

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE  
SAN BENITO COUNTY WATER DISTRICT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2019



**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, 2019**

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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 18, 2019

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, 2019.

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 unmodified ("clean") opinion on the San Benito County Water District's financial statements for the year ended June 30, 2019. 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**

Refinement of the operations of the West Hills Water Treatment Plant (WHWTP) continued this year with Sunnyslope County Water District (SSCWD) as the contract operator of the plant. Initially designed to treat up to 4.5 MGD of imported surface water for the Hollister Urban area, the plant now has the ability to reach that goal. Previously, the major constraint was the conveyance capacity from the plant to the City of Hollister (COH) and SSCWD distribution systems. Construction of the Cross-Town Pipeline, funded by the COH and SSCWD, is now complete, and will provide the needed conveyance capacity to allow for full operation of the plant.

The plant has been built with the ability to increase its capacity up to 9 MGD when needed.

The District, SSCWD and the COH entered into a Memorandum of Understanding to provide an update to the Hollister Urban Area Master Plan to reflect growth and demand through 2035. Work on the update was completed in June 2017 and has been accepted by the governing bodies of each of the respective agencies.

The objectives of the update are to:

- Provide continuous improvement towards achieving drinking water and recycled water quality goals
- Increase dry year water supply reliability
- Provide adequate water supply to respond to long-term growth needs
- Continue to address water, wastewater, and recycled water needs through coordinated regional solutions

In response to the need for dry year reliability and water supply to meet long term growth, the District has begun work on two new projects, the North Area Groundwater Project, and the Expanded Pacheco Reservoir Project, both to be discussed later in the document.

### **Recycled Water Storage Facilities**

With the completion of WHWTP recycled water quality has increased significantly. New customers continue to be added. This project added a recycled water storage pond with a capacity of 20AF to capture additional water that is produced in off-peak periods allowing greater storage and operational flexibility. Some additional minor facilities have been added this year to increase circulation of stored water in the ponds and additional filtration to increase water quality delivered to recycled water customers. The completion of the storage facilities will allow for 1,200-1,400 acre-feet of recycled water per year to be delivered, and nearly 100% of the recycled water produced between April – September of each year will be available for use. The use of recycled water for agricultural purposes will reduce demands on the groundwater basin. This project will supplement the agricultural surface water deliveries by the District.

### **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 the District’s USBR water contract via the 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 has restored use of the restricted storage volume during peak delivery months while maintaining dam safety.

The District has developed a Seasonal Operation Plan and Long-Term Monitoring Plan and received approval from USBR to allow use of the storage volume lost due to restrictions from USBR. Use of the restricted storage volume has allowed greater operational flexibility to the District’s operations and allows for greater year to year storage of water.

Having the flexibility to raise the reservoir to a full level since 2011 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.

### **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.

The District continues to operate San Justo Reservoir (San Justo) as it has for the past 8 years seasonally raising and lowering water levels in San Justo to minimize Zebra Mussel populations 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. To date visual inspections, indicate that this has been fairly effective. The District will continue to manage with operational modifications.

At this time there is no indication of when USBR will complete an eradication plan.

### **Pacheco Reservoir Expansion Project**

The District was a participant in a Proposition 1 grant application with Santa Clara Valley Water District (SCVWD) and Pacheco Pass Water District (PPWD) for the expansion of the Pacheco Reservoir. In July of 2018 Department of Water Resource (DWR) announced the project would receive the full funding request of \$485 million. The total project cost is currently estimated to be approximately \$1.3 billion.

The project includes construction of a new earthen dam a short distance upstream from the existing dam and a pipeline to connect the dam to the existing Pacheco Conduit, a federal Central Valley Project pipeline that delivers water into Santa Clara and San Benito counties from the San Luis Reservoir. The Pacheco Reservoir Expansion Project would expand the reservoir from 6,000 to 140,000 acre-feet and deliver water supply, water quality, and ecosystem benefits to the region.

In June 2018, the Board approved a Memorandum of Agreement (MOA) with SCVWD that outlines the terms for moving forward with the project. Originally the MOU included 2 major agreements that needed to be completed within 2 years of the signing of the agreement, an allocation of benefits agreement and a provisional operating agreement. In addition, the MOA called for the District within the 2 years to determine its participation level ranging from 0% - 10%. It is now anticipated that the date for the allocation of benefits and operating agreement will be delayed an additional 12 months. More importantly, upon completion and execution of a side letter to the MOU the District will have until the start of construction to determine the level of participation desired. The District will continue to review its level of participation as the project moves forward.

### **Sustainable Groundwater Management Act (SGMA)**

The District is recognized by DWR as the exclusive Groundwater Sustainability Agency (GSA) for the Hollister, San Juan and Bolsa sub-basins.

The District continues to move forward with the development of the Groundwater Sustainability Plan (GSP). The District applied for and received a planning grant in the amount of \$830,336 to develop the plans for completing the State-required GSPs for these basins. Another round of funding has been announced by DWR to assist with plan preparation. The District will be applying for an additional \$1.2 million to help with installation of additional monitoring wells and plan preparation.

The District is still on schedule to have the plan completed by the 2022 date.

### **Future Water Supply Storage Options**

Consistent with recommendations made in the recently completed Hollister Urban Area Water and Wastewater Master Plan Update, the District is working on an evaluation of local water storage

alternatives for the future. The District is in the planning stages of developing the North Area Groundwater Project. The project seeks to add additional local water sources to meet the dry year reliability and to meet future water demands. Currently, the District is looking at adding an additional groundwater well in an area known to have good water quality to serve the COH around the Airport Industrial area. In addition to helping the COH meet fire flow requirements, the new well would provide additional water supply during times when the District may receive less water through its USBR contract. The goal is to provide up to 1000 ac-ft per year of additional supply. The District in coordination with COH and SSCWD has developed an MOU that will begin feasibility studies to be completed within the next year.

### **Reservoir Management Plans**

In 2017, the District completed preparation of an operations planning tool to create annual plans for operation of Hernandez and Paicines Reservoirs and for re-diversion of Hernandez Reservoir releases to Paicines Reservoir at the San Benito River Diversion. 2018 marked the first year the operational planning tool was used to manage reservoir releases for groundwater recharge. This planning tool will likely be incorporated into the SGMA GSP.

## **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.

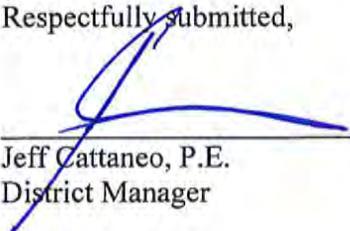
**AWARDS AND ACKNOWLEDGEMENT**

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, 2018. This is the seventh year that the District has been awarded a Certificate of Achievement. 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.

### **SERVICE AREA**

The District encompasses all of San Benito County, with an area of approximately 1,400 square miles and a population of over 57,000 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)
- Fairview Road Water System (Zone 104)

### **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 eleven standing committees:

- Finance
- Investments
- Administration
- Expansion
- Rural Water Systems
- Zone 3 Operations and Water Supply
- Zone 6 Water Supply
- Zone 6 Operations
- Personnel
- Pacheco Reservoir Exploratory
- San Felipe Division Activities

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 xii of the introductory section.

In 2014, the State of California passed the Sustainable Groundwater Management Act (SGMA). This law outlines new requirements and tools for ensuring the long-term sustainability of these critical sources of water supply. The District is the Groundwater Sustainability Agency (GSA) for the Bolsa, San Juan Bautista and Tres Pinos groundwater basins (and is cooperating with Santa Clara Valley Water District (SCVWD), which is the GSA for small portions of the Hollister and San Juan Bautista basins within Santa Clara County). More information on SGMA can be found on the District's website ([sbcwd.com/sustainable-groundwater-management](http://sbcwd.com/sustainable-groundwater-management))

### **WATER RESOURCES MANAGEMENT**

The principal water available to water users is local Groundwater 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 had fully recovered by 2001. The drought beginning in 2007 put pressure on the groundwater basin but storage was sufficient to sustain demand. We will continue in a period of recovery as long as we continue to get an average of 20,000 acre-feet per year of imported water. If not, management activities will need to be modified. 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. The District has contracted with the United States on behalf of landowners for water service from the San Felipe Division of the federal CVP. 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 CVP has been significantly reduced as the CVP addresses water quality, endangered species, and the addition of fisheries as a principal purpose of the CVP. The District has undertaken a number of initiatives to identify projects and programs to ensure its supplies and restore reliability.

### **WATER SUPPLY**

The District manages the federal contract with the United States Bureau of Reclamation (USBR) for delivery of water through the San Felipe unit of the Central Valley Project. The total federal contract entitlement is 43,800 acre-feet of water per year (35,550 acre-feet of Irrigation, 8,250 acre-feet of Municipal and Industrial). Based on availability of water the USBR allocates a percentage of the contract entitlement.

The local water supply consists of water rights for Hernandez Dam and Reservoir, the San Benito River system, and the Dos Picachos Creek. The use of the water from Hernandez and the San Benito River is for spreading and later recovery by pumping from wells. The Dos Picachos water is diverted from December through May for spreading and later recovery by pumping from wells.

The District has worked cooperatively for years with the County of San Benito, City of Hollister and Sunnyslope County Water District to implement recycled water use. Current recycled water use includes City of Hollister landscape irrigation. In June 2016, recycled water was delivered to agriculture users.

Additionally, from time to time, the District participates in transfers or purchases of water from other agencies.

## **WATER TREATMENT**

With the execution of the Hollister Urban Area Water Supply and Treatment Agreement (HUWSTA) in 2013 by the District, the City of Hollister, and Sunnyslope County Water District, the District became the owner of the upgraded Lessalt Water Treatment Plant and began design and construction of the West Hills Water Treatment Plant which was completed in October 2017. This agreement marked the beginning of the District providing wholesale treated drinking water to the City of Hollister and Sunnyslope County Water District.

Groundwater in the Hollister Urban area is characterized by high mineralization, driving customers to utilize water softeners to mitigate the high hardness. As a part of the District's CVP contract, the District is entitled to up to 8,250 ac-ft of M&I water annually. Completion of upgrades to Lessalt and construction of West Hills now allows the District to fully utilize its CVP M&I allocation each year. This directly benefits City of Hollister and Sunnyslope County Water District customers by delivering drinking water with significantly lower hardness which allows them to remove salt-based water softeners.



Government Finance Officers Association

Certificate of  
Achievement  
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Presented to

**San Benito County Water District  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morill*

Executive Director/CEO

SAN BENITO COUNTY WATER DISTRICT  
LIST OF PRINCIPAL OFFICIALS  
JUNE 30, 2019

**BOARD OF DIRECTORS**

Sonny Flores  
*President, Division 5*  
*Term Expires November 2020*

John Tobias  
*Vice president, Division 1*  
*Term expires November 2022*

Joe Tonascia  
*Director, Division 2*  
*Term Expires November 2020*

Frank Bettencourt  
*Director, Division 3*  
*Term expires November 2020*

Doug Williams  
*Director, Division 4*  
*Term expires November 2022*

**DISTRICT COUNSEL**

David E. Pipal  
Pipal, Spurzem & Liem, LLP  
Attorneys at Law

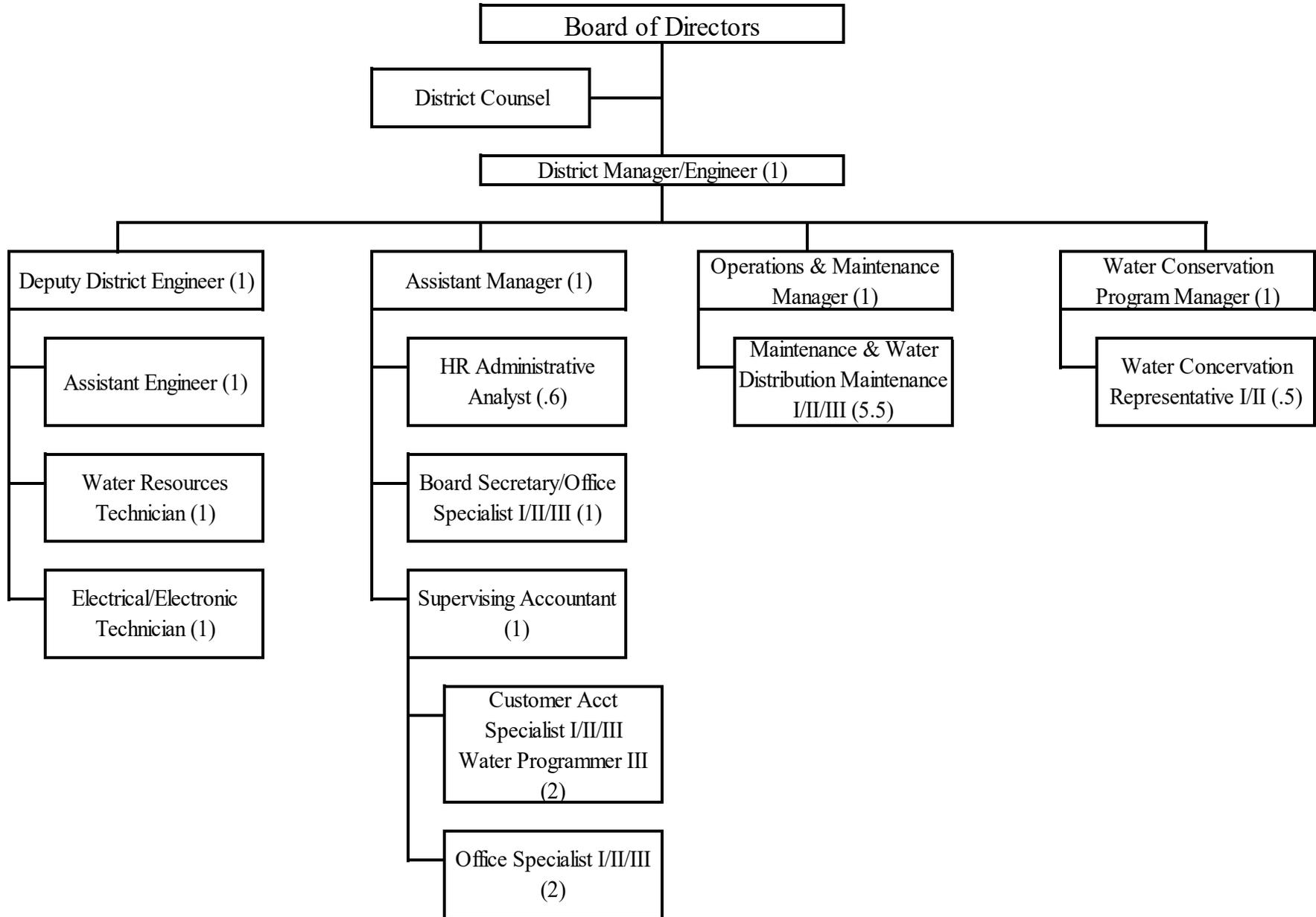
**DISTRICT MANAGER**

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  
Organization Chart  
June 30, 2019**





2511 Garden Road  
Suite A180  
Monterey, CA 93940  
831-373-3337  
Fax 831-373-3437

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

3478 Buskirk Avenue  
Suite A1000  
Pleasant Hill, CA 94523  
831-373-3337  
Fax 831-373-3437

## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of San Benito County Water District (the District), as of and for the year ended June 30, 2019 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.

