
Deferred inflows of resources	2,156,227	1,576,175
Net position	<u>86,465,604</u>	<u>75,322,674</u>
Total liabilities, deferred inflows, and net position	<u>\$ 189,442,532</u>	<u>\$ 200,770,318</u>
Total revenues	\$ 176,044,304	\$ 169,992,183
Total expenses	(165,196,299)	(164,170,540)
Total other income	<u>294,925</u>	<u>797,414</u>
Change in net position	<u>\$ 11,142,930</u>	<u>\$ 6,619,057</u>

**Delta Conveyance Finance Authority**

The Agency participates under a joint powers agreement (JPA) with the Delta Conveyance Finance Authority (DCFA). The DCFA is a joint powers agency created in July 2018 as a conduit financing authority to assist the Department of Water Resources and the public water agency participants, currently all of whom are State Water Project Contractors, finance all or a portion of the California WaterFix. No available audited financial statements of the DCFA is available at this time. Information as they become available can be requested by contacting the DCFA at 1121 L Street, Suite 1045, Sacramento, California 95814.

**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

---

**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 Gorgonio 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 years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for improved non-industrial disability benefits after five years of service. The Agency has chosen the Optional Settlement 2W Death Benefit.

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 \$321,289 and \$105,338 for the fiscal years ended June 30, 2019 and 2018, 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. At June 30, 2019 and 2018, the Agency's pickup of the employee's 5 percent share was \$26,127 and \$24,343, respectively. There are no PEPRA members employed by the Agency.

**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

**NOTE 7 - PENSION PLAN (Continued)**

The plan's provisions and benefits at June 30, 2019 and 2018 are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3.0% at 60	2.0% at 62
Benefit vesting schedule	5 years of service	5 years of service
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% to 2.418%	2.0% to 2.5%
Cost-of-living adjustment	4.0% maximum	4.0% maximum
Required employee contribution rates		
2019	3.00%	8.00%
2018	3.00%	8.00%
Required employer paid member contributions		
2019	5.00%	0.00%
2018	5.00%	0.00%
Required employer contribution rates		
2019	15.723%	15.723%
2018	14.850%	14.850%

**Net Pension Liability**

The Agency's net pension liability for the Plan is measured as the proportionate share of the collective net pension liability of the Plan. For calendar year 2015, and continuing, employees pay 3 percent of their annual covered salary. At June 30, 2019 and 2018, the Agency reported the following net pension liability measured as of June 30, 2018 and 2017, respectively:

	2019		2018	
	Amount	Proportion	Amount	Proportion
Total pension liability	\$ 3,521,805	0.02085%	\$ 3,381,093	0.02111%
Fiduciary net position	2,766,210	0.02108%	2,609,299	0.02161%
Net pension liability	<u>\$ 755,595</u>	0.02005%	<u>\$ 771,794</u>	0.00778%

The Agency's proportion of the collective net pension liability increased by 0.01227% since the last measurement date.

**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

---

**NOTE 7 - PENSION PLAN (Continued)**

(b) Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2018 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2017 total pension liability determined in the June 30, 2017 actuarial accounting valuation.

The June 30, 2018 and 2017 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	2018	7.15%
	2017	7.15%
Inflation	2018	2.50%
	2017	2.75%
Salary increases		Varies by entry age and service
Investment rate of return	2018	7.250% net of pension plan investment expenses, including inflation
	2017	7.250% net of pension plan investment expenses, including inflation
Mortality rate table		Derived using CalPERS' membership data for all funds
Post-retirement benefit increase		Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

*The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale BB.*

All other actuarial assumptions used in the June 30, 2018 and 2017 valuations were based on the results of an actuarial experience study for the period from 1997 to 2015, 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**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

---

**NOTE 7 - PENSION PLAN (Continued)**

**Discount Rate**

The discount rate used to measure the total pension liability at June 30, 2018 and 2017 was 7.15 percent. 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, 2018 and 2017 measurement dates were appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rates of 7.15 percent at June 30, 2018 and 2017 measurement dates 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.

**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

**NOTE 7 - PENSION PLAN (Continued)**

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.

