

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE  
SAN BENITO COUNTY WATER DISTRICT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2013



P. O. Box 899  
30 Mansfield Road  
Hollister, CA 95024

PREPARED BY THE FINANCE DEPARTMENT

**San Benito County Water District  
Comprehensive Annual Financial Report  
For the year ended June 30, 2013**

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## INTRODUCTORY SECTION



## *San Benito County Water District*

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30 Mansfield Road • P.O. Box 899 • Hollister, CA 95024-0899 • (831) 637-8218 • Fax (831) 637-7267

December 11, 2013

Members of the Board of Directors  
San Benito County Water District

We are pleased to present the San Benito County Water District's (District) Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2013.

The report was prepared by the District in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the District. We believe that the data, as presented is accurate in all material respects and that it is presented in a manner designated to set forth fairly the financial position and results of operations of the District. Included are all the disclosures we believe are necessary to enhance understanding of the financial condition of the District.

McGilloway, Ray, Brown & Kaufman, Accountants and Consultants, have issued an unqualified ("clean") opinion on the San Benito County Water District's financial statements for the year ended June 30, 2013. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

### **MAJOR INITIATIVES AND PROGRAMS**

#### **Hollister Urban Area Water and Wastewater Master Plan**

The Hollister Urban Area Water and Wastewater Master Plan (Master Plan) which was completed in 2008, provides a comprehensive plan and implementation program to meet the existing and future water resources needs of the Hollister Urban Area.

The major benefit of the project will be drinking water with lower hardness. Current groundwater quality is such that many residents treat their water using water softeners. Use of water softeners increases the salt load going to the local wastewater treatment facilities. Delivery of treated surface water to the residents will allow them to discontinue use of their water softeners. In turn it will improve the quality of treated wastewater making it suitable for use as reclaimed water for agriculture.

The goals of the Master Plan are based upon the principles and objectives defined in the Memorandum of Understanding (MOU). The following goals were used in developing this Master Plan:

- Improve municipal, industrial, and recycled water quality
- Increase the reliability of the water supply
- Coordinate infrastructure improvements for water and wastewater systems
- Implement goals of the Groundwater Management Plan
- Integrate the Long-term Wastewater Management Program (LTWMP)



- Support economic growth and development consistent with the City of Hollister and San Benito County General Plans and Policies
- Consider regional issues and solutions

The Master Plan Implementation Program is a plan for the initial phase of the Master Plan implementation and provides a regional approach to implement the water treatment recommendations presented in the 2008 Master Plan. The report updates the Master Plan recommendations with respect to current conditions including the ongoing drought, the Hollister Conduit capacity, recycled water quality needs, slower growth in water demands, and the economic downturn. The result of this work is a regional solution resulting in improved water quality, lower costs, and time phased implementation to reduce rate payer impacts.

The objective of the Hollister Urban Area Master Plan Implementation Program is to update the concepts and recommendations presented in the Master Plan based on current conditions and provide a regional plan for water quality improvements. Drinking water quality improvements are necessary for both City of Hollister (COH) and Sunnyslope County Water District (SSCWD) customers. Due to the location of the existing Lessalt water treatment plant, delivery of high quality Central Valley Project (CVP) supplies is concentrated in the eastern portion of the Hollister Urban Area. Improvements are needed to provide a more equitable distribution of high quality drinking water. The improvement in drinking water quality is essential in meeting the Long Term Wastewater Management Plan goals. Improving the drinking water quality will also improve the quality of recycled water for agricultural users.

In August of 2013 the District, SSCWD, and COH each approved the Hollister Urban Area Water Supply and Treatment Agreement. The agreement lays out the roles and terms of financing for the project. The District will finance, build, own, and operate the upgraded Lessalt Water Treatment Plant, and the new West Hills Water Treatment Plant.

Construction on the upgraded Lessalt Treatment plant will begin in November 2013. When complete the Lessalt Treatment plant will deliver an average of 2 million gallons a day to the Ridgemark and Sunnyslope areas of Hollister.

Now that the Water Supply and Treatment agreement has been accepted by all parties, final design on the West Hills Treatment plant will begin. Initial capacity will be 4.5 million gallons per day. Completion of construction is planned for early 2016.

### **Zebra Mussels**

Infestation of Zebra Mussels within San Justo Reservoir has been documented since February, 2008. Since then, the District, United States Bureau of Reclamation (USBR), and California Department of Fish and Game (DFG) have been working to develop an eradication plan to eliminate the mussels from the reservoir. One of the key concerns with any water source with mussel infestation is that the mussels will eventually migrate to the conveyance systems (i.e. the Hollister Conduit, or San Felipe Distribution System). In March of 2009 zebra mussel infestation was confirmed in the Hollister Conduit.

Up to this point most of the focus of the work has been on preparing the environmental documentation required to implement a plan to eradicate the mussels from San Justo Reservoir. The California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA) require agencies to follow a protocol of analysis and public disclosure of environmental impacts of proposed projects and to adopt all feasible measures to mitigate those impacts. The District has completed the CEQA work and the USBR is continuing on NEPA efforts for eradication. The current assumption is that Potash will be used as the chemical to accomplish the desired eradication. A key component of determining the impact of the implementation of the eradication plan is an understanding of the method of injecting and mixing of the Potash to the reservoir. To date, the District has spent \$490,144 toward this eradication effort.



Currently, the District is taking advantage of the hypoxic water that develops in the reservoir each summer to help control the zebra mussel populations in the reservoir and distribution system. In addition to the hypoxic water, the District has been drawing the reservoir down approximately 40' each year to expose the mussels to desiccation in an effort to minimize the population in the reservoir. To date visual inspections indicate that this has been fairly effective.

In an effort to standardize mussel inspection procedures for agencies with water and recreation responsibilities in the region, the District has joined a consortium for zebra mussel detection and control. The Consortium desires to minimize the risk of mussel infestation while simultaneously maintaining access to recreational boating and has determined that these goals can be accomplished by a coordinated regional approach to prevent the boating-related spread of zebra and quagga mussels. The Consortium has created the *Bay Area Consortium Zebra and Quagga Mussel Coordinated Prevention Plan*. Because of the statewide implications of the spread of dreissenid mussels, the state allocated \$250,000 to the Consortium for the implementation of the quagga and zebra mussel prevention plan. In 2010 the District was allocated \$50,000 to assist in public education and planning. In 2011, the District was again awarded \$50,000 in grant funds to continue the public education and planning efforts.

### **San Justo Reservoir Reoperation Plan**

San Justo Reservoir is an offstream storage reservoir owned by the USBR and operated by the District. It is comprised of a dam and dike embankment, an inlet/outlet works, and an emergency spillway. The reservoir has an active storage capacity of 9,786 acre-feet at elevation 500 feet and is supplied by water from San Luis Reservoir. Water from San Justo Reservoir is used by the District for irrigation and municipal purposes. The reservoir and its associated features were constructed between 1985 and 1986.

The reservoir area is comprised of soils that are prone to landslides. Since 1988, several landslides have occurred downstream of the dike. USBR set an operation restriction on the reservoir water level of approximately 7,500 acre feet to minimize damage from future landslides. The reoperation project seeks to restore use of the restricted storage volume during peak delivery months while maintaining dam safety.

The project's purpose is to develop a Seasonal Operation Plan and Long-Term Monitoring Plan to allow use of the storage volume lost due to restrictions from USBR. Use of the restricted storage volume will allow greater operational flexibility to the District's operations and allow for greater year to year storage of water.

In January 2011, the USBR approved the first phase of the reoperation plan. To date, everything has gone as expected with no evidence of adverse conditions created from the seasonal operation of the reservoir above the 485 foot elevation.

The District began the second phase in January 2012. Phase 2 of the reoperation plan allows for a longer duration of storage at the maximum elevation of 500 feet.

The District is currently working on the final phase of the plan which will include a long term monitoring and reporting plan. The plan will allow the District to continue the seasonal filling to a full 10,300 acre foot level and subsequent lowering throughout the growing season.

Having the flexibility to raise the reservoir to a full level the last two years has allowed the District to store an additional 2,700 acre feet of its CVP allocated water each year that would have otherwise been lost to CVP carryover restrictions.

### **Recycled Water**

In Phase I of the Recycled Water Plan, now complete, the primary objective was to update the 2005 Recycled Water Feasibility Study. The focus of the update was to look at areas of use not previously considered, develop estimated costs for evaluation of alternatives, and to minimize costs by incorporating pipeline alignments for the City of Hollister's plan to deliver water to the Riverside Park, and the Airport property.

Out of the Phase I work was a recommendation of a phased approach to implementation of the proposed facilities. This phased solution would minimize capital investment, provide long-term flexibility, and provide time to develop markets for recycled water. Phase I facilities included an up-sizing of the City of Hollister's pipeline along Wright Road to the intersection of Briggs and Wright Roads.

Phase II builds upon the tasks authorized under Phase I, which included conceptual-level facilities planning, and preliminary market assessment. In Phase II a more detailed market assessment and facilities plan will be completed for recycled water use.

The project objectives are as follows:

- Maximize the benefit of Phase I facilities by investigating opportunities for near-term beneficial use of recycled water.
- Define the program requirements including recycled water users and facilities sizes, operations, and costs.
- Develop facilities such that they are flexible in design and are able to accommodate future expansion to future service areas.

The District will be continuing this effort and seeks to have a full project online by 2016. This project is planned to ultimately bring an additional 3,000 – 4,000 acre feet of water supply for agriculture.

#### **Delta Habitat Conservation and Conveyance Plan**

The Delta Habitat Conservation and Conveyance Plan (DHCCP) is a program consisting of joint efforts by agencies of the federal government and the State of California and local agencies to fund and plan habitat conservation and water supply activities in the Sacramento San Joaquin River Delta/San Francisco Bay Estuary (the Bay Delta), including Bay Delta water conveyance options.

The purpose of the project is to complete general planning studies, preliminary engineering, and environmental compliance documentation required by California Environmental Quality Act and National Environmental Policy Act for the DHCCP. This work will lead to the implementation of actions that provide for conservation of endangered and special-status fish and wildlife species and the rehabilitation of associated habitat to address the adverse effects caused by changes to the natural Delta some as a result of CVP operations.

The Board of Directors of the San Luis & Delta-Mendota Water Authority (SLDMWA), of which the District is a member, has authorized participation in the DHCCP, a program of the Department of Water Resources (DWR), USBR and various State Water Project (SWP) and CVP contractors that includes planning, preliminary design and environmental compliance actions that will be necessary for developing Delta conveyance facilities.

#### **Water Banking**

The District executed an agreement with Santa Clara Valley Water District (SCVWD) to store 4,500 acre feet of excess 2010 water-year water in Semi Tropic Water Storage District. The storage of this water will allow the District to draw upon that water in future water short years or for future water projects.

The District is continuing to work with SCVWD on a multi-year transfer and exchange agreement that would include continued access to Semi Tropic Water Storage.

#### **Dissolution of Zone 103 (Harmony Hills Water System)**

The Board of Directors of the San Benito County Water District held a legally noticed hearing on May 30, 2012 and adopted a resolution to terminate and dissolve Zone 103 effective October 1, 2012. No objections or protests were filed or presented at the public hearing. As of October 1, 2012 the District



has terminated its services to the water system and has relinquished any interest it has in the water facilities and easements to property owners who identified that they wished to receive an undivided share of the Harmony Wills water system.

## **FINANCIAL MANAGEMENT**

### **Rate Policy**

The Board of Directors adopts water rates for groundwater, surface water, and rural water system services. The District follows the Proposition 218 landowner notification, protest process and public hearings for the adoption of new or increased rates and charges.

### **Budgetary Control**

The District is not required by statute to adopt a budget; however, it does so annually to outline the major elements of the forthcoming year's operating and capital plans and to allocate funding required for those purposes. Budget appropriations for major capital projects continue from year to year until the project is completed. A quarterly financial report is reviewed by the Board Finance Committee and reported to the Board of Directors.

### **Accounting Systems**

The District's books and records are maintained on an enterprise basis, as it is the intent of the Board to manage the District's operations as a business, thus matching revenues against costs to provide water service and implement programs to control, manage and conserve water. Revenues and expenses are recorded on the accrual basis in the period in which revenue is earned or expenses are incurred.

### **Internal Controls**

The District's management is responsible for establishing and maintaining a system of internal controls designed to safeguard the District's assets from loss, theft, or misuse and to ensure adequate accounting data are compiled to allow for the preparation of financial statements in accordance with generally accepted accounting principles. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived, and 2) the valuation of costs and benefits requires estimates and judgments by management. The District's management believes that the current system of internal controls adequately safeguards the District's assets and provides reasonable assurance that accounting transactions are properly recorded.

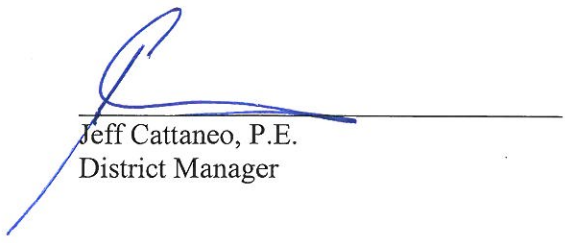
## **AWARDS AND ACKNOWLEDGEMENT**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2012. In order to be awarded a Certificate of Achievement, a District must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

I would like to take this opportunity to thank the members of the San Benito County Water District's Board of Directors for their interest and support in the financial operations of the District. It is the responsible and progressive manner in which business is conducted that makes the District successful. I would like to extend special recognition to the District Finance and Administrative staff for their commitment to excellence in financial reporting. In addition, I would also like to thank the District's auditors McGilloway, Ray, Brown & Kaufman for their significant technical contribution and assistance. It is the combined effort of all participants that resulted in the issuance of this financial report.

Respectfully submitted,



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Jeff Cattaneo, P.E.  
District Manager



## **DISTRICT PROFILE**

### **DISTRICT FORMATION**

The District has broad powers for the conservation and management of water (flood, surface, drainage and ground water). The primary focus of the District is the management of water quantity and quality throughout San Benito County including, where appropriate, the development of local water supplies and the development and importation of water supplies from outside the County.

The District is a California Special District formed in 1953 by the San Benito County Water Conservation and Flood Control Act. At that time, the District merged with the Hollister Irrigation District, becoming the successor to the water rights, water facilities and land interests of the Hollister Irrigation District. The name was changed from San Benito County Water Conservation and Flood Control District to San Benito County Water District in 1988.

### **DISTRICT ORGANIZATION**

A five-member Board of Directors (Board) governs the District. Board members are elected for four-year terms from divisions that are coterminous with the supervisory districts of San Benito County. Directors must be a resident of, and a registered voter in the division they represent. Members begin service in December of even numbered years.