### **Auditors' 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.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of San Benito County Water District as of June 30, 2019, and the respective changes in financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Summarized Comparative Information*

The financial statements include partial and summarized prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2018, from which such partial and summarized information was derived.

We have previously audited San Benito County Water District's 2018 financial statements, and our report dated, January 25, 2019, 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, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the District's retirement plan's proportionate share of the net pension liability, schedule of the District's pension plan contributions and, schedule of changes in the District's net OPEB liability, as identified in the accompanying table of contents, 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, the schedule of net position by zone, the schedule of revenues, expenses and changes in net position by zone and statistical section, as identified in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of net position by zone and the schedule 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 schedule of net position by zone and the schedule 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 18, 2019

# San Benito County Water District

## *Management's Discussion and Analysis*

June 30, 2019

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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, 2019. Please read it in conjunction with the Financial Statements which follows this section.

### **FINANCIAL HIGHLIGHTS**

- The net position at June 30, 2019 was \$117,498,699 which reflects an increase of \$8,565,113 from prior year.
- Operating revenue was \$11,534,728 and operating expenses including depreciation and amortization was \$13,241,038. District operations include the first complete fiscal year of operation for the West Hills Water Treatment Plant.
- Non-operating revenue increased \$1,259,293 and non-operating expenses decreased by \$304,952 which resulted in a \$1,564,245 increase over 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, deferred outflows of resources, liabilities, and deferred inflows of resources, and provides information about the nature and amount of investment in resources (assets) and the obligations to District creditors (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 difference between the assets, deferred outflows of resources, liabilities and deferred inflows of resources is shown as net position. Over time, increase or decrease in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position 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.

The Notes to the Financial Statements provide a description of the accounting policies used to prepare the financial statements and present material disclosure required by Generally Accepted Accounting Principles (GAAP) that are not otherwise present in the financial statements.

**San Benito County Water District**  
*Management's Discussion and Analysis*  
 June 30, 2019

**FINANCIAL ANALYSIS OF THE DISTRICT**

**Net Position**

The following is the condensed Statement of Net Position for the fiscal years ended June 30, 2019 and 2018:

San Benito County Water District  
 Condensed Statement of Net Position  
 June 30, 2019 and 2018

	Fiscal Year Ended June 30,		Change	
	2019	2018	Amount	Percent
Current assets	\$ 49,168,939	\$ 41,007,008	\$ 8,161,931	19.9%
Other assets	27,001,452	27,318,135	(316,683)	-1.2%
Capital assets, net	76,636,042	76,864,995	(228,953)	-0.3%
Total Assets	<u>152,806,433</u>	<u>145,190,138</u>	<u>7,616,295</u>	<u>5.2%</u>
Deferred outflows of resources	<u>741,607</u>	<u>867,222</u>	<u>(125,615)</u>	<u>-14.5%</u>
Current liabilities	4,067,714	3,883,979	183,735	4.7%
Long-term liabilities	<u>31,721,273</u>	<u>33,018,939</u>	<u>(1,297,666)</u>	<u>-3.9%</u>
Total Liabilities	<u>35,788,987</u>	<u>36,902,918</u>	<u>(1,113,931)</u>	<u>-3.0%</u>
Deferred inflows of resources	<u>260,354</u>	<u>220,856</u>	<u>39,498</u>	<u>17.9%</u>
Net Position:				
Net investment in capital assets	72,194,916	72,109,187	85,729	0.1%
Restricted	17,153,942	14,757,227	2,396,715	16.2%
Unrestricted	<u>28,149,841</u>	<u>22,067,172</u>	<u>6,082,669</u>	<u>27.6%</u>
Total Net Position	<u>\$ 117,498,699</u>	<u>\$ 108,933,586</u>	<u>\$ 8,565,113</u>	<u>7.9%</u>

Net position increased in 2019 to \$117,498,699 up \$8,565,113 from fiscal year end 2018.

The increase in restricted net position reflects the contributions to restricted reserves for future repayment of the USBR Amendatory Contract (refer to footnote 14).

Net investment in capital assets increased by \$85,729. This increase is the net result of; new purchases, the reduction to the investment in the West Hills Treatment Plant for reimbursement of Pacific Gas and Electric construction costs and the principal reduction of the City National Bank loan.

Current assets reflect an increase \$8,161,931 comprised primarily of an increase in cash position of which \$3,191,169 is an increase in restricted cash.

The decrease in Long term liabilities is a direct result of the payments received for unearned revenue related to the HUWSTA Contract.

## San Benito County Water District

### *Management's Discussion and Analysis*

June 30, 2019

At the end of the fiscal year 2019, the District had \$741,607 of Deferred Outflows of Resources and \$260,354 of Deferred Inflows of Resources. Deferred Outflows of Resources decreased by \$125,615 and Deferred Inflows of Resources increased by \$39,498 over the prior year. The activity reflects changes in assumptions, expected and actual experience, changes in proportion and contribution to the District's pension and Other Post Employment Benefit (OPEB) plans. Additional information on the District's pension and OPEB plans can be found in Notes 10 and 12.

### 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, 2019 and 2018:

San Benito County Water District  
Condensed Statement of Revenues, Expenses and Changes in Net Position  
June 30, 2019 and 2018

	Fiscal Year Ended June 30,		Change	
	2019	2018	Amount	Percent
<b>Revenues:</b>				
Operating revenues	\$ 11,534,728	\$ 10,677,462	\$ 857,266	8.0%
Nonoperating revenues	10,513,820	9,254,527	1,259,293	13.6%
Total Revenues	<u>22,048,548</u>	<u>19,931,989</u>	<u>2,116,559</u>	<u>10.6%</u>
<b>Expenses:</b>				
Depreciation and amortization expense	(2,823,117)	(1,800,724)	(1,022,393)	56.8%
Operating expense	(10,417,921)	(9,996,263)	(421,658)	4.2%
Nonoperating expense	(242,397)	(547,349)	304,952	-55.7%
Total Expenses	<u>(13,483,435)</u>	<u>(12,344,336)</u>	<u>(1,139,099)</u>	<u>9.2%</u>
Change in Net Position	8,565,113	7,587,653	977,460	12.9%
Net Position, Beginning of Year	108,933,586	102,087,724	6,845,862	6.7%
New Accounting Pronouncement Note 15	-	(741,791)	741,791	-100.0%
Net Position, End of Year	<u>\$ 117,498,699</u>	<u>\$ 108,933,586</u>	<u>\$ 8,565,113</u>	<u>7.9%</u>

Operating revenue increased by \$857,266. Finished water sales account for the majority of the increase as WHWTP was fully operational for twelve months. Also contributing to the increase were groundwater and recycled water sales resulting from higher use by customers and well permit fees.

Total expenses increased by \$1,139,099. The majority of this increase is directly related to the depreciation and amortization expense. Reflected in the current year is the depreciation and amortization associated to the WHWTP and the Recycled Water Storage Pond which were capitalized in the prior year. Operating expenses increased by \$421,658 as a result of the WHWTP being fully operational for an entire year and multiple pipeline repairs.

**San Benito County Water District**  
*Management's Discussion and Analysis*  
 June 30, 2019

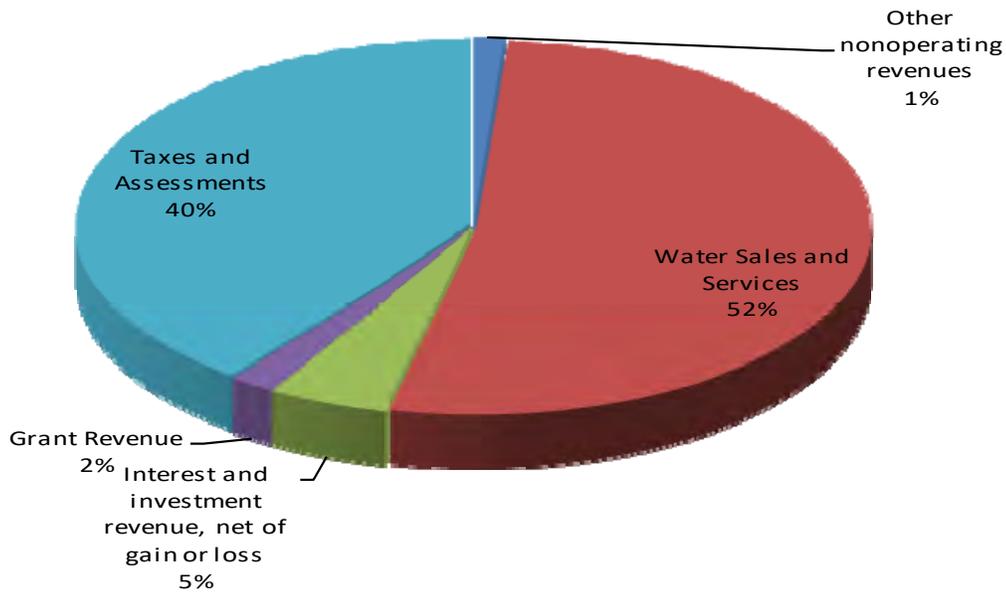
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Non-operating revenue reflects an increase of \$1,259,293 from prior year. This increase is the net result of reduced grant activity, an increase in property taxes and interest earned in this fiscal year.

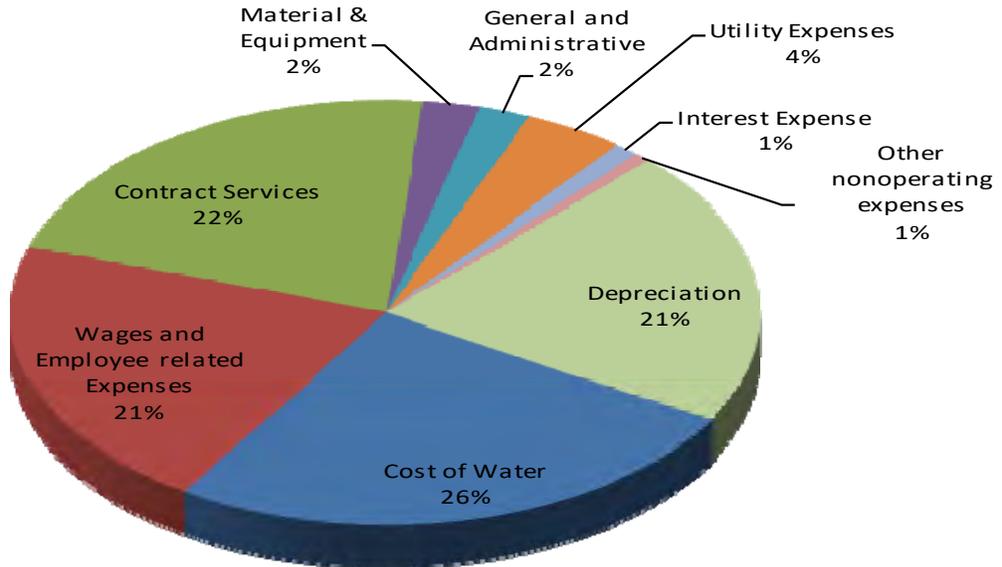
Non-operating expense reflects a decrease due to reduced grant activity which reduced reimbursement to outside agencies that participate in the grant.

The various operating and non-operating revenues are as follows:

**SOURCES OF REVENUE**  
**Fiscal Year Ended 2019**



**EXPENSES**  
**Fiscal Year Ended 2019**



**San Benito County Water District**

*Management's Discussion and Analysis*

June 30, 2019

**Capital Assets**

Capital assets include land and land rights, source of supply plant, pumping plant, transmission and distribution system, general plant, treatment plant, and water rights. The net change in general plant reflects the purchase of two District vehicles and monitoring equipment. The increase in transmission and distribution plant are additional costs related to the recovery well and the SCADA upgraded equipment and software. The decrease in Treatment Plant reflects reimbursement from Pacific, Gas and Electric (PG&E) for the new installation construction costs associated to the WHWTP, as the plant was fully operational and exceeded the minimum usage required. Other increases are in Water Rights. The Central Valley Project (CVP) water rights reflect the portion of the payments on the Second Amendment of the USBR contract that are the capital costs for the San Felipe Division. The Reach 1 Capital Improvement is part of the on-going project with Santa Clara Valley Water District (SCVWD) for major repairs and replacement of equipment at the Reach 1 facilities. Improvement to the Recycled Water Storage Pond included a new liner, installation of a booster pump and sand filters. The storage pond provides additional storage of recycled water in support of the District's Recycled Water Program.

At June 30, 2019, the District had \$104,549,508 in capital assets with \$23,228,350 in accumulated depreciation and \$4,685,116 in accumulated amortization for a net amount of \$76,636,042. (Refer to Notes to Financial Statements No. 6).

