

INVESTING IN HIGH-QUALITY, RELIABLE WATER

Greg, [Water Treatment Plant Manager >](#)

SAN JUAN WATER DISTRICT

GRANITE BAY, CALIFORNIA

COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018



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SAN JUAN WATER DISTRICT
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the Fiscal Year Ended June 30, 2018

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INTRODUCTORY SECTION

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Directors

Edward J. "Ted" Costa

Marty Hanneman

Kenneth H. Miller

Dan Rich

Pamela Tobin

General Manager

Paul Helliker

December 12, 2018

To: Members of the Board of Directors San Juan Water District and Ratepayers of the San Juan Water District

We are pleased to present the Comprehensive Annual Financial Report (CAFR) for the San Juan Water District (District) for the fiscal year ended June 30, 2018.

REPORT PURPOSE AND ORGANIZATION

The purpose of this letter is to introduce the basic financial statements and provide an analytical overview of the District's financial activities. The information presented in this CAFR is intended to provide financial information with all the disclosures necessary to enable the District's customers, investment community and general public to assess the District's financial condition. Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A, which can be found immediately following the report of the independent auditors.

The CAFR is published in accordance with State law that requires financial statements be published within twelve months of the close of each fiscal year, and be presented in conformity with GAAP and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. It is also prepared to meet reporting standards set forth by the Government Finance Officers Association (GFOA). This report contains management's representations concerning the finances of the District. Management is responsible for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed to both protect the District's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by Richardson & Company, LLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2018, are free from material

misstatement. Information on the audit, and the auditor's opinion, can be found in the Independent Auditor's Report on page 1.

ABOUT THE DISTRICT

Not everyone who reads this report is familiar with our District and it is hard to understand a government's finances without knowing something about the entity and how it operates. Let us tell you a little about the San Juan Water District!

History

The District was formed as a result of petitions being presented to the Board of Supervisors of Sacramento and Placer Counties by Citrus Heights Water District, Fair Oaks Water District, Orange Vale Water Company and a group of homeowners in South Placer County. An election was held within the boundaries of the sponsoring districts on February 10, 1954. At this election, voters approved the formation of the San Juan Water District by nearly a two-thirds majority and elected five Directors. The District is a community services district formed under Section 60000 et seq., Title 5, Division 3 of the California Government Code.

The District provides water on a wholesale and retail basis to an area of approximately 17 square miles for retail and 46 square miles for wholesale (which includes the retail area) in Sacramento and Placer Counties.

The District's wholesale operations include: protecting access to reliable and sufficient water supplies; operating and maintaining a surface water treatment plant; operating and maintaining treated water storage; pumping and transmission facilities; delivering treated water to five retail agency customers (San Juan Water District retail division, Fair Oaks Water District, Citrus Heights Water District, Orange Vale Water Company and the City of Folsom; and providing the administrative support necessary to successfully carry out those functions.

San Juan's retail operations consist of operating and maintaining storage, pumping, transmission and distribution facilities, which deliver water to approximately 10,600 retail service connections located in a portion of Northeast Sacramento County and the Granite Bay area of South Placer County, and providing the administrative, customer service, conservation and engineering support necessary to successfully carry out those functions.

Mission Statement

The District's mission, and highest priority to our customers, is to take all necessary actions to ensure the delivery of a reliable water supply of the highest quality at reasonable and equitable costs. As part of accomplishing our mission, we commit to working cooperatively with others on projects of mutual public benefit to achieve the greatest possible efficiency and effectiveness. We further commit to communicate what we are doing, and why we are doing it. The District prides itself in providing excellent customer service to all its customers, external and internal.

Water Supply

The District's existing water supply consists of three separate raw water contracts. The first source of water comes from a settlement contract with the U.S. Bureau of Reclamation (Reclamation) whereby it is required to deliver the District's pre-1914 and post-1914 water rights water from the American River, totaling 33,000

acre-feet. The second source is a water service contract with Reclamation for 24,200 acre-feet of Central Valley Project water. The District secured a long-term (40 year) renewal of this contract in 2006. The third water source is a contract with Placer County Water Agency for up to 25,000 acre-feet of water.

All sources of surface water are either stored or flow through Folsom Lake and delivery is taken at Folsom Dam outlets, either by gravity or pumped by the U. S. Bureau of Reclamation Folsom Pumping Plant. Total raw water delivery for the 2017-2018 fiscal year was 36,225 acre-feet.

In response to the recent drought and in preparation of future drought conditions, the District recently partnered with two nearby water districts, Placer County Water Agency and the Sacramento Suburban Water District, to construct inter-ties to allow water supplies to be shared and transferred if normally available supplies are reduced and/or inadequate to meet immediate demands for either district.

Water Efficiency

The District has long been a proponent and practitioner of cost effective water efficiency programs. The implementation of these programs has been highly successful and the District complies with best management practices that are required by the Sacramento Area Water Forum Agreement, California legislation SBx7-7 (2009), the California Department of Water Resources, and the Central Valley Project Improvement Act.

The District's water efficiency programs include:

- Water Conservation Poster Contest and Calendar – Since 1992, the District and its wholesale agency customers, Citrus Heights and Fair Oaks water districts and Orange Vale Water Company, have promoted water awareness at the elementary school level through an annual water conservation poster contest.
- Rebate Program – The District provides rebates for the purchase of high-efficiency washing machines, and hot water on-demand recirculation systems as well as irrigation efficiency rebates to both residential and non-residential customers.
- Free Programs – District staff provides free indoor and outdoor water audits, leak detection, and recommendations to improve irrigation system performance. Staff also creates landscape water budgets and irrigation schedules to improve efficiency. The District conducts and hosts a variety of workshops on drip systems and proper irrigation techniques, landscape design, soil health, tree maintenance, controller management and other water efficiency topics. A speakers' bureau is available to talk to groups about water efficiency programs and water supply and reliability issues.
- Water Efficient Landscape (WEL) Garden – Located behind the District's administrative office are gardens to inspire visitors to create a water efficient landscape that looks beautiful every season. The garden demonstrates efficient irrigation and non-water using materials to create a beautiful landscape.

The benefits of these programs include more cost-effective and efficient use of water and increased customer awareness of the importance of water efficiency to contribute to future reliability of water supplies.

The District became 100% metered and began billing all customers on a metered rate on January 1, 2005.

Water Treatment Plant

The District's water treatment facility, the Sidney N. Peterson Water Treatment Plant (WTP), was constructed in three phases beginning in 1975 and completed in 1983. The WTP includes two flocculation-sedimentation basins, two filter basins, an operations building and a covered 62 million gallon storage reservoir. Major upgrades and improvements to the WTP have been made over the years, including increasing its maximum seasonal capacity (May 15th to September 30th) to 150 million gallons a day (mgd) from its original 100 mgd. Those past upgrades, and ongoing efforts to identify and implement projects and process improvement to increase efficiency, cost effectiveness, and productivity, all contribute to the District's success in reliably satisfying customer demands while continuing to meet or exceed all Federal and State regulatory requirements.

The WTP receives delivery of raw water directly from Folsom Dam outlets. The raw water undergoes an extensive water treatment process to ensure the highest quality of water for all customers. From the WTP, the water flows into the District's 62 million gallon Hinkle Reservoir for storage and distribution. The District maintains approximately 222 miles of transmission and distribution pipelines, which transport the high quality treated water to wholesale and retail customers.

During the 2018 fiscal year, the District worked on and/or completed several capital improvement projects to improve the water system reliability:

- Completed the rehabilitation of the Sedimentation Basins including replacement of the flocculation and vacuum system
- SCADA improvements
- Security Improvements at the Upper Granite Bay Pump Station (Slide Gate and Track)
- Installation of various Pressure Reducing Stations
- Replacement of portions of the main distribution lines on Douglas Blvd., Main Avenue, and Oak Avenue

Other projects underway in the 2018-19 fiscal year will continue to improve and efficiently maintain District water facilities.

Accounting System and Budgetary Controls

The District operates on a fiscal year that runs from July 1 through June 30. The District's accounting records are maintained using the accrual basis of accounting. The revenues of the District are recognized when they are earned and the expenses are recognized when they are incurred.