To facilitate matters, most matters coming before the Board are first considered by one of its committees. Each committee then reports to the full Board, which makes the necessary decisions. There are nine standing committees:

- Finance
- Investments
- Administration
- Expansion
- Rural Water Systems
- Zone 3 Operations and Water Supply
- Zone 6 Water Supply
- Zone 6 Operations
- Personnel

Several ad-hoc committees exist for special purposes and meet on an as-needed basis.

In addition, Board members serve as the District representatives to the following Board of Directors and multi-agency committees:

- San Luis & Delta Mendota Water Authority (2 positions)
- Association of California Water Agencies-Joint Powers Insurance Authority
- Pajaro River Watershed Flood Prevention Authority
- Water Resources Association of San Benito County
- Hollister Urban Area Water and Wastewater Master Plan Governance Committee (2 positions)

An organizational chart of the District appears on page viii of the introductory section.

### **WATER RESOURCES MANAGEMENT**

The principal water available to water users is local water and imported Central Valley Project (CVP) water. Local surface supplies are primarily percolated into the groundwater basin for later recovery through pumping by individual users and domestic water suppliers. The imported water supply from the San Felipe Project is available for use within the defined zone of benefit. The system provides for direct delivery to agricultural and other rural properties and for centralized delivery to the Hollister area for urban use. Under District rules and regulations, available imported surface water is supplemental to groundwater and is allocated to users within the zone of benefit on an annual basis.

Groundwater use, within the Hollister, San Juan, Tres Pinos and Paicines groundwater sub-basins had exceeded the natural supply for decades and a state of overdraft (use exceeds basin's natural ability to replenish itself) existed. Due to the District's management activity which includes management of local surface water supply and the importation of CVP water, the groundwater basin has fully recovered. The current land uses and the economy of San Benito County depend upon the water placed in groundwater storage and the water imported by the District. These conditions require careful management, data collection and analysis. The District maintains a groundwater and surface water quality database to support these efforts.

As a matter of practice, the Board of Directors has requested a groundwater report each year. The objective of this report is to conduct an audit of critical water resources and the actions taken to manage these resources, as well as making recommendations for management actions for forthcoming years. Public notice of this process is provided to encourage the participation of landowners and groundwater users.

In the 1950s, the San Benito River System was undertaken for storage and percolation of locally occurring surface water. The system was established to mitigate the overdraft in part of the San Benito portion of the Hollister-Gilroy Groundwater Basin. The Hernandez Dam was constructed and placed in operation in the early 1960s for the storage of locally occurring water. The District continues to operate this facility, as well as the Paicines Canal and Reservoir which was built in 1913 and rehabilitated in the early 1960s. The District holds water rights licenses from the State of California for Hernandez Dam and Reservoir, San Benito River and Dos Picachos Creek. These water rights permit the diversion and storage of surface water for percolation into the ground for later recovery and use. Water is released for percolation through the streambed at the San Benito River, Tres Pinos Creek, and a natural drainage adjacent to Dos Picachos Creek.

In the late 1970s, the San Felipe Project was initiated to correct the remaining overdraft in the San Benito County portion of the Hollister-Gilroy Groundwater Basin, to provide a water supply of appropriate quality, and to provide through conjunctive use an expanded water supply. The San Felipe Project's zone of benefit contains approximately 47,500 acres, which includes agricultural land within incorporated cities and adjacent urban areas. The District has contracted with the United States on behalf of landowners for water service from the San Felipe Division of the federal Central Valley Project. The District and the landowners and water users within this zone of benefit are the beneficiaries of State of California water rights held by the United States. These water rights are subject to the continuing jurisdiction of the State of California. Water use is subject to federal laws and regulations and the terms and condition of the contracts between the United States and the District.

The original San Felipe Project was to provide a high quality supplement to the local supplies to correct the groundwater overdraft, provide alternative supplies in certain areas with poor quality water (high Boron levels) and a firm long-term water supply. Since that original planning, the supply available to the District from the Central Valley Project has been significantly reduced as the Central Valley Project addresses water quality, endangered species, and the addition of fisheries as a principal purpose of the Central Valley Project. The District has undertaken a number of initiatives to identify projects and programs to ensure its supplies and restore reliability.



## SERVICE AREA

The District encompasses all of San Benito County, with an area of approximately 1,400 square miles and a population of over 56,000 people. Residential communities served include: City of San Juan Bautista, City of Hollister, unincorporated urban areas surrounding Hollister and Tres Pinos.

The District provides water service and water related services through zones of benefit.

Current zones of benefit are:

- District Administration (Zone 1)
- San Benito River System (Zone 3)
- San Felipe Project (Zone 6)
- Rural Water Systems:  
Fairview Road Water System (Zone 104)

## STAFFING

21 Approved Positions

## WATER SUPPLY

### Federal Contract

*(In acre-feet per year)*

Total Contract Entitlement:

43,800

Consisting of:

Irrigation: 35,550

Municipal and Industrial: 8,250

### Local Water Supply

Water rights consisting of:

Hernandez Dam and Reservoir

Use: Spreading and later recovery by pumping from wells.

San Benito River System held in:

Paicines Dam and Reservoir

Use: Spreading and later recovery by pumping from wells.

Dos Picachos Creek

Use: Diversion from Dos Picachos Creek from December through May for spreading and later recovery by pumping from wells.

## WATER USAGE

### *(In Acre-Feet)*

#### San Felipe Project:

*(March 2012 through February 2013)*

Total Usage: 19,360

Agricultural: 16,623

Municipal and Industrial: 2,737

#### Groundwater:

*(October 2012 through September 2013)*

Zone 6: 30,140

## CUSTOMERS

### **San Felipe Project**

Total Groundwater Wells: 1,454

#### Agricultural Groundwater Wells

421 Active

207 Inactive

#### Domestic Groundwater Wells

650 Active

176 Inactive

Total San Felipe Delivery Services: 1,047

#### Agricultural Contracts

496 Services

#### Small Parcel

471 Services

#### Municipal and Industrial Contracts

80 services, including:

Ridgemark Golf and Country Club

San Juan Oaks Golf and Country Club

Pacific Scientific

Stonegate Subdivision

Hollister-Sunnyslope Water

Treatment Agency (Lessalt)

### **San Benito River System**

Groundwater users and landowners on approximately 22,000 acres

### **Rural Water Systems**

10 Services

## ***FACILITIES***

### **United States Bureau of Reclamation**

#### **Facilities:**

The District is responsible for operation and maintenance of the following United States Bureau of Reclamation project facilities:

#### **District operated and maintained:**

San Justo Reservoir:

- 10,300 acre-feet capacity
- Outlet - 60 inch pipe, 0.84 miles, capacity of 85 cfs

Hollister Conduit:

54 and 60 inch pipe, 17.03 miles, capacity of 93 cfs;

San Juan Lateral:

42 inch pipe, 2.11 miles, capacity of 45 cfs

#### **Facilities operated and maintained in conjunction with Santa Clara Valley Water District:**

San Felipe Reach 1:

- Pacheco Pumping Plant- approximately 300 ft lift, 12 pumps, total capacity of 600 cfs with a total installed horsepower of 24,000
- Pacheco Tunnel-114 inch pipe, 5.23 miles, capacity of 480 cfs.
- Pacheco Conduit-120 inch pipe, 7.93 miles, capacity of 480 cfs.

### **San Benito County Water District**

#### **Facilities:**

San Felipe Distribution System:

- 4 Pumping Stations (consist of 20 pumps with a total capacity of 132 cfs, and total installed horsepower of 2,800)
- 9 Subsystem Valve and Control Structures, total capacity of 196 cfs.
- 3 Percolation Valve and Control Structures, total capacity of 29 cfs.
- San Felipe Subsystem Pipelines (diameters range from 6 to 36 inches; approximately 150 miles)

San Benito River System:

- Hernandez Reservoir  
Capacity:  
Total: 30,000 ac. ft.  
Flood Control: 11,500 ac. ft.  
Active: 17,300 ac. ft.
- Paicines Reservoir (3,335 ac. ft. capacity)
- Paicines Canal (50 cfs) approx. 8 miles
- Paicines Canal Diversion Facilities (Milton Diversion Dam, Hill Gate, and Sand Gate-50 cfs)
- Dos Picachos Diversion (capacity of 4.75 cfs)



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**San Benito County  
Water District, California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is written in a cursive, flowing style.

Executive Director/CEO



SAN BENITO COUNTY WATER DISTRICT  
LIST OF PRINCIPAL OFFICIALS  
JUNE 30, 2013

**BOARD OF DIRECTORS**

John Tobias  
*President, Division 1*  
*Term Expires November 2014*

Joe Tonascia  
*Vice President, Division 2*  
*Term expires November 2016*

Frank Bettencourt  
*Director, Division 3*  
*Term expires November 2016*

Joe Torquato  
*Director, Division 4*  
*Term expires November 2014*

Sonny Flores  
*Director, Division 5*  
*Term expires November 2016*

**DISTRICT COUNSEL**

David E. Pipal  
Pipal and Spurzem, LLP  
Attorneys at Law

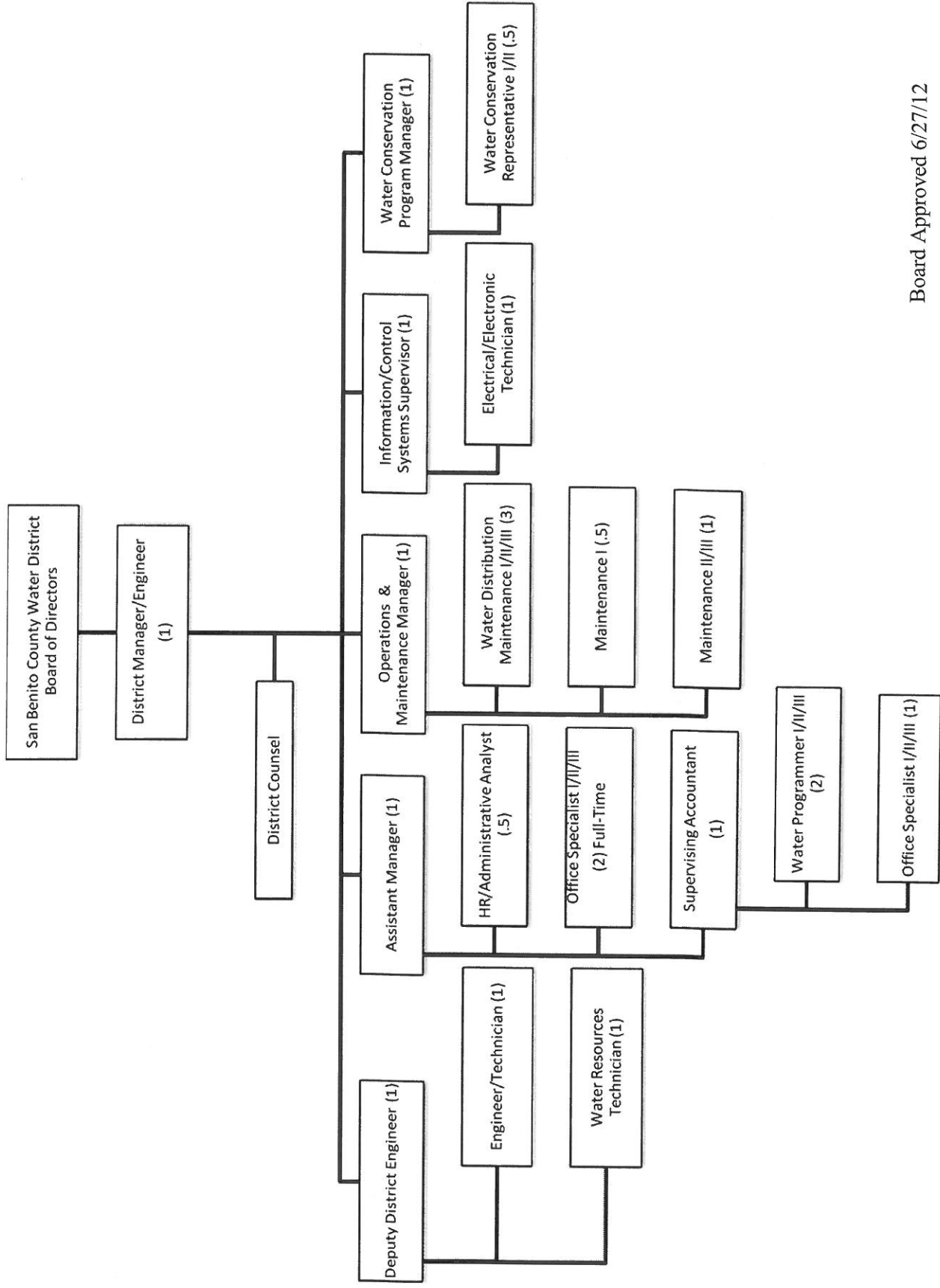
**DISTRICT MANAGER**

Jeff Cattaneo, P.E.

**MISSION STATEMENT**

The mission of the District is to preserve the economic and environmental wealth and well-being of San Benito County through the control, management and conservation of waters and the provision of water services in a practical, cost-effective and responsible manner.

# SAN BENITO COUNTY WATER DISTRICT



Board Approved 6/27/12

## FINANCIAL SECTION

# McGILLOWAY, RAY, BROWN & KAUFMAN

*Accountants & Consultants*

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Monterey, CA 93940-5301  
831-373-3337 Fax 831-373-3437  
Toll Free 866-373-2511

379 West Market Street  
Salinas, CA 93901  
831-424-2737  
Fax 831-424-7936

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
of San Benito County Water District  
San Benito, California

We have audited the accompanying financial statements of San Benito County Water District (District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District'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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinions.

*Daniel M. McGilloway, Jr., CPA, CVA, Gerald C. Ray, CPA, Clyde W. Brown, CPA, Patricia M. Kaufman, CPA,  
Larry W. Rollins, CPA, Helen Grace H. Rodriguez, CPA, CFE*

*Sarita C. Shannon, CPA, Deanna Garcia Thomas, CPA, Whitney Ernest, CPA, Devvyn MacBeth, CPA,  
Nancy H. Rimberg, CPA, Jesus Montemayor, CPA, Smriti Shrestha, CPA*

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the San Benito County Water District as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Summarized Comparative Information**

We have previously audited the San Benito County Water District's 2012 financial statements, and our report dated, December 5, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Matters**

### *Required Supplementary information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of postemployment healthcare benefits funding progress on page 35 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 opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The statement of net position by zone and the statement of revenues, expenses and changes in net position by zone are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statement of net position by zone and the statement of revenues, expenses and changes in net position by zone are fairly stated in all material respects in relation to the basic financial statements as a whole.



The introductory and statistical sections 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.

