

SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue, Beaumont, CA
Board of Directors Meeting
Agenda
November 4, 2019 at 1:30 p.m.

1. Call to Order, Flag Salute, Invocation and Roll Call

2. Adoption and Adjustment of Agenda

3. Public Comment: Members of the public may address the Board at this time concerning items relating to any matter within the Agency's jurisdiction. To comment on specific agenda items, please complete a speaker's request form and hand it to the board secretary. 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. Consent Calendar: If any board member requests that an item be removed from the Consent Calendar, it will be removed so that it may be acted upon separately.

- A. Approval of the Minutes of the Regular Board Meeting, October 21, 2019* (p. 2)
- B. Approval of the Minutes of the Finance and Budget Workshop, October 28, 2019* (p. 6)
- C. Approval of the Finance and Budget Workshop Report, October 28, 2019* (p. 30)

5. Reports:

- A. General Manager's Report* (p. 31)
- B. Directors Reports
- C. Committee Reports

6. New Business:

- A. Consideration of 2018-2019 Annual Audit * (p. 66)
- B. Discussion of San Gorgonio Pass Regional Water Alliance participation
- C. Re-appointment of Ad-hoc Committee on the Facilitation of Water Deliveries to Calimesa

7. Topics for Future Agendas

8. Announcements:

- A. Cancelled - Water Conservation and Education Committee Meeting, November 14, 2019 at 1:30 p.m.
- B. Office closed Monday, November 11, 2019 in observance of Veterans Day
- C. Engineering Workshop, Tuesday, November 12, 2019 at 1:30 p.m.
- D. Regular Board Meeting, November 18, 2019 at 1:30 p.m.

9. Adjournment

***Information included in Agenda Packet**

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

SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue, Beaumont, California 92223
Minutes of the
Board of Directors Meeting
October 21, 2019

Directors Present: Ron Duncan, President
Lenny Stephenson, Vice President
Blair Ball, Director
David Fenn, Director
David Castaldo, Director
Michael Thompson, Director

Directors Absent: Stephen Lehtonen, Treasurer

Staff Present: Jeff Davis, General Manager
General Counsel Jeff Ferre
Thomas Todd, Finance Manager
Cheryle Stiff, Executive Assistant
Casmir Olaivar, Social Media Specialist

1. **Call to Order, Flag Salute, Invocation, and Roll Call:** The meeting of the San Gorgonio Pass Water Agency Board of Directors was called to order by Board President Duncan at 1:30 p.m., October 21, 2019 in the Agency Boardroom at 1210 Beaumont Avenue, Beaumont, California. President Duncan led the Pledge of Allegiance to the flag. Director Fenn gave the invocation. A quorum was present.
2. **Adoption and Adjustment of Agenda:** *President Duncan asked if there were any adjustments to the agenda.* There being none the agenda was adopted as published.
3. **Public Comment:** *President Duncan asked if there were any members of the public that wished to make a public comment on items that are within the jurisdiction of the Agency that are not on today's agenda.* There were no members of the public that spoke at this time.
4. **Consent Calendar:**
 - A. Approval of the Minutes of the Regular Board Meeting, October 7, 2019
 - B. Approval of the Minutes of the Engineering Workshop, October 14, 2019

President Duncan asked for a motion on the Consent Calendar. Director Castaldo made a motion, seconded by Director Stephenson, to adopt the consent calendar. Motion passed 6-0, with Director Lehtonen absent.

5. **Reports:**
 - A. **General Manager's Report:** General Manager Davis reported verbally on the following: **Operations** – 1031 acre-feet has been delivered to the Noble Creek Connection, so far this month. Nickel water (1600 acre-feet) has been delivered for this year. Delivery of 100 acre-feet of Nickel water to LADWP will take place this week. Delivery of the 2000 acre-feet of water from Ventura began last week. Carryover of SWP water is anticipated to be between 2500 and 3000 acre-feet. **Biological Opinions:** The Federal Government is issuing new Biological Opinions for operations in the Delta. General Manager Davis summarized how the new Biological Opinions differ from the previous Biological Opinions. The Board

members and members of the public were provided a graph of the previous Biological Opinions – Reasonable and Prudent Alternatives, which were not science based. The new Biological Opinions will incorporate more of a science based approach to water and ecosystem management. **Sites Reservoir:** General Manager Davis reported on the Sites Reservoir meetings that he attended in Sacramento last week. At the last Board meeting General Manager Davis had informed the Board that Phase 2 is being delayed by 90 days (April 1, 2020). During the meetings that he attended last week it was determined that Phase 2 is to be delayed by 180 days (July 1, 2020). This will allow more time to acquire more information in order for all parties to determine if they wish to participate and for how much. **Voluntary Agreements:** Voluntary Agreements will provide more water for environmental purposes, funds to pay for habitat improvement projects, and flexibility for water users who depend on reliable water supplies to grow our food. These agreements are in lieu of State Water Resource Control Board issuing regulations for the Central Valley based on flow. It was noted that Governor Newsom supports VA's.

B. General Counsel Report: A written report was provided by Legal Counsel Jeff Ferre on the disposition of surplus land. President Duncan requested clarification on the General Counsel's report as to whether a public meeting would need to be noticed on the sale of surplus land. Legal Counsel Ferre explained the process of the sale of surplus property.

C. Directors Reports:

1) Director Stephenson reported that he attended YVWD's workshop on October 8th, South Mesa Water District's meeting on October 9th, YVWD's Board meeting on October 15th, and YVWD's Community meeting on October 16th. **2) President Duncan** reported on the City of Banning's - State of the City event that was held on October 10th. **3) Director Ball** reported on the City of Banning's - State of the City event that was held on October 10th. He reported on Beaumont Chamber's Breakfast on October 11th. He attended the Pass EDA's event that was held on October 16th, and he reported on the BCVWD's Rate Study workshop that was held on October 17th. **4) Director Castaldo** reported on the Pass EDA's event that was held on October 16th.

D. Committee Reports: **1) Director Castaldo** reported on the Director's Handbook Ad-Hoc Committee meetings. He presented to the Board a list of findings and recommendations. **2) Director Ball** reported on the Capacity Fee Ad-Hoc Committee that was held on October 14th. The next Committee meeting will be held on Tuesday, November 12th at 12:30 p.m. **3) Director Stephenson** announced that the Ad-Hoc Committee for the Facilitation of Water Deliveries to Calimesa will be meeting directly after today's Board meeting. **4) Director Thompson** reported on the Water Conservation and Education Committee meeting that took place on October 10th.

6. New Business:

A. Consideration and Possible Action on USGS 2019-2020 Work Plan. A staff report and a copy of the Joint Funding Agreement along with related materials were included in the agenda package. President Duncan stated that this item was discussed at the October 14th Engineering workshop. General Manager Davis reported that USGS has since revised the calculations on the work plan as the matching funds portion increased to \$18,590, with the

stipulation if the matching funds were available. He asked the Board to approve the maximum of \$132,100 in the event that there are no matching funds. However, the most likely scenario would be \$113,510 spread over two fiscal years. Director Stephenson moved, seconded by Director Castaldo, to authorize the General Manager to sign a cooperative agreement with USGS for 2019-2020 for a maximum of \$132,100 over two fiscal years. Motion passed 6-0, with Director Lehtonen absent.

B. Consideration and Possible Action Regarding Election of ACWA President and Vice President. A staff report and ACWA related materials were included in the agenda packet. General Counsel Ferre stated that the purpose for this item is to determine who from the Board will be representing the Agency to vote for ACWA's President and Vice-President at the Fall ACWA Conference. General Manager Davis stated that President Duncan informed him that he will be voting on behalf of the Agency and he has completed the proxy designation form. General Manager Davis stated that here is a slate recommended by the ACWA Nominating Committee; however, there will most likely be at least one additional candidate nominated from the floor. General Manager Davis explained the rotation of Vice President to President.

C. Discussion and Possible Appointment of SGPRWA Member Replacement. Director Fenn noted that at the last Board meeting he had announced that starting in January he will not be able to continue serving on the SGPRWA Committee, as he has personal obligations that interfere with the scheduled meetings. He requested that the Board contemplate appointing another member of the Board to replace him and to bring this action to a future board meeting. Director Fenn stated that since the previous Board meeting he had spoken to Director Lehtonen, and he volunteered to represent the Agency at the SGPRWA, should the Board wish him to do so. Director Fenn made a motion, seconded by Director Thompson, to appointment Director Stephenson to replace Director Fenn as Co-Chair of the SGPRWA. Motion passed 6-0, with Director Stephenson absent.

7. Topics for Future Agendas: **1) General Counsel Ferre** requested that a revision to the Facilitation of Water Deliveries to Calimesa Ad-Hoc Committee be discussed at the next Board meeting. **2) Director Castaldo** stated that the Handbook Committee felt that the current handbook is adequate and requested that the recommendations be added to the handbook. General Counsel Ferre stated that adding recommendations to the handbook needs to be voted on at a future Board meeting. **3) Director Castaldo** requested discussion on why the Agency is participating in the SGPRWA and what the purpose and/or goals are of the Alliance. **4) Director Ball** requested discussion on employment qualifications for a general manager. General Council Ferre informed the Board that most agencies hire a consultant who can recruit, has the connections that can help facilitate the Board on what to look for, advertising of the general manager position, and to recruit someone that fits the needs of the job description. He stated that it can be a daunting process for a Board to take on; he recommended hiring a recruiting consultant. **5) Director Fenn** stated that there had been previous discussions regarding a yearly review of the water rate. The calendar year is ending soon and he would like a review of the current water rate, a review of the water orders for the 2020 calendar year, and discussion on what is the expected profit and/or loss will be based on the 2020 orders.

8. Announcements:

- A. Finance & Budget Workshop, October 28, 2019 at 1:30 p.m.
- B. Regular Board Meeting, November 4, 2019 at 1:30 p.m.
- C. Office closed **Monday**, November 11, 2019, in observance of Veterans Day
- D. Engineering Workshop, **Tuesday**, November 12, 2019 at 1:30 p.m.

9. Adjournment

Time: 2:25 pm

Draft - Subject to Board Approval

Jeffrey W. Davis, Secretary of the Board

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SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue
Beaumont, California 92223
Minutes of the
Board Finance and Budget Workshop
October 28, 2019

Directors Present: Ron Duncan, President
Lenny Stephenson, Vice President
Steve Lehtonen, Treasurer
Blair Ball, Director
David Castaldo, Director
David Fenn, Director
Mike Thompson, Director

Staff and Consultants Present:
Jeff Davis, General Manager
Tom Todd, Jr., Finance Manager
Brandon Ferrell, CPA, Eadie + Payne

1. **Call to Order, Flag Salute and Roll Call:** The Finance and Budget workshop of the San Gorgonio Pass Water Agency Board of Directors was called to order by Treasurer Steve Lehtonen at 1:30 pm, October 28, 2019, in the Agency Board Room at 1210 Beaumont Avenue, Beaumont, California. Treasurer Lehtonen led the Pledge of Allegiance to the flag. A quorum was present.
2. **Adoption and Adjustment of Agenda:** General Manager Jeff Davis requested that item 4. I. be moved to the first place under New Business, to allow the auditors to make their presentation first, and then be excused from the meeting. The agenda was adopted as changed.
3. **Public Comment:** No members of the public requested to speak at this time.
4. **New Business:**
 - I. **Review of Audited Financial Statements for FY 2018-19:** General Manager Davis introduced Brandon Ferrell, Senior Manager - Attest, of Eadie and Payne. Mr. Ferrell reviewed the audited financial statements for FY 2018-19. In his remarks, he indicated that there were no new accounting policies adopted, he discussed significant estimates, and he said there were no difficulties performing the audit, that management had agreed to all adjustments, there were no disagreements with management, and that Eadie and Payne had received the management representation letter as required. In the opinion of Eadie and Payne, the financial statements are presented fairly in accordance with GAAP; in his words, "this is a clean audit." He also discussed internal controls, which Eadie and Payne reviews, but does not express an opinion. He said there were no material weaknesses, and no significant deficiencies. Finally, he noted that a

new Government Standards Accounting Board (GASB) pronouncement will require disclosure and listing of leases in future audits, and suggested the Agency be prepared with a list of leases for the next audit. In addition, he asked the Board to consider a 3-year contract extension. The Board will consider this at a future meeting. After further review and discussion, a motion was made by Director Duncan, seconded by Director Thompson, to recommend that the Board adopt the Audited Financial Statements for FY 2018-19. The motion passed 7 in favor, no opposed.