The District staff works with the Finance Department to develop the annual budget. The budget is used as a management tool for projecting and measuring revenues and expenses. The process typically begins in January when managers begin developing their budget requests to fulfill the District's mission, goals and objectives for the next fiscal year. The Finance Department prepares the proposed budget which is presented to the Board of Directors in May for their review. A public hearing is usually held in June, with anticipated finalization and adoption scheduled for the following meeting or at least no later than June 30th. The District is legally required to adopt a budget by September 1st of the budget year.

Enterprise Operations

The District is one legal enterprise but is accounted for as two separate enterprise operations. The financial management and accounting for the two enterprise operations is recorded separately; with an operating and a capital outlay fund for each enterprise. However, for financial reporting purposes all four funds are presented in a consolidated report. As additional information, the accounting for the four funds on a budget versus actual basis is provided.

FACTORS AFFECTING FINANCIAL CONDITION

Economic Outlook

The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific economy within which the District operates. The District is located in Northern California approximately 20 miles Northeast of Sacramento and between the Cities of Folsom and Roseville. The District spans two counties in the region with the wholesale-only service area primarily in Sacramento County, and the wholesale/retail service area primarily within Placer County. Consistent with the national economy, the region as a whole has been experiencing a continued period of economic expansion. Placer County's unemployment rate fell from 4.1% in June 2017 to 3.5% in June 2018¹. Sacramento County's unemployment rate also improved, falling from 5% to 4.2% over the same time period¹. The national average unemployment rate in June 2018 was 4%¹. Placer County unemployment rate is slightly better than the national average and Sacramento County is slightly behind, but both counties saw improvement in employment over the past year. Total assessed property values in both counties have improved as well. Placer County has experienced a 5.7% increase in assessed property values in 2017 over the prior year², and Sacramento County experienced a 6.4%³ increase in fiscal year 2017-18 values the prior fiscal year. The San Juan Water District is located in a relatively low growth area of both counties. There were approximately 24 more service connections for the current fiscal year, which represents a growth rate of approximately .3% for the year.

Water Supply Outlook

In 2013 northern California experienced its driest year on record. In response to the water shortage, California Governor Edmund G. Brown, Jr. declared a Drought State of Emergency in January 2014. The District's Board of Directors adopted a resolution in February 2014 declaring and implementing a stage 3 water warning and authorized a Drought Surcharge of 10% that became effective on June 1, 2015. The intent of the drought surcharge was to address the decrease in revenues associated with decreased water use such that the District could comply with legal requirements to pay its debt service obligations, and to avoid expending District reserves to levels that would be imprudent. The Drought Surcharge was eliminated on April 1, 2016.

The District was required by the state to achieve a 36% reduction in water use, from 2013 levels from June 2015 through February 2016 and a 33% reduction in water use from March through May 2016. Over that

1. Bureau of Labor Statistics
2. Placer County Assessor
3. Sacramento County Assessor

time period the District achieved an actual reduction in use of 35.6%. In June 2016, the State's mandate was lifted. The District satisfied a self-certification requirement that allowed it to declare it had ample water supply to serve all customers through water year 2019. Consequently, the District is not currently subject to a state water conservation mandate but continues to urge its customers to be efficient with their water use.

Though increasing, water demands have not fully rebounded to pre-drought levels. This was anticipated as some customers have permanently modified their landscapes to use less water. Moreover, the State of California has taken significant action to permanently reduce California's overall water use, committing to make water conservation a California way of life. On May 31, 2018, Governor Brown signed legislation intended to help the state better prepare for droughts and climate change by establishing statewide water efficiency standards. The legislation increases the water reduction goal above the 20% target by the year 2020 that was adopted by the Legislature in 2009 and requires reductions in indoor and outdoor water use by residential customers, reductions in water use by commercial customers and requires agencies to reduce their distribution system water loss.

The increasing focus on reducing water use has prompted the District, like many water agencies throughout California, to begin to shift its rate methodology from volumetric to fixed, to better align its revenues with its costs. Under its recently adopted five-year financial plan and rate schedule, discussed further below, the District will be applying all rate increases to the daily base rate, as opposed to the volumetric rate. This will move the base rate from about 55% of total revenue a year ago, to close to 70% of total rate revenues by the end of the five year plan horizon, which is more in alignment with the ratio of fixed versus variable costs. This rebalancing will help solidify the District's financial stability.

Long-term Financial Planning

In order to ensure funds are available to meet both operating and capital needs, the District (for both Wholesale and Retail Operations) established a financial planning process with development of a Master Plan that contains a review of current infrastructure, and that recommends projects for a twenty to thirty year period. The District then estimates current and future operating needs, and works with a rate consultant to develop a water rate study and financial plan.

The District completed a Financial Plan and Rate Study, resulting in a five year rate schedule. The Wholesale Rate Schedule went into effect on January 1, 2017 and resulted in an effective increase of 16%. Wholesale Rates will increase by 9% per year through January 2020 with a 5% rate increase in January of 2021. The Retail Rate Schedule went into effect on May 1, 2017 and resulted in an effective increase of 8%. Retail rates will increase 9% on January 2018 and 8% on January 1, 2019 and 2020, with a 6% increase approved for January 1, 2021. In an effort to bring rates into alignment with the District's fixed versus variable, expenses, all rate increases are applied to the fixed portion of the rate. This will bring stability to the rate structure and provide the funding to cover fixed operating costs regardless of water demand.

Relevant Financial Policies

The District's adopted budget document contains a listing and explanation of relevant financial policies, including reserve policies. Information regarding District reserves can be found in Note H to the Financial Statements.

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the San Juan Water District for its comprehensive annual financial report for the fiscal year ended June 30, 2017. In order to be awarded a Certificate of Achievement, a government must publish as easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The preparation of the comprehensive annual financial report was made possible by the dedicated services of the entire staff of Finance, Retail Operations (Conservation, Customer Service, Engineering Services, and Field Services), and Wholesale Operations. This specifically includes the continuing support of the Board of Directors of the District in the planning and implementation of the financial affairs of the District.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read "Donna Silva".

Donna Silva, CPA

Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**San Juan Water District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