Asset Class	New Strategic Allocation		Real Return Years 1-10 <sup>1</sup>	Real Return 11+ <sup>2</sup>	Real Return Years 1-10 <sup>3</sup>	Real Return 11+ <sup>•</sup>
	2018	2017	2018	2018	2017	2017
Global equity	50.00%	47.00%	4.80%	5.98%	4.90%	5.38%
Fixed income	28.00%	19.00%	1.00%	2.62%	0.80%	2.27%
Inflation sensitive assets	0.00%	6.00%	0.77%	1.81%	0.60%	1.39%
Private equity	8.00%	12.00%	6.30%	7.23%	6.60%	6.63%
Real estate	13.00%	11.00%	3.75%	4.93%	2.80%	5.21%
Other	0.00%	3.00%	0.00%	0.00%	3.90%	5.36%
Liquidity	1.00%	2.00%	0.00%	-0.92%	-0.40%	-0.90%
Total	<u>100.00%</u>	<u>100.00%</u>				

<sup>1</sup> An expected inflation of 2.00 percent used for this period

<sup>2</sup> An expected inflation of 2.92 percent used for this period

<sup>3</sup> An expected inflation of 2.50 percent used for this period

• An expected inflation of 3.00 percent used for this period

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

The following presents the Agency's proportionate share of the collective net pension liability of the plan as of the measurement date calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00 percentage - 1.00 point lower or 1.00 percentage-point higher than current discount rate:

Measurement Date	Discount Rate -1.0%	Current Discount	Discount Rate +1.0%
2018	(6.15%) \$ 1,231,994	(7.15%) \$ 755,595	(8.15%) \$ 362,336
2017	(6.15%) \$ 1,236,853	(7.15%) \$ 771,794	(8.15%) \$ 386,624

**Pension Plan Fiduciary Net Position**

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

**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

**NOTE 7 - PENSION PLAN (Continued)**

(d) Pension Expense, Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2019 and 2018, the Agency recognized pension expense of \$161,734 and \$183,068, respectively. At June 30, 2019 and 2018, the Agency deferred inflows and outflows of resources related to pensions are as follows:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	2019	2018	2019	2018
Pension contributions subsequent to measurement date	\$ 321,289	\$ 105,338	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	3,735	31,908	-	-
Difference between actual and projected contributions	3,931	9,547	1,520	9,368
Changes in assumptions	86,140	141,086	21,111	10,758
Difference between expected and actual experience	28,991	1,137	9,865	16,291
Change in proportion	44,063	61,904	1,543	3,749
<b>Total</b>	<b>\$ 488,149</b>	<b>\$ 350,920</b>	<b>\$ 34,039</b>	<b>\$ 40,166</b>

The amounts above are net of outflows and inflows recognized in the pension expense. The \$321,289 and \$105,338 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2019 and 2018, respectively.

The deferred outflows and inflows of resources, other than contributions subsequent to measurement date, will be recognized in future pension expense as follows:

Fiscal Year Ending June 30	Deferred Inflows (Outflows) of Resources	
	2019	2018
2019	\$ -	\$ 69,512
2020	95,922	96,223
2021	59,976	58,624
2022	(16,281)	(18,943)
2023	(6,796)	(18,943)
2024	-	-
Thereafter	-	-

**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

---

**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 that 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.

At June 30, 2019, the following employees were covered by the benefit terms:

	Number of Covered Participants
Inactive plan members or beneficiaries currently receiving benefit payments	2
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	4
<b>Total</b>	<b>6</b>

Contribution requirements of the Agency are established by Ordinance and may be amended through board action to update the original Ordinance. For the year ended June 30, 2019, the Agency's average contribution rate was 1.40 percent of covered-employee payroll. Employees are not required to contribute to the plan.

Net OPEB Liability

The Agency's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

*Actuarial assumptions:* The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75% annually
Discount rate	6.75%
Long-term expected rate of return on investments	6.75% net of investment expenses
Healthcare cost trend rates	
Pre-Medicare	7.50% for 2019, decreasing to 4.00% for 2076 and later
Medicare	6.50% for 2019, decreasing to 4.00% for 2076 and later



**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

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

Mortality rates were based on the CalPERS experience study, with adjustments for mortality improvements projected fully generational with Scale MP-17.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of a CalPERS actuarial experience study for the period 1997-2015.

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class Component</u> _____	Target Allocation*	Long-Term Expected Real Rate of Return <sup>1 2</sup>
Equities	57%	4.82%
Fixed income	27%	1.47%
TIPS	5%	1.29%
Commodities	3%	0.84%
REITs	8%	3.76%
Total	<u>100%</u>	

<sup>1</sup> Assumed long-term rate of inflation is 2.75%

<sup>2</sup> Expected long-term net rate of return is 6.75%

\* CERBT-Strategy 1 - Policy target effective on the measurement date (June 30, 2018). Changes to the target investment allocation effective October 1, 2018 do not have a significant impact on the expected long-term rate of return.