- A. Ratification of Paid Invoices and Monthly Payroll for September, 2019 by Reviewing Check History Reports in Detail: After review and discussion, a motion was made by Director Duncan, seconded by Director Ball, to recommend that the Board ratify paid monthly invoices of \$11,298,988.46 and payroll of \$36,812.71 for the month of September, 2019, for a combined total of \$11,335,801.17. The motion passed 7 in favor, no opposed.
- B. Review Pending Legal Invoices: After review and discussion, a motion was made by Director Fenn, seconded by Director Thompson, to recommend that the Board approve payment of the pending legal invoice for September, 2019 for \$4,199.02. The motion passed 7 in favor, no opposed.
- C. Review of September, 2019 Bank Reconciliation: After review and discussion, a motion was made by Director Thompson, seconded by Director Duncan, to recommend that the Board acknowledge receipt of the Wells Fargo bank reconciliation for September, 2019 as presented. The motion passed 7 in favor, no opposed.
- D. Review of Budget Report for September, 2019: General Manager Davis reviewed the budget report, highlighting a number of items, and answering questions. After further review and discussion, a motion was made by Director Stephenson, seconded by Director Duncan, to recommend that the Board acknowledge receipt of the Budget Report for September, 2019. The motion passed 7 in favor, no opposed.
- E. Review of Cash Reconciliation Report for June 30, 2019: Finance Manager Tom Todd introduced the Cash Reconciliation Report by pointing out that this report is dated June 30, 2019, and could now be presented because the audit had been completed. He reviewed the position of the Debt Service Fund and the General Fund for the year ended June 30, 2019, and also referred to the quarterly comparison that was also included on the second page of the report. After further review and discussion, a motion was made by Director Duncan, seconded by Director Castaldo, to recommend that the Board accept the Cash Reconciliation Report for June 30, 2019. The motion passed 7 in favor, no opposed.

- F. Review of Cash Reconciliation Report for September 30, 2019: Finance Manager Todd reviewed the current Cash Reconciliation Report; he pointed out the usual downward trend in September, that happens because of the large EBX payment made in that month. After further review and discussion, a motion was made by Director Stephenson, seconded by Director Thompson, to recommend that the Board accept the Cash Reconciliation Report for September 30, 2019. The motion passed 7 in favor, no opposed.
- G. Review of Reserve Allocation Report for September 30, 2019: Finance Manager Todd introduced the Reserve Allocation Report by highlighting activity from FY 2018-19 first, then pointing out the activity for the current quarter. He also said this is the staff recommendation, and that the Board may choose to change any of the unrestricted balances. After further review and discussion, a motion was made by Director Duncan, seconded by Director Stephenson, to recommend that the Board approve the Cash Reconciliation Report for September 30, 2019 as presented. The motion passed 7 in favor, no opposed.
- H. Review of Investment Report for September 30, 2019: Finance Manager Todd introduced this report by pointing out the parts of the report that are similar to the other reports presented, and then reviewed the Agency investments in detail. Of note, the market value of CalTRUST had changed significantly to the positive. General Manager Davis briefly reviewed some of the history of changes in market value and the volatility of the two funds we maintain with CalTRUST. He suggested to the Board that this would be a good time to move some or all of the balance in the Medium-Term Fund to the Short-Term Fund, to lower risk of losing value of the interest earned. The consensus of the Board was to move the entire balance of the Medium-Term Fund to the Short-Term Fund. After further review and discussion, a motion was made by Director Ball, seconded by Director Duncan, to recommend that the Board accept the Investment Report for September 30, 2019. The motion passed 7 in favor, no opposed.
- J. Review of Proposed Budget Revision for FY2019-20: General Manager Davis introduced this topic by describing the need for two new budget line items. San Bernardino Valley Municipal Water District is currently treating water upstream of Citrus Reservoir to reduce algae, which has been effective according to the retailers who receive the water. The Agency participates in the treatment by paying part of the cost of the installation and the on-going supplies needed to continue treating the water, at no cost to the retailers. The proposed budget revision adds a new line item, for an annual expense of \$75,000, to be taken from reserves. The second budget line item is for expenses related to the Yucaipa Groundwater Sustainability Agency. We are a member of the Yucaipa GSA, designated as a 'Regional.' The annual cost to the agency is likely to be less than \$30,000, and even though the GSA has been meeting and conducting business for some time, the Agency has only recently received invoices for the work being conducted. The proposed budget revision adds a new line item, for

an annual expense of \$30,000, to be taken from reserves. After further review and discussion, a motion was made by Director Castaldo, seconded by Director Thompson, to recommend that the Board approve the budget revisions as presented. The motion passed 7 in favor, no opposed.

5. **Announcements:** Director Lehtonen reviewed the 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:** The Finance and Budget workshop of the San Geronio Pass Water Agency Board of Directors was adjourned at 3:05 pm.

Draft - Not
Approved

Jeffrey W. Davis, Secretary of the Board

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

PAYROLL

Date	Number	Name	Amount
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			36,812.71
TOTAL DISBURSEMENTS FOR SEPTEMBER 2019			11,335,801.17

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
	-11,336,988.46

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. Stiff

Cheryl M. Stiff

**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>
DEPOSIT TO CHECKING ACCOUNT				
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
GENERAL FUND - INCOME				Comparison:	75%
INCOME					
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%
TOTAL GENERAL FUND INCOME	9,551,000	0	9,551,000	1,375,410.58	85.60%
GENERAL FUND - EXPENSES					
COMMODITY PURCHASE					
PURCHASED WATER	6,100,000		6,100,000	716,140.72	88.26%
TOTAL COMMODITY PURCHASE	6,100,000	0	6,100,000	716,140.72	88.26%
SALARIES AND EMPLOYEE BENEFITS					
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%
TOTAL SALARIES AND EMPLOYEE BENEFITS	960,600	0	960,600	234,849.03	75.55%

17/124

**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
GENERAL FUND - EXPENSES				Comparison:	75%
ADMINISTRATIVE & PROFESSIONAL					
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%
TOTAL ADMINISTRATIVE & PROFESSIONAL	492,200	0	492,200	129,864.02	73.62%

18 / 124

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
GENERAL FUND - EXPENSES				Comparison:	75%
GENERAL ENGINEERING					
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%
TOTAL GENERAL ENGINEERING	874,000	0	874,000	79,677.80	90.88%
LEGAL SERVICES					
LEGAL SERVICES - GENERAL	150,000		150,000	19,535.80	86.98%
TOTAL LEGAL SERVICES	150,000	0	150,000	19,535.80	86.98%
CONSERVATION & EDUCATION					
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%
TOTAL CONSERVATION & EDUCATION	42,000	0	42,000	0.00	100.00%

19/124

**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, 20

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

20 / 124

**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
DEBT SERVICE FUND - INCOME				Comparison:	75%
INCOME					
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%
TOTAL DEBT SERVICE FUND INCOME	27,677,006	0	27,677,006	955,676.23	96.55%
DEBT SERVICE FUND - EXPENSES					
EXPENSES					
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%
TOTAL DEBT SERVICE FUND EXPENSES	27,034,700	0	27,034,700	12,424,530.39	54.04%
TRANSFERS FROM RESERVES	0		0	0.00	
DEBT SERVICE NET INCOME YEAR TO DATE	642,306	0	642,306	-11,468,854.16	

21 / 124

**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		
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)	
ENDING RESTRICTED FUNDS BALANCE - - - 6/30/19	<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)	
ENDING UNRESTRICTED FUNDS BALANCE - - - 6/30/19	<u>14,475,387</u>	<u>14,475,387</u>
TOTAL CASH - - - 6/30/19		<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

TOTAL - - - 6/30/19	<u>65,499,962</u>
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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
<u>DEBT SERVICE FUND - RESTRICTED</u>				
BEGINNING BALANCE - JULY 1, 2018				
RESERVE FOR STATE WATER PROJECT	44,426,814	44,426,814	44,426,814	44,426,814
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)
<u>ENDING RESTRICTED FUNDS BALANCE</u>	<u>33,596,799</u>	<u>38,964,338</u>	<u>40,314,291</u>	<u>51,024,575</u>
<u>GENERAL FUND - UNRESTRICTED</u>				
BEGINNING BALANCE - JULY 1, 2018	18,694,651	18,694,651	18,694,651	18,694,651
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)
<u>ENDING UNRESTRICTED FUNDS BALANCE</u>	<u>17,454,091</u>	<u>16,403,406</u>	<u>16,647,682</u>	<u>14,475,387</u>
<u>TOTAL CASH - END OF QUARTER</u>	<u>51,050,890</u>	<u>55,367,744</u>	<u>56,961,973</u>	<u>65,499,962</u>
<u>CASH AND INVESTMENTS</u>				
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
<u>TOTAL - END OF QUARTER</u>	<u>51,050,890</u>	<u>55,367,744</u>	<u>56,961,973</u>	<u>65,499,962</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		
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)	
ENDING RESTRICTED FUNDS BALANCE - - - 9/30/19	<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)	
ENDING UNRESTRICTED FUNDS BALANCE - - - 9/30/19	<u>14,144,249</u>	<u>14,144,249</u>
<u>TOTAL CASH - - - 9/30/19</u>		<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
<u>TOTAL - - - 9/30/19</u>		<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
RESTRICTED					
STATE WATER CONTRACT FUND	51,024,575	39,555,721			
UNRESTRICTED					
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
TOTAL RESERVES	65,499,962	53,699,970	0	0	0
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			
TOTAL CASH	65,499,962	53,699,970	0	0	0

**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	-

<u>TOTAL</u>	53,699,970
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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.

Thomas W. Poole, Jr.