SAN JUAN WATER DISTRICT
List of Elected and Appointed Officials June 30, 2018

BOARD OF DIRECTORS – ELECTED OFFICIALS

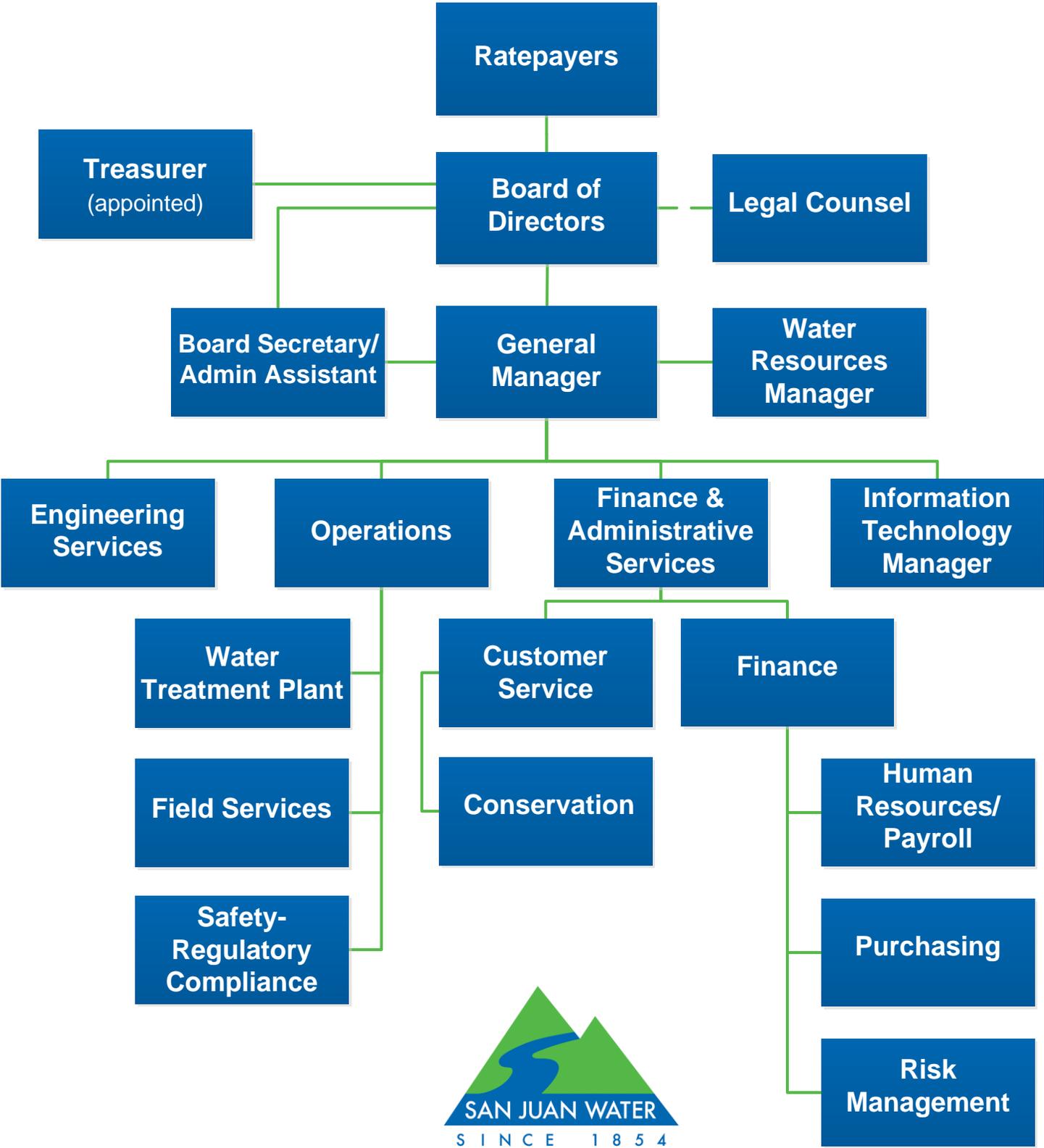
<u>Title</u>	<u>Name</u>	<u>Current Term</u>
President	Marty Hanneman	10/2017 – 12/2018
Vice President	Dan Rich	12/2014 – 12/2018
Director	Edward J. “Ted” Costa	12/2014 – 12/2018
Director	Kenneth H. Miller	12/2016 – 12/2020
Director	Pamela Tobin	12/2016 – 12/2020

STAFF – APPOINTED OFFICIALS

General Manager	Paul Helliker
Administrative Assistant/Board Secretary	Teri Hart
Director of Finance	Donna Silva
Operations Manager	Tony Barela
Customer Services Manager	Lisa Brown
Engineering Services Manager	Rob Watson
Field Services Manager	George Machado
Water Treatment Plant Superintendent	Greg Turner

Organization Chart by Functional Area

As of June 30, 2018



FINANCIAL SECTION

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550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
San Juan Water District
Granite Bay, California

Report on the Financial Statements

We have audited the accompanying financial statements of San Juan Water District (the District), which comprise the statements of net position as of June 30, 2018, and the related statements of revenues, expenses, changes in net position, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.

To the Board of Directors
San Juan Water District

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2018 and the changes in financial position results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and State regulations governing special districts.

Change in Accounting Principles

As discussed in Note L to the financial statements, during the year ended June 30, 2018, the District adopted new accounting guidance, GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Emphasis of Matters

As discussed in Note J to the financial statements, the District's actuary did not consider it necessary to use age adjusted health insurance premiums in the calculation of the District's net other postemployment benefits (OPEB) liability. Had the actuary included age adjusted health insurance premiums in the calculation of the net OPEB liability, the OPEB liability may have been significantly larger in the amount. Our opinion is not modified with respect to this matter.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and the required supplementary information on pages 38 to 40 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.

Report on Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements. The introductory section, supplemental information for Wholesale operating and capital and Retail operating, capital asset rollforward schedules for Wholesale and Retail, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion,

To the Board of Directors
San Juan Water District

these schedules are fairly stated, in all material respects, in relation 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Richardson & Company, LLP

December 12, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

In order to enhance the information provided in the transmittal letter, management offers this narrative overview and analysis of the financial activities of the San Juan Water District (District) for the fiscal year ended June 30, 2018 (Fiscal Year 2018). We encourage readers to consider the information here in conjunction with that transmittal letter, which can be found on pages i-vii of this report. The information is intended to provide a better understanding of the District's financial operations and performance.

HIGHLIGHTS

The District's activities vary, sometimes significantly, from year to year resulting in changes to the District's revenues, expenses and capital project spending and overall cash flows. Those activities that tend to drive District revenues and expenses most notably for the period ending June 30, 2018 are highlighted below.

- The District treated and delivered a total of 36,225 acre-feet of water to its wholesale customers in fiscal year 2017-18, as compared to 33,456 the year prior. In addition, it treated and delivered 10,769 and 11,808 acre-feet respectively, of water for the Sacramento Suburban Water District (SSWD). SSWD relies primarily on groundwater to serve its customers but occasionally purchases raw water from suppliers off the American River. When they do so, they pay the District to treat the raw water on their behalf. The increased water demand, combined with the water treated for SSWD, and a 9% wholesale rate increase that went into effect on January 1, 2018 resulted in increased wholesale water sale revenues of \$1 million or 10.7%.
- For the period ended June 30, 2018, the District supplied 10,823 acre-feet of water to 10,641 retail connections, compared to 9,389 acre-feet of water to 10,617 connections in the prior fiscal year. This, combined with a 9% rate increase that went into effect of January 1, 2018 resulted in total retail water sale revenues of \$10,922,285, an increase of \$1,807,798, or 19.9%, from the prior year.
- In an effort to pay down the District's unfunded pension liability, reducing future costs, the District remitted an extra payment of \$2.79 million to the California Public Employee's Retirement System (CalPERS), following an extra payment of \$4.1 million in the prior year. As mandated by Government Accounting Standards Board Statement 68 (GASB 68), that payment is reflected in Deferred Pension Related Outflows, which increased by \$1,715,928 from the prior fiscal year, for an ending balance at June 30, 2018 of \$8,108,144. More information on the District's pension liability can be found in Note I to the Financial Statement.

OVERVIEW OF THE FINANCIAL STATEMENTS

The four sections of the District's financial statements are: 1) introductory section, 2) financial section, 3) supplemental information section, and 4) statistical section.

The Introductory Section includes the letter of transmittal, list of Board of Directors and Staff, and organization chart.

The Financial Section includes the auditor's report, management's discussion and analysis and basic financial statements. The District's basic financial statements are comprised of the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows. The Statement of Net Position presents information on all assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between these items reported as net position. When evaluated over a period of time, increases or decreases in net position may serve as an indicator of whether the financial position of the District is improving or deteriorating. The Statement of Revenues, Expenses

and Changes in Net Position reflects the revenues and expenses for the fiscal year ended. The Statement of Cash Flows shows the sources and uses of cash in the operating, non-capital, capital and related financing, and investing activities. The notes provide in-depth information that is vital to gaining a full understanding of the data provided in the financial statements. The notes to the financial statements begin on page 16.

The Required Supplementary Section provides information on the funding progress of the District's pension and postemployment benefits plans.

The Supplemental Information Section provides additional information on administrative and general expenses and budget versus actual comparisons.

The Statistical Section provides additional information not contained in the financial section on District activities.

FINANCIAL ANALYSIS OF THE DISTRICT

Unlike a private company, as a government agency, the District is not in the business to make a profit. The District has two major goals, which are:

1. Recovering the cost of providing services to its constituents, and
2. Securing the financial resources needed to maintain and improve the capital facilities used in providing those services.

The financial statements assist a reader in determining whether the District is meeting these goals. In general, net position provides a realistic indicator of a government's financial position. For the fiscal year ending June 30, 2018, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$64,600,982. In the prior year, assets exceeded liabilities by \$60,037,021 (restated).