*Discount rate:* The discount rate used to measure the total OPEB liability at June 30, 2019 and 2018 was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that Plan Assets will always exceed benefit payments. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

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

Changes in the Net OPEB Liability

The changes in the net OPEB liability for the plan for the year ended June 30, 2019 are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	NET OPEB Liability (a) - (b)
Balances at June 30, 2018	\$ 866,596	\$ 690,383	\$ 176,213
Changes for the year:			
Service cost	71,161	-	71,161
Interest	62,344	-	62,344
Differences between expected and actual experience	-	-	-
Contributions - employer	-	7,315	(7,315)
Net investment income	-	54,942	(54,942)
Benefit payments	(28,262)	(28,262)	-
Administrative expense	-	(1,281)	1,281
Net changes	105,243	32,714	72,529
Balances at June 30, 2019	\$ 971,839	\$ 723,097	\$ 248,742

The changes in the net OPEB liability for the plan for the year ended June 30, 2018 are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	NET OPEB Liability (a) - (b)
Balances at June 30, 2017	\$ 770,768	\$ 644,931	\$ 125,837
Changes for the year:			
Service cost	69,088	-	69,088
Interest	55,712	-	55,712
Differences between expected and actual experience	-	-	-
Contributions - employer	-	6,512	(6,512)
Net investment income	-	68,257	(68,257)
Benefit payments	(28,972)	(28,972)	-
Administrative expense	-	(345)	345
Net changes	95,828	45,452	50,376
Balances at June 30, 2018	\$ 866,596	\$ 690,383	\$ 176,213

**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

---

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

*Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates:*  
The following presents the net OPEB liability of the Agency, as well as what the Agency's net OPEB liability would be if it were calculated using a discount rate that is 1.00 percentage-point lower or 1.00 percentage-point higher than the current discount rate:

	Discount Rate		
	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
Net OPEB liability - June 30, 2019	\$ 362,402	\$ 248,742	\$ 153,465
Net OPEB liability - June 30, 2018	279,835	176,213	89,358

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates:*  
The following presents the net OPEB liability of the Agency, as well as what the Agency's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1.00 percentage point lower or 1.00 percentage-point higher than the current healthcare cost trend rates:

	Healthcare Trend Rate		
	1% Decrease (6.5% to 4.0%)	Current Trend (7.5% to 4.0%)	1% Increase (8.5% to 4.0%)
Net OPEB liability - June 30, 2019	\$ 133,276	\$ 248,742	\$ 386,800
Net OPEB liability - June 30, 2018	75,502	176,213	296,481

*OPEB plan fiduciary net position:* Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CalPERS financial report.

**SAN GORGONIO PASS WATER AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

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

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources, For the year ended June 30, 2019 and 2018, the Agency recognized OPEB expense of \$81,452 and \$77,283, respectively. At June 30, 2019 and 2018, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	2019	2018	2019	2018
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ -	\$ 22,003	\$ 20,395
Employer contributions made subsequent to the measurement date	25,564	7,315	-	-
Total	<u>\$ 25,564</u>	<u>\$ 7,315</u>	<u>\$ 22,003</u>	<u>\$ 20,395</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/(Inflows) of Resources	
	2019	2018
2019	\$ -	\$ (5,099)
2020	(6,776)	(5,099)
2021	(6,776)	(5,099)
2022	(6,775)	(5,098)
2023	(1,676)	-
2024	-	-
Thereafter	-	-
	<u>\$ (22,003)</u>	<u>\$ (20,395)</u>

**NOTE 9 - 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, 2019 and 2018**

---

**NOTE 10 - CONTRACTUAL COMMITMENTS**

The Agency has entered into various contractual agreements for engineering, construction, and consulting services. As of June 30, 2019, the remaining contractual commitment for geologic studies and monitoring is \$358,451, for construction service is \$290,046, and for various other agreements is \$1,114,423. As of June 30, 2018, the remaining contractual commitment for geologic studies and monitoring is \$1,045,252, for construction service is \$2,809,287, and for various other agreements is \$117,361. These commitments have not been recorded in the accompanying financial statements.

**NOTE 11 - RECLASSIFICATIONS**

Certain reclassifications have been made to the 2018 financial statement presentation to correspond to the 2019 year's format. Total net position and change in net position are unchanged due to these reclassifications.