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

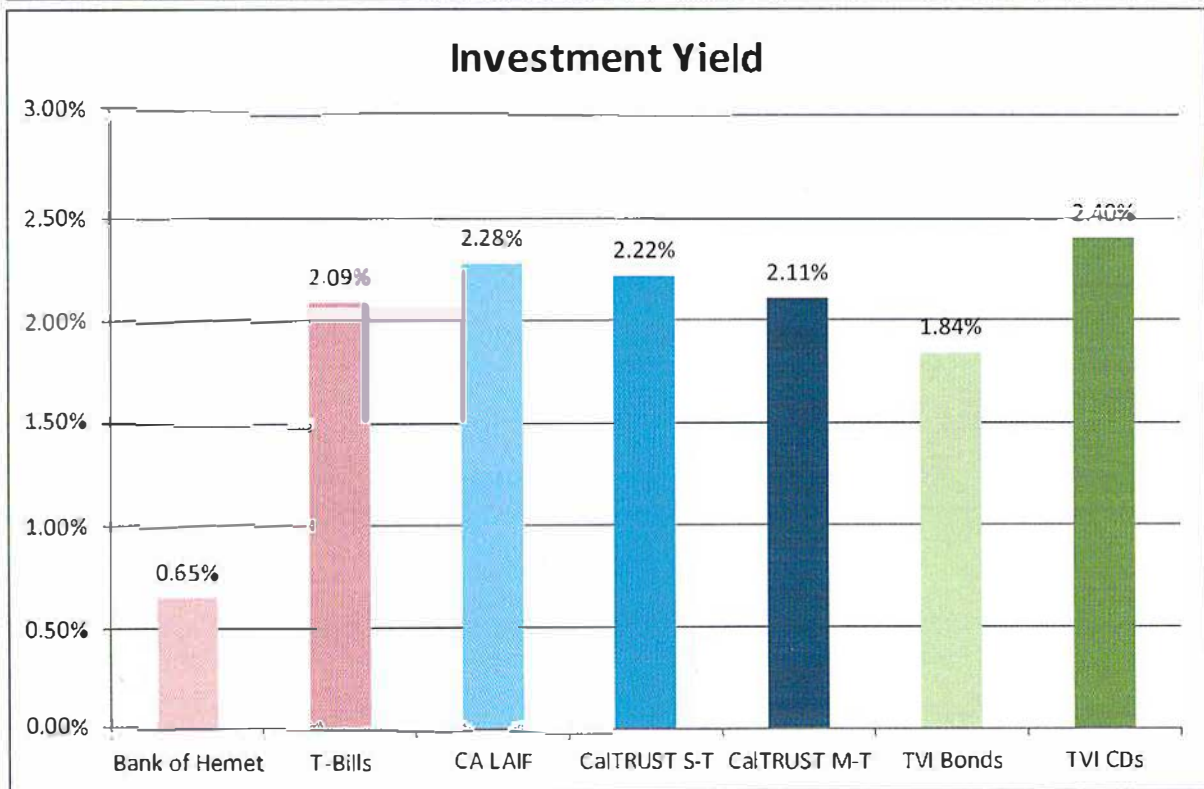
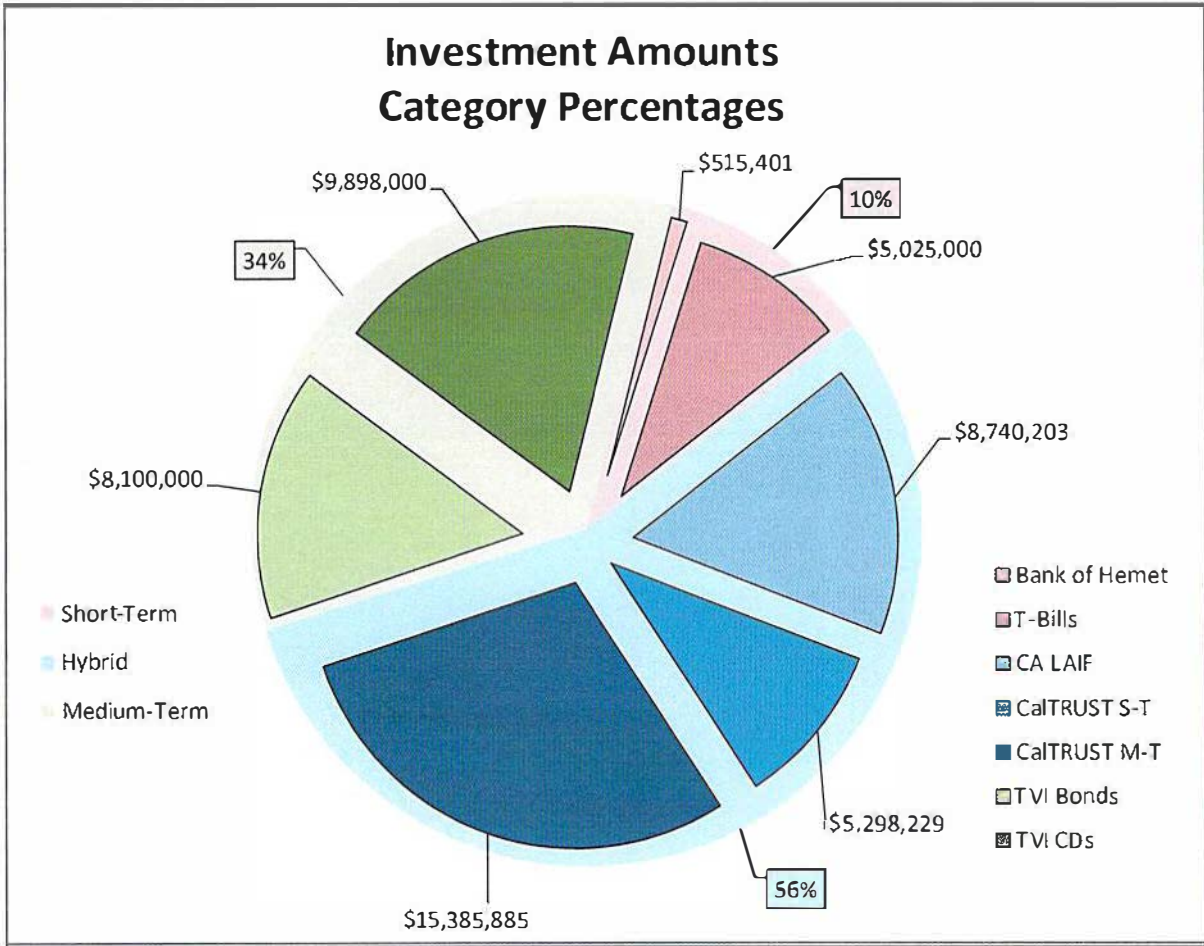
LONG-TERM

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
FISCAL YEAR JULY 1, 2019 - JUNE 30, 2020
BUDGET REVISION FOR BOARD APPROVAL
DATE OF PROPOSAL: October 28, 2019

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

29 / 124

Finance and Budget Workshop Report

From Treasurer Steve Lehtonen, Chair of the Finance and Budget Committee

The Finance and Budget Workshop was held on October 28, 2019. The following recommendations were made:

1. The Board ratify payment of Invoices of \$11,298,988.46 and Payroll of \$36,812.71 as detailed in the Check History Report for Accounts Payable and the Check History Report for Payroll for September, 2019 for a combined total of \$11,335,801.17.

2. The Board authorize payment of the following vendor's amounts:

Best, Best & Krieger LLP	\$4,199.02
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3. The Board acknowledge receipt of the following:
 - A. Wells Fargo bank reconciliation for September, 2019
 - B. Budget Report for September, 2019

4. The Board accept the following:
 - A. Cash Reconciliation Report for June 30, 2019
 - B. Cash Reconciliation Report for September 30, 2019
 - C. Investment Report for September, 2019

5. The Board approve the following:
 - A. Reserve Allocation Report for September 30, 2019
 - B. Budget Revisions for Water Treatment Expense and Yucaipa GSA Expense for FY 2019-20



SCWC Statement on Release of New Federal Biological Opinions

Today, the new federal biological opinions to manage the operations of the Central Valley Project and State Water Project were released. Together, these projects provide water for 25 million Californians and millions of acres of some of the most productive farmland in the world.

SCWC Executive Director Charles Wilson released the following statement on this latest news for key sources of water supply for the state.

California and the federal government need to modernize both the water system in the Sacramento-San Joaquin Delta and how it is operated on a day-to-day basis. The release of new biological opinions by federal agencies today updates the management for both the Central Valley Project and State Water Project under the federal Endangered Species Act.

While the state Department of Fish and Wildlife has yet to produce its new permit to operate the State Water Project to comply with the State Endangered Species Act, we expect management and diversion decisions to increasingly be made on a real-time basis based on state-of-the-art monitoring of endangered fish species. We believe that this is a sound approach overall when possible and urge the two administrations to work closely and collaboratively so that operations of the two projects can be harmonized as much as possible.

[Read "A New Approach for Managing California's Water and Improving the Environment" by Paul Souza, Barry Thom and Ernest Conant on CalMatters](#)

Established in 1984, the Southern California Water Coalition is a nonprofit, nonpartisan, public education partnership dedicated to informing Southern Californians about our water needs and our state's water resources. Spanning Los Angeles, Orange, San Diego, San Bernardino, Imperial, Riverside, Ventura and Kern counties, the SCWC's members include representatives from business, government, agriculture, water agencies, labor and the general public. Visit us at www.socalwater.org.



The Metropolitan Water District of Southern California

NEWS RELEASE

P. O. Box 54153, Los Angeles, California 90054-0153 • (213) 217-6485 • www.mwdh2o.com

Contacts: Rebecca Kimitich, (213) 217-6450; (202) 821-5253, mobile
Maritza Fairfield, (213) 217-6853; (909) 816-7722, mobile

Oct. 22, 2019

METROPOLITAN STATEMENT ON RELEASE OF NEW FEDERAL BIOLOGICAL OPINIONS

Jeffrey Kightlinger, general manager of the Metropolitan Water District of Southern California, issues the following statement on the release of new federal biological opinions to manage the operations of the Central Valley Project and State Water Project:

“It is beyond time to update these guidelines from those that were developed over a decade ago. These opinions advance the much-needed approach of managing the Delta based on real-time conditions and real-time monitoring of important fish species. Undoubtedly there are times when fish need greater protections, and pumping must be reduced, in order to protect the species in key migratory moments. There are also times when public water agencies can safely divert supplies when the populations are out of harm’s way. While this creates some uncertainty about our future supplies, it is without question a better approach.

“The state’s work to develop its own set of water management tools under a permitting process via the State Endangered Species Act must be completed as expeditiously as possible to avoid management confusion in the Delta. The state and federal projects must operate in a coordinated manner. We hope to work constructively with both the state and federal administrations to harmonize future Delta operations as much as possible.”

###

The Metropolitan Water District of Southern California is a state-established cooperative that delivers water to 26 member agencies serving 19 million people in six counties. The district imports water from the Colorado River and Northern California to supplement local supplies, and helps develop increased water conservation, recycling, storage and other resource-management programs.



STATE WATER
CONTRACTORS
FOUNDED 1982

SWC Response to Federal Biological Opinions for the Coordinated Long-Term Operation of the Central Valley Project and State Water Project

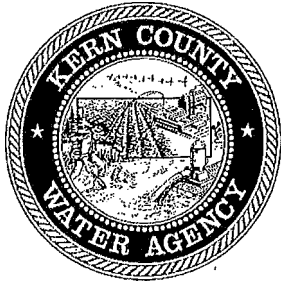
Sacramento, CA – Today, the U.S. Fish and Wildlife Service (FWS) and National Marine Fisheries Service (NMFS) released biological opinions covering the ongoing operations of the Central Valley Project (CVP) and State Water Project (SWP). The biological opinions serve at the SWP's federal Endangered Species Act compliance. Based on our initial review, they allow for real-time and adaptive management approaches to inform water operations and decisions for the protection of endangered species like Delta smelt and Chinook salmon. The current federal biological opinions mandated substantial research to understand if and how their criteria provided protection to listed species. We have learned a great deal from that research and now that those Biological Opinions are nearly a decade old, it is time to update our operational approach. We remain committed to further research to continue to improve our understanding and management actions.

"The biological opinions call for water management actions and decisions to respond to real-time conditions in the environment, and base operations on risk to fish. This approach is new, so we do not know how it will affect our water supply deliveries. Applying the latest science and research to how water is managed in California makes sense — nature doesn't operate on a calendar and neither should the regulations governing water management. We encourage our state and federal regulators to work together to ensure they continue to be aligned while operating the CVP and SWP with the flexibility to react to climate change and hydrology."

Jennifer Pierre
General Manager
State Water Contractors

###

The State Water Contractors is a statewide, non-profit association of 27 public agencies from Northern, Central and Southern California that purchase water under contract from the California State Water Project. Collectively the State Water Contractors deliver water to more than 27 million residents throughout the state and more than 750,000 acres of agricultural land. For more information on the State Water Contractors, please visit www.swc.org.



FOR FURTHER INFORMATION CONTACT:

Jeanne Varga (661) 549-4520

October 22, 2019

For Immediate Release

Kern County Water Agency Reacts to Release of Biological Opinions

BAKERSFIELD – Today, the U.S. Fish and Wildlife Service (FWS), the National Marine Fisheries Service (NMFS) and the U.S. Bureau of Reclamation released biological opinions that set the rules for operation of California’s two largest water systems, the State Water Project and the Central Valley Project. Both water systems deliver water into Kern County.

The Kern County Water Agency (Agency) appreciates the work of congressman Kevin McCarthy and former congressman David Valadao whose efforts resulted in a presidential memorandum directing the FWS and the NMFS to complete the biological opinions. Writing the biological opinions is a highly scientific process that began in August 2016 but which was proceeding slowly. The presidential memorandum accelerated that process bringing it to conclusion with the issuance of the opinions today.

“The biological opinions set the rules for how much water is available to Kern County from the State Water Project. Those rules are now a decade old and needed to be updated using new scientific data developed over the last 10 years,” said Ted Page, President of the Kern County Water Agency Board of Directors.

The opinions take a new approach to protecting fish in the Sacramento-San Joaquin Delta by looking at what fish need based on state-of-the-art, real-time monitoring, and targeting water supplies to meet those needs. Focusing on what the fish need is expected to be an improvement over past efforts to protect fish which set specific calendar dates for water releases that may or may not coincide with periods when Delta fish species need additional water. “This new approach is expected to provide better protection for fish while improving water supply reliability for Californians,” said Page.