A summary of the Statement of Net Position (as restated) follows:

Statement of Net Position			
	<u>2018</u>	<u>2017*</u>	<u>Change</u>
Assets			
Current Assets	\$ 24,249,960	\$ 21,548,612	\$ 2,701,348
Capital Assets, Net	82,538,214	84,618,510	(2,080,296)
Other Assets	<u>312,349</u>	<u>317,822</u>	<u>(5,473)</u>
Total Assets	<u>107,100,523</u>	<u>106,484,944</u>	<u>615,579</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	1,895,771	2,003,024	(107,253)
Deferred Pensions Related Outflows	8,108,144	6,392,216	1,715,928
Deferred Other Post Employment Benefits Related Outflows	<u>665,663</u>	<u>-</u>	<u>665,663</u>
Total Deferred Outflows of Resources	<u>10,669,578</u>	<u>8,395,240</u>	<u>2,274,338</u>
Liabilities			
Current Liabilities	2,999,072	3,445,014	(445,942)
Long-Term Liabilities	<u>46,786,905</u>	<u>51,313,354</u>	<u>(4,526,449)</u>
Total Liabilities	<u>49,785,977</u>	<u>54,758,368</u>	<u>(4,972,391)</u>
Deferred Inflows of Resources			
Deferred Pension Related Inflows	3,383,142	84,795	3,298,347
Net Position			
Net Investment in Capital Assets	46,120,417	46,693,664	(573,247)
Unrestricted	<u>18,480,565</u>	<u>13,343,357</u>	<u>5,137,208</u>
Total Net Position	<u>\$ 64,600,982</u>	<u>\$ 60,037,021</u>	<u>\$ 4,563,961</u>

2017 Restated*

As shown in the table above, total assets remained relatively stable, increasing by \$615,579, or less than one percent compared to the prior fiscal year.

Deferred Outflows of Resources increased by \$2.27 million due in part to the \$2.79 million extra payment to CalPERS to pay down the unfunded pension liability. Additionally, the District implemented GASB 75 requiring current year payments for retiree medical expenses to be reported as a deferred outflow of resources since they were made subsequent to the valuation measurement date. This resulted in a \$665,663 increase.

Total liabilities decreased by \$4.97 million from the prior year. The decrease was caused by a number of factors but the primary reason was the prior year payment of \$4.1 million towards the unfunded pension liability. Because the annual pension valuation report lags the financial statements by one year, the prior year payment was reflected as a Deferred Outflow of Resources in the prior fiscal year and is recognized this year as a reduction to the pension liability.

The District realized an overall increase in net position of \$4.6 million for the year ended June 30, 2018. The components of net position as of June 30, 2017 are:

- Net Investment in Capital Assets: is the largest portion of the District's net position, 71%, and reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. In the prior year, net investment

in capital assets represented 78% of net position. The District utilizes capital assets to serve its customers; therefore, these assets are not available for future spending. While the District's investment in capital assets is reported net of related debt, be aware that the funds needed to repay this debt must be contributed from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

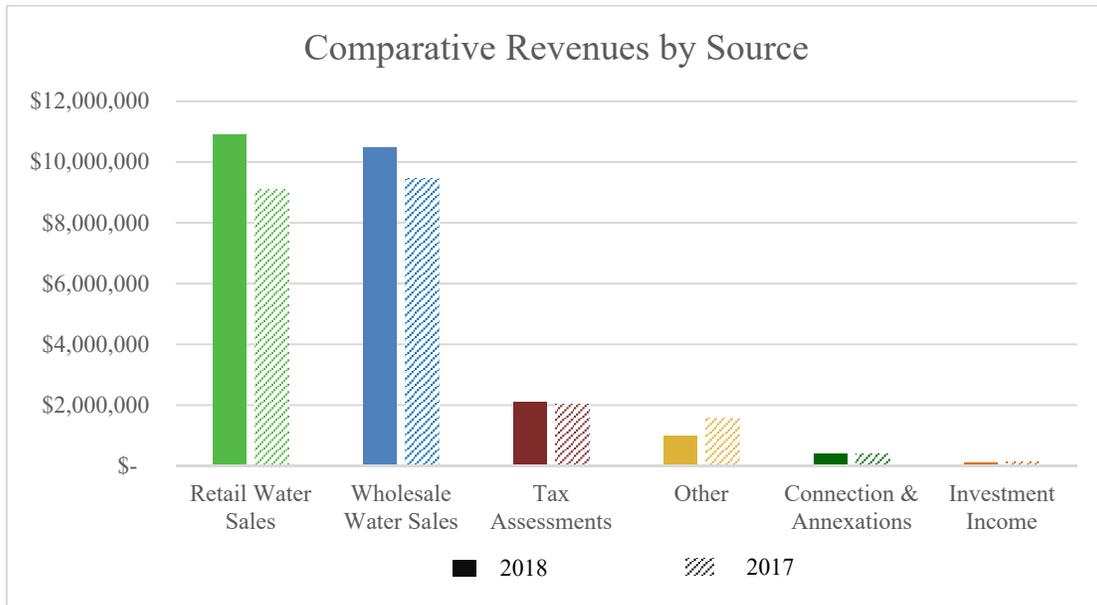
- Unrestricted Net Position represents resources available to the District to utilize in the future for various needs. The Board of Directors has designated the unrestricted net position for various specific purposes. An explanation of these reserve funds can be found in Note H to the financial statements. Unrestricted Net Position increased by \$5,137,208 due to a combination of increased water sale revenues (increased sales volume and increased rates) and the restatement of expenses in the prior year to recognize the other post-employment employee benefits costs in accordance with GASB 75.

Condensed Statement of Revenues, Expenses and Changes in Net Position

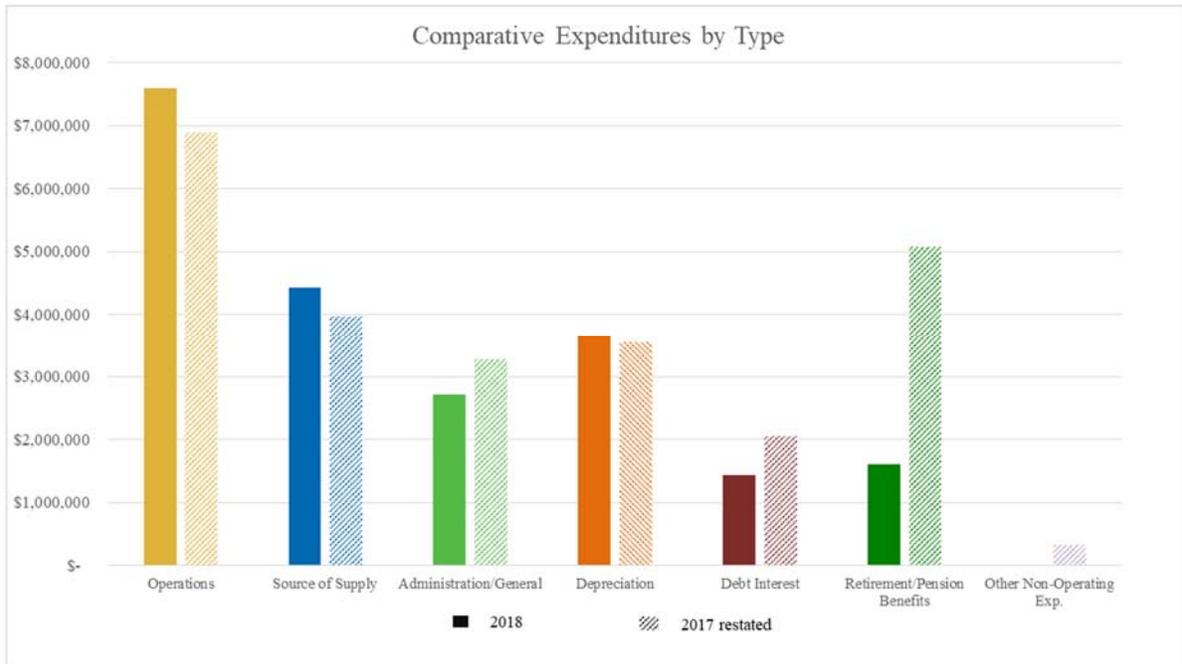
	<u>2018</u>	<u>2017*</u>	<u>Change</u>
Revenues			
Wholesale Water Sales	\$ 10,492,472	\$ 9,477,539	\$ 1,014,933
Retail Water Sales	10,922,285	9,114,487	1,807,798
Tax Assessments	2,123,196	2,036,972	86,224
Connections and Annexations	397,668	399,703	(2,035)
Investment Income	107,104	123,079	(15,975)
Other Operating Revenue	740,184	421,579	318,605
Other Non Operating Revenue	<u>264,527</u>	<u>1,156,175</u>	<u>(891,648)</u>
Total Revenues	<u>25,047,436</u>	<u>22,729,534</u>	<u>2,317,902</u>
Expenses			
Operations	7,595,816	6,880,971	714,845
Source of Supply	4,420,199	3,960,004	460,195
Administration and General	2,719,157	3,281,000	(561,843)
Depreciation	3,652,626	3,555,255	97,371
Interest Expense	1,428,906	2,058,201	(629,295)
Retirement (OPEB) & Pension Benefits	1,603,957	5,080,343	(3,476,386)
Other Non-Operating Expenses	<u>9,112</u>	<u>328,943</u>	<u>(319,831)</u>
Total Expenses	<u>21,429,773</u>	<u>25,144,717</u>	<u>(3,714,944)</u>
Change in Net Position Before Capital Contributions			
	<u>3,617,663</u>	<u>(2,415,183)</u>	<u>6,032,846</u>
Capital Contributions	946,298	1,987,666	(1,041,368)
Change in Net Position	4,563,961	(427,517)	4,991,478
Net Position, Beginning of Year, As Restated			
	<u>60,037,021</u>	<u>60,464,538</u>	<u>(427,517)</u>
Net Postion, End of Year	<u>\$ 64,600,982</u>	<u>\$ 60,037,021</u>	<u>\$ 4,563,961</u>