San Benito County Water District  
Condensed Statement of Capital Assets  
June 30, 2019 and 2018

	2019	2018	Change	
			Amount	Percent
Water rights				
Semitropic Water Storage	\$ 624,131	\$ 588,851	\$ 35,280	6.0%
Central Valley Project	12,162,125	10,587,214	1,574,911	14.9%
San Justo Reservoir	246,462	246,462	-	0.0%
Wright Rd Pipeline	830,850	830,850	-	0.0%
Reach 1 capital improvement	8,761,971	8,215,095	546,876	6.7%
Recycled Water Storage Pond	1,483,812	1,278,034	205,778	16.1%
Source of supply plant	3,024,047	3,024,047	-	0.0%
Transmission and distribution plant	20,644,484	20,450,475	194,009	0.9%
Pumping plant	10,190,763	10,190,763	-	0.0%
General plant	1,600,218	1,523,842	76,376	5.0%
Treatment plant	44,104,260	44,143,326	(39,066)	-0.1%
Land and land rights	876,385	876,385	-	0.0%
Total capital assets	104,549,508	101,955,344	2,594,164	2.5%
(Accumulated amortization)	(4,685,116)	(3,742,312)	(942,804)	25.2%
(Accumulated depreciation)	(23,228,350)	(21,348,037)	(1,880,313)	8.8%
Net capital assets	<u>\$ 76,636,042</u>	<u>\$ 76,864,995</u>	<u>\$ (228,953)</u>	<u>-0.3%</u>

**San Benito County Water District**

*Management's Discussion and Analysis*

June 30, 2019

**Long Term Debt**

In fiscal year 2016, the District obtained financing for capital improvements related to the HUWSTA and the Recycled Water projects for a total of \$5,500,000. At the end of this fiscal year, the District's remaining obligation for this loan was \$4,441,126. Additional information on the District's long-term debt can be found in Note 8.

San Benito County Water District  
Condensed Statement of Long Term Debt  
June 30, 2019 and 2018

	June 30, 2019	June 30, 2018	Change	
			Amount	Percent
City National Bank loan payable	\$ 4,441,126	\$ 4,755,808	\$ (314,682)	-6.6%

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

**General Property Tax Revenue**

The District budget is based on the expectation that the general property tax revenue and the San Felipe land tax to remain at a similar level as fiscal year 2018-2019.

**Interest Rates**

The economic environment has provided some increase in interest rates over the last year. The District's investment income is affected by these rates and current economic conditions 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. Rates have been approved for Zone 6 San Felipe water and Groundwater through water year 2021-2022 as part of a three-year rate structure. Recycled Water rates are anticipated to increase for the upcoming water year 2020-2021 and will be subject to Proposition 218.

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

The District, in conjunction with 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). In 2007, the District and SCVWD 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.

SCVWD has developed a comprehensive asset management plan for the ongoing maintenance and repair of the San Felipe Facilities. This asset management plan includes a schedule of future capital projects. The cost of the ongoing maintenance and repair and capital projects is

## San Benito County Water District

### *Management's Discussion and Analysis*

June 30, 2019

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considered in the budgeting and rate setting process.

Since 2007 when the initial condition assessment was done, the District has contributed close to \$8.8 million toward capital projects. This has included major repair of the regulating tank, the communication cable, rebuilding of several pumps (pumps described in the Statistical Section-Facilities) and replacement of the adjustable speed drives on 12 pumps. SCVWD also did a condition assessment of the Pacheco Conduit. The assessment resulted in the installation of new air valves, an acoustic monitoring system which listens for wire breaks and an additional valve at bifurcation. The current asset management plan calls for an average of 1 pump repair each year at an approximate cost of \$1 million (District's share of \$220,000).

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

Annually, the USBR specifies to each of the contractors in CVP, the initial percentage of their water contract that will be delivered in the upcoming water year which begins March 1. 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. Allocations also vary from year to year depending on hydrogeological conditions. In anticipation of the Hollister Urban Area Project, the District was able to negotiate an increased calculation of historical use from which the annual allocation % would be based. For water year 2018-2019, the District received 50% of its Agricultural and 75% of its Municipal and Industrial (M&I) allocations. In 2019-2020, the District received 75% and 100% for Agricultural and M&I, respectively. Next water year, the District's allocation is expected to be about 50% for Agricultural and 75% of M&I. The District includes consideration of these volumes in its rate reviews.

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

The rate base for groundwater rates includes 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, including the Sustainable Groundwater Management Act (effective January 2016) are expected to be included in future rates and charges review. Groundwater rates are expected to increase as the District works to recover from the groundwater impact of the drought through active percolation or the purchase of additional imported water to offset pumping.

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 USBR Central Valley Project, the San Luis Delta Mendota Water Authority (SLDMWA), and the San Felipe Reach 1 facility maintained by the SCVWD as well as the District's own operation and maintenance costs. The pass-through costs from other agencies are included in the District's cost of water, and can change as these agencies' O&M, capital and power expenses change. 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 changes in volume of water available through the CVP, the coverage ratio is subject to variability. Consideration of cost recovery from rates is included in the rates and charges review.

Current rates were approved by the Board at a public hearing in January 2019 and are scheduled for review in January 2023.

## San Benito County Water District

### *Management's Discussion and Analysis*

June 30, 2019

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#### **5) CVP Cost Allocation Study**

The USBR is developing a new cost allocation for the CVP. The last major cost allocation of the CVP was completed in 1970, with a minor update in 1975. Since that time, the 1975 allocation has been subject to minimal annual adjustments related to project water and power uses. The new cost allocation will replace the 1975 cost allocation in its entirety. The study is scheduled to be completed in the next several years once USBR has completed their process. Any changes to the cost allocation will be incorporated into the budget and rates.

#### **6) CVP San Luis Energy Transmission Project**

CVP Project Use Energy (PUE) contracts with PG&E provided favorable transmission rates for power which expired in 2015. Since the contract expiration, power rates have increased from previous levels. SLDMWA is working on a project to build a transmission line for Tracy and Giannelli Pumping Plants. The purpose of the project would be to deliver power at a lower cost than the alternative of wheeling through PG&E, and to eliminate exposure to future rate increases of PG&E.

#### **7) San Luis Delta Mendota Rewind Project**

SLDMWA operates the Jones Pumping Plant on behalf of the USBR. The rewind of the six 22,500 horsepower pumps are part of current capital project for the SLDMWA. Each rewind is approximately \$6 million dollars, and all South-of Delta contractors, including the District must pay their respective share of the costs based on each agency's contract water deliveries.

#### **8) Water Infrastructure Improvement for the Nation (WIIN) Act Contract Conversion**

As part of the federal government's WIIN Act of December 2016, the USBR will be offering the opportunity to CVP contractors to pay off the contractor's outstanding in-basin capital obligations at a discounted amount. The USBR's estimate, as of December 2018, for the District's discounted payoff amount is \$3.1 million. The District, along with other CVP contractors are in the process of negotiating an agreement with the USBR. This payoff was incorporated in the 2019-2020 budget.

### **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.

The board meets in regular session at 5:00 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)

## FINANCIAL SECTION

San Benito County Water District  
Statement of Net Position  
June 30, 2019  
(with prior year data for comparison purposes only)

	2019	2018
<b>ASSETS</b>		
Current assets:		
Cash and investments	\$ 27,656,163	\$ 22,812,608
Receivables, net	3,045,501	2,287,400
Contract receivable - current portion	1,018,508	979,378
Prepaid expenses	294,825	170,395
Restricted cash and investments	17,153,942	14,757,227
Total current assets	49,168,939	41,007,008
Noncurrent assets:		
Work in progress	3,039,593	2,337,768
Contract receivable-noncurrent portion	23,961,859	24,980,367
Capital assets		
Water rights, net	19,424,235	18,004,194
Depreciable, net	56,335,422	57,984,416
Nondepreciable	876,385	876,385
Total noncurrent assets	103,637,494	104,183,130
Total assets	152,806,433	145,190,138
Deferred outflows of resources		
Deferred pensions	710,004	838,922
Deferred OPEB	31,603	28,300
Total deferred outflows of resources	741,607	867,222

See accompanying notes to basic financial statements

San Benito County Water District  
Statement of Net Position (continued)  
June 30, 2019  
(with prior year data for comparison purposes only)

	2019	2018
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued expenses	594,011	1,202,818
Accrued wages and benefits	108,827	101,411
Accrued vacation and sick	283,467	243,091
City National Bank loan payable	324,873	314,682
Due to other agencies	1,074,530	632,290
Contract customer water prepayments	663,498	410,309
Unearned contract revenue	1,018,508	979,378
Total current liabilities	4,067,714	3,883,979
Noncurrent liabilities:		
Net OPEB liability	1,118,561	1,092,033
Net Pension liability	2,464,949	2,499,912
Deposits	59,652	5,500
City National Bank loan payable	4,116,253	4,441,126
Unearned contract revenue	23,961,858	24,980,368
Total noncurrent liabilities	31,721,273	33,018,939
Total liabilities	35,788,987	36,902,918
Deferred inflows of resources		
Deferred pensions	155,773	129,366
Deferred OPEB	104,581	91,490
Total deferred inflows of resources	260,354	220,856
<b>NET POSITION</b>		
Net investment in capital assets	72,194,916	72,109,187
Restricted		
Revolving fund reserve requirement	75,000	75,000
Operation and maintenance reserves	3,303,355	3,682,637
Contract repayment reserves	11,361,626	9,177,030
Contract construction reserves	-	555,457
Contract replacement reserves	2,413,961	1,267,103
Unrestricted		
Total net position	\$ 117,498,699	\$ 108,933,586

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, 2019  
(with prior year data for comparison purposes only)

	2019	2018
Operating revenue	\$ 11,534,728	\$ 10,677,462
Operating expenses:		
Cost of water	3,474,081	3,278,371
Wages and employee related expenses	2,825,785	2,854,759
Contract services	2,907,748	2,701,406
Material and equipment	326,308	358,395
General and administrative	303,641	285,786
Utility expenses	580,358	517,546
Depreciation and amortization	2,823,117	1,800,724
Total operating expenses	13,241,038	11,796,987
Operating income (loss)	(1,706,310)	(1,119,525)
Nonoperating revenue (expenses):		
Taxes and assessments	8,752,057	8,164,379
Grant revenue	407,141	404,940
Other nonoperating revenues	276,288	234,969
Interest and investment revenues	941,831	483,673
Investment loss	136,503	(33,434)
Interest expense	(148,435)	(158,306)
Other nonoperating expenses	(93,962)	(389,043)
Net nonoperating revenue (expenses)	10,271,423	8,707,178
Change in net position	8,565,113	7,587,653
Net position, beginning of year	108,933,586	102,087,724
New accounting pronouncement - Note 15	-	(741,791)
Net position, end of year	\$ 117,498,699	\$ 108,933,586

San Benito County Water District  
Statement of Cash Flows  
For The Year Ended June 30, 2019  
(with prior year data for comparison purposes only)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from operations	\$ 11,564,942	\$ 10,605,263
Cash received from agencies - fee income	112,706	203,845
Cash payments from other agencies	442,240	-
Cash received from rental activity	22,375	22,375
Cash payments to suppliers for operations	(7,217,909)	(6,742,089)
Cash payments to employees for services and related expenses	(2,621,598)	(2,477,207)
Cash payments for general and administrative expenses	(296,726)	(284,754)
Cash payments to other agencies	(385,996)	(755,672)
Net Cash Provided by Operating Activities	1,620,034	571,761
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Taxes and assessments collected	8,480,735	8,368,217
Grant revenue	317,820	803,101
Net Cash Provided by Non-Capital Financing Activities	8,798,555	9,171,318
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition of capital assets	(2,768,858)	(3,262,625)
Additions to preliminary survey and construction in progress	(939,644)	(1,842,198)
Principal paid on capital debt	(314,682)	(304,811)
Interest on long-term debt	(148,435)	(158,306)
Cash receipts on sale of capital assets	9,388	9,389
Net Cash Used for Capital and Related Financing Activities	(4,162,231)	(5,558,551)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from maturity of Certificate of Deposit	-	2,017,296
Interest received from cash and cash equivalents	983,912	362,435
Interest received from investments	-	15,228
Reinvestment of interest received	-	(15,228)
Net Cash Provided by Investing Activities	983,912	2,379,731
Net Increase in Cash and Cash Equivalents	7,240,270	6,564,259
<b>Balances, Beginning of Year</b>		
Cash and cash equivalents	22,812,608	18,444,167
Restricted cash and cash equivalents	14,757,227	12,561,409
Balances, Beginning of Year	37,569,835	31,005,576
Balances, End of Year	\$ 44,810,105	\$ 37,569,835

See accompanying notes to basic financial statements

San Benito County Water District  
Statement of Cash Flows (continued)  
For the Year Ended June 30, 2019  
(with prior year data for comparison purposes only)

	2019	2018
<b>RECONCILIATION TO STATEMENT OF NET POSITION:</b>		
Unrestricted cash and cash equivalents	\$ 27,656,163	\$ 22,812,608
Restricted cash and cash equivalents	17,153,942	14,757,227
Total Cash and Restricted Cash	\$ 44,810,105	\$ 37,569,835
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ (1,706,310)	\$ (1,119,525)
Adjustment to reconcile operating income to net cash provided (used) by operating activities:		
Other nonoperating revenues (expenses)	172,938	(163,462)
Depreciation and amortization	2,823,117	1,800,729
Provision for allowance of doubtful accounts	5,664	817
Change in operating assets and liabilities:		
(Increase) decrease in accounts receivables	(309,600)	56,226
(Increase) decrease in contract receivable	979,378	941,772
(Increase) decrease in prepaid expenses	(125,513)	(27,600)
Increase (decrease) in payables and accrued expenses	247,929	(247,559)
Increase (decrease) in accrued wages and benefits	47,792	77,780
Increase (decrease) in other post employment benefits	26,528	(14,942)
Increase (decrease) in pension liabilities	(34,963)	341,239
Increase (decrease) in deposits and retention payable	54,152	1,501
Increase (decrease) in customer water prepayments	253,189	(109,597)
Increase (decrease) in unearned contract revenue	(979,380)	(941,772)
Deferred outflows - pension	128,918	(92,085)
Deferred outflows - OPEB	(3,303)	(28,300)
Deferred inflows - pensions	26,407	5,049
Deferred inflows - OPEB	13,091	91,490
Totals	\$ 1,620,034	\$ 571,761
Noncash investing, capital, and financing activity:		
Net acquisition of capital assets on account	\$ 62,552	\$ 471,224

See accompanying notes to basic financial statements

# San Benito County Water District

## Notes to Basic Financial Statements

June 30, 2019

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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) 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. Accounting Principles**

The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountant (AICPA).