**NOTE 12 - PRIOR-PERIOD ADJUSTMENT OF NET POSITION**

The net position at the beginning of 2018 has been restated to decrease the net position to reflect the prior period costs related to the implementation of the net OPEB liability.

	Amount
Net Position, July 1, 2017, Originally Stated	\$ 173,667,262
Net OPEB Liability	(119,325)
Net Position, July 1, 2017, Restated	<u>\$ 173,547,937</u>

**NOTE 13 - SUBSEQUENT EVENTS**

In the preparation of these financial statements, the Agency considered subsequent events through October 7, 2019, which is the date these financial statements were available to be issued. No events occurred through this date requiring disclosure.

**SUPPLEMENTARY INFORMATION - UNAUDITED**

**SAN GORGONIO PASS WATER AGENCY**  
**REQUIRED SUPPLEMENTARY INFORMATION – UNAUDITED**  
**June 30, 2019**

---

**Schedule of Agency Contributions – CALPERS Pension Cost Sharing Plan**  
**For the last ten fiscal years<sup>1</sup>**

	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 121,289	\$ 105,338	\$ 95,564	\$ 109,010	\$ 112,491
Contributions in relation to the actuarially determined contribution	<u>(321,289)</u>	<u>(105,338)</u>	<u>(95,564)</u>	<u>(109,010)</u>	<u>(112,491)</u>
Contribution deficiency (excess)	<u>\$ (200,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 522,545	\$ 505,149	\$ 478,062	\$ 461,852	\$ 425,739
Contributions as a percentage of covered payroll	23.21%	20.85%	19.99%	23.60%	26.42%

<sup>1</sup> *Historical information is required only for measurement periods for which GASB 68 is applicable. Additional years will be added as they become available in the future.*

**SAN GORGONIO PASS WATER AGENCY**  
**REQUIRED SUPPLEMENTARY INFORMATION – UNAUDITED**  
**June 30, 2019**

---

**Schedule of Proportionate Share of the Net Pension Liability and Related Ratios**  
**For the last ten fiscal years<sup>1</sup>**

	2019	2018	2017	2016	2015
Measurement Date	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of the collective net pension liability	0.00784%	0.00778%	0.00754%	0.00715%	0.01065%
Proportionate share of the collective net pension liability	\$ 755,595	\$ 771,494	\$ 652,703	\$ 490,726	\$ 662,864
Covered-employee payroll	505,149	478,062	461,852	461,852	425,739
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	149.58%	161.44%	141.32%	106.25%	155.70%
Proportionate share of the fiduciary net position as a percentage of the plan's total pension liability	75.26%	73.31%	74.06%	78.04%	75.86%

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable. Additional years will be added as they become available in the future.



**SAN GORGONIO PASS WATER AGENCY**  
**REQUIRED SUPPLEMENTARY INFORMATION – UNAUDITED**  
**June 30, 2019**

**Schedule of Changes in the Agency's Net OPEB Liability and Related Ratios**  
**For the last ten fiscal years<sup>1</sup>**

Measurement Period Ending*	2018	2017
Changes in total OPEB liability		
Service cost	\$ 71,161	\$ 69,088
Interest	62,344	55,712
Difference between expected and actual experience	-	-
Changes of assumptions	-	-
Changes of benefit terms	-	-
Benefit payments including refunds**	<u>(28,262)</u>	<u>(28,972)</u>
Net changes	105,243	95,828
Total OPEB liability (beginning)	866,596	770,768
Total OPEB liability (ending)	<u>\$ 971,839</u>	<u>\$ 866,596</u>
Changes in plan fiduciary net position		
Contributions - employer**	\$ 7,315	\$ 6,512
Contributions - employee	-	-
Net investment income	54,942	68,257
Benefit payments including refunds**	(28,262)	(28,972)
Administrative expense	(1,281)	(345)
Net changes	32,714	45,452
Plan fiduciary net position (beginning)	690,383	644,931
Plan fiduciary net position (ending)	<u>\$ 723,097</u>	<u>\$ 690,383</u>
Net OPEB liability (ending)	\$ 248,742	\$ 176,213
Plan fiduciary net position as a percentage of the total OPEB liability	74.4%	79.7%
Covered payroll	\$ 512,238	\$ 485,156
Net pension liability as a percentage of covered payroll	48.6%	36.3%

\* For the 12-month period ending on June 30 (measurement date)

\*\* Includes \$7,315 and \$6,512 implied subsidy benefit payments for measurement periods ending in 2018 and 2017, respectively.