* 2017 Restated

As shown in the previous table, the District’s net position increased by \$4,563,961 for the period ended June 30, 2018. Revenues increased by \$2.3 million, while expenses decreased by \$3.7 million from the prior year. Capital Contributions declined by \$1 million as well. Year over year changes are more fully described and depicted below.



- Combined water sales (wholesale and retail) represent 85.5% of District revenues (excluding Capital Contributions). Combined water sales increased over \$2.8 million from the prior year.
 - Revenues from Retail Water Sales increased by \$1.8 million from the prior year, an increase of 19.9%. The increase is attributable to an effective rate increase of 8% on January 1, 2017 and 9% on January 1, 2018. Additionally, water demand increased by 15.3% over the prior year.
 - Revenues from Wholesale Water Sales increased by 10.7% from the prior year. This increase is attributable to an 8.3% increase in the amount of water sold and an effective 9% rate increase on January 1, 2018. These increases were offset by a 22% reduction in the amount of water treated for the Sacramento Suburban Water District (SSWD). SSWD periodically purchases raw water from the Placer County Water Agency which the District treats and delivers to SSWD. The SSWD water is not counted in the District’s annual water production.
- Tax Assessments increased by \$86,224 or 4.3% as a result of increasing assessed values within both Sacramento and Placer counties.
- Other Revenues (operating and non-operating) decreased by \$573,043 from the prior year. In the prior year the District received approximately \$720,000 from the SSWD as reimbursement for the joint Antelope Pump Back Station project, and \$50,000 of Prop 84 grant fund from the Regional Water Authority, neither of which was received in the current year. This was partially offset by a \$426,000 refund received from the U.S. Bureau of Reclamation of excess deposits. The remainder of the difference is due to a multitude of small year over year variances.
- Connection Fee revenues were stable from the prior year, with a net decrease of just \$2,035.
- Investment Income decline by \$15,975 or 13% from the prior year due to market fluctuations.



- As demonstrated in the graph above, Operations remains the largest category of expense. Operation expenses increased by \$714,845, or 10%, over the prior year. \$406,000 of the increase was due to increased salary costs. Salary costs increased as a result of certain positions being vacant for portions of the prior year due to employee turnover, two new positions in Fiscal Year 2017-18, a 2.6% COLA and an increase in Compensated Absences liability/expense. The remainder of the increase was due to increases in energy, system maintenance and temporary employee expenses.
- Source of Supply, the second largest expense category, grew by \$460,195 or 11.6%. This is due primarily to the 7.2% increase in water taken by the Retail service area, combined with the effective 9% increase (January 2018) in the rate paid to wholesale by Retail. This expense is offset by Wholesale revenues.
- Administration and General Expenses fell by \$562,000 from the prior year. The decrease is caused by the elimination of the Assistant General Manager position as well as the completion of several studies in the prior year.
- Debt Interest decreased by \$629,295 due to the advance refunding of the 2009A COP's in June of 2017.
- Retirement Benefits, which includes retiree medical and pension expense (calculated in accordance with GASB 68 and 74/75), decreased by \$3,476,386. This decrease is caused primarily by the implementation of GASB 74/75 which required a prior period adjustment to recognize the previously unrecorded liability for Other Post-Employment Benefits (OPEB). The difference between the OPEB expense as calculated under the previous method, and the expense under GASB 74/75, for all prior years, was adjusted in Fiscal year 2016-17 as a restatement.
- Other Non-Operating Expenses declined significantly from the prior year (\$319,831). In the prior year, the District paid approximately \$293,000 in cost of issuance expenses to advance refund the 2009A COP's to take advantage of lower interest rates. The refunding was completed in June 2017.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets as of June 30, 2018, net of accumulated depreciation, is \$82,538,214. This investment includes land, buildings, water treatment plant, distribution system, construction in progress, vehicles, equipment, office equipment and furniture. At June 30, 2017, this amount was \$84,618,510.

The decrease from the prior fiscal year of \$2,080,296, is largely due asset additions being less than annual depreciation. At June 30, 2018, the District had \$1,570,317 in construction commitments outstanding (Note G). At June 30, 2017, the District had \$1,044,967 in construction commitments outstanding.

Additional information on capital assets can be located in Note C.

Changes in capital asset amounts for 2018 were as follows:

Capital assets	2017 Balance	Transfers	Additions	Disposal	2018 Balance
Non-depreciable assets	\$ 7,660,801	\$ (7,501,506)	\$ 1,432,181	\$ (6,767)	\$ 1,584,709
Depreciable assets	137,218,323	7,501,506	150,402	(726,303)	144,143,928
Accumulated depreciation	(60,260,614)	-	(3,652,626)	722,817	(63,190,423)
Total capital assets, net	\$ 84,618,510	\$ -	\$ (2,070,043)	\$ (10,253)	\$ 82,538,214

Changes in capital asset amounts for 2017 (as restated) were as follows:

Capital assets	2016 Balance	Transfers	Additions	Disposal	2017 Balance
Non-depreciable assets	\$ 3,077,832	\$ (1,992,677)	\$ 6,581,863	\$ (6,217)	\$ 7,660,801
Depreciable assets	137,208,788	1,992,677	1,679,355	(3,662,497)	137,218,323
Accumulated depreciation	(60,364,640)	-	(3,555,255)	3,659,281	(60,260,614)
Total capital assets, net	\$ 79,921,980	\$ -	\$ 4,705,963	\$ (9,433)	\$ 84,618,510

Debt Administration

As of June 30, 2018, the District had two different debt issues outstanding in an aggregate amount of \$35,300,000. Of this amount, \$1,050,000 represents the current portion due in Fiscal Year 2019. For more information on Long-Term Liabilities, refer to Note E.

	2018	2017	2016	2015	2014
2017 Revenue Refunding Bonds	\$ 25,180,000	\$ 26,125,000	\$ -	\$ -	\$ -
2012 Revenue Refunding Bonds	10,120,000	10,585,000	11,035,000	11,475,000	11,895,000
2009 Certificates of Participation	-	-	28,825,000	29,255,000	29,670,000
1977 Economic Development Administration Loan	-	-	27,826	55,159	81,190
Total	\$ 35,300,000	\$ 36,710,000	\$ 39,887,826	\$ 40,785,159	\$ 41,646,190

The 2017 Revenue Refunding Bonds advance refunded the 2009 Certificates of Participation and were issued with a ratings of "AA" from Standard & Poor's Rating Group. The 2012 refunding Certificates of Participation (COP) were issued with ratings of "AA" from Standard & Poor's Ratings Group and "AA+" from Fitch Ratings, Inc. The 2009 Certificates of Participation, which were refunded with the 2017 revenue Refunding Bonds, were originally issued with the District's underlying credit rating of "AA+", outlook, which was lowered by both Standard & Poor's Ratings Group and Fitch Ratings Inc. to AA.