#### **D. 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.

## San Benito County Water District

### Notes to Basic Financial Statements

June 30, 2019

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#### **E. 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. Although there is no legal requirement to report budgetary basis financial information in this report, the District's Board of Directors review performance to budget on a quarterly basis.

#### **F. 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.

#### **G. New Accounting Pronouncements**

The District applies all applicable Governmental Accounting Standards Board (GASB) pronouncements for certain accounting and financial reporting guidance.

The District implemented the following statements for the year ended June 30, 2019:

- ◆ GASB Statement No. 83 - In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. This statement had no effect on these financial statements.
- ◆ GASB Statement No. 88 - In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. This statement had no effect on these financial statements.

#### Pending Accounting Standards

GASB has issued the following statements which may impact the District's financial reporting requirements in the future:

- ◆ GASB Statement No. 84 - In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The District has not determined the effect of the statement.

## San Benito County Water District

### Notes to Basic Financial Statements

June 30, 2019

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- ◆ GASB Statement No. 87 - In June 2017, GASB issued Statement No 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The District has not determined the effect of the statement.
- ◆ GASB Statement No. 89 – In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The District has not determined the effect of the statement.
- ◆ GASB Statement No. 90 – In April 2018, GASB issued Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The District has not determined the effect of the statement.
- ◆ GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The District has not determined the effect of the statement.

## San Benito County Water District

### Notes to Basic Financial Statements

June 30, 2019

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#### H. Cash and Investments

Cash and Cash Equivalents - Cash and cash equivalents consist of cash on hand, demand deposits, money market accounts, short-term investments with original maturities of three months or less from the date of acquisition and investments with Local Authority Investment Fund (LAIF) managed by the State of California. Deposits in LAIF are generally available for withdrawal on a next day basis and therefore considered cash equivalents.

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.

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 cost.

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

***Investment Held in Local Agency Investment Fund*** - The District participates in the LAIF, an investment pool managed by the State of California. LAIF has invested a portion of the pool funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk as a result of changes in interest rates.

LAIF determines value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available.

The District valued its investments in LAIF as of June 30, 2019, by multiplying its account balance with LAIF times a fair value factor determined by LAIF value for all LAIF participants by total aggregate amortized cost.

**San Benito County Water District**

*Notes to Basic Financial Statements*

June 30, 2019

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**I. Receivables**

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

**J. Prepaid Expenses**

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

**K. Restricted Cash and Investments**

Restricted cash and investments represent allocations of cash and investment 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.

**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
Treatment Plant	7 - 25	Years
General plant	5 - 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 recorded at their acquisition value, market-based entry price on the date contributed. Maintenance and repairs are charged to operations when incurred.

## San Benito County Water District

### Notes to Basic Financial Statements

June 30, 2019

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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 capital 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 capital assets.

Depreciation of all capital 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 position as a reduction in the cost basis of the capital assets.

#### **N. 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.

#### **O. 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 position.

#### **P. Public Employees Retirement System (CalPERS)**

The District offers 2 retirement plans to its employees. Employees hired before January 1, 2013 are members of the CalPERS Classic Plan and employees hired after January 1, 2013 are members of the California Public Employees' Pension Reform Act Plan (PEPRA Plan).

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expenses, information about the fiduciary net position of the San Benito County Water District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS finance office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 10 for the CalPERS Classic Plan disclosures.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2017
Measurement Date (MD)	June 30, 2018
Measurement Period (MP)	July 1, 2017 to June 30, 2018

#### **Q. Other Post-Employment Benefits (OPEB)**

The District provides post-employer retirement benefits to its employees to assist with future medical premium costs.

## San Benito County Water District

### Notes to Basic Financial Statements

June 30, 2019

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For purposes of measuring the net OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes.

GASB 75 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2017
Measurement Date (MD)	June 30, 2018
Measurement Period (MP)	July 1, 2017 to June 30, 2018

#### R. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The District has the following items that qualify for reporting in this category:

- ◆ Deferred outflows of resources related to pensions are reported in the government-wide financial statements as described further in Note 10.
- ◆ Deferred outflows of resources related to OPEB are reported in the government-wide financial statements as described further in Note 12.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District has the following items that qualify for reporting in this category:

- ◆ Deferred inflows of resources related to pensions are reported in the government-wide financial statements as described further in Note 10.
- ◆ Deferred inflows of resources related to OPEB are reported in the government-wide financial statements as described further in Note 12.

#### S. 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:

Net investment 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.

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.

## San Benito County Water District

### Notes to Basic Financial Statements

June 30, 2019

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Unrestricted – This category represents net positions of the District that do not meet the definition of "Restricted net position" or "Net investment in capital assets, net of related debt."

#### **T. 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, whichever comes first. Well permitting and other operating revenues are recognized at the time the service is provided.

#### **U. 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.
- ◆ 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.

#### **V. 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.

#### **W. 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.

#### **X. 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.

## San Benito County Water District

### Notes to Basic Financial Statements

June 30, 2019

#### Y. 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.

#### Z. 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.

#### AA. 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.

#### BB. Reclassifications

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's financial statement presentation.

### 2. CASH AND INVESTMENTS

Cash and investments as of June 30, 2019 are classified in the accompanying financial statements as follows:

Cash and investments	\$ 27,656,163
Restricted cash and investments	17,153,942
Total cash and investments	<u>\$ 44,810,105</u>

The bank balance and carrying value of the District's cash and investments, including restricted and designated balances, at June 30, 2019 were as follows:

	Restricted	Designated	Undesignated Unrestricted	Total
Petty Cash	\$ -	\$ -	\$ 200	\$ 200
Union Bank of California	-	-	677,023	677,023
Heritage Bank of Commerce	-	-	2,053,497	2,053,497
Local Agency Investment Fund	16,614,227	15,026,995	9,898,448	41,539,670
Santa Clara Valley Water District (San Felipe- Reach 1 Reserve)	539,715	-	-	539,715
Total	<u>\$ 17,153,942</u>	<u>\$ 15,026,995</u>	<u>\$ 12,629,168</u>	<u>\$ 44,810,105</u>

Deposits - 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.

## San Benito County Water District

### Notes to Basic Financial Statements

June 30, 2019

The book balance for Union Bank of California at June 30, 2019 was \$677,023. At June 30, 2019, the bank balances in financial institutions totaled \$1,921,280. The book balance and bank balance differ by \$1,244,257 due to deposits in transit and outstanding checks. The book and bank for Heritage Bank of Commerce at June 30, 2019 was \$2,053,497. All bank balances are insured or collateralized.

As of June 30, 2019, the District had the following cash and investment maturities:

	Value	Cost	0-3 Months	4-12 Months
Petty cash	\$ 200	\$ 200	\$ 200	\$ -
Union Bank of California	677,023	677,023	677,023	-
Local Agency Investment Fund	41,539,670	41,468,685	41,539,670	-
Heritage Bank of Commerce	2,053,497	2,053,497	2,053,497	-
Santa Clara Valley Water District	539,715	539,715	539,715	-
Total	\$ 44,810,105	\$ 44,739,120	\$ 44,810,105	\$ -

### 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 not to exceed 5 years without authorization by the Board of Directors at least 3 months prior to the investment.

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. 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. At fiscal year end, the District had no concentration of credit risk investments.

#### 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. Credit risk is mitigated by investing only in U.S. Treasury Obligations, Federal Agency securities and in other high-quality investments, and by diversifying the portfolio so that the failure of any issuer would not unduly harm the District's cash flow. The District diversifies its investments by security type and institution. The District only invests in those instruments that are considered very safe.

## San Benito County Water District

### Notes to Basic Financial Statements

June 30, 2019

As of June 30, 2019, the District's investments with the Local Agency Investment Fund was not categorized as to custodial credit risk. The restricted cash for San Felipe Reach 1 Reserve of \$539,715 is held by Santa Clara Valley Water District within its General Fund.

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

Issuers	Value	S&P	Moody's	Veribanc, Inc.	% of Total
Local Agency Investment Fund	\$ 41,539,670	NR	NR	NR	92.7%
Union Bank	677,023	A+/A-1	A2/P-1	Green/***	1.5%
Heritage Bank	2,053,497	NR	NR	Green/***/BB	4.6%
Santa Clara Valley Water District	539,715	NR	NR	NR	1.2%
Total	\$ 44,809,905				100.0%

\*NR - denotes Not Rated

#### Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are not in the possession of an outside party.

Under California Government Code Section 53651, depending on specific types of eligible securities, a bank must deposit eligible securities posted as collateral with its Agent having a fair market value of 105% of the District's cash on deposit. 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 pursuant to the custodial credit risk categories of GASB Statement No. 3.

#### Investment in State Investment Pool

The District participates in the LAIF, an investment pool managed by the State of California. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. At June 30, 2019, the total fair value amount invested by all public agencies in LAIF is \$106.6 billion and managed by the State Treasurer. Of that amount, 1.77% is invested in medium-term and short-term structured notes and asset-back securities. No amounts were invested in derivative financial products. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District'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.

#### Disclosures Related to Fair Value Measurement

The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

## San Benito County Water District

### Notes to Basic Financial Statements

June 30, 2019

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the assets or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies including:

- Quoted price for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are inactive;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect the District’s own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). The unobservable inputs are developed based on the best information available in the circumstances and may include the District’s own data.

At June 30, 2019, the District had no leveled investments. Deposits and withdrawals in governmental investment pools, such as LAIF, are made on the basis of \$1 and not fair value. Accordingly, the District’s measured fair value of its proportionate share in these types of investments is based on uncategorized inputs not defined as a Level 1, Level 2, or Level 3 input.

### **3. RECEIVABLES**

Receivables at June 30, 2019 consisted of the following:

Water utility customer receivables, net of allowance	\$ 765,527
Other operating receivables	7,077
Interest receivable	255,160
Property tax and assessment receivables	522,164
Grant receivables, net	299,043
Agency receivables	1,196,530
Total receivables, net	<u>\$ 3,045,501</u>

The Water Utility Customer receivables above reflect an allowance for doubtful accounts in the amount of \$32,980.

Grant receivables include the Proposition 1 2017 Sustainable Groundwater Planning Grant in support of the Groundwater Sustainability Plan (GSP) that the District is currently developing. The receivable represents the first and second billing to the Department of Water Resources as of June 30, 2019.

Agency receivables are reimbursements due from other agencies for shared expenses per cooperative memorandum of understandings related to projects. These receivables represent the expenses for the fiscal year ended June 30, 2019 and are expected to be reimbursed in the next fiscal year.

## San Benito County Water District

### Notes to Basic Financial Statements

June 30, 2019

#### **4. CONTRACT RECEIVABLE**

In August 2013, the District, Sunnyslope County Water District (SSCWD) and City of Hollister (COH) each approved the Hollister Urban Water Supply and Treatment Agreement (HUWSTA). The agreement defined the roles and terms of financing for the project which included the upgrade of Lessalt Water Treatment Plant, the design and construction of the West Hills Water Treatment Plant and associated pipelines. The District was to finance, build, own and operate the upgraded Lessalt Water Treatment Plant and the new West Hills Water Treatment Plant.

The District financed \$30 million of the project costs. The District contributed \$10 million in non-reimbursable funds, of which \$4 million was made available for the first tranche of financing and \$6 million was made available for the second tranche of financing. COH opted to use their share of the non-reimbursable funds to buy down the capital component. SSCWD used their share as rate stabilization which was applied to the finished water payments during the first years of operation. The District funded the first tranche of \$13 million on the effective date of the agreement. The second tranche of \$17 million was made available in May 1, 2015, to support the execution of a contract for construction of the West Hills Water Treatment Plant. In January 2016, the third tranche of financing for \$4 million was funded through a loan agreement with City National Bank.

The agreement calls for the District to recover this investment in the capital projects from the COH and SSCWD over a 15-30-year period through a capital component, including interest, in the finished water rate. At June 30, 2019, the tranches combined capital component is \$24,980,367. The current portion of the contract is \$1,018,508 and is reflected in current assets. The noncurrent portion of \$23,961,859 is reflected in noncurrent assets. The unearned portion of the contract is included as unearned contract revenue.

#### **5. WORK IN PROGRESS**

The District's work in progress is 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 which the associated expense occurred.