Agency staff are reviewing the opinions to determine the effect they will have on the county’s water supply. In addition to the federal biological opinions, the State Water Project needs a State permit from the Department of Fish and Wildlife. The State permit is being developed this fall with the current permit expiring at the end of the year. “For California’s water system to work the rules for the biological opinions and the State permit must be compatible. The Agency is ready to help the State in any way necessary to get the State permit done this year,” said Page.

###

The Kern County Water Agency (Agency) was created in 1961 by a special act of the State Legislature and serves as the local contracting entity for the State Water Project. The Agency, which celebrated its 50th anniversary in 2011, participates in a wide scope of management activities, including water quality, flood control and groundwater operations to preserve and enhance Kern County’s water supply—the main ingredient for the well-being of an economy.

BY GUEST COMMENTARY PUBLISHED: OCTOBER 21, 2019

By Paul Souza, Barry Thom, and Ernest Conant, Special to CalMatters

Water is at the center of California's economic and environmental health. The need to maintain reliable water supply for California's farms, families and cities while protecting the environment has been at the forefront of our minds as we have worked to review and finalize a new operations plan for the federal Central Valley Project and the State Water Project.

Together, these projects provide water for 25 million Californians and millions of acres of some of the most productive farmland in the world.

The projects impact but also protect important commercial and recreational fisheries, wildlife refuges, and rare species.

Our three federal agencies have been developing and reviewing the proposed new operations for the Central Valley Project and State Water Project, and their effects on imperiled species, with the goal of ensuring they provide flexibility and water supply while also protecting the environment.

As a result, the U.S. Bureau of Reclamation, in coordination with the California Department of Water Resources, has made several changes that address our goals to use the best available science, collaborate with partners, protect fisheries, and optimize water supply.

The plan includes a new approach to the challenging issue of cold water management at Shasta Reservoir, which is critical for spawning winter run Chinook salmon.

With these new approaches, modeling shows that more cold water should be available in Lake Shasta to help successful egg incubation.

The Bureau of Reclamation has proposed a new system of operating in a flexible way based on storage and has incorporated a new commitment to performance objectives and scientific peer review. Collectively, these new approaches will improve the likelihood that drought effects on winter-run Chinook will be lessened.

In addition, the Bureau of Reclamation and Department of Water Resources have agreed to real-time Delta pumping operations based on new science and performance metrics to avoid fish getting trapped at the pumps.

This regime includes curtailing pumping when fish are at risk. The Bureau of Reclamation's commitment is that fisheries protections through Delta operations will be at least as protective or more so than previous strategies.

Further, the plan builds in \$1.5 billion from the federal and state water projects to enhance science, restore habitat, and conserve hatcheries. These investments include millions of dollars for a conservation hatchery in the Delta that will assist the recovery of the Delta smelt and other species of concern.

Hatcheries have had an important long-standing role in fisheries protection in our country, and this action will help us meet our conservation goals in the San Francisco Bay and Delta. Our hatchery actions will occur in tandem with augmenting the food web and habitat restoration to improve the condition of these species in the wild.

The plan also expands efforts underway with Coleman National Fish Hatchery near Red Bluff and Livingston Stone hatchery in Redding to jumpstart the reintroduction of imperiled winter-run Chinook salmon populations into Battle Creek in Red Bluff.

This includes a commitment from the Bureau of Reclamation to spend \$14 million to accelerate the work being done at Battle Creek to reintroduce salmon. We also are committed to our partnership with commercial and recreational fisheries organizations to use creative approaches for improving the health of salmon populations through our hatchery efforts.

Given the importance of salmon fisheries to Californians, our organizations have worked diligently to add strong safeguards with the goal of improving salmon since the difficult drought years of the last decade.

Two of the last water years have been above average hydrologically, and these conditions, in concert with project operations, are showing evidence that populations will improve.

Our estimates suggest the number of winter-run spawning is the highest in at least a decade. Early reports suggest that fall-run returns will be high as well.

Thanks to the diligent work of our dedicated staff, the U.S. Fish and Wildlife Service and National Oceanic and Atmospheric Administration concluded that the proposed operations will not jeopardize threatened or endangered species or adversely modify their critical habitat.

The plan provides the foundation for a more flexible operation that will allow us to achieve multiple goals. It also complements efforts underway by California to finalize voluntary agreements with water users.

In partnership, we can advance conservation efforts that are critical to this great state's economy and vitality.

Paul Souza is U.S. Fish and Wildlife Service Pacific Southwest regional director, paul_souza@fws.gov.

Barry Thom is regional administrator for the West Coast Region of the National Oceanic and Atmospheric Administration, barry.thom@noaa.gov.

Ernest Conant is regional director for the Bureau of Reclamation, Interior Region 10 – California-Great Basin, econant@usbr.gov.

They wrote this commentary for CalMatters.

Bad News for the Bay-Delta Tomorrow: Trump Admin's New BiOps



October 21, 2019 [Doug Obegi](#)

On October 22 the Trump Administration is expected to release new Endangered Species Act permits, known as biological opinions, that are almost certain to significantly weaken and/or eliminate existing federal protections for salmon and other endangered species in California's Bay-Delta watershed. The Trump Administration is rolling back these federal protections for the stated purpose of "maximizing water deliveries" to agribusinesses and other water districts served by the federal Central Valley Project and State Water Project.

These biological opinions are the end result of several years of political interference by a federal administration intent on dismantling the protections required by existing biological opinions, led by Secretary of the Interior David Bernhardt, a former lobbyist and counsel for the Westlands Water District, the largest water district in the Central Valley. When he represented Westlands, Bernhardt sued to overturn the existing protections through litigation and lobbied Congress to preempt or overturn their requirements, but he failed (the biological opinions were upheld by the courts). Now that Trump appointed him to the Department of the Interior, he has spent the past two years scheming to overturn these protections, personally involved in matters that would reward his former clients with increased water diversions from our imperiled estuary.

We expect the Trump Administration will conclude that weakening or eliminating most of the protections required in the 2008 and 2009 biological opinions will not jeopardize endangered and threatened species. When career scientists with the National Marine Fisheries Service concluded on July 1, 2019 that the proposed project would jeopardize

endangered salmon and violate the Endangered Species Act, the Trump Administration simply removed those scientists and set to work rewriting their biological opinion to greenlight the Trump Administration's proposal.

This expected "no jeopardy" conclusion flies in the face of the best available science, which indicates that stronger protections are needed to prevent the extinction of our native fish and wildlife, like endangered winter-run Chinook salmon and Delta Smelt, particularly in light of the effects of climate change. Indeed, in 2016 then Interior Secretary Sally Jewell, appointed by President Obama, concluded that, "the reinitiation process will likely lead to new or amended biological opinions that will increase protections for these species," and that these new biological opinions would likely reduce water supply for contractors of the Central Valley Project and State Water Project. Independent scientific peer reviews of these biological opinions have identified numerous scientific flaws with these forthcoming biological opinions, and the California Department of Fish and Wildlife has also raised significant concerns about eliminating these protections.

Yet rather than strengthening protections for fish and wildlife, the biological opinions expected this week would significantly increase water diversions by weakening or eliminating federal protections for endangered species required by the 2008 and 2009 biological opinions, including: significantly increasing export pumping in the Delta and allowing pumping to violate the -5,000 cfs Old and Middle River flow requirements any time there is "any precipitation in the Central Valley;" eliminating carryover storage requirements at Shasta Dam and other requirements necessary to ensure adequate cold water for salmon in dry years; eliminating the San Joaquin River inflow: export ratio; and eliminating the role of NMFS and FWS scientists in determining real time operations. We also expect that the biological opinions will approve devastating numbers of fish to be killed; for instance, earlier drafts would allow the water projects to kill 100% of the endangered winter-run Chinook salmon below Shasta dam in at least 2 consecutive years. And if that wasn't bad enough, the biological opinion also purports to approve enlarging Shasta Dam (despite the requirements of state law and without

analyzing the effects of doing so), as well as approving water supply contracts promising millions of acre feet of water diversions without actually analyzing the effects of fully implementing those water supply contracts.

The Trump Administration's forthcoming biological opinions will be disastrous for California's endangered species like winter-run Chinook salmon if they are implemented. But it's not just our native fish and wildlife at risk: these biological opinions also threaten the livelihoods of thousands of fishermen across the West Coast who depend on healthy salmon runs in the Central Valley, and the implementation of these biological opinions could significantly reduce water supply for Southern California cities (since the State Water Project has to comply with the requirements of the California Endangered Species Act).

Polls show that Californians don't want to sacrifice our endangered fish and wildlife, and thankfully the State has an *Untapped Potential* of sustainable new water supply solutions that don't threaten our rivers and wildlife, including improved water use efficiency and water recycling. But Trump promised to turn on the water and eliminate environmental protections in order to benefit corporate agribusinesses, and that's what they're trying to do.

They may not have been so obvious as to have used a Sharpie to write the word "no" in front of "jeopardy" to change the conclusions of the biological opinions. But the Trump Administration has broken the law with these biological opinions.



Statement by California Farm Water Coalition Executive Director Mike Wade on the Release of the New Biological Opinions

The release of the new Biological Opinions on salmon, Delta smelt and other species is good news for water users and the environment. Moving from an approach that used a calendar to make ecosystem decisions to one that uses the latest science is the smart way to provide better protection for California's resources. New, more efficient protections for threatened and endangered fish are essential to being able to manage our water supply system in a way that optimizes it for farmers, urban water users, and dedicated environmental purposes.



The new Biological Opinions will play a critical role in helping implement Governor Gavin Newsom's Voluntary Agreements, a process underway in California that will provide more water for environmental purposes, funds to pay for habitat improvement projects, and flexibility for water users who depend on reliable water supplies to grow our food.

This announcement is the culmination of more than 10 years of work to research better ways to understand and protect the Sacramento-San Joaquin Delta. The biological opinions being replaced were based on an arbitrary, calendar-based approach, and have not delivered the successful recovery of salmon and Delta smelt populations. The

new biological opinions also address threats to certain steelhead, green sturgeon, and killer whales, species cited as casualties in the outdated form of ecosystem management.

The new Biological Opinions mean that for farms, fish, and people, this is the dawn of a new science-based approach to water and ecosystem management. **We** are anxious to put these new policies into practice and expect to see a positive response for water users and the environment in the years to come.



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(<https://www.farmwater.org/>)



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Trump team weakens endangered species protections for California salmon and delta smelt

By BETTINA BOXALL STAFF WRITER
OCT. 22, 2019

4 PM

In a move that would boost water deliveries to San Joaquin Valley agriculture and Southern California cities, federal fishery agencies are weakening decade-old endangered species protections for some of the state's most imperiled native fish populations.

The rollback — coming a year after President Trump targeted the regulations in a memo — rewards Central Valley agribusiness interests that are some of the president's strongest California supporters. To critics, it highlights the extent to which the Trump administration has injected politics into federal oversight of the nation's leading environmental laws.

The actions also put Gov. Gavin Newsom, a leader of the Trump resistance on many environmental matters, in a politically fraught position — since California's biggest and most powerful water agencies want the state to go along with the Trump moves.

The fish protections partially govern operations of the giant federal and state pumping plants in the Northern California delta that help supply more than half the state's population with drinking water and fill irrigation canals stretching across millions of acres of cropland.

The massive water exports have upended the delta's natural hydrologic rhythms and helped push native fish, such as the delta smelt and winter-run Chinook salmon, to the brink of extinction.

The tension between water supply and environmental protection in the Sacramento-San Joaquin Delta east of San Francisco has fueled more than two decades of legal and political conflict, with no end in sight.

Environmentalists, who successfully challenged similar rollbacks under President George W. Bush, are expected to go to court again to try to block the Trump administration rules, which would likely take effect in January.

“Given the level of political interference and the junk science that has been used ... it would be very unsurprising if these were not challenged and eventually overturned in court,” said Doug Obegi, an attorney with the Natural Resources Defense Council, which led the legal fight against the Bush-era rules.