BUDGET AND RATES

The District adopts annual non-appropriated budgets for planning and control purposes. The budgets are adopted on a modified cash basis. Budgetary controls are set at the department level. The General Manager has the authority to reallocate budgeted funds between accounts within a fund or project.

The District's budget contains four funds: one operating budget each for wholesale and retail, and one capital budget each. On June 27, 2018 the Board approved the Fiscal Year 2018-19 operating and capital budget in a total amount of \$31,955,700.

The District completed comprehensive five-year Financial Plan and Rate Studies for both wholesale and retail during fiscal year 2016-17. On January 11, 2017 (wholesale) and April 12, 2017 (retail) the Board adopted a five year wholesale rate schedule that implemented rate increases as follows:

Calendar Year	Wholesale	Retail
2017	16% rate increase	8% rate increase (eff. 5/1/2017)
2018	9% rate increase	9% rate increase
2019	9% rate increase	8% rate increase
2020	9% rate increase	8% rate increase
2021	5% rate increase	6% rate increase

For both wholesale and retail, all rate increases are applied to the fixed portion of the rate, the variable (volumetric) rate does not change over the five-year period. This will result in a stabilization of revenues and a better matching of fixed costs to fixed revenues.

CONDITIONS AFFECTING CURRENT FINANCIAL POSITION

The State of California has taken significant action to permanently reduce California's overall water use, committing to make water conservation a California way of life. On May 31, 2018, Governor Brown signed legislation intending to help the state better prepare for droughts and climate change by establishing statewide water efficiency standards. The legislation increases the water reduction goal above the 20% target by the year 2020 that was adopted by the Legislature in 2009 and requires reductions in indoor and outdoor water use by residential customers, reductions in water use by commercial customers and requires agencies to reduce their distribution system water loss.

Additionally, on September 28, 2018 Governor Brown signed Senate Bill No. 998, the Water Shutoff Protection Act. This bill restricts the District's ability collect on delinquent accounts and prohibits the District from recovering the unpaid accounts from other rates revenues.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, San Juan Water District, 9935 Auburn-Folsom Road, Granite Bay, CA 95746.

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BASIC FINANCIAL STATEMENTS

SAN JUAN WATER DISTRICT
STATEMENT OF NET POSITION

June 30, 2018

ASSETS

CURRENT ASSETS

Cash and investments	\$ 19,973,260
Receivables:	
Accounts	3,965,727
Taxes	83,921
Accrued interest receivable	40,343
Prepaid expenses	60,730
Inventories	125,979
TOTAL CURRENT ASSETS	24,249,960

NONCURRENT ASSETS

Capital assets, not being depreciated	1,584,710
Capital assets, net of accumulated depreciation	80,953,504
TOTAL CAPITAL ASSETS	82,538,214
Investment in electrical power	312,349
TOTAL NONCURRENT ASSETS	82,850,563

TOTAL ASSETS 107,100,523

DEFERRED OUTFLOWS OF RESOURCES

Deferred amounts on refunding	1,895,771
Deferred pension related outflows	8,108,144
Deferred other postemployment benefits related outflows	665,663
TOTAL DEFERRED OUTFLOWS OF RESOURCES	10,669,578

LIABILITIES

CURRENT LIABILITIES

Accounts payable	515,241
Accrued liabilities	302,655
Accrued interest	625,619
Unearned revenues	84,529
Deposits payable	55,069
Due within one year:	
Accrued compensated absences	365,959
Bonds, notes and capital leases	1,050,000
TOTAL CURRENT LIABILITIES	2,999,072

NONCURRENT LIABILITIES

Accrued compensated absences	418,097
Bonds, notes and capital leases	37,263,568
Net other postemployment benefit liability	4,303,424
Net pension liability	4,801,816
TOTAL NONCURRENT LIABILITIES	46,786,905

TOTAL LIABILITIES 49,785,977

DEFERRED INFLOWS OF RESOURCES

Deferred pension related inflows	3,383,142
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NET POSITION

Net investment in capital assets	46,120,417
Unrestricted	18,480,565
TOTAL NET POSITION	\$ 64,600,982

The notes to the financial statements are an integral part of this statement.

SAN JUAN WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

For the year ended June 30, 2018

OPERATING REVENUES	
Water sales - wholesale	\$ 10,492,472
Water sales - retail	10,922,285
Other revenue	740,184
TOTAL OPERATING REVENUES	22,154,941
OPERATING EXPENSES	
Source of supply	
Water charged to retail service area	3,336,366
Placer County Water Agency	380,125
US Bureau of Reclamation	
Wheeling	71,073
Bureau pumping	92,266
Other public agencies	540,369
Administration and general	2,719,157
Water treatment	2,781,469
Transmission and distribution	3,133,490
Customer service	648,714
Engineering	662,812
Conservation	369,331
Depreciation	3,652,626
Retirement benefits (OPEB)	364,236
Pension expense	1,239,721
TOTAL OPERATING EXPENSES	19,991,755
OPERATING INCOME (LOSS)	2,163,186
NON-OPERATING REVENUES (EXPENSES)	
Tax assessments	2,123,196
Investment income	107,104
Connections and annexations	397,668
Other revenue	264,527
Interest expense	(1,428,906)
Other expenses	(9,112)
TOTAL NON-OPERATING REVENUES (EXPENSES)	1,454,477
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	3,617,663
CAPITAL CONTRIBUTIONS	
Capital charges and other capital revenue	946,298
TOTAL CAPITAL CONTRIBUTIONS	946,298
CHANGE IN NET POSITION	4,563,961
NET POSITION	
Net position at beginning of year, as previously reported	63,683,411
Restatement for change in accounting principle	(3,646,390)
Net position, beginning of year, as restated	60,037,021
NET POSITION AT END OF YEAR	\$ 64,600,982

The notes to the financial statements are an integral part of this statement.

SAN JUAN WATER DISTRICT
STATEMENT OF CASH FLOWS
For the year ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 21,723,239
Cash paid to suppliers for goods and services	(9,236,870)
Cash paid to employees for services	<u>(10,057,339)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,429,030
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Tax assessments received	<u>2,123,172</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	2,123,172
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital charges received	946,298
Acquisition and construction of capital assets	(1,582,583)
Proceeds from the sale of capital assets	12,512
Principal paid on capital debt	(1,410,000)
Interest paid on capital debt	(1,135,185)
Payments for miscellaneous expenses	(2,345)
Connection and annexation income	<u>397,668</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(2,773,635)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	<u>89,820</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>89,820</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,868,387
Cash and cash equivalents at beginning of year	<u>18,104,873</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 19,973,260</u></u>

(Continued)

SAN JUAN WATER DISTRICT

STATEMENT OF CASH FLOWS (Continued)

For the year ended June 30, 2018

RECONCILIATION OF OPERATING INCOME TO NET CASH

PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating income (loss)	\$ 2,163,186
Nonoperating income received	260,974
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	3,652,626
(Increase) decrease in accounts receivable	(784,939)
(Increase) decrease in prepaid expenses	(890)
(Increase) decrease in inventories	(29,824)
(Increase) decrease in deferred pension related outflows	(1,715,928)
(Increase) decrease in deferred other postemployment benefits related outflows	(129,332)
Increase (decrease) in accounts payable	(673,275)
Increase (decrease) in accrued liabilities	66,964
Increase (decrease) in unearned revenues	84,529
Increase (decrease) in deposits payable	7,734
Increase (decrease) in compensated absences	103,497
Increase (decrease) in deferred pension related inflows	2,762,016
Increase (decrease) in other postemployment benefits liability	(172,096)
Increase (decrease) in net pension liability	<u>(3,166,212)</u>

NET CASH USED BY OPERATING ACTIVITIES \$ 2,429,030

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

Gain/(loss) on investment in joint venture	\$ 5,473
Amortization of bond premiums	(204,303)
Amortization of deferred charge on refunding	107,253

The notes to the financial statements are an integral part of this statement.

SAN JUAN WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the San Juan Water District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Reporting Entity: The San Juan Water District (the District) was incorporated March 4, 1954 as a community service district under community service district law of the State of California (Section 60000 et. seq., Title 5, Division 3 of the California Government Code). The District is governed by a five member Board of Directors elected by the voters within the District for staggered, four year terms, every two years. The District provides water to retail customers in Sacramento and Placer Counties and sells water on a wholesale basis to other agencies. The accompanying basic financial statements present the District and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operational and financial relationship with the District.