*McGilloway, Ray, Brown & Kaufman*

Salinas, California  
December 11, 2013

# San Benito County Water District

## *Management's Discussion And Analysis*

June 30, 2013

---

This section of the District's annual financial report presents our analysis of the District's financial performance during the fiscal year ended June 30, 2013. Please read it in conjunction with the Financial Statements which follows this section.

### **FINANCIAL HIGHLIGHTS**

- Total net position increased by \$3,628,453 to \$83,333,017 which is a 4.6% increase.
- Operating revenue increased by \$377,379 to \$4,676,343 which reflects additional water sales from stored water.
- Operating expenses remained relatively flat with a \$63,726 increase from prior year.

### **OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

The discussion and analysis are intended to serve as an introduction to the San Benito County Water District's basic financial statements. The District's basic financial statements have three components: 1) Management's Discussion and Analysis, 2) Basic Financial Statements and 3) Notes to Financial Statements. In addition to the Basic Financial Statements, other supplementary information is provided for further information and analysis.

The Financial Statements of the District report information about the District using accounting methods similar to those used by private sector companies. These statements present both short- and long-term information about its activities.

The Statement of Net Position includes all of the District's assets and liabilities, and provides information about the nature and amount of investment in assets, as well as the nature and amount of District liabilities. This statement provides the financial information to evaluate the capital structure of the District and to assess the liquidity and financial flexibility of the District.

The Statement of Revenues, Expenses and Changes in Net Assets report all of the current year revenues and expenses. This statement reports the financial impact of the District's activities over the past year and can be used to determine whether the District has successfully recovered all of its costs through its user fees, charges and other revenues.

The Statement of Cash Flows is intended to provide information about the District's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash as a result of operations, capital activities, and investments.

# San Benito County Water District

*Management's Discussion And Analysis*  
(continued)  
June 30, 2013

## FINANCIAL ANALYSIS OF THE DISTRICT

### **Net Position**

The following is the condensed Statement of Net Position for the fiscal years ended June 30, 2013 and 2012:

San Benito County Water District  
Condensed Statement of Net Position  
June 30, 2013 and 2012

	Fiscal Year Ended June 30,		Change	
	2013	2012	Amount	Percent
Current assets	\$ 49,496,619	\$ 41,037,000	\$ 8,459,619	20.6%
Other assets	10,749,755	16,451,686	(5,701,931)	-34.7%
Capital assets, net	26,465,942	25,953,009	512,933	2.0%
<b>Total Assets</b>	<b>86,712,316</b>	<b>83,441,695</b>	<b>3,270,621</b>	<b>3.9%</b>
Current liabilities	3,218,450	2,492,371	726,079	29.1%
Long-term liabilities	160,849	1,244,760	(1,083,911)	-87.1%
<b>Total Liabilities</b>	<b>3,379,299</b>	<b>3,737,131</b>	<b>(357,832)</b>	<b>-9.6%</b>
<b>Net Position:</b>				
Invested in capital assets	26,465,942	25,953,009	512,933	2.0%
Restricted	4,509,592	22,838,009	(18,328,417)	-80.3%
Unrestricted	52,357,483	30,913,546	21,443,937	69.4%
<b>Total Net Position</b>	<b>\$ 83,333,017</b>	<b>\$ 79,704,564</b>	<b>\$ 3,628,453</b>	<b>4.6%</b>

Net position increased in 2013 to \$83,333,017 up \$3,628,453 from fiscal year end 2012. The decrease in restricted and the increase in unrestricted reflects the change in the establishment of a minimum level in the USBR Contract Repayment – Rate Management Reserve to one and one half years of USBR Amendatory Contract payments. Investment in capital assets increased by \$512,933 which is primarily the Reach 1 major improvement project costs.

# San Benito County Water District

*Management's Discussion And Analysis*  
(continued)  
June 30, 2013

## Revenues, Expenses and Changes in Net Position

The following is the Condensed Statement of Revenues, Expenses and Changes in Net Position for the fiscal years ended June 30, 2013 and 2012:

San Benito County Water District Condensed Statement of Revenues, Expenses and Changes in Net Position For the fiscal years ended June 30, 2013 and 2012				
	Fiscal Year Ended June 30,		Change	
	2013	2012	Amount	Percent
Revenues:				
Operating revenues	\$ 4,676,343	\$ 4,298,964	\$ 377,379	8.8%
Nonoperating revenues	6,651,089	5,930,767	720,322	12.1%
Total Revenues	11,327,432	10,229,731	1,097,701	10.7%
Expenses:				
Depreciation and amortization expense	(897,783)	(878,749)	(19,034)	2.2%
Operating expense	(6,581,125)	(6,517,399)	(63,726)	1.0%
Nonoperating expense	(236,459)	(11,015)	(225,444)	2046.7%
Total Expenses	(7,715,367)	(7,407,163)	(308,204)	4.2%
Capital Contribution				
Capital contribution	16,388	41,935	(25,547)	-60.9%
Total Capital Contribution	16,388	41,935	(25,547)	-60.9%
Change in Net Position	3,628,453	2,864,503	763,950	26.7%
Net Position, Beginning of Year	79,704,564	76,840,061	2,864,503	3.7%
Net Position, End of Year	\$ 83,333,017	\$ 79,704,564	\$ 3,628,453	4.6%

Operating revenues increased by \$377,379 due to additional water sales from stored water, an increase in groundwater usage and rescheduling fees associated with carryover water. The operating expense activity increased slightly from prior year. There were increased costs in extraordinary maintenance work performed at Paicines Canal, wages, engineering and consulting services and desktop computer upgrades. These increases were offset by reduced costs in general routine maintenance work and various program expenses.

Nonoperating revenues and nonoperating expenses increased due to new grant activity.

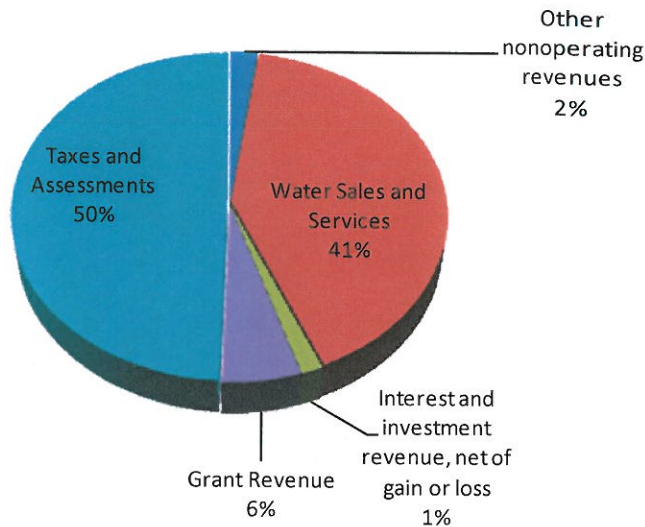
The District's revenue of \$11,327,432 in fiscal year 2013 reflects an increase of \$1,097,701 from fiscal

# San Benito County Water District

*Management's Discussion And Analysis*  
(continued)  
June 30, 2013

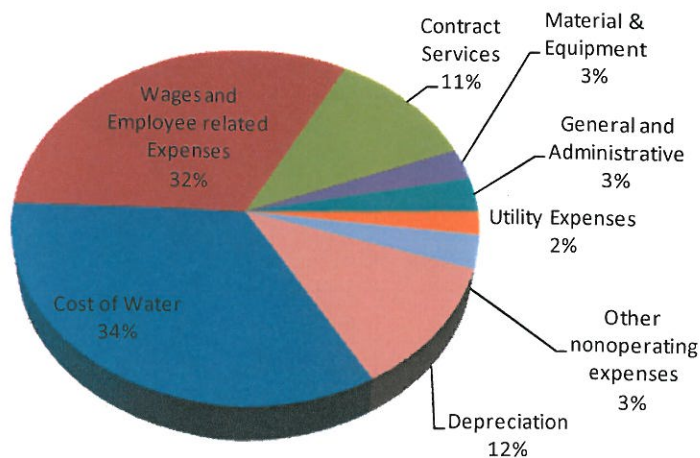
year 2012. The various operating and non-operating revenues are as follows:

## **SOURCES OF REVENUE** **Fiscal Year Ended 2013**



The District expense of \$7,715,367 for fiscal year 2013 is an increase of \$308,204 from fiscal year 2012. The various operating and non-operating expenses are as follows:

## **EXPENSES** **Fiscal Year Ended 2013**





# San Benito County Water District

## Management's Discussion And Analysis

(continued)

June 30, 2013

### Capital Assets

Capital assets include land and land rights, source of supply plant, pumping plant, transmission and distribution system, general plant, water rights, and Reach 1 capital improvements. Changes reflect the addition of one 12" check valve and contributed assets to the transmission and distribution system. The increase in general plant was an upgrade to the District's computer system with the purchase a storage node cluster. The largest increases are in Water Rights and Reach 1 Capital Improvements. The water rights reflect the portion of the payments on the Second Amendment to the USBR Contract that are the capital costs for the San Felipe Division as well as storage costs for the water stored at Semitropic Water Storage District. The Reach 1 Capital Improvement is part of the on-going project with SCVWD for major repairs and replacement of equipment at the Reach 1 facilities. At June 30, 2013, the District had \$43,768,815 in capital assets with \$16,392,434 in accumulated depreciation and \$910,439 in accumulated amortization for a net amount of \$26,465,942 (Refer to Notes to Financial Statements No. 5).

### San Benito County Water District Condensed Statement of Capital Assets For the years ended June 30, 2013 and 2012

	2013	2012	Change	
			Amount	Percent
Land and Land Rights	\$ 486,111	\$ 486,111	\$ -	0.0%
Water Rights				
Semitropic Water Storage	422,126	390,086	32,040	8.2%
Central Valley Project	5,033,799	4,237,069	796,730	18.8%
Source of Supply Plant	2,972,493	2,972,493	-	0.0%
Transmission and Distribution Plant	18,230,088	18,218,915	11,173	0.1%
Pumping Plant	10,164,796	10,158,365	6,431	0.1%
General Plant	1,348,956	1,342,146	6,810	0.5%
Reach 1 Capital Improvement	5,110,446	4,401,624	708,822	0.16
Total Capital Assets	43,768,815	42,206,809	1,562,006	3.7%
(Accumulated Amortization)	(910,439)	(586,335)	(324,104)	55.3%
(Accumulated Depreciation)	(16,392,434)	(15,667,465)	(724,969)	4.6%
Net Capital Assets	<u>\$ 26,465,942</u>	<u>\$ 25,953,009</u>	<u>\$ 512,933</u>	<u>2.0%</u>

### Long Term Debt

At the end of this fiscal year, the District had \$1,194,400 in long term debt. This obligation is a current liability as the District plans to payoff this obligation within one year. Additional information on the District's long term debt can be found in Note 8 on page 27 of this report.

# San Benito County Water District

*Management's Discussion And Analysis*  
(continued)  
June 30, 2013

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## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

### **General Property Tax Revenue**

The District expects the general property tax revenue and the San Felipe land tax to remain at a similar level as fiscal year 2012-2013.

### **Hernandez Dam Repair/Rehabilitation**

Hernandez Dam was constructed in the early 1960s and placed in service in 1962. The outlet conduit requires major maintenance or rehabilitation. The dam is permitted for operation by the State of California, Department of Water Resources, and Division of Safety of Dams and is operated without limitation, restrictions or other special requirements. The District's Board of Directors has selected rehabilitation of the outlet conduit, as the preferred option. The estimated cost of rehabilitation is \$1,029,000 (estimate from 2000) and the current Zone 3 source of revenue (general property tax) to fund operation, maintenance, repair and replacement activities for Hernandez Dam is insufficient to fund or secure funding for the rehabilitation. The condition of the outlet works is monitored on a regular basis and is deemed to be in a condition that needs rehabilitation but is not in jeopardy of failure. Development of a comprehensive plan that identifies specific revenue requirements and a review of revenue sources need to be considered following an assessment of all Zone 3 facilities.

### **Interest Rates**

The current economic environment has seen historically low interest rates. District investment income is affected by these lower rates and will be considered in the budgeting process.

### **Review of Zone 6 Rates and Charges**

The Zone 6 process for the review of rates and charges and development of the annual budget considers the impact of the following:

#### **1) Proposition 218**

Agencies are subject to a statutory landowner notification and protest process for any rate increases. The District complies with this requirement. Revenue would be impacted in the event of a successful majority protest of rates by landowners. Rates have been approved through water year 2015-2016 as part of a three year rate structure.

#### **2) San Felipe Project, Reach 1**

The District, in conjunction with the Santa Clara Valley Water District (SCVWD) has current and future financial obligations for the operation and maintenance costs of the San Felipe Project, Reach 1 facilities (all facilities from Pacheco Pumping Plant at San Luis Reservoir to the bifurcation structure at Casa de Fruta). The District and the Santa Clara Valley Water District negotiated an agreement with the intent to clarify the business relationship between the two entities as it relates to the operations and maintenance of the Reach 1 facilities. This agreement provided for a review of the current conditions of the facilities, definition of a standard for operating conditions, and development of a program to keep the facilities at that standard on an ongoing basis.

Maintenance and replacement of certain major equipment is nearly complete. The facilities review identified the need for major repair of the Pacheco pumping regulating tank, and Pacheco communication cable, rebuilding of several pumps (pumps described in the District



# San Benito County Water District

## *Management's Discussion And Analysis*

*(continued)*

June 30, 2013

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Profile on page xii), and replacement of the adjustable speed drives on 12 pumps. SCVWD has moved forward to implement these projects and other capital projects associated with Reach 1. At fiscal year-end 2013, the District has contributed \$5.1 million toward these projects. By fiscal year end 2014 all current major maintenance projects will be complete.

### **3) United States Bureau of Reclamation Central Valley Project Water Allocations**

Annually, in mid-February, the United States Bureau of Reclamation specifies to each of the contractors in the Central Valley Project (CVP), the initial percentage of their water contract that will be delivered in the upcoming water year. In past recent years, due to the pumping restrictions in the Delta for the protection of endangered species and physical drought in the State, water delivery allocations had been reduced. Due to dry weather conditions, the water year that spans from March 2013 to February 2014, had allocations at 20% of contract for Agricultural users and 70% of historical use for Municipal and Industrial (M&I) users. For water year 2013/2014 the District used stored water in San Justo to meet some of the demand for Agricultural users. This allowed the District to deliver 50% of the requested amount to Agricultural users. 2014/2015 water allocations are expected to be in the range of 10%-30% of contract for Agriculture and 60%-75% of historical use for M&I. Because of the decrease in volume in the past several years, costs have to be spread over fewer acre feet of delivered water. The District includes consideration of these volumes in its rate reviews.

### **4) Zone 6 Groundwater Rates and San Felipe Distribution Rates**

Rate base for groundwater rates include the costs associated with managing the groundwater basin and the costs associated with percolation. Anticipated projects and program costs to address groundwater issues and other surface and groundwater management initiatives are expected to be included in future rates and charges review.