The work in progress at June 30, 2019 consisted of the following:

Preliminary survey and investigations:

Future Water Supply - Banking Project	\$ 315,595
Pajaro Watershed Integrated Regional Water Management Plan	149,779
Delta related programs through San Luis Delta Mendota Water District	1,391,046
Zebra Mussel Control Study related to the Hollister Conduit	138,005
Sustainable Groundwater Management Act - SGMA	426,045
Pacheco Reservoir Expansion	495,045
Other projects	124,078
Total work in progress	<u>\$ 3,039,593</u>

**San Benito County Water District**

*Notes to Basic Financial Statements*

June 30, 2019

**6. CAPITAL ASSETS**

The changes in capital assets of the District for the year ended June 30, 2019 are summarized as follows:

	Balance as of June 30, 2018	Current Year Activity		Balance as of June 30, 2019
		Additions	Dispositions	
Water rights				
Semitropic Water Storage	\$ 588,851	\$ 35,280	\$ -	\$ 624,131
Central Valley Project	10,587,214	1,574,911	-	12,162,125
San Justo Reservoir	246,462	-	-	246,462
Wright Rd Pipeline	830,850	-	-	830,850
Reach 1 capital improvement	8,215,095	546,876	-	8,761,971
Recycled Water Storage Pond	1,278,034	205,778	-	1,483,812
Depreciable capital assets				
Source of supply plant	3,024,047	-	-	3,024,047
Transmission and distribution plant	20,450,475	194,009	-	20,644,484
Pumping plant	10,190,763	-	-	10,190,763
General plant	1,523,842	76,376	-	1,600,218
Treatment plant	44,143,326	107,588	(146,654)	44,104,260
Non-depreciable capital assets				
Land and land rights	876,385	-	-	876,385
Total capital assets	101,955,344	2,740,818	(146,654)	104,549,508
(Accumulated amortization)	(3,742,312)	(942,804)	-	(4,685,116)
(Accumulated depreciation)	(21,348,037)	(1,880,313)		(23,228,350)
Net capital assets	\$ 76,864,995	\$ (82,299)	\$ (146,654)	\$ 76,636,042

## San Benito County Water District

### Notes to Basic Financial Statements

June 30, 2019

Amortization and depreciation expense was charged to projects for the year ended June 30, 2019 as follows:

	Balance as of June 30, 2018	Current Year Activity		Balance as of June 30, 2019
		Increase	Decrease	
<b>Amortization</b>				
Water Rights				
Central Valley Project	\$ (1,854,937)	\$ (459,547)	\$ -	\$ (2,314,484)
San Justo Reservoir	(47,857)	(24,646)	-	(72,503)
Wright Rd Pipeline	(27,695)	(13,848)	-	(41,543)
Reach 1 capital improvement	(1,811,823)	(393,642)	-	(2,205,465)
Recycled water-storage pond	-	(51,121)	-	(51,121)
Total amortization	<u>(3,742,312)</u>	<u>(942,804)</u>	-	<u>(4,685,116)</u>
<b>Depreciation</b>				
Source of supply plant	(1,669,448)	(49,344)	-	(1,718,792)
Transmission and distribution plant	(9,741,188)	(332,478)	-	(10,073,666)
Pumping plant	(7,282,940)	(245,389)	-	(7,528,329)
General plant	(1,055,479)	(44,747)	-	(1,100,226)
Treatment plant	(1,598,982)	(1,208,355)	-	(2,807,337)
Total depreciation	<u>(21,348,037)</u>	<u>(1,880,313)</u>	-	<u>(23,228,350)</u>
<b>Net amortization and depreciation</b>	<u>\$ (25,090,349)</u>	<u>\$ (2,823,117)</u>	<u>\$ -</u>	<u>\$ (27,913,466)</u>

## 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 370 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 by request to Finance Department, 2100 Professional Drive, Roseville, CA 95661.

**San Benito County Water District**

*Notes to Basic Financial Statements*

June 30, 2019

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

The SLDMWA arranges for the operation and maintenance of a portion of the Central Valley Project (CVP) for its 29 members. SLDMWA is governed by a board consisting of representatives 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 (USBR) 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:

	September 30, 2018 ACWA-JPIA	February 28, 2017 SLDMWA
Total assets	\$ 188,344,217	\$ 60,863,924
Deferred Outflows of Resources	1,098,315	141,673
Total liabilities	(100,820,701)	(51,759,631)
Deferred Inflows of Resources	(2,156,227)	-
Net Position	<u>\$ 86,465,604</u>	<u>\$ 9,245,966</u>
Total revenues	\$ 178,608,752	\$ 24,756,427
Total expenditures	(167,465,822)	(22,610,193)
Net increase	<u>\$ 11,142,930</u>	<u>\$ 2,146,234</u>

**8. LONG TERM LIABILITIES**

The following is a summary of long term liabilities for the fiscal year ended June 30, 2019:

	June 30, 2018	Increases	Decreases	June 30, 2019	Due Within One Year
Long term liabilities					
City National bank loan payable	\$ 4,755,808	\$ -	\$ 314,682	\$ 4,441,126	\$ 324,873
Other post employment benefits liability	1,092,033	26,528	-	1,118,561	-
Pension liability	2,499,912	-	34,963	2,464,949	-
Total long term liabilities	<u>\$ 8,347,753</u>	<u>\$ 26,528</u>	<u>\$ 349,645</u>	<u>\$ 8,024,636</u>	<u>\$ 324,873</u>

## San Benito County Water District

### Notes to Basic Financial Statements

June 30, 2019

The following is a summary of principal maturities of City National Bank loan debt as of June 30, 2019:

<u>Fiscal Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 324,873	\$ 138,244	\$ 463,117
2021	335,395	127,722	463,117
2022	346,257	116,860	463,117
2023	357,471	105,646	463,117
2024	369,048	94,069	463,117
2025-2029	2,032,451	283,133	2,315,584
2030-2031	675,631	19,043	694,674
Total	<u>\$ 4,441,126</u>	<u>\$ 884,717</u>	<u>\$ 5,325,843</u>

In December 2015, the District entered into a loan agreement with Municipal Finance Corporation for the amount of \$5,500,000. This loan was immediately transferred to City National Bank. The loan is payable in quarterly installments for a term of 15 years beginning April 2016. The annual interest rate is 3.2% and is reflected as non-operating interest expense.

This financing is in support of capital projects related to the HUWSTA and Recycled Water. Repayment of the loan is from pledged future revenues. The outstanding principal balance at June 30, 2019 was \$4,441,126.

The Other Post-Employment Benefits as required by GASB No. 75 is the employer's portion of medical insurance benefits for retirees from the San Benito County Water District. See Note 12 for further disclosure.

The Pension Liability as required by GASB No. 68 is the CalPERS Miscellaneous Plan's total pension liability based on entry age normal actuarial cost method less the plan's fiduciary net position. See Note 10 for further disclosure.

The Other Post-Employment Benefits and pension liability have no current amounts due within one year.

**San Benito County Water District**

*Notes to Basic Financial Statements*

June 30, 2019

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**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, 2019 were as follows:

Net investment in capital assets	<u>\$ 72,194,916</u>
Restricted:	
District Revolving Fund Reserve	75,000
Operation and Maintenance Reserves	
San Felipe-Hollister Conduit Reserve	250,000
San Felipe-Reach 1 Reserve	539,715
Reach 1 Major Repair - Replacement Reserve	2,513,640
USBR Contract Repayment - Rate Management Reserve	11,361,626
Hollister Urban Area Project Water Treatment Facilities - Replacement Reserve	<u>2,413,961</u>
Total restricted	<u>17,153,942</u>
Unrestricted:	
Designated	
Reserved for Operations	2,883,280
Reserved for Capital Asset Replacement	4,075,323
Reserved for Capital Improvements	5,153,667
Reserved for Retiree Medical	681,291
Reserved for Self-Insurance	100,000
Reserved for Water Supply Emergency	1,255,481
Reserved for Sustainable Groundwater Management	372,998
Reserved for Pacheco Reservoir	<u>504,955</u>
	<u>15,026,995</u>
Undesignated	<u>13,122,846</u>
Total unrestricted	<u>28,149,841</u>
Total net position	<u><u>\$ 117,498,699</u></u>

**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 legislation.

**San Benito County Water District**

*Notes to Basic Financial Statements*

June 30, 2019

<b>Restricted Net Position</b>	<b>Source of Restriction</b>
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.
Hollister Urban Area Project Water Treatment Facilities-Replacement Reserve	Hollister Urban Area Water Supply and Treatment Agreement between the San Benito County Water District, City of Hollister and Sunnyslope County Water District

**10. EMPLOYEE RETIREMENT PLANS**

***A. General Information about the Pension Plan***

Plan Description - All qualified employees are eligible to participate in the San Benito County Water District's (the District) Miscellaneous Employee Pension Plan, cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees Retirement System (CalPERS). The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment.

**San Benito County Water District**

*Notes to Basic Financial Statements*

June 30, 2019

The District's Plans' provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Miscellaneous	
	Classic	PEPRA
	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Retirement age	55	62
Monthly benefits, as a % of eligible compensation	2.5%	2.0%
Required employee contribution rates	8.000%	6.250%
Required employer contribution rates	10.022%	6.842%

On January 1, 2013, the Public Employees' Pension Reform Act of 2013 (PEPRA) took effect. In addition to creating new retirement formulas for newly hired members, PEPRA also effectively closed all existing active risk pools to new employees.

Contribution Description - Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The District's contributions were as follows:

	Fiscal Year Paid	
	2018/19	2017/18
Misc Classic	\$ 272,059	\$ 233,828
Misc PEPRA	24,079	17,903
	<u>\$ 296,138</u>	<u>\$ 251,731</u>

***B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions***

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the net pension liability as of June 30, 2019 and 2018 were as follows:

	Proportionate Share of Net Pension Liability	
	Fiscal Year Ending	
	June 30, 2019	June 30, 2018
District's Miscellaneous Plan	\$ 2,464,949	\$ 2,499,912
Total Net Pension Liability	<u>\$ 2,464,949</u>	<u>\$ 2,499,912</u>

**San Benito County Water District**

*Notes to Basic Financial Statements*

June 30, 2019

The District's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions for all participating employers, actuarially determined.

The District's proportionate share of the net pension liability as of June 30, 2019 and 2018 were as follows:

	Percentage Share of Plan		Change:
	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>Increase/(Decrease)</u>
Measurement date	6/30/2018	6/30/2017	
Percentage of Plan (PERF C) NPL	0.02558%	0.02521%	0.00037%

For the year ended June 30, 2019, the District recognized pension expense of \$416,500. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 94,576	\$ 32,184
Changes of Assumptions	281,012	68,870
Net difference between projected and actual earnings on pension plan investments	12,186	-
Change in employer proportion	26,092	16,998
Difference between the employer's contribution and the employer's proportionate share of contributions	-	37,721
Pension contributions subsequent to measurement date	296,138	-
Total	<u>\$ 710,004</u>	<u>\$ 155,773</u>

The deferred outflows of resources to contributions of \$296,138 were subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

**San Benito County Water District**

*Notes to Basic Financial Statements*

June 30, 2019

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30,	Deferred Outflows (Inflows) of Resources
2020	\$ 225,956
2021	135,333
2022	(81,026)
2023	(22,170)
Total	<u>\$ 258,093</u>

Actuarial Methods and Assumptions used to determine Total Pension Liability - For the measurement period ended June 30, 2018 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2017 total pension liability determined in the June 30, 2017 actuarial accounting valuation. The June 30, 2018 total pension liability were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table*	Derived using CalPERS's Membership Data for all Funds
Post Retirement Benefits Increase	Contract COLA upto 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

\*The Mortality table used was developed based on CalPERS's specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of the scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2011) that can be found on the CalPERS website.

Change of Assumption – In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions in December 2017. There were no changes in the discount rate for the PERF C, which remained at 7.15%.

Discount Rate – The discount rate used to measure the total pension liability for PERF C was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## San Benito County Water District

### Notes to Basic Financial Statements

June 30, 2019

Long-term Expected Rate of Return – The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set to equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class per the CalPERS' Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018 as followed:

<u>Asset Class*</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1-10**</u>	<u>Real Return Years 1-10***</u>
Global equity	50.00%	4.80%	5.98%
Fixed income	28.00	1.00	2.62
Inflation assets	-	0.77	1.81
Private equity	8.00	6.30	7.23
Real assets	13.00	3.75	4.93
Liquidity	1.00	-	(0.92)

\*In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities

\*\*An expected inflation of 2.00% used for this period

\*\*\*An expected inflation of 2.92% used for this period

Amortization of Deferred Outflows and Deferred Inflows of Resources – Net Difference Between Projected and Actual Earnings on Pension Plan Investments is amortized over a five-year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period, and the remaining Net Difference Between Projected and Actual Investment Earning on Pension Plan Investments is amortized over the remaining amortization periods. Net Difference Between Projected and Actual Investment Earning on Pension Plan Investments in the Schedule of Collective Pension Amounts represents the unamortized balance relating to the current measurement period and the prior measurement periods on a net basis.

## San Benito County Water District

### Notes to Basic Financial Statements

June 30, 2019

Deferred Outflows of Resources and Deferred Inflows of Resources relating to Differences Between Expected and Actual Experience and Changes of Assumptions are amortized over the Expected Average Remaining Service Lifetime (EARSL) of members provided with pensions through the Plan determined as of the beginning of the related measurement period. The EARSL for PERF C for the June 30, 2018 measurement date is 3.8 years, which was obtained by dividing the total service years of 490,088 (the sum of remaining service lifetimes of all active employees) by 130,595 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the proportionate share of the net pension liability of the District's Plan as of the Measurement Date June 30, 2018, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15) than the current rate:

	Discount Rate		
	6.15%	7.15%	8.15%
	<u>(1% Decrease)</u>	<u>(Current Rate)</u>	<u>(1% Increase)</u>
Measurement date		June 30, 2018	
Fiscal Year End		June 30, 2019	
Net Pension Liability	\$ 3,763,678	\$ 2,464,949	\$ 1,392,896

Pension Plan Fiduciary Net Positions – Detailed information about each plan's fiduciary net position is available in the separately issued CalPERS financial reports.

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

### **11. 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, 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 \$1,621,247 at June 30, 2019, consists of investments in mutual funds.

**San Benito County Water District**

*Notes to Basic Financial Statements*

June 30, 2019

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

Valic	\$ 72,932
Mass Mutual	828,652
CalPERS	<u>719,663</u>
Total	<u><u>\$ 1,621,247</u></u>

**12. OTHER POST-EMPLOYMENT BENEFITS**

**A. General Information about the OPEB Plan**

Plan Description: The District joined the Public Employees' Medical & Hospital Care Act (PEMHCA) in the year 2000 for its employees, offered through the California Public Employees’ Retirement System (CalPERS). It is a single-employer plan administered by CalPERS. The healthcare plan which provides medical insurance benefits to active and eligible retirees and their families accordance with memoranda of understanding with employee groups and adoption by the Board of Directors.