The District has created the San Juan Suburban Water District Financing Corporation (the Corporation) to provide assistance to the District in the issuance of debt. Although legally separate from the District, the Corporation is reported as if it were part of the primary government because it shares a common Board of Directors with the District and its sole purpose is to provide financing to the District under the debt issuance documents of the District. Debt issued by the Corporation is reflected as debt of the District in these financial statements. The Corporation has no other transactions and does not issue separate financial statements.

Basis of Presentation: The District's resources are allocated to and accounted for in these basic financial statements as an enterprise fund type of the proprietary fund group. The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that period determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other policies. Net position for the enterprise fund represents the amount available for future operations.

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows, liabilities, and deferred inflows associated with the operation of the fund are included on the balance sheet. Net position is segregated into amounts invested in capital assets, net of related debt, amounts restricted and amounts unrestricted. Enterprise fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

In the Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position, business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Those revenues susceptible to accrual include taxes, intergovernmental revenues, interest and charges for services. Earned and unbilled water services are accrued as revenue.

SAN JUAN WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the District may fund certain programs with a combination of cost-reimbursement grants and general revenues. Thus, both restricted and unrestricted net position are available to finance program expenses. The District's policy is to first apply restricted grant resources to such programs, followed by general revenues, if necessary.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal operations. The principal operating revenues of the District are charges to customers for sales and services. Operating expenses for enterprise funds include source of supply, the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Investments: For the purposes of the Statement of Cash Flows, the District's cash and cash equivalents include restricted and unrestricted cash on hand or on deposit, and demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash and equivalents include demand deposits, money market funds and California Local Agency Investment Funds (LAIF).

Inventories and Prepaid Items: Inventories are stated at the lower of cost, on a weighted average method or market. Inventories consist of materials and supplies.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Capital Assets: Capital assets are recorded at historical cost if purchased or constructed. Donated assets and capital assets received in a service concession arrangement are valued at estimated acquisition value on the date received. Depreciation is calculated using the straight line method over the following useful lives:

Buildings and structures	10-50 years
Land improvements	10-30 years
Machinery and equipment (including furniture)	5-33 years
Plant and pipelines	10-80 years
Pump stations/pressure control stations	15-30 years
Reservoirs and improvements	25-50 years
Vehicles	10 years
Software	10 years
Intangible assets	Varies based on asset

The cost of maintenance and repairs that do not add to the value of the asset or materially extend asset lives are charged to operations when incurred. It is the District's policy to capitalize all capital assets with a cost of more than \$5,000. Costs of assets sold or retired (and the related amounts of accumulated depreciation) are eliminated from the balance sheet in the year of sale or retirement, and the resulting gain or loss is recognized in operations.

SAN JUAN WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Water lines are constructed by private developers and then dedicated to the District, which is then responsible for their future maintenance. These lines are recorded as capital contributions when they pass inspection by the District and the estimated costs are capitalized as pipelines, reservoirs, pumping stations and buildings.

Deferred Outflows and Inflows of Resources: In addition to assets, the statement of net position reports 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 a future period and so will not be recognized as an outflow of resources (expense/expenditure) until the earnings process is complete. Deferred amounts on refunding result from the difference in carrying amount of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows of resources are also reported related to the District's pension and OPEB plans as described in Notes I and J.

In addition to liabilities, the statement of net position reports 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 a future period and so will not be recognized as an inflow of resources (revenue) until the earnings process is complete. Deferred amounts on refunding may be reported as deferred inflows of resources. Deferred inflows of resources are reported related to the District's pension and OPEB plans as described in Note I and J.

Compensated Absences: It is the District's policy to permit employees to accumulate earned but unused vacation and sick leave benefits (up to a maximum). These benefits will be paid to employees upon separation from service from the District in accordance with the vesting policy. The cost of vacation and sick pay is accrued in the period earned with an offsetting liability in compensated absences. The current portion is calculated as the amount that is estimated to be used during the next year and the remaining portion is included in the long-term liabilities.

Long-Term Liabilities: Long-term liabilities and other long-term obligations are reported on the Statement of Net Position. Initial issue bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the lives of the refunding debt or remaining life of the refunded debt. Amortization of bond premiums or discounts and deferred amounts on refunding is included in interest expense.

Property Taxes: The District receives property taxes from both Sacramento and Placer Counties. Property taxes receivable are recorded in the fiscal year for which the tax is levied based on the assessed value as of March 1 of the preceding fiscal year. They become a lien on the first day of the levy year they are levied. Secured property tax is levied on January 1 and due in two installments, on November 1 and February 1. They become delinquent on December 10 and April 10, respectively. At that time, delinquent accounts are assessed a penalty of 10%. Accounts that remain unpaid on June 30 are charged an additional 12 percent per month. Unsecured property tax is levied on July 1 and due on July 31, and becomes delinquent on August 31. The penalty percentage rates are the same as secured property tax.

SAN JUAN WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

The District elected to receive the property taxes from the Counties under the Teeter Bill. Under this program the District receives 100% of the levied property taxes in periodic payments with the Counties assuming responsibility for delinquencies.

Water Charge to the Retail Service Area: For accounting purposes a charge is made to the retail service area for water used at a wholesale rate. This amount is recorded as income to the wholesale unit and as expense to the retail area.

Net Position: The net position amount is the difference between assets and liabilities. Net investment in capital assets are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use by the District or external restrictions by other governments, creditors or grantors.

Management Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Postemployment Benefits Other Than Pensions (OPEB): 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 OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pensions: For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employee's Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. 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.

New Pronouncements: In November 2016, the GASB issued Statement No. 83, Certain Asset Retirement Obligations. This Statement addresses accounting and financial reporting for certain asset retirement obligations (ARO's), which 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 timing and pattern of recognition of the liability and corresponding deferred outflow of resources recorded is defined in this Statement. This Statement is effective for periods beginning after June 15, 2018.

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. This Statement establishes criteria for identifying and disclosing fiduciary activities of state and local governments. The focus of the criteria is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries

SAN JUAN WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements of the government. Four fiduciary funds should be reported under this statement: Pension and other employee benefit trust funds, investment trust funds, private-purpose trust funds, and custodial funds. This Statement is effective for periods beginning after December 15, 2018.

In March 2017, the GASB issued Statement No. 85, Omnibus 2017. This Statement addresses practice issues that have been identified during implementation and application of certain GASB statements, including issues related to blending component units, goodwill, fair value measurements and application, pensions and other postemployment benefits. This Statement is effective for periods beginning after June 15, 2017.

In May 2017, the GASB issued Statement No. 86, Certain Debt Extinguishment Issues. This Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement is effective for periods beginning after June 15, 2017.

The District is currently analyzing the impact of the required implementation of these new statements.

NOTE B – CASH AND INVESTMENTS

Cash and investments were comprised of the following at June 30, 2018:

Cash on hand	\$ 150
Deposits with financial institutions	1,308,116
Total cash	<u>1,308,266</u>
Local Agency Investment Fund	8,925,812
U.S. Treasury bond / note obligations	2,874,133
Negotiable certificates of deposit	1,972,358
U.S. Federal Agency securities	1,872,277
Medium-term corporate notes	1,088,631
Money market mutual funds	785,912
Supra-National agency bond / note	649,756
Federal Agency collateralized mortgage obligation	266,962
Commercial paper	179,831
Asset-backed Security/collateralized mortgage obligation	49,322
Total investments	<u>18,664,994</u>
Total cash and investments	<u>\$ 19,973,260</u>

SAN JUAN WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE B – CASH AND INVESTMENTS (Continued)

The table below identifies the investment types that are authorized by the District’s investment policy:

Authorized Investment Type	Maximum Maturity	Maximum Total of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Federal Agency Securities	5 years	None	None
U.S. Instrumentalities	5 years	30%	5%
Registered Warrants, Notes & Bonds of CA	5 years	None	5%
Registered Notes & Bonds of Other 49 States	5 years	None	5%
Local Agency Bonds, Notes & Warrants	5 years	None	5%
Banker's Acceptances	180 days	40%	5%
High Grade Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	5%
Local Agency Investment Fund (LAIF)	N/A	None	None
Time Deposits	2 years	5%	5%
Medium-Term Corporate Notes	5 years	30%	5%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	5%
Collateralized Mortgage Obligations	5 years	20%	5%
Mortgage-Backed or Other Pay-Through	5 years	20%	5%
Equipment Lease-Backed Certificates	5 years	20%	5%
Consumer Receivable Pass-Through Certificates	5 years	20%	5%
Consumer Receivable-Backed Bonds	5 years	20%	5%
Local Government Investment Pools (LGIP)	N/A	None	None

Investments Authorized by Debt Agreements: Investments held by the bond/COP fiscal agents (trustees) are governed by the provisions of the various debt indenture agreements rather than the general provisions of the District's investments policy or the California Government Code.