San Felipe water rates are based on the operations and maintenance costs associated with the delivery of San Felipe water. These costs include the District's share of the operations and maintenance costs for the United States Bureau of Reclamation Central Valley Project, the San Luis Delta Mendota Water Authority, and the San Felipe Reach 1 facility maintained by the Santa Clara Valley Water District as well as the District's own operation and maintenance costs. Current rates do not fully recover these operating expenses. The District aims to recover as much of the operating expense as possible through rates, however, given the reduction in volume of water available through the Central Valley Project, the coverage ratio is subject to variability. Consideration of cost recovery from rates is included in the rates and charges review.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need any additional information, contact the District's Assistant Manager.



# San Benito County Water District

## *Management's Discussion And Analysis*

*(continued)*

June 30, 2013

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The board meets in regular session at 6:00 p.m. on the last Wednesday of each month. Meetings are held in the Board Room at the San Benito County Water District Office, 30 Mansfield Road, Hollister, California.

San Benito County Water District  
30 Mansfield Rd.  
P.O. Box 899  
Hollister, CA 95024  
Phone: (831) 637-8218  
Fax: (831) 637-7267

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

San Benito County Water District  
Statement of Net Position  
June 30, 2013  
(June 30, 2012 for Comparative Purposes Only)

	2013	2012
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 44,832,703	\$ 24,969,158
Receivables	1,812,002	1,685,508
Prepaid expenses	374,234	524,279
Prepaid asset - CalPERS	25,945	-
Restricted cash and cash equivalents	1,944,086	13,353,315
Restricted investments	507,649	504,740
Total current assets	<u>49,496,619</u>	<u>41,037,000</u>
Noncurrent assets:		
Investments	1,757,933	1,756,714
Restricted investments	2,057,857	8,979,954
Prepaid asset - CalPERS	415,123	-
Work in progress	6,518,842	5,715,018
Capital assets, net	26,465,942	25,953,009
Total noncurrent assets	<u>37,215,697</u>	<u>42,404,695</u>
Total assets	<u>86,712,316</u>	<u>83,441,695</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued expenses	646,511	1,456,793
Accrued wages and benefits	51,930	50,224
Accrued vacation and sick	205,068	179,104
Due to other agencies	599,345	274,862
DHCCP obligation, current portion	1,194,400	-
Contract customer water prepayments	521,196	531,388
Total current liabilities	<u>3,218,450</u>	<u>2,492,371</u>
Noncurrent liabilities:		
DHCCP obligation, net of current portion	-	1,125,924
Other post employment benefits	158,349	116,336
Deposits payable	2,500	2,500
Total noncurrent liabilities	<u>160,849</u>	<u>1,244,760</u>
Total liabilities	<u>3,379,299</u>	<u>3,737,131</u>
<b>NET POSITION</b>		
Invested in capital assets	26,465,942	25,953,009
Restricted	4,509,592	22,838,009
Unrestricted	52,357,483	30,913,546
Total net position	<u>\$ 83,333,017</u>	<u>\$ 79,704,564</u>

See accompanying notes to basic financial statements

San Benito County Water District  
Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended June 30, 2013  
(June 30, 2012 for Comparative Purposes Only)

	2013	2012
Operating revenue	\$ 4,676,343	\$ 4,298,964
Operating expenses:		
Cost of water	2,617,249	2,730,310
Wages and employee related expenses	2,469,800	2,336,944
Contract services	879,378	840,158
Material and equipment	213,232	233,352
General and administrative	235,771	225,589
Utility expenses	165,695	151,046
Depreciation and amortization	897,783	878,749
Total operating expenses	7,478,908	7,396,148
Operating income (loss)	(2,802,565)	(3,097,184)
Nonoperating revenue (expenses):		
Interest and investment revenues	330,504	437,627
Investment gain or loss	(162,661)	(150,972)
Taxes and assessments	5,610,264	5,441,328
Other nonoperating revenues	251,101	167,396
Grant revenue	621,881	35,388
Other nonoperating expenses	(236,459)	(11,015)
Net nonoperating revenue (expenses)	6,414,630	5,919,752
Income before capital contribution	3,612,065	2,822,568
Capital contribution:		
Capital contributions	16,388	41,935
Change in net position	3,628,453	2,864,503
Net position, beginning of year	79,704,564	76,840,061
Net position, end of year	\$ 83,333,017	\$ 79,704,564

See accompanying notes to basic financial statements



San Benito County Water District  
Statement of Cash Flows  
For The Year Ended June 30, 2013  
(June 30, 2012 for Comparative Purposes Only)

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from operations	\$ 4,787,003	\$ 3,632,159
Cash payments to suppliers for operations	(4,280,962)	(4,921,188)
Cash payments to employees for services and related expenses	(2,839,714)	(2,283,801)
Cash payments for general and administrative expenses	<u>(243,455)</u>	<u>(226,879)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(2,577,128)</u>	<u>(3,799,709)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Taxes and assessments collected	5,724,710	5,434,824
Grant revenue	207,613	167,907
Other revenue (expense)	<u>(41,483)</u>	<u>163,113</u>
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>5,890,840</u>	<u>5,765,844</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Gain on sale of capital assets	-	211
Acquisition of capital assets	(1,293,550)	(1,551,055)
Preliminary survey and construction in progress payments	<u>(686,718)</u>	<u>(471,512)</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(1,980,268)</u>	<u>(2,022,356)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received from cash and cash equivalents	135,192	125,085
Interest received from investments	230,372	343,970
Increase (decrease) in fair market value	(35,807)	-
Investment maturities (purchases), net	<u>6,791,115</u>	<u>8,282,818</u>
Net Cash Provided by (Used for) Investing Activities	<u>7,120,872</u>	<u>8,751,873</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>8,454,316</u>	<u>8,695,652</u>
Balances, Beginning of Year		
Cash and cash equivalents	24,969,158	21,668,220
Restricted cash and cash equivalents	<u>13,353,315</u>	<u>7,958,601</u>
Balances, Beginning of Year	<u>38,322,473</u>	<u>29,626,821</u>
Balances, End of Year	<u>\$ 46,776,789</u>	<u>\$ 38,322,473</u>

See accompanying notes to basic financial statements

San Benito County Water District  
Statement of Cash Flows  
For the Year Ended June 30, 2013  
(June 30, 2012 for Comparative Purposes Only)

	<u>2013</u>	<u>2012</u>
RECONCILIATION TO STATEMENT OF NET POSITION:		
Unrestricted cash and cash equivalents	\$ 44,832,703	\$ 24,969,158
Restricted cash and cash equivalents	<u>1,944,086</u>	<u>13,353,315</u>
Total Cash and Restricted Cash	<u>\$ 46,776,789</u>	<u>\$ 38,322,473</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (2,802,565)	\$ (3,097,184)
Adjustment to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation and amortization	897,783	878,749
Cost of water - operation and maintenance amortization	168,843	133,575
Provision for allowance of doubtful accounts	(2,431)	4,640
Change in operating assets and liabilities:		
(Increase) decrease in accounts receivables	123,283	(105,087)
(Increase) decrease in prepaid expenses	(738,305)	156,336
Increase (decrease) in payables and accrued expenses	(283,227)	(1,883,440)
Increase (decrease) in accrued wages and benefits	27,670	13,852
Increase (decrease) in other post employment benefits	42,013	38,001
Increase (decrease) in contract customer water prepayments	<u>(10,192)</u>	<u>60,849</u>
Totals	<u>\$ (2,577,128)</u>	<u>\$ (3,799,709)</u>
Unrealized investment gain (loss) for the District	\$ 56,405	\$ 94,940
Contributed capital in the form of donated assets	16,388	41,935

See accompanying notes to basic financial statements

# San Benito County Water District

## *Notes to Basic Financial Statements*

June 30, 2013

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### **1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Reporting Entity**

The San Benito County Water District (District) is a water conservation and flood control district governed by the San Benito County Water Conservation and Flood Control Act codified as Appendix 70 of the California Water Code.

The District is an independent and autonomous agency, governed by a five member Board of Directors directly elected by electors in five divisions. The boundaries of each division are coterminous with those of the supervisory districts of the County. A director must be a resident of and a registered voter in the division they represent.

District zones are not distinct or separate units of government from the District and the financial operations and activities related to those zones of benefits are included within the District's financial statements as one legal entity. No separate financial statements are prepared for the individual zones of benefits.

The accompanying supplementary information to the District's Financial Statements includes the financial activities of the District Administration (Zone 1), San Benito River System (Zone 3), San Felipe Project (Zone 6), Harmony Hills Water System (Zone 103) and Fairview Road Water System (Zone 104). These zones were formed to undertake projects and provide water supply and related benefits to specific geographic areas within the District.

#### **B. Basis of Accounting**

The District's single enterprise fund (a business-type activity) is accounted for using the accrual basis of accounting. Revenue is recognized when earned, and expenses are recognized when they are incurred.

#### **C. Basis of Presentation and Measurement Focus**

The District's single enterprise fund is accounted for on a cost of service or "economic resources" measurement focus. This means that assets and all activities are included on the statement of net assets. Operating statements present increases (revenues) and decreases (expenses) in net total assets. The financial statements distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering services in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services for delivering water. Operating expenses include the cost of sales and services, general and administrative expenses and depreciation of capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses. Non-operating revenues include revenues from taxes and assessments that are general purpose and/or special purpose in nature.

#### **D. Budgets**

The District's Board of Directors annually adopts a capital and an operating budget for the ensuing fiscal year effective July 1 as a financial plan for the year. The budget is adopted by the governing Board as an operating plan and budgetary basis financial statements are not presented because there is no legal requirement to report budgetary basis financial information.



# San Benito County Water District

## Notes to Basic Financial Statements

(Continued)

June 30, 2013

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### **E. Joint Powers Agreements**

The District is a participant in the Association of California Water Agencies, Joint Powers Insurance Authority (ACWA/JPIA) for the purpose of obtaining property and liability insurance. The District also participates in the San Luis Delta-Mendota Water Authority (SLDMWA) for the purposes of operating and maintaining a portion of the Central Valley Project.

### **F. Accounting Changes**

The District applies all applicable GASB pronouncements for certain accounting and financial reporting guidance.

In December, 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates pronouncements issued on or before November 30, 1989 into GASB authoritative literature. This included pronouncements by the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB), and the Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedures, unless those pronouncements conflict or contradict with GASB pronouncements. This statement became effective for period effective beginning after December 15, 2011 and did not have a significant impact on the District's financial statements for 2012.

GASB has issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The requirement of this statement standardizes the presentation of deferred inflows and outflows of resources, and their effect on a government's net position. This statement became effective for period beginning after December 15, 2011. The implementation of this statement to the District is limited to renaming of "Net Assets" to "Net Position".

GASB has issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflow of resources, certain items that were previously reported as assets and liabilities. The statement is effective for periods beginning after December 15, 2012. The District is evaluating the impact of this standard on the financial statements.

GASB has issued Statement No. 66, *Items Technical Corrections – 2012 – an amendment of GASB no. 10 and No. 62*. The statement is effective for periods beginning after December 15, 2012. The District is evaluating the impact of this standard on the financial statements.

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement is effective for periods beginning after June 15, 2014. The District is evaluating the impact of this standard on the financial statements.

### **G. Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The short-term investments include the California Local Agency Investment Fund and the California Asset Management Program. Both are investments authorized by the District investment policy and State law.

# San Benito County Water District

## **Notes to Basic Financial Statements**

*(Continued)*

June 30, 2013

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For purposes of determining cash equivalents, the District has defined its policy concerning the treatment of short-term investments to include investments with a maturity of three months or less when purchased, as cash equivalents if management does not plan to reinvest the proceeds. Short-term investments that management intends to rollover into similar investments are considered part of the investment portfolio and are classified as investments.

### **H. Investments**

All investments are stated at fair value, except for money market investments which have a remaining maturity of less than one year when purchased, which are stated at amortized costs.

Under the provisions of the District's investment policy, and in accordance with Section 53601 of the California Government Code, the following investments are authorized:

- ◆ U.S. Treasury Obligations, or Federal Agency Securities
- ◆ FDIC Insured Certificates of Deposit
- ◆ Fully Collateralized Certificates of Deposit
- ◆ Commercial Paper, (rated in highest short-term ratings category)
- ◆ California's Local Agency Investment Fund
- ◆ Securities of the State of California, its agencies, or any local agency within the state
- ◆ Medium term corporate notes (rated "A" or better)
- ◆ Negotiable Certificates of Deposit (rated "A" or better)
- ◆ Shares of beneficial interest issued by diversified management companies that are money market funds registered with Securities and Exchange Commission (highest rating by at least 2 rating organizations)
- ◆ Registered Treasury Notes or Bonds of any of the other remaining 49 states
- ◆ Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7

Investments of the District are secured with third-party custodians.

### **I. Restricted Cash**

Restricted cash represents allocations of cash that are a statutory or contractual requirement. The District has established various accounts to provide for specific activities in accordance with special regulations and restrictions placed by contracts, laws or regulations of other governments. Specific detail on source of restrictions is provided in Note 9 – Net Position. Restricted resources are used first to fund expenses incurred.

### **J. Receivables**

Receivables include amounts due from water utility customers as well as amounts due from property taxes, interest, and other receivables. An allowance for doubtful accounts is made annually.

### **K. Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.



# San Benito County Water District

## Notes to Basic Financial Statements

(Continued)

June 30, 2013

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### L. Work in Progress

Work in progress consist of costs associated with preliminary survey and investigation, construction in progress and other works in progress including the District's share of participation in multi-agency projects. These include costs incurred for the purpose of determining the feasibility of projects under contemplation. If construction results, the costs are capitalized and depreciated at the completion of construction in accordance with the District's Capital Asset Policy. If the work does not move forward to a capital project, the costs are expensed.

### M. Capital Assets

Capital assets are defined by the District as property with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets with high portability (computer equipment, furniture and shop equipment) are considered for capitalization at an individual cost of more than \$2,500.

Capital assets used in operations are depreciated using the straight-line method over their estimated useful lives. Assets that were placed in service during any fiscal year begin depreciation on the first day of the next fiscal year.

The estimated useful lives are as follows:

Source of supply plant	25 - 75 Years
Transmission and distribution plant	20 - 75 Years
Pumping plant	7 - 10 Years
General plant:	
Office furniture, computer and shop equipment	5 - 7 Years
Transportation equipment and power-operated equipment	6 - 10 Years

Capital assets (including infrastructure) are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. Maintenance and repairs are charged to operations when incurred. Betterments and major improvements, which significantly increase values, change capacities or extend useful lives, are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

The purpose of depreciation is to spread the cost of fixed assets equitably among all beneficiaries over the life of these assets, so that each landowner's/customer's bill includes a pro rata share of the cost of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of depreciable fixed assets.