Two fishery agencies, the U.S. Fish and Wildlife Service and the National Marine Fisheries Service, were in the process of updating endangered species protections adopted in 2008 and 2009 when Trump’s 2018 memo directed them to develop plans to revise or rescind regulations that impeded western water deliveries.

Then-Interior Secretary Ryan Zinke also ordered agencies to devise ways to maximize water deliveries from the federal Central Valley Project, which supplies delta water to valley growers, including the sprawling Westlands Water District. Ryan’s successor at Interior, David Bernhardt, is a former lobbyist-lawyer for Westlands who personally argued an appeals case challenging salmon protections.

Despite pressure from Washington, scientists with the marine fisheries service in July submitted a 1,123-page report, called a biological opinion, that found the proposed pumping increases would likely jeopardize the continued existence of four species — endangered winter-run Chinook salmon, threatened spring-run Chinook and threatened Central Valley steelhead, as well as endangered Southern Resident killer whales that eat salmon.

The so-called “jeopardy finding” would have made it difficult to significantly ramp up deliveries from the delta. Two days after the opinion was submitted, Paul Souza, the regional U.S. Fish and Wildlife Service official who is coordinating the salmon and delta smelt reviews, pulled the document and assembled a new team to rework it.

The salmon opinion signed Monday dropped the jeopardy findings. A separate smelt opinion prepared by the fish and wildlife service also concluded that the proposed changes in delta operations would not jeopardize the continued existence of the smelt, which have all but disappeared from the delta, their only home.

Souza said the U.S. Bureau of Reclamation, which runs the Central Valley Project, agreed to a number of changes in reservoir and pumping management that cleared the way for the no-jeopardy findings.

“There’s been a lot of change, a lot of negotiation since June that allowed us to address the concerns that were raised originally,” he said Monday.

Water users welcomed the change.

“Today’s action builds on President Trump’s campaign commitment to help solve the state’s water supply shortages,” said Dan Keppen, executive director of the Family Farm Alliance.

Jeffrey Kightlinger, general manager of the Metropolitan Water District of Southern California, said the revisions were overdue.

“Undoubtedly there are times when fish need greater protections, and pumping must be reduced. ... There are also times when public water agencies can safely divert supplies when the populations are out of harm’s way,” he said. “While this creates some uncertainty about our future supplies, it is without question a better approach.”

Under the new rules, Souza said delta pumping restrictions would be based on real-time monitoring of where smelt and migrating salmon are swimming in the delta, rather than the seasonal prescriptions contained in the current regulations.

Reclamation teams in boats would monitor smelt location several times a week and pumping would be curbed if the tiny fish are at risk, he said. Similarly, an increase in the number of salmon caught at the pumps would trigger pumping limits.

Additionally, Souza said the reclamation bureau has agreed to invest in a conservation hatchery for delta smelt; will monitor turbidity and other delta conditions that smelt favor; and will increase the average May 1 levels of Lake Shasta, the Central Valley Project’s biggest reservoir, to preserve cold water releases necessary to maintain salmon-friendly temperatures in the Sacramento River.

As for how the revisions would affect water deliveries, Souza said he could not put a number on it. The goal “was for us to find flexibility in providing water supply when it did not conflict with fishery conservation. We struck that balance.”

Flexibility, real-time monitoring of the imperiled fish and dropping the existing seasonal pumping limits are all changes sought by Westlands and the Metropolitan Water District. They and other water users have bitterly complained about cuts to their water deliveries resulting from existing endangered species protections.

The same interests successfully lobbied Newsom to veto a bill that would have incorporated those protections in state regulations.

Although Souza argued that the revisions provide safeguards equal or better than existing requirements, the salmon opinion acknowledges that the new operating rules will adversely affect listed species and their habitat, particularly in severe drought years, when low flows and warm water are likely to kill large numbers of winter-run salmon eggs.

“This decision weakens all of the existing federal rules to protect Bay-Delta salmon runs. We’ve seen this movie before,” said John McManus, president of the Golden State Salmon Association. “It looks like this administration is trying to shut us down again — permanently.”

The rollback increases pressure on the Newsom administration to adopt stronger delta protections under the state endangered species act.

“If the Newsom administration fails to fight this flawed water plan, the next drought may very well wipe California salmon off the map,” said Noah Oppenheim, executive director of the Pacific Coast Federation of Fishermen’s Assns.

But if the governor sides with conservation groups, he could alienate urban and farm districts that are some of the most influential players in the contentious world of California water.

Lisa Lien-Mager, deputy secretary of the California Natural Resources Agency, said state officials were reviewing the lengthy federal documents, which were released Tuesday morning.

“California is, and will continue to be, a leader in the fight for clean air, clean water and endangered species,” she said. “We will evaluate the federal government’s proposal, but will continue to push back if it does not reflect our values.”



Steve Martarano/USFWS

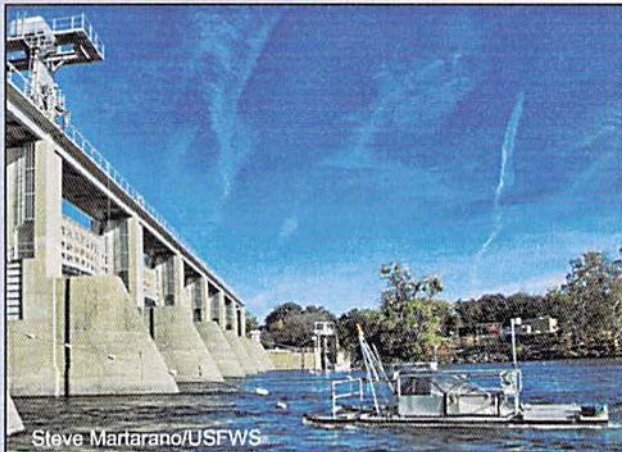
CHANGES TO DELTA OPERATIONS

2019 Biological Opinions for Central Valley Project and California's State Water Project

Federal fish agencies have been reviewing the Bureau of Reclamation's proposed new operations for the Central Valley Project and California's State Water Project. Reclamation, FWS and NMFS worked closely during the consultation period to develop and refine and updated, real-time monitoring strategy. This will produce better science to manage water more efficiently, striking the delicate balance needed for the sensitive Delta ecosystem, fish and Californians.

Key Takeaways

- Early winter pumping reduced to protect pre-spawning smelt.
- Early spring pumping reduced to protect migrating salmonids.
- More pumping in spring if species are not at risk.
- Operations based on real-time risks, not calendars.
- Expands current science to learn how to protect fish and tests actions to judge effectiveness.
- Built-in triggers ensure efforts are protecting fish, or actions will be adjusted



Steve Martarano/USFWS



Steve Martarano/USFWS

Key Actions

- Robust, real-time fish monitoring by boats on the water and triggers to adjust operations to protect fish, as needed (instead of calendar-based restrictions).
- Commitment to reduce pumping when sensitive species are present.
- Commitment to keeping salvage levels at or below levels in last decade, and built-in science reviews to monitor effectiveness.
- Commitment to provide habitat through both flow and non-flow actions.
- Ramp up efforts to boost fish survival, enhance food supply, increase monitoring effectiveness and reduce predation.

October 2019



Steve Martarano/USFWS

DELTA SMELT ENHANCEMENT

2019 Biological Opinions for Central Valley Project and California's State Water Project

Identifying ways to conserve and bolster the remaining populations of Delta smelt is critical to the species' survival. Federal fish agencies reviewed the Bureau of Reclamation's proposed operations for the Central Valley Project and provided recommendations that could improve conditions for Delta smelt while meeting the water needs of farmers, cities and industry.

Key Takeaways

- Reclamation would fund the expansion of the existing Delta smelt production capacity at the UC Davis Fish Conservation and Culture Laboratory. In addition to bolstering the number of fish, this investment will allow for more scientific studies that improve understanding of the species' biological needs.
- Wild population of Delta smelt would be supplemented with captive-bred Delta smelt in the next 3 to 5 years. This effort aims to stabilize and help recover populations of Delta smelt in the wild.



Steve Martarano/USFWS



Steve Martarano/USFWS

- Reclamation and the State of California would share the cost of building a new, larger hatchery facility in the Delta by 2030. This will further ensure the long-term survival of Delta smelt.
- In 2019, scientists began placing delta smelt produced at the UC Davis lab into net pens in various locations in the Delta to test whether the fish could survive in the wild. Results have been very successful, giving us confidence that delta smelt can be released into the wild.

October 2019



DRIVEN BY SCIENCE

2019 Biological Opinions for Central Valley Project and California's State Water Project

Federal fish agencies reviewed the Bureau of Reclamation's and State of California's proposed new operations for the Central Valley Project and State Water Project with a focus on new and updated scientific information gathered since the last Biological Opinions were signed more than 10 years ago. Science is the cornerstone of this consultation – both in the scientific integrity of the consultation process and in the resulting final operations plan and Biological Opinions.

Scientific Integrity in Consultation

- Multiple independent peer reviews underscoring our commitment to transparency and scientific integrity.
- In April, FWS undertook an independent peer review of their draft effects analysis.
- In June, NMFS undertook an independent peer review of their draft effects analysis.
- In addition, both agencies undertook a second independent scientific review of their draft BiOps at the end of July.
- Coordinated with Department of the Interior and Department of Commerce Scientific Integrity Offices and Science Advisors during consultation process to ensure adherence to highest standards of scientific integrity.



Ian Shive/USFWS



UC Davis Fish Conservation and Culture Laboratory

Strong Commitment to Science

Reclamation and DWR's built-in commitments to adaptively manage the Projects will ensure that the operating plans continue to incorporate the best available science to advance conservation of threatened and endangered species and their habitats. This includes:

- The consultation was informed by the best available science that developed over the past 10 years.
- Scheduled independent science reviews of Shasta Cold Water Management Performance Metrics and Delta Performance Objectives create a science-based pathway for NMFS and Reclamation to refine performance metrics.
- Incorporates formal structured decision making process, an approach for careful and organized analysis of natural resource management decisions. SDM concepts include making decisions based on clearly articulated fundamental objectives, recognizing the role of scientific predictions in decisions, dealing explicitly with uncertainty, and responding transparently to societal values in decision making; integrating science and policy explicitly.

October 2019



Steve Marfano/USFWS

Accelerated

BATTLE CREEK RESTORATION

2019 Biological Opinions for Central Valley Project and California's State Water Project

Federal fish agencies have been reviewing the Bureau of Reclamation's proposed new operations for the Central Valley Project and California's State Water Project. Reclamation is committed to extensive and accelerated recovery work in the Battle Creek watershed. This \$14 million commitment over 10 years will accelerate efforts to reintroduce winter and spring-run Chinook salmon and steelhead to historical habitat areas.

Key Takeaways

- **Acceleration:** Addresses recovery by increasing funds to leverage latest technology, bolster monitoring activities and expand habitat recovery actions.
- **Resiliency:** Creates a more resilient stock of winter-run Chinook salmon by establishing a second population in another tributary especially during drought years.
- **Efficiency:** Leverages drought-informed data and knowledge to prioritize projects and more efficiently target funds and resources to actions that will yield greatest success.
- **Population Spatial Structure:** Addresses the need to improve the spatial structure of winter-run Chinook salmon by supporting actions that re-establishes access to historical Battle Creek rearing and spawning habitat.
- **Abundance:** Supports improved abundance of threatened and endangered Chinook salmon and steelhead populations.
- **Momentum:** Builds upon the ongoing progress of the winter-run jump reintroduction jump-start project which has seen two successful years. 95 adults returned in 2019 and more are expected to return in 2020.
- **Partnerships and Collaboration:** Multiple partners have invested more than \$100 million since 1999 to restore 48 miles of salmonid habitat in Battle Creek.



Jake Sisco/USFWS

New Actions

- Support ongoing progress by investing additional funds to accelerate Battle Creek Salmon and Steelhead Restoration Project improvements for salmon runs.
- Provide additional funding support to accelerate fish passage improvements, facility needs and monitoring support needed to reintroduce winter-run Chinook salmon to 16 miles of historic habitat in the North Fork of Battle Creek.
- Supports and accelerates the transition from the winter-run jump-start project to the implementation of the Battle Creek Winter-run Chinook Salmon Reintroduction Plan.