The plan information is as follows:

<u>Fiscal Year End</u>	<u>June 30, 2019</u>
Plan type	Single Employer
OPEB trust	No
Special funding situations	No
Nonemployer contributing entities	No

Benefits and Eligibility: The District provides PEMHCA post-retirement healthcare benefits to all full-time employees who retire directly from the District after the age of 55 years and with 5 years of CalPERS service. The Minimum Employer Contribution amount is prescribed by Government Code Section 22892 of the PEMHCA. It was originally established as a specific dollar value with specified increases from calendar years 2004 through 2008. Starting in calendar year 2009, the calculated adjustments are based upon the medical care component of the Consumer Price Index-Urban (CPI-U) which is consistent with CalPERS. The District opted for the unequal method of distribution when it joined in 2004. Using this method, the District pays a percentage of the contribution, with the percentage paid increasing by 5% each year until the minimum is reached. The minimum amount in 2019 is \$136 per month, of which the District pays \$129.20 per month.

In addition, the District provides supplemental contributions to all employees who retire directly from the District combined with a regular service retirement through CalPERS. Employees must be at least 55 years of age and have a minimum 10 years of District service at retirement.

The District’s monthly supplemental contributions are as follows:

Number of District Service Years	Age at Retirement		
	55	60	65
10 - 14	\$100	\$130	\$195
15 - 19	\$135	\$180	\$270
20 - 99	\$175	\$232	\$348

**San Benito County Water District**

*Notes to Basic Financial Statements*

June 30, 2019

All eligible retirees will receive the supplemental contribution regardless of PEMHCA enrollment.

In lieu of the above, the District Manager is eligible for a \$500 monthly supplemental contribution.

Employees Covered: As of the June 30, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms:

June 30, 2019 Fiscal Year End June 30, 2018 Measurement Date	Covered Employees
Inactive employees currently receiving benefit payments	8
Inactive employees entitled to but not yet receiving benefit payments	4
Active employees	20
Total employees	32

Contributions: The District pay's benefits on a pay-as-you-go basis. For the fiscal year ended June 30, 2019, the District's cash benefit payments were \$24,718, \$72 of administrative costs, and implied subsidy payments of \$6,813, resulting in total payments of \$31,603.

***B. OPEB Liabilities, OPEB Expenses, and Deferred Outflows/Inflows of Resources Related to OPEB***

OPEB Liability: As of the June 30, 2018 measurement date, the District's total OPEB liability were as follows:

Fiscal Year Ended Measurement Date	6/30/2019 6/30/2018	6/30/2018 6/30/2017
Total OPEB liability (TOL)	\$ 1,118,561	\$ 1,092,033

**San Benito County Water District**

*Notes to Basic Financial Statements*

June 30, 2019

Changes in the OPEB Liability: The changes in the total OPEB liability for the District Plan are as follows:

<u>Changes in Total OPEB Liability</u>	<u>Total OPEB Liability</u>
Balance at June 30, 2018 (Measurement Date June 30, 2017)	\$ 1,092,033
Service cost	57,105
Interest	40,634
Benefits	-
Actual vs. expected experience	-
Changes of assumptions	(43,017)
Employer contributions	-
Employee contributions	-
Benefit payments*	(28,194)
Administrative expenses	-
Net changes	26,528
Balance at June 30, 2019 (Measure Date June 30, 2018)	\$ 1,118,561

\* Included \$24,554 cash benefit payments and \$3,640 subsidy benefits payments by the District.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB: For the fiscal year ended June 30, 2019, the District recognized OPEB expense of \$67,920. As of fiscal year ended June 30, 2019, the District reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings	\$ -	\$ -
Differences between expected and actual experience	-	-
Changes of assumptions	-	104,581
Employer contributions made after measurement date*	31,603	-
Total	\$ 31,603	\$ 104,581

\* Contributions of \$24,718 cash benefit payments, \$72 in administrative costs, and \$6,813 implied subsidy benefit payments by the District.

Deferred outflows of resources in the amount of \$31,603 related to contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2020.

**San Benito County Water District**

*Notes to Basic Financial Statements*

June 30, 2019

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Other amounts reported as deferred inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year ended June 30:	Deferred (Inflows) of Resources
2020	\$ (29,925)
2021	(29,925)
2022	(29,923)
2023	(7,052)
2024	(7,052)
Thereafter	(704)
Total	<u>\$ (104,581)</u>

Recognition of Deferred Outflows and Deferred Inflows of Resources: To smooth market volatility, gains and losses related to changes in total OPEB liability and fiduciary net position are recognized over five years. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

**San Benito County Water District**

*Notes to Basic Financial Statements*

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Actuarial Methods and Assumptions Used to Determine the OPEB Liability: The District's net OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017 that was rolled forward to determine the June 30, 2018 total OPEB liability, based on the following actuarial methods and assumptions:

Significant Actuarial Assumptions and Methods used for Total OPEB Liability:

Fiscal Year End	June 30, 2019
Measurement Date	June 30, 2018
Valuation Date	June 30, 2017
Contribution policy	No pre-funding
Discount rate	3.87% at June 30, 2018 (Bond Buyer 20-bond Index) 3.58% at June 30, 2017 (Bond Buyer 20-bond Index)
Expected long-term rate of return on investments	n/a
General Inflation	2.75% per annum
Mortality	CalPERS 1997-2015 experience study
Retirement	CalPERS 1997-2015 experience study
Disability	CalPERS 1997-2015 experience study
Termination	CalPERS 1997-2015 experience study
Mortality Improvement Scale	Post-retirement mortality projected fully generational with Scale MP-17
Salary increases	Aggregate - 3% per annum Merit - tables from CalPERS 1997-2015 experience study
Medical trend	Non-Medicare - 7.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076 and later years Medicare - 6.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076 and later years
PEMHCA minimum increase	4.25% per annum
Participation at retirement	Actives: 100% for supplemental contribution Actives: 40%-90% for PEMHCA contribution based on age & service at retirement Retirees: 100% if currently covered
Changes of benefit terms	None

Change of Assumption: Discount rate was updated based on municipal bond rate as of the measurement date.

**San Benito County Water District**

*Notes to Basic Financial Statements*

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Discount Rate: The discount rate used to measure the total OPEB liability was 3.87%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Discount Rate Sensitivity Analysis: The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.87%) in measuring the Total OPEB Liability.

	Discount Rate		
	2.87%	3.87%	4.87%
	(1% Decrease)	(Current Rate)	(1% Increase)
Measurement date		June 30, 2018	
Fiscal Year End		June 30, 2019	
Total OPEB liability	\$ 1,277,914	\$ 1,118,561	\$ 987,312

Medical Trend Sensitivity Analysis: The following presents the total OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018:

	Medical Trend		
	(1% Decrease)	(Current Trend)	(1% Increase)
Measurement date		June 30, 2018	
Fiscal Year End		June 30, 2019	
Total OPEB liability	\$ 1,023,326	\$ 1,118,561	\$ 1,238,565

**13. 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).

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, 2019, self-insurance reserves were \$100,000.

## San Benito County Water District

### Notes to Basic Financial Statements

June 30, 2019

The District has the following insurance policies:

<u>Coverage</u>	<u>Deductible</u>	<u>Coverage Limit (in thousands)</u>
General liability	N/A	Ranging from \$5,000 to \$20,000
Cyber Liability	N/A	Ranging from \$3,000 to \$5,000
Auto liability	N/A	Ranging from \$5,000 to \$20,000
Public officials liability	N/A	Ranging from \$5,000 to \$20,000
Property		
Buildings, personal property, and fixed equipment	\$2,500	\$100/\$150,000
Mobile equipment	\$2,500	\$100/\$150,000
Fidelity	\$1,000	\$100/\$150,000
Boiler and machinery	\$25,000/\$50,000	\$100/\$150,000
Crime	N/A	Ranging from \$1 to \$100
Workers' Compensation	N/A	Ranging from \$0 to \$2,000

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.

#### **14. CONTINGENCIES AND COMMITMENTS**

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

On April 10, 1978, the District entered into a contract with the United States Bureau of Reclamation (USBR) 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 USBR for Water Service***

The District in partnership with the Santa Clara Valley Water District (SCVWD) negotiated a 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	1,942,152
2027-2036	3,492,303	6,984,606

## **San Benito County Water District**

### *Notes to Basic Financial Statements*

June 30, 2019

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The total commitment, including capital and interest components, of the repayment contract is \$98.9 million. The remaining estimated capital commitment as of June 30, 2019 is \$78.3 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. As part of that agreement, SCVWD and the District agreed to share the use of the existing uncommitted capacity of the San Felipe Reach 1 facilities. The capital costs for the uncommitted capacity is included in SCVWD's repayment schedule to the USBR until 2036. The District has an option to exercise its right to retain its proportionate share of the use of the Reach 1 uncommitted capacity if it reimburses SCVWD \$4,130,709 by September 30, 2036. Interest will accrue at the 5 year Treasury note rate beginning November 2026.

Based on the USBR 2019 CVP Annual Rate Books (for the USBR fiscal year ended September 30, 2017), the net USBR capital allocated to the District was \$2,794,603 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 the City of San Juan Bautista 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 of San Juan Bautista has not complied, and is in fact taking a different approach to meeting their 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 related to the biological opinions that limit the pumping in the Delta.

#### **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

## San Benito County Water District

### *Notes to Basic Financial Statements*

June 30, 2019

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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.

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.

The USBR is developing an eradication plan for the reservoir, conduit and distribution system in cooperation with the California Department of Water Resource (DWR), the California Department of Fish and Wildlife (CDFW) and the District. Final plans and specifications are being developed by the USBR. As part of the plan, payment responsibilities will have to be negotiated.

#### **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 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. The contract was renewed August 2018 for an additional 5-year term. Payments for the operations for the treatment plants are reflected in Contract Services. The recovery of these costs from the retailers (SSCWD and COH) are captured as a component of the finished water rates.

#### **Pacheco Reservoir Expansion Project**

The Pacheco Reservoir Expansion project includes construction of a new earthen dam a short distance upstream from the existing dam and a pipeline to connect the dam to the existing Pacheco Conduit, a federal Central Valley Project pipeline that delivers water into Santa Clara and San Benito Counties from the San Luis Reservoir. The participating agencies are the District, SCVWD and Pacheco Pass Water District. The project would expand the reservoir from 6,000 to 140,000 acre-feet and deliver water supply, water quality, and ecosystem benefits to the region. In June 2018, the Board approved a Memorandum of Agreement (MOA) with SCVWD that outlines the terms for moving forward with the project.

Originally the MOU included 2 major agreements that needed to be completed within 2 years of the signing of the agreement, an allocation of benefits agreement and a provisional operating agreement. In addition, the MOA called for the District within the 2 years to determine its participation level ranging from 0% - 10%. It is now anticipated that the date for the allocation of benefits and operating agreement will be delayed an additional 12 months. More importantly, upon completion and execution of a side letter to the MOU the District will have until the start of construction to determine the level of participation desired. The District will continue to review its level of participation as the project moves forward.

In July 2018, the Department of Water Resources announced that the Pacheco Reservoir Expansion project will receive the full funding request of \$485 million through a Proposition 1 grant naming SCVWD as grantee. Additional federal and state funding will be pursued as the project moves forward. The total project cost is currently estimated to be approximately \$1.3 billion.

## San Benito County Water District

### Notes to Basic Financial Statements

June 30, 2019

#### 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, 2019, the District had the following pending litigation:

##### San Benito County Water District (Plaintiff) v. Randall McAlpine (Defendant)

The District sought collection of delinquent water bills. Defendant paid the water bill prior to trial and the court ordered Defendant to pay the District's court costs and attorney's fees of \$85,880. Defendant filed an appeal in the Sixth District Court of Appeal challenging the court's order awarding attorney's fees and the appeal is pending. The Appellate Court ruled in favor of the District and upheld the award of attorneys' fees and court costs. The Defendant filed a Petition for Review with the California Supreme Court on November 21, 2018 and the Supreme Court denied the Defendant's petition. The District's judgement is now final, and the District filed a motion to recover attorneys' fees and costs on appeal. The motion was granted, and the court awarded the District \$31,036.74 in attorneys' fees. The District has commenced enforcement proceedings to collect the fees awarded on the Judgment and Motion by recording Abstracts of Judgments in the San Benito County and surrounding counties.

##### Randall McAlpine (Plaintiff) v. San Benito County Water District (Defendant)

Plaintiff filed a petition for Writ of Mandate against the District seeking restitution of water charges paid by the plaintiff to the District. The District filed an answer to the petition and the case is now pending in the San Benito County Superior Court. Plaintiff has done nothing to advance the case.

#### **15. PRIOR YEAR NEW ACCOUNTING PRONOUNCEMENT**

As part of implementing the requirement of GASB Statement 75, the District adjusted its beginning net position as of July 1, 2017 for the portion of other post-employment benefits (OPEB) for health insurance attributable to periods before the year ended June 30, 2017. An OPEB liability of \$777,474 and deferred outflow of resources related to OPEB contributions of \$35,683 were recorded as prior year adjustments. This resulted in a net decrease to net position of \$741,791.

The restatement of beginning net position is summarized as follows

Net position at July 1, 2017, as previously stated	\$ 102,087,724
Implementation of GASB Statement No. 75, net OPEB liability as of measurement date of June 30, 2017	<u>(741,791)</u>
Net Position at July 1, 2017, as restated	<u><u>\$ 101,345,933</u></u>

In accordance with GASB Statement No. 75, the statement of all deferred outflows and inflows was not practical and, therefore, not included in the restatement of the beginning balance.