Depreciation of all fixed assets in service, excluding land, are charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the statement of net assets as a reduction in the book value of the fixed assets.



# San Benito County Water District

## Notes to Basic Financial Statements

(Continued)

June 30, 2013

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### **N. Amortization**

The District has contracted with the United States Bureau of Reclamation (USBR) for water service and for operation and maintenance of certain works of the San Felipe Division of the federal Central Valley Project (CVP). A portion of the payments under this contract represent repayment of the capital cost associated with the San Felipe Division. The capital component is capitalized as Water Rights at the time it is paid and amortized using the straight-line method, over the remaining entitlement period. Current interest on this contract is expensed as it is paid and recorded in Cost of Water.

Capital projects related to the operations and maintenance of the San Felipe Division Reach I are capitalized and the associated costs are amortized using the straight-line method, over the estimated useful life of the asset.

### **O. Water Rights**

The District participates in various water storage and water rights agreements for imported surface water. These agreements are included in capital assets as water rights.

### **P. Accrued Vacation and Sick Leave Pay**

The District's employment policy provides for the accumulation of earned vacation leave and vested sick leave. Due to the limited number of employees, the District has elected not to conduct actuarial assessments of sick leave. Vested or accumulated vacation and sick leave are recognized as an expense and a liability at the time the benefit vests. Accrued vacation and sick leave are reported as current liabilities on the statement of net assets.

### **Q. Claims and Judgments**

An estimated loss is recorded, net of insurance coverage, and inclusive of an estimate for incurred but unreported claims, when it is probable that a claim liability has been incurred and the amount of the loss can be reasonably estimated.

### **R. Net Position**

The statement of net position reports all financial and capital resources. The difference between assets and liabilities is net position. The three components of net position are:

Invested in capital assets, net of related debt – This component of net position consists of capital assets, including infrastructure, net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. The District has no debt attributable to capital assets.

Restricted - This component of net position consists of constraints placed on the use of net positions by external restrictions 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 - This category represents net positions of the District that do not meet the definition of "Restricted net position" or "Invested in capital assets, net of related debt."

### **S. Operating Revenue Recognition**

Revenue from water sales is based on customer usage which is recognized on a monthly basis or when the customer is contractually obligated to pay for the remaining unused water allocation, whichever comes first. Well permitting and other operating revenues are recognized at the time the service is provided.

# San Benito County Water District

## **Notes to Basic Financial Statements**

*(Continued)*

June 30, 2013

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### **T. Property Taxes and Assessments**

Property taxes and assessments are collected by the County of San Benito and are payable by the taxpayer in two installments each year. The District recognizes property taxes and assessments as non-operating revenue in the fiscal year of levy.

The District levies the following voter-approved taxes and assessments:

- A land tax on behalf of San Felipe Division of the Central Valley Project (Zone 6). This tax is a per annum assessment based on the assessed valuation of land for properties within Zone 6.
- A standby charge for the availability of service from the San Felipe Distribution system on properties in the area of Zone 6 served by the pressurized distribution system. This per-acre charge is established annually by the Board of Directors.
- Special assessments on the properties in Harmony Hills (Zone 103). Beginning fiscal year 2014, this assessment will no longer be levied due to the dissolution of Zone 103.
- In addition to special purpose taxes and assessments, the District receives a portion of the County of San Benito general purpose tax, which is allocated to the District by the County.

### **U. Grants**

In the normal course of operations, the District receives grant funds from Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as the result of these audits is not believed to be material.

### **V. Restricted and Unrestricted Resources**

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

### **W. Use of Estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

### **X. Comparative Prior Year Financial Information**

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's prior year financial statements, from which this selected financial data was derived.



# San Benito County Water District

## Notes to Basic Financial Statements

(Continued)

June 30, 2013

### 2. CASH AND INVESTMENTS

The bank balance and carrying value of the District's cash and cash equivalents, including restricted and designated balances, at June 30, 2013 were as follows:

	Restricted	Designated	Undesignated Unrestricted	Total
Petty Cash	\$ -	\$ -	\$ 200	\$ 200
Union Bank of California	-	-	990,609	990,609
Local Agency Investment Fund	1,924,815	26,270,069	17,553,021	45,747,905
California Asset Management Program	2,077,128	-	1,776,737	3,853,865
Santa Clara Valley Water District (San Felipe- Reach 1	507,649	-	-	507,649
<b>Total</b>	<b>\$ 4,509,592</b>	<b>\$ 26,270,069</b>	<b>\$ 20,320,567</b>	<b>\$ 51,100,228</b>

Cash balances held in banks are qualified as "public funds"; these funds must be FDIC insured or collateralized by the Depository at a rate of 110%, and comply in all aspects with the provisions of Title 5, Division 2, Part 1, Chapter 4, Article 2 (commencing with Section 53630) of the Government Code.

The book balance at June 30, 2013 was \$990,609. At June 30, 2013, the bank balances in financial institutions totaled \$2,347,962. The book balance and bank balance differ by \$1,357,353 due to deposits in transit and outstanding checks. Of the bank balances, \$250,000 was covered by federal depository insurance and \$2,097,962 was covered by collateral held by an agent of the pledging bank in the District's name.

As of June 30, 2013, the District had the following cash and investment maturities:

	Fair Value	Cost	0-3 Months	4-12 Months	13-36 Months
Petty Cash	\$ 200	\$ 200	\$ 200	\$ -	\$ -
Union Bank of California	990,609	990,609	990,609	-	-
Local Agency Investment Fund	45,747,905	45,735,409	45,747,905	-	-
California Asset Management Program	3,853,865	3,815,330	38,076	1,539,981	2,275,808
Santa Clara Valley Water District	507,649	507,649	507,649	-	-
<b>Total</b>	<b>\$51,100,228</b>	<b>\$51,049,197</b>	<b>\$47,284,439</b>	<b>\$ 1,539,981</b>	<b>\$ 2,275,808</b>

#### Investments

The District has an investment policy that is overseen by the Investment Committee of the Board of Directors. The investment policy conforms to state law and guidelines and is based on prudent money management principles and practices.

#### Interest Rate Risk

Interest Risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting exposure to fair value losses arising from rising interest rates, the District's investment policy limits the maturity of investments in accordance with Government Code.



# San Benito County Water District

## Notes to Basic Financial Statements

(Continued)

June 30, 2013

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the preceding table that shows the distribution of the District's investment by maturity.

### Concentration of Credit Risk

Concentration of credit risk is the risk of a loss attributed to the magnitude of a government's investment in a single issuer. The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments represent a concentration. All concentrations as illustrated in subsequent table are in federal agency obligations.

### Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the District and that the District will not be able to recover the value of its investments or collateral securities. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

As of June 30, 2013, the District's investments with the Local Agency Investment Fund were not categorized as to custodial credit risk. Investments within the California Asset Management Program are conducted on a delivery-versus-payment basis and are held by a third party custodian. The restricted cash for San Felipe Reach 1 Reserve of \$507,649 is held by Santa Clara Valley Water District within its General Fund.

All of the District's deposits are either insured by the Federal Depository Insurance Corporation (FDIC) or collateralized with pledged securities held in the trust department of the financial institution in the District's name.

Summarized below are the ratings of the District's cash and investments:

<b>Issuers</b>	<b>Fair Value</b>	<b>S&amp;P</b>	<b>Moody's</b>	<b>% of Total</b>
Local Agency Investment Fund	\$ 45,747,905	NR	NR	89.6%
California Asset Management Program				
Federal Home Loan Mortgage Corporation Notes	1,757,933	AA+	Aaa	3.4%
Federal Home Loan Banks Tap Bonds	517,876	AA+	Aaa	1.0%
Federal Home Loan Mortgage Corp Global Ref Notes	1,539,981	AA+	Aaa	3.0%
California Asset Management Program	38,075	AAAm	NR	0.1%
Subtotal	3,853,865			7.4%
Union Bank	990,609	A+/A-1	A2/P-1	1.9%
Santa Clara Valley Water District	507,649	NR	NR	1.0%
<b>Total</b>	<b>\$51,100,028</b>			<b>99.9%</b>

\*NR - denotes Not Rated

### Investment in State Investment Pool

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

# San Benito County Water District

## Notes to Basic Financial Statements

(Continued)

June 30, 2013

Although the average life of the LAIF portfolio at fiscal year-end was 268 days, under LAIF's policy the District can withdraw all its funds with 24 hour notice.

### Other Investments

The District invests in the California Asset Management Program (CAMP), which is a California Joint Powers Authority (JPA) directed by a Board of Trustees made up of experienced local government finance directors and treasurers. CAMP offers a wide range of services to assist the District with their investments and compliance needs. The District is a voluntary participant in the short-term money market portfolio and a separately managed portfolio serviced by CAMP's investment advisor, PFM Asset Management, LLC under separate agreement. The money market portfolio allows for daily liquidity of the District's cash while the separately managed portfolio is for long term investing. The funds in CAMP are reflected in the preceding table.

### **3. RECEIVABLES**

Receivables at June 30, 2013 consisted of the following:

Water utility customer receivables, net of allowance	\$	491,295
Other operating receivables		14,416
Interest receivables		36,031
Property tax and assessment receivables		255,856
Grant receivables		473,919
Agency receivables		540,485
<b>Total receivables, net</b>	<b>\$</b>	<b>1,812,002</b>

Agency receivables are reimbursements due from other agencies for shared expenses per cooperative memorandum of understandings related to projects and grants. These receivables represent the expenses for the fiscal year ending June 30, 2013, and are expected to be reimbursed in the next fiscal year.

The Water Utility Customer receivables above reflect an allowance for doubtful accounts in the amount of \$21,477.

### Proposition 1A Borrowing by the State of California

Property tax and assessment receivables include the Proposition 1A borrowing by the State of California in the amount of \$87,626. Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies).

As of June 30, 2013, the District recognized the interest earned in the amount of \$5,825 and received payment in full in August, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period.

### **4. WORK IN PROGRESS**

The District's work in progress are the accumulated costs associated with the preliminary survey and investigation, construction in progress and other works in progress, including the District's portion of multi-agency projects. The District actively pursues grant funding for major projects. If applicable, grant proceeds associated with the following projects are reflected in non-operating revenue in the year in



# San Benito County Water District

## Notes to Basic Financial Statements

(Continued)

June 30, 2013

which the associated expense occurred.

The work in progress at June 30, 2013 consisted of the following:

Hollister Urban Area Water and Wastewater Master Plan Projects	\$	2,512,632
Reclaimed Water Projects		1,352,155
Pajaro Watershed Integrated Regional Water Management Plan		1,022,767
Delta Related Programs through San Luis Delta Mendota Water District		1,372,083
Zebra Mussel Control Study related to the Hollister Conduit		138,005
Other Projects		121,200
Total Work in Progress	\$	<u>6,518,842</u>

### 5. CAPITAL ASSETS

The changes in capital assets of the District for the year ended June 30, 2013 are summarized as follows:

	Balance as of June 30, 2012	Current Year Activity		Balance as of June 30, 2013
		Additions	Dispositions	
<b>Non-depreciable capital assets</b>				
Land and land rights	\$ 486,111	\$ -	\$ -	\$ 486,111
<b>Depreciable capital assets</b>				
Water Rights				
Semitropic Water Storage	390,086	32,040	-	422,126
Central Valley Project	4,237,069	796,730	-	5,033,799
Source of supply plant	2,972,493	-	-	2,972,493
Transmission and distribution plant	18,218,915	22,051	(10,878)	18,230,088
Pumping plant	10,158,365	6,431	-	10,164,796
General plant	1,342,146	15,462	(8,652)	1,348,956
Reach 1 Capital Improvement	4,401,624	708,822	-	5,110,446
<b>Total capital assets</b>	<b>42,206,809</b>	<b>1,581,536</b>	<b>(19,530)</b>	<b>43,768,815</b>
(Accumulated amortization)	(586,335)	(324,104)	-	(910,439)
(Accumulated depreciation)	(15,667,465)	(742,521)	17,552	(16,392,434)
<b>Net capital assets</b>	<b>\$25,953,009</b>	<b>\$ 514,911</b>	<b>\$ (1,978)</b>	<b>\$26,465,942</b>

Depreciation expense for the depreciable capital assets was \$742,521 for the year ended June 30, 2013 as follows:

Source of supply plant	\$	55,499
Transmission and distribution plant		389,135
Pumping plant		248,132
General plant		49,755
<b>Current Year Depreciation</b>	<b>\$</b>	<b><u>742,521</u></b>



# San Benito County Water District

## Notes to Basic Financial Statements

(Continued)

June 30, 2013

### 6. CAPITAL CONTRIBUTIONS

The Board of Directors of the San Benito County Water District held a legally noticed hearing in May, 2012 and adopted a resolution to terminate service and dissolve Zone 103 effective October 1, 2012. The District terminated its service to the water system and has relinquished any interest it has in the water facilities and easements to property owners who identified that they wished to receive an undivided share of the Harmony Hills water system. The activity of Zone 103 is reflected in the Supplementary Information of the statement. A capital contribution from the District Administration Zone to Zone 103 was necessary in the amount of \$89,292.

Capital Asset contributions for new installations to the District's water system in the amount of \$16,388 were contributed by landowners who made the necessary capital improvements to access the San Felipe distribution system. These assets are reflected in transmission and distribution plant.

### 7. INVESTMENT IN JOINT VENTURE

The District participates in two joint ventures under Joint Powers Agreements (JPA) with the Association of California Water Agencies and the San Luis Delta-Mendota Water Authority. The relationship between the District and the JPA's is such that the JPA's are not component units of the District for financial reporting purposes.

#### Association of California Water Agencies-Joint Powers Insurance Authority (ACWA-JPIA)

The ACWA-JPIA arranges for and provides property and liability insurance for its nearly 300 members. ACWA-JPIA is governed by a board consisting of a representative from each member district. The board controls the operations of ACWA-JPIA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board.

Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in ACWA-JPIA. Separate financial statements of ACWA-JPIA can be obtained at P.O. Box 619082, Roseville, CA 95661-9082.

#### San Luis Delta-Mendota Water Authority (SLDMWA)

The SLDMWA arranges for the operation and maintenance of a portion of the Central Valley Project for its 29 members. SLDMWA is governed by a board consisting of a representative from each member district. The board controls the operations of the SLDMWA, including selection of management and approval of operating budgets, independent of any influence by the member district beyond their representation on the board. Each member district pays membership dues proportionate to their United States Bureau of Reclamation water contract entitlement and operation and maintenance costs based on commodity rates established by the SLDMWA. Separate financial statements of SLDMWA can be obtained at P.O. Box 2157, Los Banos, CA 93635.