Jacie Knight/USFWS

October 2019



Joanna Gilkeson/USEWS

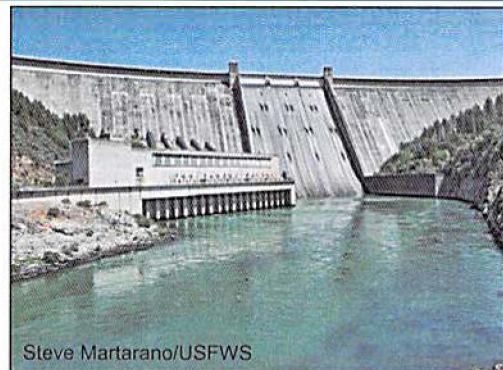
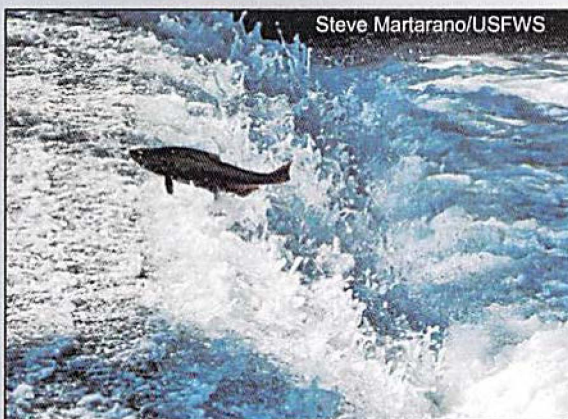
COLD WATER MANAGEMENT

2019 Biological Opinions for Central Valley Project and California's State Water Project

Careful management and strategically planned releases from the cold-water pool behind Shasta Dam are essential to the survival of the last natural population of endangered winter-run Chinook salmon in the Sacramento River and its tributaries. Reclamation and NMFS worked closely during the consultation period to develop and refine a multi-tiered Cold Water Management Strategy that addresses the biological needs of salmon resources downstream of Shasta Dam, while meeting the needs of farmers, cities and industries.

Key Takeaways

- Reclamation will employ a science-based strategy for water temperature management to minimize fish mortality in low water years, capitalizing on non-stored water to meet contract requirements in drier years and using pulse flows to help trigger salmon outmigration when water is available.
- Reclamation will support the rearing and release of winter-run Chinook salmon from the Livingston Stone National Fish Hatchery, as well as habitat restoration projects that improve historic spawning grounds for salmon in California, with built-in performance metrics and an independent review process.



New Actions

- Development of a 4-tiered Cold Water Management Plan that addresses variability in water years, and builds on new science and recent flow studies to protect Sacramento River winter-run Chinook salmon.
- Development of Temperature Dependent Egg Mortality and Egg to Fry Performance Metrics to guide and evaluate success of the 4-tiered Cold Water Management Plan.
- Establishes Drought Intervention Measures and creates a pro-active Drought Response Toolkit to improve agency response to drought conditions that could imperil winter-run Chinook salmon.
- Integration of Collaborative Habitat Restoration to support the spawning and early rearing of Chinook salmon and steelhead in the upper Sacramento River.
- Integrated coordination with the Sacramento River Settlement Contractors to meet and confer during low water years, coordinate on habitat restoration and improve science collaboration for salmon protection.

Trump administration unveils new water rules for California

SACRAMENTO, Calif. (AP) — The Trump administration on Tuesday unveiled new rules to govern California's scarce water, committing to send more to farmers in the Central Valley despite warnings from environmental groups that it would imperil endangered species in the fragile San Joaquin Delta.

The rules govern management of the federal Central Valley Project and the State Water Project, two complex labyrinths of dams and canals that corral rain and snowmelt to provide water to more than 25 million Californians and millions of acres of farmland.

An initial review by the national Marine Fisheries Services in July concluded the plan would threaten the existence of some endangered species, including winter-run chinook salmon, according to the Los Angeles Times. But the Trump administration never released that plan.

The report the government did release on Tuesday, known as a "biological opinion," said the plan "will not jeopardize threatened or endangered species," clearing the way for it to be implemented early next year. But it's likely environmental groups will sue to block it.

"I think this biological opinion is the end result of the Trump administration's junk science and political interference," said Doug Obegi, senior attorney with the Natural Resources Defense Council.

The plan would give water agencies more flexibility on how much water they can pump out of the state's rivers. When it's raining a lot, agencies can pump more. When it's dry, less would be pumped.

Also, the government said it would monitor the location of endangered fish species, including the delta smelt. If the fish are close to the pumps, the agencies would pump less to avoid sucking the fish in and killing them.

"We have a large degree of confidence that we know when fish are in the area, and therefore if we have a cause for concern" pumping would be curtailed, said Paul Souza, regional director for the U.S. Fish and Wildlife Service.

But there are so few of the delta smelt left they are almost impossible to detect, said John Durand, a research professor at the Center for Watershed Sciences at the University of California, Davis. Durand said there are not enough of the delta smelt to catch in nets or monitor with cameras. But he said officials can indirectly monitor them by measuring the amount of sediment in the water, which he said is "somewhat helpful."

"In terms of being able to monitor them, they are effectively extinct," Durand said. "We can't really detect them with any kind of reliability."

Other rules would impact the last natural population of endangered winter-run chinook salmon in the Sacramento River. The fish breed in

a cold-water pool behind Shasta Dam, which is carefully managed by the federal government. If the water gets too warm, the fish die.

In 2014 and 2015, during a severe drought, the reservoir ran out of cold water and most of the salmon died.

The new rules change how much water is stored in the reservoir to prevent it from running out of cold water. Ernest Conant, regional director for the U.S. Bureau of Reclamation, said the new rules will result in more cold water storage than under the current rules.

But Obegi disagrees, saying the model the bureau is using to predict how much water will be available is flawed. He called the plan a “recipe for extinction.”

It’s unclear how Democratic Gov. Gavin Newsom’s administration will respond to the new rules. The Democratic-controlled Legislature passed a law earlier this year seeking to block a lot of these changes. But Newsom vetoed that bill after intense lobbying from the water agencies.

Newsom has challenged the Trump administration on other environmental fronts, including its decision to strip California of the ability to set its own emission standards for cars and trucks.

Lisa Lien-Mager, spokeswoman for the California Natural Resources Agency, said the agency will evaluate the water plan “but will continue to push back if it does not reflect our values.”

“California is, and will continue to be, a leader in the fight for clean air, clean water and endangered species,” she said.



Trump Plan Weakens Protections For California Fish, Diverts Water To Farms

October 22, 2019 5:19 PM ET
LAUREN SOMMER

The Trump administration has announced a plan to divert water to California farmers, fulfilling a campaign promise by the president, but contradicting federal biologists who found the plan would drive endangered salmon closer to extinction and could harm other fish.

Allocating water is always a fraught issue in a state plagued by drought, and there's a lot at stake: irrigation for millions of acres of farmland in the country's biggest agricultural economy, drinking water for two-thirds of Californians from Silicon Valley to San Diego, and the fate of threatened wildlife.

An analysis completed by NOAA Fisheries biologists in July found the administration's proposed plan jeopardized the future of endangered fish. Under federal law, they are then required to impose limits, such as restricting how much water can be pumped to farms from the state's rivers.

Instead, the administration [removed](#) those biologists from the project and brought in other staff to rewrite their decision.

"We've been able to create a much smarter approach that focuses on real-time management," says Paul Souza, U.S. Fish and Wildlife Service Pacific Southwest regional director. "Our commitment is that we will be as, or more protective than we have been in the last 10 years."

The water pumping rules are integral to the majority of California, since they govern a crucial water source: the Sacramento-San Joaquin Delta.

The water is also crucial to the survival of endangered salmon and threatened delta smelt, whose numbers have plummeted. Chinook salmon have lost as much as 90 percent of their historic river spawning grounds due to dam construction.

As their numbers have gone down, so have endangered killer whales in the Pacific, which feed on the salmon while the fish are at sea.

The administration's latest plan creates new hatcheries to breed fish, and relies on real-time monitoring to track the location of threatened fish. They plan to slow pumping when the fish are nearby.

Still, environmental and fishing groups say the decision is scientifically unsound and shows political interference.

Prior to becoming secretary of the Interior Department, an agency overseeing this process, David Bernhardt was a lobbyist for Westlands Water District, a major agricultural district in the Central Valley.

"The servile Interior Department has hijacked and subverted the scientific process," said Noah Oppenheim, executive director of the Pacific Coast Federation of Fishermen's Associations, in a statement. "Fishing jobs are being sacrificed to benefit the corporate agriculture lobby, pure and simple.

What are these water rules?

The rules, known as "biological opinions," generally have put environmental safeguards on the vast network of dams and pumping plants in California. At least two-thirds of residents use water from this system, which goes through California's delta. But diverting that drinking water has also meant dramatically reducing freshwater in the delta's ecosystem.

Since salmon are born in rivers and migrate through the delta to reach the ocean, the federal rules have generally done two things to protect them. First, they slow the speed of the massive pumps in the south delta to keep fish from being drawn into them. Second, they ensure salmon eggs in the Sacramento River aren't killed by hot temperatures. That requires conserving water behind Shasta Dam so it can be released in the summer to keep the river cool.

Central Valley politicians and agricultural interests have long fought these rules, which reduce their water supply in some years.

When the Bureau of Reclamation, which delivers water to the Central Valley, proposed pumping more water from the delta, it then fell to federal wildlife agencies to review that decision and write up what are called biological opinions. The agencies must put limits on the water pumping if they find the rules would harm endangered species.

Fast-tracking the rules

In October 2018, President Trump ordered that the water rules be written faster than ever before.

"We will have it done very, very quickly," Trump said to members of the California GOP congressional delegation last October, as he signed an executive order. "I hope you enjoy the water that you're going to have."

According to emails obtained last winter by KQED, NOAA Fisheries scientists were concerned they didn't have the resources to analyze the plan.

In July, those scientists found that the increased water pumping would "jeopardize" the existence of salmon and other species. Before that document was released, the Trump Administration brought in a new team of federal attorneys and decision makers to work on the rules, removing the biologists who had previously worked on it.

In its final plan, the Trump administration finds the increased water pumping would not jeopardize the existence of salmon or delta smelt.

What would the administration's plan do?

The Trump administration says it plans to run its water pumping operations based on real-time monitoring of fish populations, slowing pumping to avoid harming them when they're near water infrastructure. Because of that, it wouldn't say exactly how much water will reach farmers in the Central Valley.

"It'll be some time before we operate in this new plan and be in a position to actually determine definitively whether and to what extent the new plan actually increases water supply," said Ernest Conant, regional director for the Bureau of Reclamation. "It could very well, in certain years, decrease it."

Environmental groups are not convinced by promises to monitor the fish, because they say it's difficult to track them when so few are left.

"These new biological opinions weaken virtually every protection required by previous decisions, eliminating clear, science-based habitat protections," said Kim Delfino, California program director for Defenders of Wildlife.

The administration says it will also share the cost for \$1.5 billion in restoration and habitat projects. It plans to support a hatchery to breed delta smelt, a species on the brink of extinction, and restore creeks vital to salmon.

What's next?

The new rules could go into effect early next year, affecting the water deliveries for cities and farms during the spring and summer. But fishing and environmental groups are likely to sue, alleging that the rules don't go far enough to avoid extinction of endangered species.

Depending on what a judge decides, the new plan could be tied up in court for years.

Federal officials rejigger rules on water deliveries — some say at expense of fish

Peter Fimrite_Oct. 22, 2019 Updated: Oct. 22, 2019 5:38 p.m.

The ongoing fight between environmentalists and agriculture over California's scarce water supplies was renewed Tuesday after the federal government issued a comprehensive plan to boost water "flexibility" that opponents claim is a giveaway to farmers tantamount to killing off imperiled fish.

The proposal, contained in a review, or biological opinion, of the state and federal water distribution systems, loosens restrictions on water deliveries proposed in July by the National Marine Fisheries Service to protect chinook salmon, steelhead trout and delta smelt.

Environmental and fishing groups accused government officials of sacrificing protections for the fish — all listed under the Endangered Species Act — so they could boost deliveries from the Sacramento-San Joaquin River Delta to Central Valley farmers and Southern California cities.