**San Benito County Water District**

*Notes to Basic Financial Statements*

June 30, 2019

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**16. SUBSEQUENT EVENTS**

**Date of Management Review**

Events occurring after June 30, 2019 have been evaluated by Management for possible adjustment to the financial statements or disclosure as of December 18, 2019 which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY  
INFORMATION

**San Benito County Water District**  
Schedule of the District's Proportionate Share of the Net Pension Liability  
and Related Ratios as of Measurement Date  
Cost Sharing Defined Benefit Pension Plan  
As of June 30, 2019  
Last 10 Years^

	Fiscal Year End				
	<u>06/30/19</u>	<u>06/30/18</u>	<u>06/30/17</u>	<u>06/30/16</u>	<u>06/30/15</u>
Measurement Date	06/30/18	06/30/17	06/30/16	06/30/15	06/30/14
District's proportion of the net pension liability	0.02558%	0.02521%	0.02495%	0.02503%	0.02119%
District's proportionate share of the net pension liability	\$ 2,464,949	\$2,499,912	\$ 2,158,673	\$1,718,231	\$1,318,536
District's covered payroll*	\$ 1,670,981	\$1,509,491	\$1,312,916	\$1,441,464	\$1,546,276
District's proportionate share of the net pension liability as a percentage of covered payroll	147.52%	165.61%	164.42%	119.20%	85.27%
Plan's fiduciary net position as a percentage of the plan's total pension liability	75.26%	73.31%	74.06%	78.40%	79.82%

^ Fiscal year 2015 was the 1st year of implementation, therefore only five years are shown.

\* For the year ending on the measurement date.

**San Benito County Water District**  
Schedule of the District's Pension Plan Contributions  
For the Fiscal Year Ended June 30, 2019  
Last 10 Fiscal Years^

Contributions for the fiscal year ended	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Actuarially determined contribution	\$296,138	\$251,731	\$ 221,668	\$ 199,675	\$ 217,870
Contributions in relation to the actuarially determined contribution	<u>296,138</u>	<u>251,731</u>	<u>221,668</u>	<u>199,675</u>	<u>217,870</u>
Contribution deficiency (Excess)	<u>\$ -</u>				
District's covered payroll*	\$1,842,615	\$1,670,981	\$ 1,509,491	\$ 1,312,916	\$ 1,441,464
Contributions as a percentage of covered payroll	16.07%	15.06%	14.68%	15.21%	15.11%

^ Fiscal year 2015 was the 1st year of implementation, therefore only five years are shown.

\* For the fiscal year ending on the date shown

**San Benito County Water District**  
Schedule of Changes in the District's Net OPEB Liability  
and Related Ratios as of Measurement Date  
Last 10 Years<sup>^</sup>

	<u>Fiscal Year End</u>	<u>Fiscal Year End</u>
	06/30/19	06/30/18
Measurement Date	06/30/18	06/30/17
Changes in total OPEB liability		
Service cost	\$ 57,105	\$ 65,374
Interest	40,634	33,922
Actual and expected experience	-	-
Changes in assumption	(43,017)	(114,363)
Actual benefits payments	(28,194)	(35,539)
Changes in benefits terms	-	-
Net changes in total OPEB liability	<u>26,528</u>	<u>(50,606)</u>
Total OPEB liability - beginning	<u>1,092,033</u>	<u>1,142,639</u>
Total OPEB liability - ending	<u>\$ 1,118,561</u>	<u>\$ 1,092,033</u>
Changes in plan fiduciary net position		
Expected return at beginning of year	n/a	n/a
Employer contributions	n/a	n/a
Nonemployer contributing entity contributions	n/a	n/a
Employee contributions	n/a	n/a
Net investment income	n/a	n/a
Benefit payments	n/a	n/a
Administrative expenses	n/a	n/a
Net changes in plan fiduciary net position	<u>n/a</u>	<u>n/a</u>
Plan fiduciary net position - beginning	<u>n/a</u>	<u>n/a</u>
Plan fiduciary net position - ending	<u>n/a</u>	<u>n/a</u>
Net OPEB liability		
Total OPEB liability	\$ 1,118,561	\$ 1,092,033
Plan fiduciary net position	\$ -	\$ -
Net OPEB liability	\$ 1,118,561	\$ 1,092,033
Net OPEB liability funded percentage	0.0%	0.0%
Covered employee payroll *	\$ 2,030,312	\$ 1,825,805
Net OPEB liability as a percent of covered-employee payroll	55.09%	59.81%

<sup>^</sup> Fiscal year 2018 was the 1st year of implementation, therefore, only two years are shown.

\* For the year ending on the measurement date.

## SUPPLEMENTARY INFORMATION

San Benito County Water District  
Schedule of Net Position by Zone  
June 30, 2019

	<u>District Administration</u>	<u>District Zone 3</u>	<u>District Zone 6</u>	<u>District Zone 104</u>	<u>Total</u>
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 1,361,837	\$ 3,896,610	\$ 22,416,140	\$ (18,424)	\$ 27,656,163
Receivables, net	320,379	55,682	2,667,458	1,982	3,045,501
Contract receivable	-	-	1,018,508	-	1,018,508
Prepaid expenses	4,693	40,492	249,640	-	294,825
Restricted cash and investments	75,000	-	17,078,942	-	17,153,942
Total current assets	<u>1,761,909</u>	<u>3,992,784</u>	<u>43,430,688</u>	<u>(16,442)</u>	<u>49,168,939</u>
Noncurrent assets:					
Work in progress	426,045	85,698	2,524,782	3,068	3,039,593
Contract receivable	-	-	23,961,859	-	23,961,859
Capital assets, net	170,074	1,171,857	75,256,760	37,351	76,636,042
Total noncurrent assets	<u>596,119</u>	<u>1,257,555</u>	<u>101,743,401</u>	<u>40,419</u>	<u>103,637,494</u>
Total assets	<u>2,358,028</u>	<u>5,250,339</u>	<u>145,174,089</u>	<u>23,977</u>	<u>152,806,433</u>
Deferred Outflows of Resources					
Deferred pensions	31,351	36,310	638,885	3,458	710,004
Deferred OPEB	2,843	1,947	26,776	37	31,603
Total Deferred Outflows of Resources	<u>34,194</u>	<u>38,257</u>	<u>665,661</u>	<u>3,495</u>	<u>741,607</u>

San Benito County Water District  
Schedule of Net Position by Zone (continued)  
June 30, 2019

	<u>District Administration</u>	<u>District Zone 3</u>	<u>District Zone 6</u>	<u>District Zone 104</u>	<u>Total</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accrued expenses	17,925	16,959	556,371	2,756	594,011
Accrued wages amd benefits	12,402	4,403	91,696	326	108,827
Accrued vacation and sick	18,239	13,675	251,553	-	283,467
City National Bank loan payable	-	-	324,873	-	324,873
Due to other agencies	-	-	1,074,530	-	1,074,530
Contract customer water prepayments	-	-	663,498	-	663,498
Unearned contract revenue	-	-	1,018,508	-	1,018,508
Total current liabilities	<u>48,566</u>	<u>35,037</u>	<u>3,981,029</u>	<u>3,082</u>	<u>4,067,714</u>
Noncurrent liabilities:					
Other post employment benefits	43,305	64,902	1,003,839	6,515	1,118,561
Pension liability	107,474	129,469	2,216,631	11,375	2,464,949
Refundable Deposits	23,487	-	36,165	-	59,652
City National Bank loan payable	-	-	4,116,253	-	4,116,253
Unearned contract revenue	-	-	23,961,858	-	23,961,858
Total noncurrent liabilities	<u>174,266</u>	<u>194,371</u>	<u>31,334,746</u>	<u>17,890</u>	<u>31,721,273</u>
Total liabilities	<u>222,832</u>	<u>229,408</u>	<u>35,315,775</u>	<u>20,972</u>	<u>35,788,987</u>
Deferred Inflows of Resources					
Deferred pensions	5,395	11,079	138,887	412	155,773
Deferred OPEB	4,182	5,252	94,751	396	104,581
Total Deferred Inflows of resources	<u>9,577</u>	<u>16,331</u>	<u>233,638</u>	<u>808</u>	<u>260,354</u>
<b>NET POSITION</b>					
Net investment in capital assets	170,074	1,171,857	70,815,634	37,351	72,194,916
Restricted	75,000	-	17,078,942	-	17,153,942
Unrestricted	1,914,739	3,871,000	22,395,761	(31,659)	28,149,841
Total net position	<u>\$ 2,159,813</u>	<u>\$ 5,042,857</u>	<u>\$ 110,290,337</u>	<u>\$ 5,692</u>	<u>\$ 117,498,699</u>

San Benito County Water District  
Schedule of Revenues, Expenses and Changes in Net Position by Zone  
For the Year Ended June 30, 2019

	District Administration	District Zone 3	District Zone 6	District Zone 104	Total
Operating revenue	\$ 45,501	\$ 3,290	\$ 11,464,537	\$ 21,400	\$ 11,534,728
Operating expenses:					
Cost of water	-	-	3,473,611	470	3,474,081
Wages and employee related expenses	156,303	165,438	2,490,136	13,908	2,825,785
Contract services	19,230	72,204	2,794,043	22,271	2,907,748
Material and equipment	1,602	9,785	313,695	1,226	326,308
General and administrative	27,248	47,429	226,526	2,438	303,641
Utility expenses	2,198	1,340	575,050	1,770	580,358
Depreciation and amortization	4,709	39,492	2,777,533	1,383	2,823,117
Total operating expenses	211,290	335,688	12,650,594	43,466	13,241,038
Operating income (loss)	(165,789)	(332,398)	(1,186,057)	(22,066)	(1,706,310)
Nonoperating revenue (expenses):					
Taxes and assessments	239,404	499,421	8,013,232	-	8,752,057
Grant revenue	299,043	-	108,098	-	407,141
Other nonoperating revenues	36,354	3	239,931	-	276,288
Interest and investment revenues	36,191	90,126	815,514	-	941,831
Investment gain or loss	5,465	13,444	117,594	-	136,503
Interest expense	-	-	(148,435)	-	(148,435)
Other nonoperating expenses	(4,389)	-	(91,446)	1,873	(93,962)
Net nonoperating revenue (expenses)	612,068	602,994	9,054,488	1,873	10,271,423
Change in net position	446,279	270,596	7,868,431	(20,193)	8,565,113
Net position, beginning of year	1,713,534	4,772,261	102,421,906	25,885	108,933,586
Net position, end of year	\$ 2,159,813	\$ 5,042,857	\$ 110,290,337	\$ 5,692	\$ 117,498,699

# 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)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net investment in capital assets	\$ 21,439,595	\$ 24,347,568	\$ 25,953,009	\$ 26,465,942	\$ 29,457,762	\$ 37,185,847	\$ 34,299,203	\$ 35,373,195	\$ 72,109,187	\$ 72,194,916
Restricted	23,688,429	22,583,963	22,838,009	4,509,592	27,316,844	28,132,497	22,223,966	12,561,409	14,757,227	17,153,942
Unrestricted	28,770,728	29,908,530	30,913,546	52,357,483	31,975,236	27,346,003	38,457,517	54,153,120	22,067,172	28,149,841
Total net position	\$ 73,898,752	\$ 76,840,061	\$ 79,704,564	\$ 83,333,017	\$ 88,749,842	\$ 92,664,347	\$ 94,980,686	\$ 102,087,724	\$ 108,933,586	\$ 117,498,699

◇ 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)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Operating Revenue</b>	\$ 2,609,670	\$ 3,091,331	\$ 4,298,964	\$ 4,676,343	\$ 3,903,177	\$ 2,843,275	\$ 5,714,866	\$ 7,210,567	\$ 10,677,462	\$ 11,534,728
<u>Operating Expenses:</u>										
Cost of water	2,508,745	2,509,450	2,730,310	2,617,249	2,535,865	1,872,250	4,697,854	4,506,623	3,278,371	3,474,081
Wages & employee related expenses	2,278,581	2,338,873	2,336,944	2,469,800	2,443,690	2,748,269	2,084,974	2,451,033	2,854,759	2,825,785
Contract services	881,913	1,063,621	840,158	879,378	893,818	1,165,888	1,469,829	1,849,021	2,701,406	2,907,748
Material and equipment	143,793	183,787	233,352	213,232	198,497	186,493	158,580	258,287	358,395	326,308
General and administrative	202,920	152,791	225,589	235,771	217,000	179,793	233,644	196,956	285,786	303,641
Utility expenses	116,784	161,429	151,046	165,695	199,557	272,634	302,785	355,717	517,546	580,358
Depreciation and amortization	739,121	850,709	878,749	897,783	1,080,366	1,114,107	1,633,108	1,738,224	1,800,724	2,823,117
Total operating expenses	6,871,857	7,260,660	7,396,148	7,478,908	7,568,793	7,539,434	10,580,774	11,355,861	11,796,987	13,241,038
Operating income (loss)	(4,262,187)	(4,169,329)	(3,097,184)	(2,802,565)	(3,665,616)	(4,696,159)	(4,865,908)	(4,145,294)	(1,119,525)	(1,706,310)
<u>Nonoperating revenue (expenses):</u>										
Taxes and assessments	6,059,935	5,655,874	5,441,328	5,610,264	5,806,963	6,359,153	6,789,691	7,547,080	8,164,379	8,752,057
Grant revenue	58,890	147,106	35,388	621,881	202,919	4,086,989	663,741	651,555	404,940	407,141
Other nonoperating revenues	188,224	721,271	167,396	251,101	214,385	225,935	1,317,254	225,204	234,969	276,288
Interest and investment revenues	375,036	632,797	437,627	330,504	167,755	114,279	193,973	265,996	483,673	941,831
Investment gain or loss	254,486	(37,469)	(150,972)	(162,661)	(45,309)	(719)	10,467	(57,699)	(33,434)	136,503
Interest expense	(69,279)	-	-	-	-	(1,462)	(88,419)	(168,121)	(158,306)	(148,435)
Capital contributions to other Gove	-	-	-	-	-	(724,648)	-	-	-	-
Other nonoperating expenses	(2,410)	(8,941)	(11,015)	(236,459)	(130,928)	(71,701)	(1,704,460)	(611,683)	(389,043)	(93,962)
Net nonoperating revenue (expenses)	6,864,882	7,110,638	5,919,752	6,414,630	6,215,785	9,987,826	7,182,247	7,852,332	8,707,178	10,271,423
<u>Capital Contribution:</u>										
Capital contribution	55,847	-	41,935	16,388	2,866,656	250,000	-	3,400,000	-	-
Capital contributions	55,847	-	41,935	16,388	2,866,656	250,000	-	3,400,000	-	-
Change in net position	2,658,542	2,941,309	2,864,503	3,628,453	5,416,825	5,541,667	2,316,339	7,107,038	7,587,653	8,565,113
<u>Prior period adjustment:</u>										
Pension liabilities	-	-	-	-	-	(1,627,162)	-	-	-	-
OPEB liabilities	-	-	-	-	-	-	-	-	(741,791)	-
Change in net position, adjusted	\$ 2,658,542	\$ 2,941,309	\$ 2,864,503	\$ 3,628,453	\$ 5,416,825	\$ 3,914,505	\$ 2,316,339	\$ 7,107,038	\$ 6,845,862	\$ 8,565,113