Condensed financial information of ACWA-JPIA and SLDMWA is as follows:

	09/30/12 ACWA-JPIA	02/28/11 SLDMWA
Total assets	\$ 188,033,750	\$ 79,448,473
Total liabilities	(100,670,416)	(57,507,024)
<b>Net Assets</b>	<b>\$ 87,363,334</b>	<b>\$ 21,941,449</b>
Total revenues	\$ 95,122,401	\$ 25,275,740
Total expenditures	(55,071,111)	(57,923,239)
<b>Net increase (decrease)</b>	<b>\$ 40,051,290</b>	<b>\$ (32,647,499)</b>

# San Benito County Water District

## Notes to Basic Financial Statements

(Continued)

June 30, 2013

### 8. LONG TERM DEBT

The following is a summary of long term liabilities for the fiscal year ended June 30, 2013:

	June 30, 2012	Increases	Decreases	June 30, 2013	Due Within One year
<b>Long Term Debt:</b>					
DCHPP Obligation	\$ 1,125,924	\$ 68,476	\$ -	\$ 1,194,400	\$ 1,194,400
<b>Other Long Term Liabilities:</b>					
Post Employment Benefits	116,336	42,013	-	158,349	-
Total Long Term Liabilities	\$ 1,242,260	\$ 110,489	\$ -	\$ 1,352,749	\$ 1,194,400

### Delta Habitat, Conservation and Conveyance Plan (DHCCP Obligation)

The District is a participant through SLDMWA in a \$50 million project to begin the development, design and permitting for alternative conveyance through the Delta. This District funded its share of allocated costs by participating in an activity agreement with SLDMWA which issued 5 year revenue notes. The increase of the District's share of principal resulted from changes in the number of participating agencies. This obligation is a current liability as the District plans to payoff this obligation within one year.

### 9. NET POSITION

Net position represents the difference between assets and liabilities. Designations of unrestricted net position represent the District Board of Director's intention for the use of resources. The net position amounts at June 30, 2013 were as follows:

<b>Invested in capital assets</b>	<b>\$ 26,465,942</b>
<b>Restricted:</b>	
District Revolving Fund Reserve	75,000
San Felipe-Hollister Conduit Reserve	250,000
San Felipe-Reach 1 Reserve	507,649
USBR Contract Repayment - Rate Management Reserve	2,088,227
Reach 1 Major Repair - Replacement Reserve	1,588,716
Total Restricted	<b>4,509,592</b>
<b>Unrestricted:</b>	
Designated	
Reserved for Operations	2,882,691
Reserved for Capital Asset Replacement	3,258,848
Reserved for Capital Improvements	710,394
Reserved for Retiree Medical	157,855
Reserved for Self-Insurance	100,000
Reserved for Water Supply Emergency	541,838
Reserved for Hollister Urban Area Project Water Treatment Facilities	18,618,443
	26,270,069
Undesignated	26,087,414
Total Unrestricted	<b>52,357,483</b>
<b>Total net position</b>	<b>\$ 83,333,017</b>



# San Benito County Water District

## Notes to Basic Financial Statements

(Continued)

June 30, 2013

### Restricted Net Position

Net position is restricted when constraints placed on their use are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments. They are also restricted if their use is constrained by law through constitutional provisions or enabling legislation. There are no net positions restricted by enabling legislature.

Restricted Net Position	Source of Restriction
District Revolving Fund Reserve	San Benito County Water Conservation and Flood Control District Act (Section 70-7).
San Felipe-Hollister Conduit Reserve	USBR Contract Central Valley Project-Contract Between the United States and San Benito County Water Conservation and Flood Control District for Water Service and for Operation and maintenance of Certain Works of the San Felipe Division (Contract # 8-07-20-W0130)
San Felipe-Reach 1 Reserve	USBR San Felipe Division-Contract for the Transfer of the Operation and Maintenance of Certain San Felipe Division Facilities (Contract # 6-07-20-X0290): United States, Santa Clara Valley Water District, and San Benito County Water Conservation and Flood Control District.
USBR Contract Repayment - Rate Management Reserve	Agreement Between Santa Clara Valley Water District and San Benito County Water District for Repayment and Management of San Felipe Division Facilities.
Reach 1 Major Repair and Replacement Reserve	Agreement Between Santa Clara Valley Water District and San Benito County Water District for Repayment and Management of San Felipe Division Facilities.

In May 2013, the Board took action to establish the minimum target balance for the USBR Rate Management Reserve at one and one-half years of payments on the USBR Amendatory Repayment Contract. The Board also took action, to transfer funds in the USBR Rate Management Reserve in excess of that amount to a Designation for Hollister Urban Area Water Project to provide financing for the upgrade and building of the associated capital projects in anticipation of the signing of the Water Supply and Treatment agreement with the City of Hollister and Sunnyslope County Water District. (See Notes to the Financial Statement 13 and 15).

### 10. EMPLOYEE RETIREMENT PLANS

#### CalPERS

Plan Description - The District contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and District ordinance. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost sharing plans that are administered by PERS. Copies of the CalPERS' annual financial report may be obtained by writing to 400 "Q" Street, Sacramento, California 95811.

Contributions and Funding Policy - Participating employees are required to contribute 8.0 percent of their annual covered salary. The District makes the contributions required of District Employees on their behalf and for their account. The District is required to make the employer contribution at an actuarially determined rate. The actuarial methods and assumptions used are those adopted by the CalPERS Board of



# San Benito County Water District

## Notes to Basic Financial Statements

(Continued)

June 30, 2013

Administration. The required employer contribution rate for the District for fiscal year 2012-2013 was 15.423% percent of annual covered payroll.

In August, 2012, the District chose to pay off their Side Fund obligation in the amount of \$462,479 which resulted in a lower contribution rate effective in September, 2012 to 13.307%. This payoff is being amortized over 18 years and is reflected as retirement expense. The unamortized balance is reflected as Prepaid asset – CalPERS. The contribution requirements of plan members are established by State statute and employer contribution rates are established and may be amended by CalPERS.

**Annual Pension Cost** - For fiscal year 2012-2013 the District's annual pension costs of \$324,505 for CalPERS was equal to the District's required and actual contributions. The required contribution was determined as part of the June 30, 2010 actuarial valuation using the entry age actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75 percent investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, age and type of employment, and (c) 3 percent per year cost-of-living adjustments.

Both (a) and (b) included an inflation component of 3.0 percent. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen-year period (smoothed market value). CalPERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. The average amortization period for current service unfunded liability at June 30, 2013 was 19 years for miscellaneous employees.

The District has less than 100 active members; therefore, it is required to participate in a risk pool. Under the pooling method, assets and liabilities of the participant employers are aggregated. As such, individual employer's retirement data is no longer available. All pension costs are paid timely.

For the fiscal years 2013, 2012, and 2011, the District's annual contributions for the CalPERS plan were equal to the District's required and actual contributions for each fiscal year as follows:

### Three Years CalPERS Funding Information

<b>Fiscal Year</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
6/30/2011	\$ 181,429	100%	0
6/30/2012	\$ 213,411	100%	0
6/30/2013	\$ 324,505	100%	0

### Deferred Compensation Plan

Employees of the District are eligible to participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code 457(b). Under the plan, employees may elect to defer a portion of their salaries before taxes.

The deferred compensation amount is not available for withdrawal by employees until termination of employment, death, disability, or financial hardship. Participants can elect to contribute up to 100% of their annual compensation, generally not to exceed limits established by the Internal Revenue Code.

The District has three deferred compensation plans created in accordance with Internal Revenue Code Section 457. The Small Business Job Protection Act of 1996 requires the establishment of a trust or similar vehicle to ensure that the assets of the Deferred Compensation Plans under the Internal Revenue Code 457 are protected and used exclusively for the benefit of Plan participants and/or their beneficiaries.

The 457 Plan assets totaling \$900,260 at June 30, 2013, consists of investments in mutual funds.

# San Benito County Water District

## Notes to Basic Financial Statements

(Continued)

June 30, 2013

Financial institutions that administer the District's 457 Plans are as follows:

Valic	\$ 13,407
Hartford	564,388
CalPers	322,465
	<u>\$ 900,260</u>

### 11. POST-EMPLOYMENT BENEFITS

#### Plan Description and Eligibility

The District administers a post-employer retirement benefit to assist with future medical premium costs. This benefit is for all full-time employees who have reached age 55, retire through a regular service retirement from CalPERS and have at least 10 years of service to the District.

#### Funding Policy

The District currently finances benefits on a pay-as-you-go basis. The District contributes to the cost of current year premiums for eligible retired plan members. Eligible retirees who have served the District are eligible for annual benefits based on the following table:

Years of Service	Age at Retirement (annual benefit)		
	55	60	65
10-14 years	\$1,200	\$1,560	\$2,340
15-19 years	\$1,620	\$2,160	\$3,240
20 + years	\$2,100	\$2,784	\$4,176

For fiscal year ended June 30, 2013 the District contributed \$9,444 to the plan.

#### Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed, and changes in the OPEB obligation:

Annual required contribution	\$ 50,792
Interest on net OPEB obligation	5,817
Adjustment to annual required contributions	<u>(5,152)</u>
Annual OPEB expense	51,457
Contribution made	<u>(9,444)</u>
Increase in OPEB obligation	42,013
Net OPEB obligation at June 30, 2012	116,336
Net OPEB obligation at June 30, 2013	<u>\$ 158,349</u>



# San Benito County Water District

## Notes to Basic Financial Statements

(Continued)

June 30, 2013

The District's annual OPEB cost for the year, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year ended June 30, 2013 and the two preceding years were as follows:

### Three-Year History of Net OPEB Obligation

Fiscal Year Ended	Annual OPEB Cost	Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	\$ 51,440	\$ 6,660	12.9%	\$ 77,045
6/30/2012	48,735	9,444	19.4%	116,336
6/30/2013	51,457	9,444	18.4%	158,349

### Funding Status and Funding Progress

As of March 1, 2012, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits as well as the unfunded actuarial accrued liability (UAAL) was \$482,957. The covered payroll (annual payroll of active employees covered by the plan) was \$1,797,717 and the ratio of the UAAL to the covered payroll was 26.87 percent. Although the plan has no segregated assets, the District does reserve resources for retiree health care costs. At June 30, 2013, the District's designated reserve balance was \$157,855.

Actuarial valuations of an ongoing benefit plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### Actuarial Methods and Assumptions

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

In the March 1, 2012 actuarial valuation, "entry age normal" actuarial cost method was used to estimate the actuarial accrued liability and normal costs. The actuarial assumptions included a 5.0 percent investment rate of return (net of administrative expenses) which is a blended rate of the expected long-term investment returns on plan assets or on the employer's assets as appropriate and an annual healthcare cost trend rate of 2.5 percent. Both rates included a 3 percent inflation assumption. The UAAL is being amortized as a level dollar of projected payroll on an open basis. The remaining amortization is 30 years as of the valuation date. The next actuarial evaluation will be done in March, 2015.

## 12. RISK MANAGEMENT

The District 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. In an effort to manage its risk exposure, the District is a member of Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA).



# San Benito County Water District

## Notes to Basic Financial Statements

(Continued)

June 30, 2013

The ACWA/JPIA is a risk-pooling self-insurance authority, created under provisions of California Government Code Section 6500 et seq. As part of this service, risk management guidelines are established and regularly reviewed by ACWA/JPIA. The District performance has been reviewed as satisfactory.

The District has a program of self-insurance for comprehensive and collision on the vehicles owned by the District. At June 30, 2013 self-insurance reserves were \$100,000.

The District has the following insurance policies:

Coverage	Deductible	Coverage Limit (in thousands)
<b>General Liability</b>	None	\$2,000/\$9,000/\$20,000
<b>Auto Liability</b>	None	\$2,000/\$9,000/\$20,000
<b>Public Officials Liability</b>	None	\$2,000/\$9,000/\$20,000
<b>Property</b>		
Buildings, personal property, and fixed equipment	\$2,500	\$100/\$100,000
Mobile Equipment	\$2,500	\$100/\$100,000
Fidelity	\$1,000	\$100/\$100,000
Boiler & Machinery	\$25,000/\$50,000	\$100/\$100,000

There have been no significant reductions in any insurance coverage, nor have there been any insurance related settlements that exceeded insurance coverage during the past three fiscal years.

### 13. CONTINGENCIES AND COMMITMENTS

#### United States Bureau of Reclamation Water Supply Contract

On April 10, 1978, the District entered into a contract with the U.S. Bureau of Reclamation for water service from the San Felipe Division of the Federal Central Valley Project (CVP). The CVP water service contract provides for both agricultural and municipal and industrial (M&I) water deliveries to the District up to a total maximum annual entitlement of 43,800 acre-feet per year.

#### *Second Amendment to the Contract with U.S. Bureau of Reclamation for Water Service*

The District in partnership with the Santa Clara Valley Water District (SCVWD) negotiated a United States Bureau of Reclamation (USBR) Water Supply Contract Renewal in accordance with the USBR implementation of the Central Valley Project Improvement Act (CVPIA) and the 1997 Binding Agreement to Negotiate between the USBR and the District. The District also negotiated an amendment to its 1978 contract meeting the minimum requirements of the CVPIA to assure a continuing water supply in the event the Renewal Contract could not be signed, was delayed or invalidated by legal action.

On March 28, 2007, the District signed the second amendment to USBR contract. This amended contract provided for a fixed repayment obligation and repayment schedule for the specific San Felipe facilities that serve the District.

The agreement calls for fixed semi-annual payments to the USBR due on January 1 and July 1 each year as illustrated below:

<u>Fiscal Year(s)</u>	<u>Semi-Annual Payment</u>	<u>Annual Obligation</u>
2007-2016	\$ 696,076	\$1,392,152
2017-2026	971,076	1,972,152
2027-2036	3,492,303	6,984,606

# San Benito County Water District

## **Notes to Basic Financial Statements**

*(Continued)*

June 30, 2013

The total commitment, including capital and interest components, of the repayment contract is \$98.9 million. The remaining estimated commitment as of June 30, 2013 is \$89.2 million. This allocation is based on the USBR plant-in-service costs for San Felipe Division facilities that are specifically for service to the District (Hollister Conduit including the San Juan Lateral, San Justo Reservoir) and the District share of San Felipe Reach 1 facilities. The SCVWD and the District partnership basis of negotiation with the USBR, including negotiation of the capital cost allocation and repayment schedule, required a subsequent agreement between SCVWD and the District. That agreement, referred to as Agreement for Repayment and Management of San Felipe Division Facilities, was negotiated and adopted by the District's Board of Directors on January 3, 2007.