"The Trump administration signed off on water operations that will drive salmon, smelt and other iconic species to extinction," said Kim Delfino, California program director for the conservation group Defenders of Wildlife. "These new opinions will be devastating for the bay-delta, its tributaries and the fish that rely upon the delta for their survival."

The plan won't be final until a review is completed in mid-January under the National Environmental Protection Act, but federal officials said fish protections will remain in place.

"We have worked diligently to be protective of fisheries and also protect water supply," said Paul Souza, the regional director of the U.S. Fish and Wildlife Service, which conducted the reviews. "It's important to understand that pumping will be curtailed if there are causes for concern — if fish are in an area of concern, pumping will be reduced."

Ernest Conant, regional director of the U.S. Bureau of Reclamation, which manages the federal water system known as the Central Valley Project, said the plan calls for \$1.5 billion to be spent over the next 10 years protecting endangered fish, including \$14 million to help winter-run chinook salmon. Part of the plan, he said, is to retain more water behind Shasta Dam in Shasta County, the Central Valley Project's largest reservoir, so that salmon would have enough cold water in the Sacramento River to survive during dry years.

Conant said \$50 million would be spent on delta smelt, including enhanced monitoring, with boats on the water several times a week. Pumping would be restricted when they are present to

prevent the tiny fish from being sucked into the pumps, which has been an ongoing problem. A conservation hatchery would also be established for the smelt, Souza and Conant said.

“We don’t have an estimate as to what the additional water supply will be, if any,” Conant said Tuesday when questioned about concerns that farmers and Southern California will be getting more water at the expense of the fish. “That will be dependent upon hydrology and the behavior of fish. ... It could well be in some years decreasing,” referring to water flows to farmers.

The huge pumps near Tracy used by the State Water Project and federal Central Valley Project to bring delta water to 25 million Californians and irrigate 750,000 acres of cropland have been the subject of years of legal wrangling among fishing interests, environmentalists, farmers and water agencies across the state.

The crux of the issue is the contention by environmentalists that the pumps suck up and kill endangered delta smelt, a silver-colored fish 2 to 3 inches long, uniquely adapted to the delta’s shifting currents and brackish water.

Biologists say the nearly complete absence of smelt in recent years is a sign of the overall health of the ecosystem, including chinook salmon, which probably wouldn’t still exist if not for hatcheries. As it is, conservationists say, not enough cold water is released from the dams to sustain endangered winter-run chinook or threatened spring-run chinook and steelhead, which spawn in tributaries of the Sacramento River.

Farmers, meanwhile, claim they are losing crops and money during dry years because regulations over the years have favored fish over food.

The latest dispute is over a decision to redo a biological opinion submitted in July that determined that pumping increases would, in fact, jeopardize not only fish in the the delta but also endangered killer whales, which eat salmon.

That finding of jeopardy, which would have required more severe restrictions on pumping, was suddenly pulled, and the new opinion, released Tuesday, removed the jeopardy finding.

Souza denied Tuesday that the report was revised because President Trump and Interior Secretary David Bernhardt, a former water lobbyist who has previously challenged fish protections, ordered him to maximize water deliveries to farmers.

John McManus, the executive director of the Golden Gate Salmon Association, a fishing industry advocacy group, doesn’t buy it. He said Bernhardt did it to benefit his former employer, the Westlands Water District, which represents agricultural interests that have long pushed for larger water deliveries.

“They decided to take more Northern California water that is needed for salmon and give it to a small handful of almond and pistachio growers in the very dry western San Joaquin Valley,” McManus said. “It’s fair to say that Interior Secretary David Bernhardt moved directly from being a lobbyist and attorney for the Westlands Water District to being the chief architect of the Trump administration’s effort to destroy the California salmon industry.”

Westlands officials said they were still reviewing the biological opinion and declined to comment.

McManus said President George W. Bush’s administration made the equally controversial decision to loosen environmental protections in the early 2000s. That was followed in 2008 and 2009 by the collapse of fall-run chinook salmon population, forcing a fishing ban off the coasts of California and Oregon.

The last biological opinion, issued in 2009 in response to the collapse, dramatically cut water exports in an effort to protect salmon and other imperiled fish, including green sturgeon, steelhead, longfin and delta smelt. The documents released Tuesday would replace those protections.

A lawsuit challenging the biological opinion is likely to be filed, conservation groups said.

*Peter Fimrite is a San Francisco Chronicle staff writer.
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THE SACRAMENTO BEE

Trump rewrites Delta rules to pump more California water to Valley. Will Newsom fight him?

BY DALE KASLER

OCTOBER 22, 2019 08:31 AM, UPDATED OCTOBER 22, 2019 11:49 AM

President Donald Trump's administration rolled out an aggressive plan Tuesday to ship more water from the Delta to farmers in the San Joaquin Valley, a move that's certain to trigger lawsuits by environmentalists concerned about endangered fish species.

The move, fulfilling vows Trump made as a candidate and as president, potentially sets up another confrontation with California officials. State officials have previously warned that Trump's plan would hurt the fish that ply the Delta — and force the state to cut back its own water deliveries through the Delta to make up for the feds' actions.

Gov. Gavin Newsom's administration declined to offer an immediate judgment on the Trump administration's plan. Lisa Lien-Mager, a spokeswoman for the California Natural Resources Agency, said: "We will evaluate the federal government's proposal, but will continue to push back if it does not reflect our values."

Federal officials said their plan was finalized only after months of talks with state officials. The administration's plan consists of hundreds of pages of technical "biological opinions" from scientists at the U.S. Fish and Wildlife Service and National Marine Fisheries Service that will serve as a blueprint for how water will be funneled through the Sacramento-San Joaquin Delta — and how much will be pumped south to Valley farmers. The new rules wouldn't take effect until January at the earliest.

The administration insisted its plan, while designed to deliver more water to the Valley, will protect Delta smelt, Chinook salmon and other fish that are listed under the Endangered Species Act.

The plan "will not jeopardize threatened or endangered species or adversely modify their critical habitat," the administration announced.

Under the current system, which has been in place for a decade, the state and federal pumping stations in the south Delta sometimes have to ^{6 3 / 1 2 4} to safeguard fish, allowing water to run

out to sea. Trump administration officials said the existing rules rely on rigid and outdated scientific standards that limit pumping operations without really helping fish, whose numbers have declined dramatically in recent years.

Federal officials said they can't estimate how much additional water their plan will generate for south-of-Delta water agencies. But they promised to strike a balance between human and environmental needs.

“We have a plan that is much better for fish, farms and communities,” said Ernest Conant, regional director of the U.S. Bureau of Reclamation, which runs the federal government's Delta pumping stations near Tracy.

Among other things, the fisheries agencies already “have boats on the water several times a week” to make sure nearly-extinct smelt and other fish aren't in harm's way, said Paul Souza, regional director of the Fish and Wildlife Service. The plan also lays out a strategy for storing more cold water in Shasta Lake, which will help the salmon population as it's released into the Sacramento River.

Trump's plan calls for an estimated \$1.5 billion for habitat restoration projects, enhanced fish hatcheries and other programs to prop up fish populations. Conant said funding would come from the state and federal governments in roughly equal amounts.

Critics in the environmental community, however, said fish populations will suffer even more as additional water is moved south and fish get sucked into the pumps.

“It looks like this administration is trying to shut us down again — permanently,” said John McManus, president of the Golden State Salmon Association, which represents commercial and recreational fishermen. Defenders of Wildlife said it plans to take the administration to court to block the decision.

In August, The Sacramento Bee and other media outlets reported that after federal scientists concluded that the plan would bring the salmon closer to extinction, their superiors ordered them to redo their study to downplay the impact on fish.

But federal officials rejected any suggestions Tuesday that the final version reflected pressure from above. Souza said the plan was the work of “career conservation professionals.”

GOV. NEWSOM VS. TRUMP

The release of the biological opinions could put Gov. Gavin Newsom in an awkward spot. His administration has shown disdain for practically every Trump initiative, and pledged originally to fight Trump's Delta plan, saying the state's “commitment to environmental values is unsurpassed.”

The Delta plan creates other potential headaches for the state. The State Water Project and the federal government's Central Valley Project both move water through the Delta to their respective customers — mainly Valley farmers for the feds and millions of urban Southern Californians for the state.

If the feds push more water through the pumps, the state could have to leave more water in the Delta to comply with state environmental laws, meaning there would be less water available for the State Water Project.

Yet it wasn't immediately clear whether Newsom would try to kill the Trump plan. The Democratic governor has tried to forge compromises with Valley farmers on water issues. In September he infuriated environmentalists by vetoing SB 1, a bill designed to negate every environmental policy proposed by Trump. His reasoning: SB 1 was so rigid that it would have killed a delicate truce between environmentalists and agriculture on reallocating the state's major rivers.

Trump has been adamant about his desire to help the Valley, a Republican stronghold that is chronically scrambling for water. His Interior secretary, David Bernhardt, is a former lobbyist for Westlands Water District — the Valley's largest agricultural water user.

Just about a year ago, he signed a presidential memorandum directing agencies to speed up their review of rules governing the movement of water throughout California.

"I hope you'll enjoy the water you have," he told a group of Republican Valley congressmen as he signed the memorandum.

During his lone 2016 campaign appearance in Fresno, he belittled environmental rules that "protect a certain kind of 3-inch fish," a reference to the nearly-extinct fish.

Farm groups applauded the new Delta plan. "This is the dawn of a new science-based approach to water and ecosystem management," said Mike Wade of the California Farm Water Coalition. "We are anxious to put these new policies into practice and expect to see a positive response for water users and the environment in the years to come."

Congressional Republicans from California also chimed in. The new plan will "help ensure our constituents receive the water they are entitled to or contract and pay for," said a group of seven congressmen, including Devin Nunes, Tom McClintock and House Minority Leader Kevin McCarthy of Bakersfield, in a joint statement.

Congressional Democrats — including U.S. Sen. Dianne Feinstein, considered a leader on water issues — said they would take a wait-and-see approach.

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

	Page
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis - Unaudited	3 - 9
Basic Financial Statements - Audited	
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
Supplementary Information - Unaudited	
Required Supplementary Information - Unaudited	47 - 50
Organizational Information - Unaudited	51
Schedule of Board of Directors and Insurance Coverage - Unaudited	52
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>	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.



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Certified Public Accountants
& Business Advisors

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.

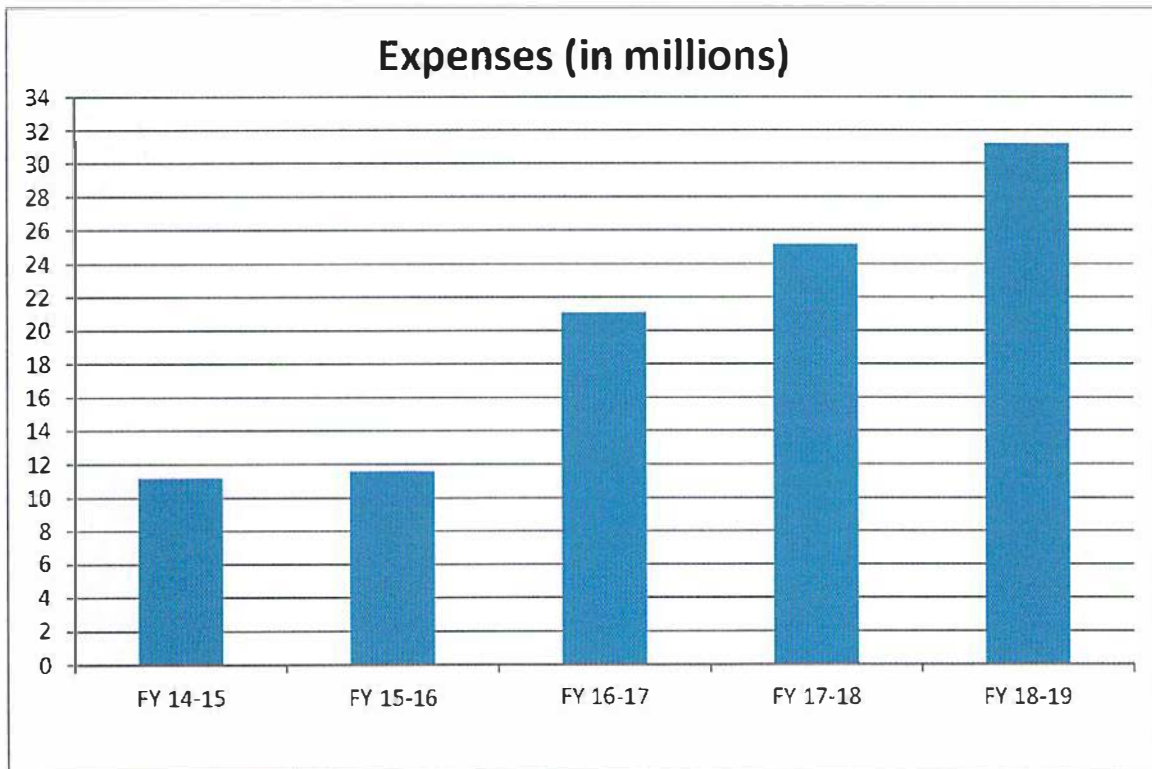
SAN GORGONIO PASS WATER AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
June 30, 2019 and 2018

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.