<sup>1</sup> Historical information is required only for measurement periods for which GASB 75 is applicable. Additional years will be added as they become available in the future.

**SAN GORGONIO PASS WATER AGENCY**  
**REQUIRED SUPPLEMENTARY INFORMATION – UNAUDITED**  
**June 30, 2019**

---

**Schedule of Agency Contributions - OPEB Liability**

**For the last ten fiscal years<sup>1</sup>**

	2019	2018
Actuarially determined contribution (ADC)	\$ 91,647	\$ 88,920
Contributions in relation to the actuarially determined contribution	25,564	7,315
Contribution deficiency/(excess)	\$ 66,083	\$ 81,605
Covered payroll*	\$ 530,033	\$ 512,238
Contributions as a percentage of covered payroll	4.8%	1.4%

\* For the 12-month period ending on the preceding June 30th fiscal year-end

<sup>1</sup> Historical information is required only for measurement periods for which GASB 75 is applicable.

Additional years will be added as they become available in the future.

**Notes to Schedule**

**Valuation date**

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

**Methods and assumption used to determine contribution rates**

Actuarial cost method	Entry age, level percentage of payroll
Amortization method and period	Level dollar amount over closed 21-year period
Asset valuation method	Market value, no smoothing
Inflation	2.75%
Investment rate of return	6.75%
Healthcare cost trend rates	
Pre-Medicare	7.50% for 2019, decreasing to 4.00% for 2076 and later
Medicare	6.50% for 2019, decreasing to 4.00% for 2076 and later
Mortality, Disability, Termination, Retirement	
Retirement	CalPERS 1997-2015 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-2017

**SAN GORGONIO PASS WATER AGENCY**  
**ORGANIZATIONAL INFORMATION - UNAUDITED**  
**June 30, 2019**

---

**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, 2019**

---

**Officers, Directors, and Senior Management**

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

	__ Term Expires __
Ron Duncan, President	November 2020
Leonard Stephenson, Vice President	November 2020
Steve Lehtonen, Treasurer	December 2022
Blair Ball, Director	December 2022
David Castaldo, Director	November 2020
David Fenn, Director	December 2022
Mike Thompson, Director	November 2020
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.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors and Management  
San Geronio Pass Water Agency  
Beaumont, California



We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of San Geronio Pass Water Agency (the Agency), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated October 18, 2019.

**Internal Control over Financial Reporting**

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

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

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

**Eadie + Payne, LLP**

3880 Lemon St., Ste. 300  
Riverside, CA 92501

P.O. Box 1529  
Riverside, CA 92502-1529

Office: 951-241-7800

[www.eadiepaynellp.com](http://www.eadiepaynellp.com)

**Compliance and Other Matters**

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

**Purpose of this Report**

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

Very truly yours,



Riverside, California  
October 7, 2019

**SAN GORGONIO PASS WATER AGENCY**  
**FISCAL YEAR JULY 1, 2019 - JUNE 30, 2020**  
**BUDGET REVISION FOR BOARD APPROVAL**  
**DATE OF PROPOSAL: October 28, 2019**

LINE ITEM	A AMOUNT IN ORIGINAL ADOPTED BUDGET	B BOARD APPROVED PRIOR BUDGET REVISIONS	A+B REVISED BUDGET BEFORE NEW REVISIONS	C CURRENT BUDGET REVISIONS FOR APPROVAL	A+B+C REVISED BUDGET AFTER CURRENT REVISIONS
<b>GENERAL FUND</b>					
<b>ADMINISTRATIVE &amp; PROFESSIONAL</b>					
New Line Item					
Water Treatment Expense	0	0	0 +	75,000	75,000
<b>TOTAL ADMINISTRATIVE &amp; PROFESSIONAL REVISIONS</b>	<b>0</b>	<b>0</b>	<b>0 +</b>	<b>75,000</b>	<b>75,000</b>
<b>GENERAL ENGINEERING</b>					
New Line Item					
Yucaipa GSA	0	0	0 +	30,000	30,000
<b>TOTAL GENERAL ENGINEERING REVISIONS</b>	<b>0</b>	<b>0</b>	<b>0 +</b>	<b>30,000</b>	<b>30,000</b>
<b>GENERAL FUND TOTALS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>105,000</b>	<b>105,000</b>