Under the terms of the Agreement for Repayment and Management of the San Felipe Division facilities with Santa Clara Valley Water District, the District is required to establish a rate management reserve account and to establish a target minimum for the reserve. In May 2013 the Board set the target minimum for this reserve at one and one-half years of payments due the USBR (Refer to Notes to Financial Statement No. 9). The amount in excess of that minimum target was designated for the financing of the Hollister Urban Area Water Projects. The capital recovery component of the Hollister Urban Area project, including interest, will be added to the USBR Rate Management Reserve each year in proportion to the rate management reserve's funding of the project costs.

Based on the USBR 2013 CVP Annual Rate Books (for the USBR fiscal year ending September 30, 2011), the net USBR capital allocated to the District was \$5,399,722 for the District's share of the "In-Basin" Central Valley Project facilities which does not include the San Felipe Division facility. This "In-Basin" capital is included in the CVP's cost of service rate to the District. Future CVP operations and maintenance rate increases are probable. Current USBR CVP rate policies and practices provide for annual rate determinations and through the supporting information provide the basis for determining those rates.

### **San Juan Infrastructure Program**

Provided that if City of San Juan Bautista (City) has complied with the terms and conditions of the Water Infrastructure Improvement Cooperative Financing Agreement, entered into by the City of San Juan Bautista and the District on June 28, 2006, the District shall provide the City of San Juan Bautista \$2,000,000, upon receipt of recorded notice of completion coupled with the California Department of Health Services post-construction approval and certification of the Surface Water Treatment Plant and the Water Storage Facility. This amount is to be applied toward reimbursement of City of San Juan Bautista expenditures for the surface water treatment plant. To date the City has not complied, and is in fact taking a different approach to meeting the City's needs for improved water quality.

### **Legal Challenges to Pumping Restriction in the Delta**

Through its membership fees in San Luis Delta Mendota Water Authority the District participates in the cost of the ongoing legal challenges to the biological opinions that limit the pumping in the Delta. This has resulted in an increase in the District's annual membership fee.

### **Zebra Mussel Infestation in San Justo Reservoir**

The San Justo Reservoir, owned by USBR, is operated by the District to provide agricultural and municipal & industrial water to its customers in San Benito County. In February 2008, zebra mussels were discovered in the reservoir. The presence of zebra mussels in the Hollister Conduit and the San Felipe Distribution system has been confirmed since that time. Zebra mussels are an invasive species which attach themselves to hard substrate, thus posing a significant threat to both the ability of the District to effectively operate the reservoir as they can clog intake structures and pipelines, as well as to the reservoir's ecology. They could also spread to other water bodies. In order to continue operating the reservoir for water supply purposes and to prevent the further invasion of the water systems, the zebra mussels must be either eradicated or significantly controlled.



# San Benito County Water District

## **Notes to Basic Financial Statements**

*(Continued)*

June 30, 2013

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To achieve any solution, significant coordination among many government agencies is required to identify and implement the optimum eradication strategy. The eradication strategy must also include measures to prevent future re-infestation. Zebra Mussels have never been eradicated from a reservoir, therefore, the District's financial obligation is not known at this time.

This District is developing an eradication and control plan for the reservoir in cooperation with the USBR, Department of Water Resource and the Department of Fish and Game. As part of the plan, payment responsibilities will have to be negotiated. Concurrently, the District is also developing an eradication and control plan for the Hollister Conduit and San Felipe Distribution system.

### **Litigation**

The District is subject to various legal proceedings and claims that arise in the ordinary course of business. The District would pursue or defend cases vigorously through trial unless facts develop which warrant an attempt to seek an out-of-court settlement. As of June 30, 2013 there were no claims or pending litigation against the District.

### **Operating Leases**

The District leases its printer/copier and telephone system under separate operating leases. Rent expense under these leases totaled \$7,121 for year ended June 30, 2013.

### **14. RECLASSIFICATION**

Certain amounts reported at June 30, 2012 have been reclassified to reflect information and assumptions existing at June 30, 2013. These reclassifications had no effect on net position or the change in net position as previously reported.

### **15. SUBSEQUENT EVENTS**

#### **Hollister Urban Area Water Supply and Treatment Agreement**

In August 2013, the District, Sunnyslope County Water District (SSCWD) and City of Hollister (COH) each approved the Hollister Urban Area Waters Supply and Treatment Agreement. The agreement defines the roles and terms of financing for the project which includes the upgrade of Lessalt Water Treatment Plant, the design and construction of the West Hills Water Treatment Plant and associated pipelines. The District will finance, build, own and operate the upgraded Lessalt Water Treatment Plant and the new West Hills Water Treatment Plant. The District committed to finance up to \$30 million dollars of the project costs. These funds were committed in two tranches. The first tranche of \$13 million dollars was made available on the effective date of the agreement. The second tranche of \$17 million dollars will be made available at the time of execution of a contract for construction of the West Hills Water Treatment Plant. The agreement calls for the District to recover this investment in the capital projects from the COH and SSCWD over a 20-30 year period through a capital component, including interest, in the finished water rate. Of the project costs, the District is contributing \$10 million in non-reimbursable funds.

#### **Hollister Urban Area Agreement for Operation and Maintenance Services**

In August 2013, the District and SSCWD each approved the Hollister Urban Area Agreement for Operation and Maintenance Services. This agreement establishes SSCWD as the contract operator for the Lessalt Water Treatment Plant and the future West Hills Water Treatment Plant. This agreement was established for a term of 5 years with options to renew for subsequent terms of 5 years.

#### **Date of Management Review**

Events occurring after June 30, 2013 have been evaluated by Management for possible adjustment to the financial statements or disclosure as of December 11, 2013 which is the date the financial statements were available to be issued.



REQUIRED SUPPLEMENTARY  
INFORMATION

# **SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS FUNDING PROGRESS**

For the Fiscal Year Ended June 30, 2013

Actual Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funding Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
3/1/2009	\$ -	\$ 522,032	\$ 522,032	0.0%	\$ 1,524,190	34.25%
3/1/2012 *	\$ -	\$ 482,957	\$ 482,957	0.0%	\$ 1,797,707	26.87%

\*Most recent actuarial valuation date.

Although the plan has no segregated assets, the District does designate resources for future retiree healthcare costs. At June 30, 2013, the designated balance was \$157,855.

## SUPPLEMENTARY INFORMATION



San Benito County Water District  
Statement of Net Position by Zone  
June 30, 2013

	ASSETS				
	District Administration	District Zone 3	District Zone 6	District Zone 103	District Zone 104
Current assets:					Total
Cash and cash equivalents	\$ 1,092,666	\$ 2,864,831	\$ 40,861,914	\$ -	\$ 44,832,703
Receivables	24,986	46,185	1,738,736	-	1,812,002
Prepaid expenses	14,514	21,049	338,671	-	374,234
Prepaid asset - CalPERS	2,594	1,297	22,054	-	25,945
Restricted cash and cash equivalents	75,000	-	1,869,086	-	1,944,086
Restricted investments	-	-	507,649	-	507,649
Total current assets	1,209,760	2,933,362	45,338,110	-	49,496,619
Noncurrent assets:					
Investments	-	-	1,757,933	-	1,757,933
Restricted investments	-	-	2,057,857	-	2,057,857
Prepaid asset - CalPERS	41,514	20,757	352,852	-	415,123
Work in progress	-	-	6,515,774	-	6,518,842
Capital assets, net	175,964	1,378,039	24,911,939	-	26,465,942
Total noncurrent assets	217,478	1,398,796	35,596,355	-	37,215,697
Total assets	1,427,238	4,332,158	80,934,465	-	86,712,316

San Benito County Water District  
Statement of Net Position by Zone  
June 30, 2013

	District Administration	District Zone 3	District Zone 6	District Zone 103	District Zone 104	Total
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and accrued expenses	\$ 2,802	\$ 14,719	\$ 626,329	\$ -	\$ 2,661	\$ 646,511
Accrued wages and benefits	1,777	2,144	47,888	-	121	51,930
Accrued vacation and sick	10,098	8,904	186,066	-	-	205,068
Due to other agencies	-	-	599,345	-	-	599,345
DHCCP obligation, current portion	-	-	1,194,400	-	-	1,194,400
Deferred revenue	-	-	521,196	-	-	521,196
Total current liabilities	14,677	25,767	3,175,224	-	2,782	3,218,450
Noncurrent liabilities:						
Other post employment benefits	5,868	10,527	141,507	-	447	158,349
Deposits payable	2,500	-	-	-	-	2,500
Total noncurrent liabilities	8,368	10,527	141,507	-	447	160,849
Total liabilities	23,045	36,294	3,316,731	-	3,229	3,379,299
<b>NET POSITION</b>						
Invested in capital assets	175,964	1,378,039	24,911,939	-	-	26,465,942
Restricted	75,000	-	4,434,592	-	-	4,509,592
Unrestricted	1,153,229	2,917,825	48,271,203	-	15,226	52,357,483
Total net position	\$ 1,404,193	\$ 4,295,864	\$ 77,617,734	\$ -	\$ 15,226	\$ 83,333,017

San Benito County Water District  
Statement of Revenues, Expenses and Changes in Net Position by Zone  
For the Year Ended June 30, 2013

	District Administration	District Zone 3	District Zone 6	District Zone 103	District Zone 104	Total
Operating revenue	\$ 10,785	\$ 132,862	\$ 4,514,784	\$ 4,532	\$ 13,380	\$ 4,676,343
Operating expenses:						
Cost of water	-	-	2,617,149	-	100	2,617,249
Wages and employee related expenses	100,199	166,620	2,196,323	49	6,609	2,469,800
Contract services	16,702	100,513	751,110	6,247	4,806	879,378
Material and equipment	3,079	26,709	182,045	121	1,278	213,232
General and administrative	16,778	34,283	183,479	102	1,129	235,771
Utility expenses	1,798	1,258	161,410	326	903	165,695
Depreciation and amortization	6,238	46,534	844,022	989	-	897,783
Total operating expenses	144,794	375,917	6,935,538	7,834	14,825	7,478,908
Operating income (loss)	(134,009)	(243,055)	(2,420,754)	(3,302)	(1,445)	(2,802,565)
Nonoperating revenue (expenses):						
Interest and investment revenues	4,311	10,031	316,162	-	-	330,504
Investment gain or loss	(1,058)	(2,377)	(159,226)	-	-	(162,661)
Taxes and assessments	170,712	372,335	5,064,137	3,080	-	5,610,264
Other nonoperating revenues	14,268	1	238,810	(1,978)	-	251,101
Grant revenue	-	-	621,881	-	-	621,881
Other nonoperating expenses	(5,163)	-	(220,502)	(10,802)	8	(236,459)
Net nonoperating revenue (expenses)	183,070	379,990	5,861,262	(9,700)	8	6,414,630



San Benito County Water District  
Statement of Revenues, Expenses and Changes in Net Position by Zone  
For the Year Ended June 30, 2013

	District Administration	District Zone 3	District Zone 6	District Zone 103	District Zone 104	Total
Income before capital contribution	\$ 49,061	\$ 136,935	\$ 3,440,508	\$ (13,002)	\$ (1,437)	\$ 3,612,065
Capital contribution:						
Capital contribution	(89,292)	-	16,388	89,292	-	16,388
Change in net position	(40,231)	136,935	3,456,896	76,290	(1,437)	3,628,453
Net position, beginning of year	1,444,424	4,158,929	74,160,838	(76,290)	16,663	79,704,564
Net position, end of year	\$ 1,404,193	\$ 4,295,864	\$ 77,617,734	\$ -	\$ 15,226	\$ 83,333,017

## STATISTICAL SECTION

# San Benito County Water District

## Index to Statistical Section

This part of the District's comprehensive annual financial statement report presents detailed information as a context for understanding what the information in the financial statement, note disclosures, and required supplemental information says about the District's overall financial health.

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# San Benito County Water District

## Net Position by Component

### Last Ten Fiscal Years

(accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Invested in capital assets	\$21,950,425	\$21,246,693	\$20,773,047	\$21,277,429	\$21,351,814	\$21,287,602	\$21,439,595	\$24,347,568	\$25,953,009	\$26,465,942
Restricted	724,152	736,741	751,068	18,930,898	20,196,864	21,019,657	23,688,429	22,583,963	22,838,009	4,509,592
Unrestricted	27,260,497	31,277,230	35,952,089	23,347,762	26,584,307	28,932,951	28,770,728	29,908,530	30,913,546	52,357,483
Total primary government activities net position	\$49,935,074	\$53,260,664	\$57,476,204	\$63,556,089	\$68,132,985	\$71,240,210	\$73,898,752	\$76,840,061	\$79,704,564	\$83,333,017

Note: As recommended by GASB 44, this schedule provides data retroactively to the year GASB 34 was implemented. The District implemented GASB 34 in Fiscal Year 2003.