◇ Data Source: San Benito County Water District Finance Department

**San Benito County Water District**

**Operating Revenue by Category**

**Last Ten Fiscal Years**

(accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Water Sales - San Felipe	\$ 1,916,183	\$ 2,323,489	\$ 3,391,435	\$ 3,728,673	\$ 2,688,416	\$ 1,457,159	\$ 3,550,238	\$ 2,833,717	\$ 3,401,130	\$ 3,317,804
Power Charge - San Felipe	256,084	438,122	571,709	557,317	302,321	166,730	188,700	585,253	1,097,962	779,389
Water Sales - Recycled Water	-	-	-	-	-	-	13,594	52,362	69,620	73,602
Power Charge - Recycled Water	-	-	-	-	-	-	4,297	16,711	18,932	21,810
Finished Water Sales - Treatment Plant	-	-	-	-	593,291	871,995	1,634,856	3,320,073	5,796,193	6,912,136
Service & Demand (Rural Systems)	55,040	49,221	31,445	16,109	13,881	18,960	19,320	19,680	20,520	21,000
Energy Charge (Rural Systems)	5,298	4,738	2,426	400	-	-	-	-	-	-
Transfers & Exchanges	95,908	51,672	87,996	132,862	4,089	3,611	2,819	3,195	3,461	3,240
Groundwater Charges	207,212	170,831	158,076	170,453	229,559	230,898	227,656	277,578	236,194	306,734
Well Permit Fees	10,598	7,169	10,878	10,785	20,468	20,390	11,003	10,348	10,001	45,068
Other Operating Revenue	63,348	46,087	44,999	59,746	51,151	73,532	62,383	91,650	23,449	53,945
	<u>\$ 2,609,670</u>	<u>\$ 3,091,331</u>	<u>\$ 4,298,964</u>	<u>\$ 4,676,343</u>	<u>\$ 3,903,177</u>	<u>\$ 2,843,275</u>	<u>\$ 5,714,866</u>	<u>\$ 7,210,567</u>	<u>\$ 10,677,462</u>	<u>\$ 11,534,728</u>

◇ 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	Agricultural Rate	Municipal & Industrial Rate	Power Charge by Subsystem					Standby & Availability Per Acre
			2	6H	9L	9H	All Others	
Per Acre Foot								
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
2015	\$170.00	\$238.00	\$41.55	\$30.15	\$44.35	\$94.30	\$23.10	\$6.00
2016	\$179.00	\$247.00	\$42.75	\$31.05	\$45.70	\$97.15	\$23.80	\$6.00
2017	\$272.00	\$363.00	\$123.10	\$75.65	\$109.95	\$162.55	\$66.05	\$6.00
2018	\$191.00	\$363.00	\$126.80	\$77.90	\$113.25	\$167.45	\$68.05	\$6.00
2019	\$209.00	\$363.00	\$130.60	\$80.25	\$116.65	\$172.45	\$70.10	\$6.00
2020	\$254.00	\$404.00	\$80.45	\$39.30	\$88.15	\$130.30	\$33.70	\$6.00

◇ Data Source: San Benito County Water District Finance Department

◇ Water Year - March through February

**San Benito County Water District  
Principal Land Taxpayers (San Benito County Water District - Zone 6)  
2018-2019**

Taxpayer	Rank	Assessed Land Valuation	Percentage of Total Assessed Land Value
Award Homes Inc a CA Corp	1	\$ 21,590,302	0.78%
Clearist Park Inc a Calif Corp	2	18,310,233	0.66%
Cerrato Hollister LP a Delaware Ltd Part	3	16,494,292	0.60%
Dobler Ranches LP	4	14,144,870	0.51%
Anderson Homes a Calif Corp	5	11,923,987	0.43%
Property Reserve Inc	6	11,171,179	0.41%
San Juan Oaks LLC	7	9,987,973	0.36%
Angels Company LLC	8	9,791,996	0.36%
Filice Enterprises LP a CAL LP	9	9,641,939	0.35%
Civic Allendale LLC a Delaware Ltd Liab Co	10	<u>9,540,000</u>	0.35%
Assessed Largest Land Taxpayers		132,596,771	4.81%
Assessed Land Value for Other Land Taxpayers		<u>2,622,459,557</u>	
Total Assessed Land Value for Zone 6 Land Taxpayers		<u><u>\$ 2,755,056,328</u></u>	

◇ Data Source: San Benito County Assessor's Office - County Tax Roll 2018

◇ 9 years prior information not available at issuance of report

◇ San Benito County Water District Zone 6 San Felipe Project Land Tax is \$.25 per \$100 assessed land value

**San Benito County Water District  
District Debt  
Last Ten Fiscal Years**

	<u>Capital Lease</u>	<u>DHCCP (1)</u>	<u>City National Bank (2)</u>	<u>Total Debt</u>	<u>Population (3)</u>	<u>Debt per Capita</u>
2010	\$ -	\$ 1,125,924	\$ -	\$ 1,125,924	55,269	\$ 20.37
2011	\$ -	\$ 1,125,924	\$ -	\$ 1,125,924	55,661	\$ 20.23
2012	\$ -	\$ 1,125,924	\$ -	\$ 1,125,924	55,775	\$ 20.19
2013	\$ -	\$ 1,194,400	\$ -	\$ 1,194,400	55,998	\$ 21.33
2014	\$ -	\$ -	\$ -	\$ -	56,219	\$ -
2015	\$ -	\$ -	\$ -	\$ -	56,452	\$ -
2016	\$ -	\$ -	\$ 5,355,867	\$ 5,355,867	56,624	\$ 94.59
2017	\$ -	\$ -	\$ 5,060,619	\$ 5,060,619	56,879	\$ 88.97
2018	\$ -	\$ -	\$ 4,755,808	\$ 4,755,808	57,088	\$ 83.31
2019	\$ -	\$ -	\$ 4,441,126	\$ 4,441,126	62,296	\$ 71.29

- (1) San Luis Delta Mendota Water Agency; Delta Habitat, Conservation and Conveyance Plan (DHCCP)
- (2) City National Bank; Hollister Urban Area Tranche 3 and Recycled Water Loan
- (3) State of California, Department of Finance (<http://dof.ca.gov/forecasting/demographics/estimates/E-1/>)  
San Benito County

◇ 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)
2010 (5)	55,269	\$ 1,993,295,000	\$ 36,065	11,378	17.2%
2011 (5)	55,661	\$ 2,099,954,000	\$ 37,728	11,199	15.9%
2012 (5)	55,775	\$ 2,186,845,000	\$ 39,208	11,253	13.9%
2013 (5)	55,998	\$ 2,312,966,000	\$ 41,304	11,233	11.1%
2014 (5)	56,219	\$ 2,424,642,000	\$ 43,129	11,206	10.1%
2015 (5)	56,452	\$ 2,691,239,000	\$ 47,673	11,166	7.6%
2016 (5)	56,624	\$ 2,870,816,000	\$ 50,700	11,114	7.1%
2017 (5)	56,879	\$ 3,096,482,000	\$ 54,440	11,164	6.8%
2018 (5)	57,088	not available	not available	11,253	5.8%
2019 (5)	62,296	not available	not available	not available	5.1%

◇ Data Sources:

- (1) State of California, Department of Finance (<http://dof.ca.gov/forecasting/demographics/estimates/E-1/>)
  - (2) Bureau of Economic Analysis (<http://www.bea.gov/itable/iTable.cfm>)
  - (3) Ed-data (<http://www.ed-data.org/county/San-Benito>)
  - (4) U.S. Bureau of Labor Statistics ([www.bls.gov](http://www.bls.gov))
  - (5) These population estimates incorporate 2010 census counts
- ◇ 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.
- ◇ Personal Income and Per Capita Personal Income for 2018 and 2019 were not available as of October 17, 2019.
- ◇ School Enrollment for 2019 was not available as of October 17, 2019.

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

<u>Company</u>	<u>2009</u>			<u>2018</u>			<u>2019</u>		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment

not available

not available

not available

**San Benito County Water District**  
**Central Valley Project - San Felipe Division**  
**Water Deliveries to San Benito County**  
(1988-2019)  
(Totals in Acre Feet)

Water Year Ended February 28	Total Delivered Through Reach 1 Bifurcation	Water Year Ended February 28	Total Delivered Through Reach 1 Bifurcation
1988	12,399	2009	17,288
1989	11,992	2010	8,810
1990	21,678	2011	17,456
1991	21,512	2012	22,200
1992	7,121	2013	19,597
1993	11,242	2014	14,256
1994	28,661	2015	8,834
1995	12,631	2016	3,171
1996	29,652	2017	13,397
1997	28,482	2018	23,635
1998	35,702	2019	22,651
1999	16,143		
2000	21,647		
2001	24,525		
2002	20,625		
2003	24,381		
2004	26,039		
2005	24,705		
2006	22,501		
2007	24,750		
2008	22,718		

- ◇ Data Source: San Benito County Water District Water Delivery Report
- ◇ 1 Acre Foot = 325,851 gallons
- ◇ Water Year = March through February

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

For Fiscal Year Ended	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Administration & Finance	7	7	6 1/2	6 1/2	6 1/2	6 1/2	6 1/2	6 1/2	6 1/2	6 3/5
Engineering	3	3	3 1/5	3	3	3	3	3	3	3
Water Office	3	3	2	2	2	2	2	2	2	2
Operations & Maintenance	7 1/2	7 1/2	7 1/2	7 1/2	7 1/2	7 1/2	7 1/2	6 1/2	6 1/2	6 1/2
Water Conservation	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
	22	22	20 2/3	20 1/2	20 1/2	20 1/2	20 1/2	19 1/2	19 1/2	19 3/5

◇ Data Source: San Benito County Water District Finance Department

**San Benito County Water District  
Operating Indicators by Function/Program  
(2011-2019)**

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019
Well Applications Processed	57	103	103	166	135	77	64	50	56
Number of Open Reservoirs	3	3	3	3	3	3	3	3	3
Active Capacity of Open Reservoirs (in Acre Feet)	30,935	30,935	30,935	30,935	30,935	30,935	30,935	30,935	30,935
San Felipe Water Usage (1)									
Agricultural (Acre Feet)	11,120	16,359	16,623	12,688	7,070	3,339	4,277	15,224	13,515
Municipal & Industrial (Acre Feet)	2,461	2,655	2,737	2,575	1,434	2,060	2,128	2,902	4,442
Groundwater Usage (2)									
Agricultural (Acre Feet)	13,046	13,776	17,467	23,765	20,977	28,105	28,722	21,900	18,149
Municipal & Industrial (Acre Feet)	5,752	5,651	5,286	5,967	6,452	4,575	5,491	4,415	3,938
Number of Vehicles									
Regular Fleet	11	11	11	11	11	11	11	11	13
Heavy Equipment/Vehicles	4	4	4	4	4	4	4	4	4
Transmission / Distribution Facilities									
Number of Pumping Stations	4	4	4	4	4	4	4	4	4
Number of Pumps	20	20	20	20	20	20	20	20	20
Number of Subsystem Valves & Control Structures	9	9	9	9	9	9	9	9	9
Number of Percolation Valves & Control Structures	3	3	3	3	3	3	3	3	3
Miles of Pipeline Maintained by District (approx.)									
Hollister Conduit	17	17	17	17	17	17	17	17	17
San Juan Lateral	2	2	2	2	2	2	2	2	2
San Felipe Subsystem	150	150	150	150	150	150	150	150	150
Recycled Water Pipeline (3)						2	2	2	2

◇ Data Source: San Benito County Water District Finance Department

◇ Fiscal Year totals unless noted otherwise

◇ 1. Central Valley Project year - March through February

◇ 2. Groundwater year - October through September

◇ 3. Recycled Water Pipeline constructed in 2016

**San Benito County Water District  
Operating Indicators by Function/Program (continued)  
(2011-2019)**

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019
Federal Water Supply Contract (1)									
100% Total Contract Entitlement - 43,800 Acre Feet									
Annual Allocation Consisting of:									
Irrigation Contract (in Acre Feet)	17,718	28,440	15,298	7,649	-	-	1,778	35,550	17,775
Municipal & Industrial Contract (in Acre Feet)	3,320	8,250	4,167	3,889	2,778	2,063	4,538	8,250	6,188
Number of Customer Accounts									
Groundwater Wells									
Agricultural (active)	419	423	421	417	431	432	449	450	453
Agricultural (inactive)	211	211	207	209	208	210	210	208	208
Domestic (active)	682	684	650	660	673	692	709	721	723
Domestic (inactive)	165	166	176	176	176	176	175	175	176
San Felipe									
Agricultural Contract	496	497	496	509	515	582	564	565	567
Municipal & Industrial Contract	77	79	80	78	78	78	91	87	93
Small Parcel	471	469	471	460	455	392	397	393	391
Rural Water System	28	23	10	10	10	10	10	10	10
Recycled Water	-	-	-	-	-	36	36	36	36
Water Treatment Plants	-	-	-	1	1	1	2	2	2
Raw Water Provided (in Acre Feet)	n/a	n/a	n/a	1,206	1,178	1,864	2,060	3,177	4323

◇ Data Source: San Benito County Water District Finance Department

◇ Fiscal Year totals unless noted otherwise

◇ 1. Central Valley Project year - March through February

    ◇ Revised 2011 - 2018 annual allocations

**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-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

Recycled Water Pipeline:

14 inch pipe, 2.0 miles, capacity of 4,000 gpm

**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)

Water Treatment Plants:

Lessalt Water Treatment Plant

West Hills Water Treatment Plant

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