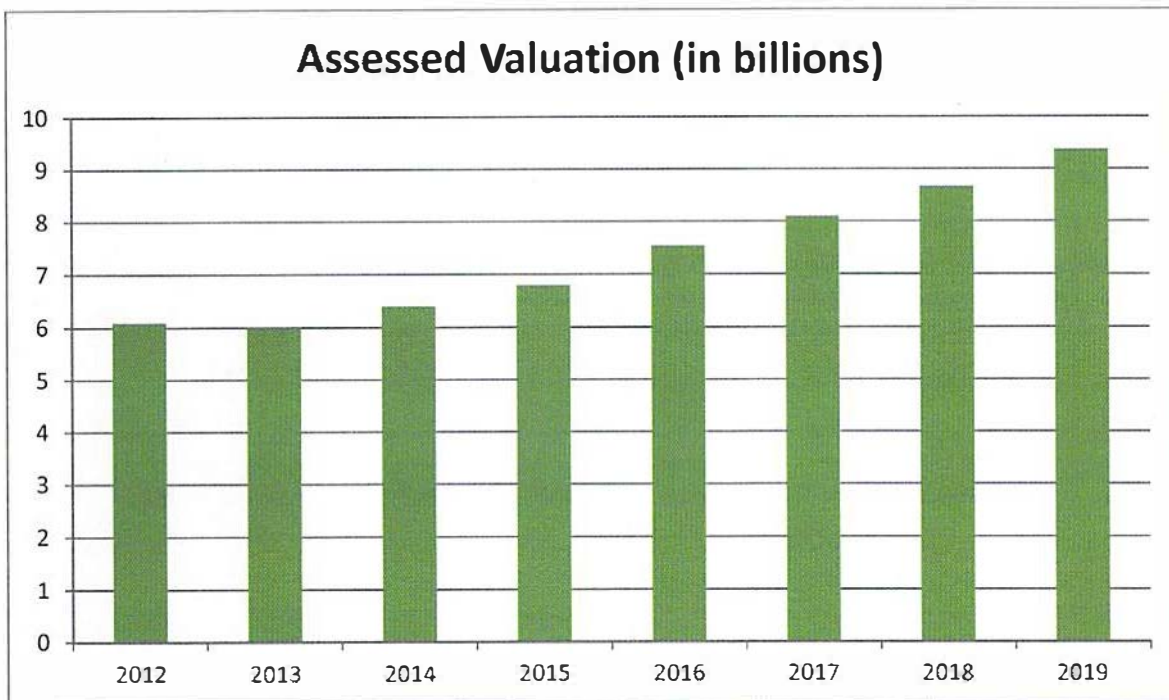
Starting with FY 2017-18, GASB Statement No. 75 took effect, which is an attempt to more accurately categorize the transactions associated with current and future OPEB costs. Agency contributions to CERBT and direct expenses have been reclassified, and the statements include deferred outflows and deferred 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

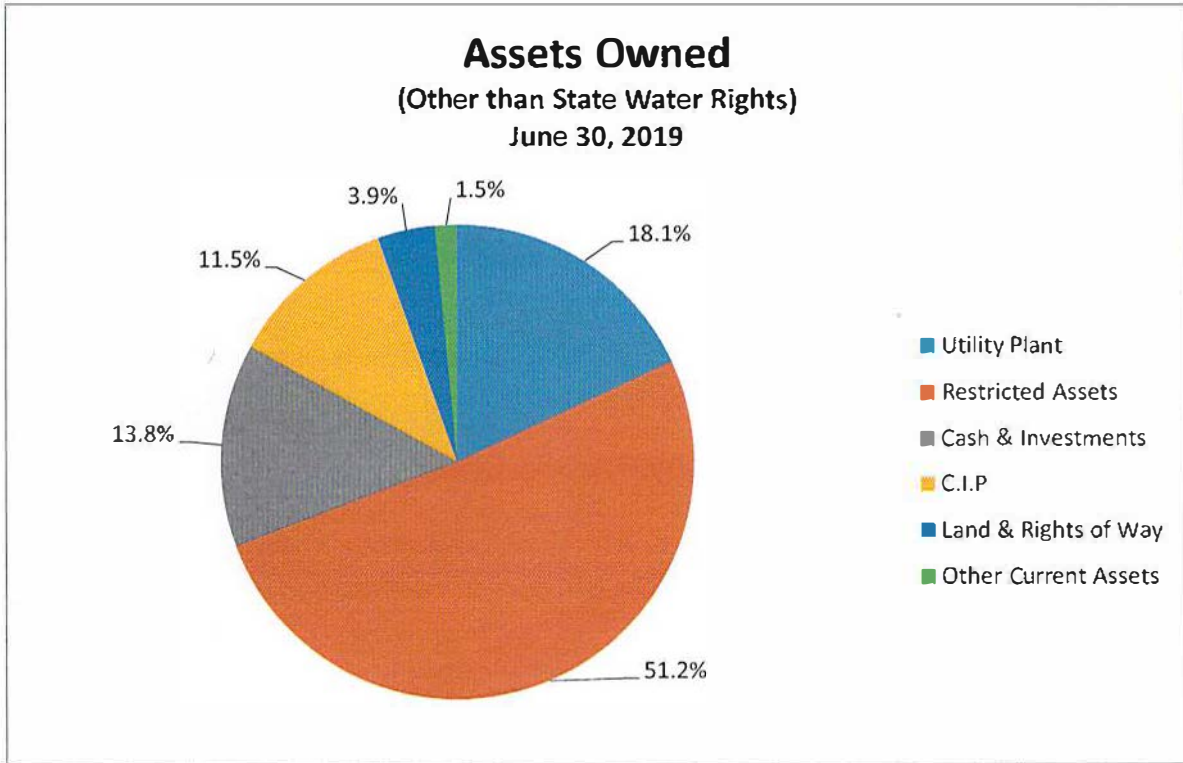
	Balance July 1, 2017	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Capital Assets, not being depreciated					
Land and Rights of Way	\$ 4,138,966	\$ 4,138,966	\$ -	\$ -	\$ 4,138,966
Construction in Progress	5,174,280	7,137,872	4,984,410	-	12,122,281
Total Capital Assets, not being depreciated	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
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current assets		
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>
Restricted assets		
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>
Noncurrent assets		
Capital assets		
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>
Deferred outflows of resources		
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
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current liabilities		
Accounts payable	\$ 1,184,080	\$ 2,115,008
Construction deposit	<u>25,000</u>	<u>25,000</u>
Total current liabilities	<u>1,209,080</u>	<u>2,140,008</u>
Noncurrent liabilities		
Accrued vacation and sick leave	145,411	137,039
Net pension liability	755,595	771,794
Net OPEB liability	<u>248,742</u>	<u>176,213</u>
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>
Deferred inflows of resources		
Pension related	34,039	40,166
OPEB related	<u>22,003</u>	<u>20,395</u>
Total deferred inflows of resources	<u>56,042</u>	<u>60,561</u>
Net position		
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	<u>14,257,120</u>	<u>16,573,619</u>
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
Operating revenues		
Water sales	\$ 4,549,420	\$ 4,621,936
Operating expenses		
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>
Nonoperating revenues (expenses)		
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>
Net position		
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
Cash flows from operating activities		
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>
Cash flows from noncapital financing activities		
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>
Cash flows from capital and related financing activities		
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>
Cash flows from investing activities		
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
Cash and cash equivalents		
Balance, beginning of year	<u>25,007,732</u>	<u>18,190,860</u>
Balance, end of year	<u>\$ 21,939,306</u>	<u>\$ 25,007,732</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
Reconciliation of cash and cash equivalents to statements of net position		
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>
Reconciliation of operating loss to net cash used in operating activities		
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:

Charges for Capital and Minimum Operations, Maintenance,		
Power and Replacement Components		
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><u>\$ 22,696,221</u></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:

Authorized Investment Type	Maximum Maturity
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
Non-depreciable capital assets				
Land and rights of way	\$ 4,138,967	\$ -	\$ -	\$ 4,138,967
Construction in progress	7,137,871	4,984,410	-	12,122,281
	<u>11,276,838</u>	<u>4,984,410</u>	<u>-</u>	<u>16,261,248</u>
Depreciable capital assets				
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
	<u>163,593,926</u>	<u>4,533,973</u>	<u>7,043</u>	<u>168,120,856</u>
	<u>\$ 174,870,764</u>	<u>\$ 9,518,383</u>	<u>\$ 7,043</u>	<u>\$ 184,382,104</u>

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
Depreciable capital assets				
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
	<u>\$ 59,433,754</u>	<u>\$ 10,149,234</u>	<u>\$ 7,043</u>	<u>\$ 69,575,945</u>

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
Non-depreciable capital assets				
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>
Depreciable capital assets				
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
Depreciable capital assets				
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 JPIA is such that the JPIA 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	1,098,315	1,404,974
Total assets and deferred outflows of resources	\$ 189,442,532	\$ 200,770,318
Total liabilities	\$ 100,820,701	\$ 123,871,469
Deferred inflows of resources	2,156,227	1,576,175
Net position	86,465,604	75,322,674
Total liabilities, deferred inflows, and net position	\$ 189,442,532	\$ 200,770,318
Total revenues	\$ 176,044,304	\$ 169,992,183
Total expenses	(165,196,299)	(164,170,540)
Total other income	294,925	797,414
Change in net position	\$ 11,142,930	\$ 6,619,057

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

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are based on 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	3.0% at 60	2.0% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	12 months	12 months
Final average compensation period	Yes	Yes
Sick leave credit	60	62
Retirement age	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 ¹	Real Return 11+ ²	Real Return Years 1-10 ³	Real Return 11+ [•]
	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>				

¹ An expected inflation of 2.00 percent used for this period

² An expected inflation of 2.92 percent used for this period

³ 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	Current	Discount Rate
	-1.0% (6.15%)	Discount (7.15%)	+1.0% (8.15%)
2018	\$ 1,231,994	\$ 755,595	\$ 362,336
2017	\$ 1,236,853	\$ 771,794	\$ 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
Total	\$ 488,149	\$ 350,920	\$ 34,039	\$ 40,166

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:

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

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

¹ Assumed long-term rate of inflation is 2.75%

² 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:

	<u>Increase (Decrease)</u>		
	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:

	<u>Increase (Decrease)</u>		
	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 \$17,361. 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.

	<u>Amount</u>
Net Position, July 1, 2017, Originally Stated	\$ 173,667,262
Net OPEB Liability	<u>(119,325)</u>
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 years¹

	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%

¹ 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 years¹

	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%

¹ 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 years¹

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**	(28,262)	(28,972)
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.

¹ 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 years¹

	2019	2018
Actuarilly determined contribution (ADC)	\$ 91,647	\$ 88,920
Contributions in relation to the actuarilly 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
¹ 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

Actuarilly 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:

	<u>Term Expires</u>
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 Gorgonio Pass Water Agency
Beaumont, California



EADIE + PAYNE

*Celebrating a Century
of Quality Service*

Eadie + Payne, LLP

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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 Gorgonio 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.

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,

A handwritten signature in black ink that reads "Eddie and Payne HP". The signature is written in a cursive, flowing style.

Riverside, California
October 7, 2019