Data Source: San Benito County Water District Finance Department

# San Benito County Water District

## Changes in Net Position

### Last Ten Fiscal Years

(accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Operating Revenue</b>	<b>\$ 2,941,233</b>	<b>\$ 3,373,196</b>	<b>\$ 3,317,267</b>	<b>\$ 3,423,181</b>	<b>\$ 2,454,207</b>	<b>\$ 2,096,452</b>	<b>\$ 2,609,670</b>	<b>\$ 3,091,331</b>	<b>\$ 4,298,964</b>	<b>\$ 4,676,343</b>
<u>Operating Expenses:</u>										
Cost of water	1,962,781	1,939,850	2,466,077	3,096,345	2,905,520	2,340,552	2,508,745	2,509,450	2,730,310	2,617,249
Wages & employee related expenses	1,425,622	1,574,758	1,711,434	1,742,286	1,855,633	2,142,172	2,278,581	2,338,873	2,336,944	2,469,800
Contract services	1,192,003	1,011,870	660,058	813,281	658,363	1,132,845	881,913	1,063,621	840,158	879,378
Material and equipment	193,545	201,174	261,337	235,343	213,159	374,282	143,793	183,787	233,352	213,232
General and administrative	221,899	202,407	233,507	260,512	189,463	252,183	202,920	152,791	225,589	235,771
Utility expenses	209,047	137,391	105,182	172,537	139,681	181,351	116,784	161,429	151,046	165,695
Depreciation and amortization	726,139	730,275	727,164	728,277	739,967	745,157	739,121	850,709	878,749	897,783
Total operating expenses	5,931,036	5,797,725	6,164,759	7,048,581	6,701,786	7,168,542	6,871,857	7,260,660	7,396,148	7,478,908
Operating income (loss)	(2,989,803)	(2,424,529)	(2,847,492)	(3,625,400)	(4,247,579)	(5,072,090)	(4,262,187)	(4,169,329)	(3,097,184)	(2,802,565)
<u>Nonoperating revenue (expenses):</u>										
Interest and investment revenues	453,908	663,468	1,247,230	1,873,475	1,815,330	944,673	375,036	632,797	437,627	330,504
Investment gain or loss	(113,281)	(46,953)	(20,349)	34,662	13,488	54,429	254,486	(37,469)	(150,972)	(162,661)
Taxes and assessments	5,283,987	4,899,292	5,374,730	6,636,680	6,982,592	6,730,305	6,059,935	5,655,874	5,441,328	5,610,264
Other nonoperating revenues	423,521	234,601	142,389	139,055	248,986	383,713	188,224	721,271	167,396	251,101
Grant revenue	200,000	-	127,916	810,949	136,188	123,464	58,890	147,106	35,388	621,881
Interest expense	(160,980)	(289)	(107)	-	(21,394)	(44,501)	(69,279)	-	-	-
Other nonoperating expenses	(229,084)	-	(11,195)	(4,110)	(368,055)	(12,768)	(2,410)	(8,941)	(11,015)	(236,459)
Net nonoperating revenue (expenses)	5,858,071	5,750,119	6,860,614	9,490,711	8,807,135	8,179,315	6,864,882	7,110,638	5,919,752	6,414,630
<u>Capital Contribution:</u>										
Capital contribution	-	-	202,418	214,574	17,340	-	55,847	-	41,935	16,388
Capital contributions	-	-	202,418	214,574	17,340	-	55,847	-	41,935	16,388
Change in net position	\$ 2,868,268	\$ 3,325,590	\$ 4,215,540	\$ 6,079,885	\$ 4,576,896	\$ 3,107,225	\$ 2,658,542	\$ 2,941,309	\$ 2,864,503	\$ 3,628,453

# San Benito County Water District

## Water Sales by Category

### Last Ten Fiscal Years

(accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Water Sales & Service (Blue Valve)	\$ 2,510,354	\$ 1,954,604	\$ 2,444,909	\$ 2,615,520	\$ 1,836,983	\$ 1,560,011	\$ 1,974,302	\$ 2,363,831	\$ 3,429,057	\$ 3,780,982
San Felipe - Power Charge	260,196	379,730	473,557	556,884	351,842	195,683	256,084	438,122	571,709	557,317
Transfers & Exchanges	5,317	868,776	155,649	4,711	4,592	65,014	95,908	51,672	87,996	132,862
Groundwater Charges	146,698	124,705	184,141	181,772	192,707	218,196	207,212	170,831	158,076	170,453
Service & Demand (Rural Systems)	5,544	13,759	25,778	26,430	27,928	34,980	56,295	50,304	33,096	17,512
Energy Charge (Rural Systems)	3,400	7,900	5,061	5,019	5,040	5,400	5,298	4,738	2,426	400
Well Permit Fees	-	7,418	17,199	14,353	23,284	12,919	10,598	7,169	10,878	10,785
Other Operating Revenue	9,724	16,304	10,973	18,492	11,831	4,249	3,973	4,664	5,726	6,032
	\$ 2,941,233	\$ 3,373,196	\$ 3,317,267	\$ 3,423,181	\$ 2,454,207	\$ 2,096,452	\$ 2,609,670	\$ 3,091,331	\$ 4,298,964	\$ 4,676,343

Data Source: San Benito County Water District Finance Department



# San Benito County Water District

## Water Rates

### San Felipe Distribution System

#### Last Ten Fiscal Years

Water Year Ended February 28	Municipal & Industrial Rate		Power Charge by Subsystem					Standby & Availability Per Acre
	Agricultural Rate	2	Per Acre Foot					
			6H	9L	9H	All Others		
2004	\$75.00	\$150.00	\$19.00	\$35.00	\$22.70	\$48.80	\$9.40	\$6.00
2005	\$75.00	\$150.00	\$24.30	\$46.75	\$25.05	\$53.70	\$15.25	\$6.00
2006	\$80.00	\$150.00	\$26.15	\$49.40	\$35.00	\$66.90	\$17.10	\$6.00
2007	\$85.00	\$160.00	\$23.60	\$36.05	\$34.70	\$65.75	\$18.40	\$6.00
2008	\$85.00	\$160.00	\$23.60	\$36.05	\$34.70	\$65.75	\$18.40	\$6.00
2009	\$100.00	\$170.00	\$17.25	\$19.40	\$32.60	\$62.75	\$14.85	\$6.00
2010	\$115.00	\$180.00	\$17.50	\$20.25	\$42.55	\$74.85	\$16.30	\$6.00
2011	\$135.00	\$200.00	\$22.00	\$27.30	\$49.75	\$84.35	\$21.75	\$6.00
2012	\$155.00	\$220.00	\$22.70	\$28.15	\$51.25	\$86.90	\$22.40	\$6.00
2013	\$170.00	\$235.00	\$23.35	\$29.00	\$52.80	\$89.50	\$23.10	\$6.00
2014	\$170.00	\$235.00	\$40.30	\$29.25	\$43.05	\$91.55	\$22.40	\$6.00

Note: Water Year - March through February

Data Source: San Benito County Water District Finance Department

**San Benito County Water District**  
Principal Land Taxpayers (San Benito County Water District - Zone 6)  
2012-2013

Taxpayer	Rank	Assessed Land Valuation (1)	Percentage of Total Assessed Land Value
Property Reserve Inc.	1	\$ 29,379,051	1.69%
Roberts, Janet P. Family Trust	2	13,807,221	0.79%
Award Homes Inc.	3	13,000,000	0.75%
Dobler Ranches LP	4	12,633,381	0.73%
K&S Market Inc.	5	11,890,086	0.68%
Anderson, Larry W-Georgeann N.	6	10,191,180	0.59%
Filice Enterprises LP	7	8,330,512	0.48%
Granite Rock Co. #29381	8	6,695,470	0.38%
San Juan Oaks LLC	9	5,577,471	0.32%
Bertuccio Orchards LP	10	4,908,083	0.28%
Assessed Land Value for Largest Land Taxpayers		116,412,455	6.69%
Assessed Land Value for Other Land Taxpayers		1,624,043,442	
Total Assessed Land Value for Zone 6 Land Taxpayers		\$ 1,740,455,897	

(1) Data Source: San Benito County Assessor's Office - County Tax Roll 2012-2013

(2) 9 years prior information not available at issuance of report

Note: San Benito County Water District Zone 6 San Felipe Project Land Tax is  
\$.25 per \$1.00 assessed land value

# San Benito County Water District

## District Debt

### Last Ten Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
1988 Certificates of Participation, Net	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Lease	\$ 2,940	\$ 1,561	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
San Luis Delta Mendota Water Agency										
Delta Habitat, Conservation and Conveyance Plan (DHCCP)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,125,924	\$ 1,125,924	\$ 1,125,924	\$ 1,194,400

Data Source: San Benito County Water District Finance Department



**San Benito County Water District**  
**Demographics and Economic Statistics**  
**Last Ten Fiscal Years**

Year	County of San Benito				
	Population (1)	Personal Income (2)	Per Capita Personal Income	School Enrollment (3)	Unemployment Rate (4)
2004	55,374	\$ 1,709,183,000	\$ 30,866	11,674	9.6%
2005	55,221	\$ 1,748,023,000	\$ 31,655	11,737	8.1%
2006	55,025	\$ 1,859,490,000	\$ 33,794	11,607	7.2%
2007	54,948	\$ 1,969,783,000	\$ 35,848	11,576	7.2%
2008	55,022	\$ 1,954,831,000	\$ 35,528	11,466	9.6%
2009	55,068	\$ 1,945,249,000	\$ 35,324	11,383	14.2%
2010	55,272	\$ 1,968,266,000	\$ 35,451	11,378	17.2%
2011	55,474	\$ 1,964,156,000	\$ 35,029	11,199	15.9%
2012	55,815	not available	not available	11,253	13.9%
2013	56,137	not available	not available	11,233	not available

Note: The District encompasses all of San Benito County, with an area of approximately 1,400 square miles. Residential communities served include: City of San Juan Bautista, City of Hollister, unincorporated urban areas surrounding Hollister and Tres Pinos.

Data Sources:

- (1) State of California, Department of Finance ([www.dof.ca.gov/research/demographic/reports/estimates](http://www.dof.ca.gov/research/demographic/reports/estimates))
- (2) Bureau of Economic Analysis ([www.bea.gov/bea/regional/reis/](http://www.bea.gov/bea/regional/reis/))
- (3) Ed-data ([www.ed-data.k12.ca.us](http://www.ed-data.k12.ca.us))
- (4) U.S. Bureau of Labor Statistics ([www.bls.gov](http://www.bls.gov))

**San Benito County Water District**  
Principal Employers, San Benito County

Company	2004 (1)			2012 (2)			2013 (1)		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Earthbound Farms				1000	1	7.19%			
Hazel Hawkins Hospital				575	2	4.14%			
San Benito Foods				500	3	3.60%			
True Leaf Farms				425	4	3.06%			
Milgard				330	5	2.37%			
San Benito High School District			not available	245	6	1.76%			not available
Pacific Scientific				220	7	1.58%			
Semifab				200	8	1.44%			
Target				167	9	1.20%			
Safeway				153	10	1.10%			
				3815		27.44%			

Data Source: (1) Information for 2004 & 2013 is not available  
(2) City of Hollister 2012 CAFR

**San Benito County Water District**  
**Central Valley Project - San Felipe Division**  
**Water Deliveries to San Benito County**

(1988-2013)

(Totals in Acre Feet)

Water Year Ended February 28	Total Delivered Through Reach 1 Bifurcation
1988	12,399
1989	11,992
1990	21,678
1991	21,512
1992	7,121
1993	11,242
1994	28,661
1995	12,631
1996	29,652
1997	28,482
1998	35,702
1999	16,143
2000	21,647
2001	24,525
2002	20,625
2003	24,381
2004	26,439
2005	26,648
2006	22,501
2007	24,750
2008	22,718
2009	17,288
2010	8,810
2011	17,456
2012	22,200
2013	19,517

Notes:

1 Acre Foot = 325,851 gallons

Water Year = March through February

Data Source: San Benito County Water District Water Delivery Report



**San Benito County Water District**  
**Number of Employees by Department**  
**Last Ten Fiscal Years**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
	Fiscal Year Ended									
Administration & Finance	7	8	8	8	8	9	9	9	8 1/2	8 1/2
Engineering	4	4	4	2	1	3	3	3	3 1/5	3
Water Office	2	2	2	2	3	3	3	3	2	2
Operations & Maintenance	8	6	6	7	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2
Water Conservation	1 2/3	1 2/3	1 2/3	1 3/4	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
	22 2/3	21 2/3	21 2/3	20 3/4	19	22	22	22	20 2/3	20 1/2

Data Source: San Benito County Water District Finance Department

**San Benito County Water District**  
**Operating Indicators by Function/Program**  
**(2011-2013)**

Function/Program	2011	2012	2013
Well Applications Processed	57	103	103
Number of Open Reservoirs	3	3	3
Active Capacity of Open Reservoirs (in Acre Feet)	30,935	30,935	30,935
San Felipe Water Usage (1)			
Agricultural (Acre Feet)	11,120	16,359	16,623
Municipal & Industrial (Acre Feet)	2,461	2,655	2,737
Groundwater Usage (2)			
Agricultural (Acre Feet)	13,046	13,776	24,526
Municipal & Industrial (Acre Feet)	5,752	5,651	5,614
Number of Vehicles			
Regular Fleet	11	11	11
Heavy Equipment/Vehicles	3	3	3
Number of Pumping Stations	4	4	4
Number of Pumps	20	20	20
Number of Subsystem Valves & Control Structures	9	9	9
Number of Percolation Valves & Control Structures	3	3	3
Miles of Pipeline Maintained by District (approx.)			
Hollister Conduit	17	17	17
San Juan Lateral	2	2	2
San Felipe Subsystem	150	150	150

Notes: Fiscal Year totals unless noted otherwise

(1) Central Valley Project year - March through February

(2) Groundwater year - October through September

Data Source: San Benito County Water District Finance Department

**San Benito County Water District**  
**Operating Indicators by Function/Program**  
**(2011-2013)**

Function/Program	2011	2012	2013
Federal Water Supply Contract			
100% Total Contract Entitlement - 43,800 Acre Feet			
Annual Allocation Consisting of:			
Irrigation Contract (in Acre Feet)	28,440	15,298	7,649
Municipal & Industrial Contract (in Acre Feet)	8,250	4,167	3,889
Number of Customer Accounts			
San Felipe			
Agricultural Contract	496	497	496
Municipal & Industrial Contract	77	79	80
Small Parcel	471	469	471
Rural Water System Customer Accounts	28	23	10
Groundwater Wells			
Agricultural (active)	419	423	421
Agricultural (inactive)	211	211	207
Domestic (active)	682	684	650
Domestic (inactive)	165	166	176

Notes: Fiscal Year totals unless noted otherwise

- (1) Central Valley Project year - March through February
- (2) Groundwater year - October through September

Data Source: San Benito County Water District Finance Department



## **San Benito County Water District**

### **Facilities**

#### **United States Bureau of Reclamation Facilities**

The District is responsible for operation and maintenance of the following United States Bureau of Reclamation project facilities:

#### **District operated and maintained:**

##### **San Justo Reservoir:**

10,300 acre-foot capacity

Outlet - 60 inch pipe, 0.84 miles, capacity of 85 cfs

##### **Hollister Conduit:**

54 and 60 inch pipe, 17.03 miles, capacity of 93 cfs;

##### **San Juan Lateral:**

42 inch pipe, 2.11 miles, capacity of 45 cfs

#### **Facilities operated and maintained in conjunction with Santa Clara Valley Water District**

##### **San Felipe Reach 1:**

##### **Pacheco Pumping Plant-**

approximately 300 ft lift, 12 pumps, total capacity of 600 cfs with a total installed horsepower of 24,000

Pacheco Tunnel-114 inch pipe, 5.23 miles, capacity of 480 cfs.

Pacheco Conduit---120 inch pipe, 7.93 miles, capacity of 480 cfs.

#### **San Benito County Water District Facilities:**

##### **San Felipe Distribution System:**

4 Pumping Stations (consist of 20 pumps with a total capacity of 132 cfs, and total installed horsepower of 2,800)

9 Subsystem Valve and Control Structures, total capacity of 196 cfs.

3 Percolation Valve and Control Structures, total capacity of 29 cfs.

San Felipe Subsystem Pipelines (diameters range from 6 to 36 inches; approximately 150 miles)

##### **San Benito River System:**

Hernandez Reservoir Capacity: Total: 30,000 ac. ft.

Flood Control: 11,500 ac. ft.

Active Capacity: 17,300 ac. ft.

Paicines Reservoir 3,335 ac. ft. capacity

Paicines Canal (50 cfs) approx. 8 miles

Paicines Canal Diversion Facilities

(Milton Diversion Dam, Hill Gate, and Sand Gate-50 cfs)

Dos Picachos Diversion (capacity of 4.75 cfs)

Data Source: San Benito County Water District Engineering Department