Interest Rate Risk: Interest rate risk is the risk in the market rate changes that could adversely affect the fair values of an investment. In general, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the District manages its exposure to interest rate risk is by purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

SAN JUAN WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE B – CASH AND INVESTMENTS (Continued)

Information about the sensitivity of the fair values of the District's investments (including investments held by the bond trustee) to market rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity, as well as the credit ratings, as applicable from Standard & Poor's or Moody's as of June 30, 2018:

	Total	Remaining Investment Maturities		
		12 Months or Less	13 to 24 Months	25 to 60 Months
LAIF	\$ 8,925,812	\$ 8,925,812		
U.S. Treasury bond / note obligations	2,874,133	432,519		\$ 2,441,614
Negotiable certificates of deposit	1,972,358	906,941	\$ 697,262	368,155
U.S. Federal Agency securities	1,872,277	615,771	722,999	533,507
Medium-term corporate notes	1,088,631		128,357	960,274
Money market mutual funds	785,912	785,912		
Supra-National agency bond / note	649,756	123,378	99,154	427,224
Federal Agency collateralized mortgage obligation	266,962		65,509	201,453
Commercial paper	179,831	179,831		
Asset-backed security/collateralized mortgage obligation	49,322			49,322
	<u>\$ 18,664,994</u>	<u>\$ 11,970,164</u>	<u>\$ 1,713,281</u>	<u>\$ 4,981,549</u>

Disclosures Relating to Credit Risk: Generally, credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Investment Type	Total as of June 30, 2018	Minimum Legal Rating	Minimum Rating		
			AAA	A1 to Aa3	Not Rated
LAIF	\$ 8,925,812	N/A			\$ 8,925,812
U.S. Treasury bond / note obligations	2,874,133	N/A	\$ 2,874,133		
Negotiable certificates of deposit	1,972,358	N/A		\$ 1,972,358	
U.S. Federal Agency securities	1,872,277	N/A	1,872,277		
Medium-term corporate notes	1,088,631	A		1,088,631	
Money market mutual funds	785,912	AAA		785,912	
Supra-National agency bond / note	649,756	AA	649,756		
Federal Agency collateralized mortgage obligations	266,962	N/A	266,962		
Asset-backed security/collateralized mortgage obligations	49,322	AAA	49,322		
Commercial paper	179,831	A-1		179,831	
	<u>\$ 18,664,994</u>		<u>\$ 5,712,450</u>	<u>\$ 4,026,732</u>	<u>\$ 8,925,812</u>

SAN JUAN WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE B – CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk: The investment policy of the District limits the amount that can be invested in any one issuer to the lesser of the amount stipulated by the California Government Code of 5% of total investments, with the exception of U.S. Treasury obligations, U.S. Agency Securities and LAIF. Investments in any one issuer (other than mutual funds and external investment pools) that represent 5% or more of total District investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal National Mortgage	U.S. Agency Security	\$ 1,482,577

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counter-party (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure of custodial risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state and local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must be equal to at least 100% of the total amount deposited by public agencies. California law also allows financial institutions to secure Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2018, the carrying amount of the District's deposits were \$1,308,116 and the balances in financial institutions were \$2,150,259 and of this amount \$1,900,259 was not insured by federal depository insurance.

Investment in LAIF: The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investments in this pool is classified as a cash equivalent in the accompanying financial statements.

LAIF is stated at fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The total fair value amount invested by all public agencies in LAIF is \$88,798,232,977, managed by the State Treasurer. Of that amount, 2.67% is invested in structured notes and asset-backed securities. 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.

SAN JUAN WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE B – CASH AND INVESTMENTS (Continued)

Fair Value Hierarchy: The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District has the following recurring fair value measurements as of June 30, 2018:

Investment Type	Totals	Level		
		1	2	3
LAIF	\$ 8,925,812		\$ 8,925,812	
U.S. Treasury bond / note obligations	2,874,133		2,874,133	
Negotiable certificates of Deposit	1,972,358		1,972,358	
U.S. Federal Agency Securities	1,872,277		1,872,277	
Medium-term Corporate Notes	1,088,631		1,088,631	
Money market mutual funds	785,912		785,912	
Supra-National agency bond / note	649,756		649,756	
Federal Agency collateralized mortgage obligations	266,962		266,962	
Asset-backed security/collateralized mortgage obligations	49,322		49,322	
Commercial paper	179,831		179,831	
Total Investments	\$ 18,664,994	\$ -	\$ 18,664,994	\$ -

Local Agency Investment Funds, U.S. Agency Securities, Corporate Notes, Certificates of Deposit and Money Market Mutual Funds classified in Level 2 of the fair value hierarchy are valued using institutional bond quotes or specified fair value factors. The fair values of certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on the certificates to a schedule of aggregated contractual maturities on such time deposits, which are level 2 inputs.

SAN JUAN WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE C – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance at June 30, 2017	Transfers	Additions	Disposals	Balance at June 30, 2018
Capital assets, not being depreciated:					
Land	\$ 264,484				\$ 264,484
Construction in progress	7,396,317	\$ (7,501,506)	\$ 1,432,182	\$ (6,767)	1,320,226
Total capital assets, not being depreciated	<u>7,660,801</u>	<u>(7,501,506)</u>	<u>1,432,182</u>	<u>(6,767)</u>	<u>1,584,710</u>
Capital assets, being depreciated:					
Pipelines	71,587,861	96,393		(298,925)	71,385,329
Water Treatment Plant	28,362,993	7,288,886	19,583	(126,221)	35,545,241
Land improvements	889,990		8,086		898,076
Reservoirs	5,355,023	14,330			5,369,353
Pumping stations	12,574,653				12,574,653
Buildings	1,351,902				1,351,902
Vehicles and equipment	15,446,308	9,000	103,507	(56,491)	15,502,324
Intangibles	1,649,593	92,897	19,225	(244,666)	1,517,049
Total capital assets being depreciated	<u>137,218,323</u>	<u>7,501,506</u>	<u>150,401</u>	<u>(726,303)</u>	<u>144,143,927</u>
Less: accumulated depreciation:					
Pipelines	(31,766,376)		(1,852,831)	298,925	(33,320,282)
Water Treatment Plant	(14,883,870)		(703,412)	124,387	(15,462,895)
Land improvements	(648,758)		(15,839)		(664,597)
Reservoirs	(3,897,281)		(36,076)		(3,933,357)
Pumping stations	(2,971,357)		(347,625)		(3,318,982)
Buildings	(1,143,223)		(19,787)		(1,163,010)
Vehicles and equipment	(3,990,553)		(594,965)	54,839	(4,530,679)
Intangibles	(959,196)		(82,091)	244,666	(796,621)
Total accumulated depreciation	<u>(60,260,614)</u>	<u>-</u>	<u>(3,652,626)</u>	<u>722,817</u>	<u>(63,190,423)</u>
Total capital assets being depreciated, net	<u>76,957,709</u>	<u>7,501,506</u>	<u>(3,502,225)</u>	<u>(3,486)</u>	<u>80,953,504</u>
CAPITAL ASSETS, NET	<u><u>\$ 84,618,510</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (2,070,043)</u></u>	<u><u>\$ (10,253)</u></u>	<u><u>\$ 82,538,214</u></u>

SAN JUAN WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE D – INVESTMENT IN ELECTRICAL POWER

The District participates in the California-Oregon Transmission Project (Project), a Joint Powers Authority (JPA), which is a project of the Department of Energy, Western Area Power Administration. The Project is governed by a Management Committee, which is chaired by a representative of the Transmission Agency of Northern California with each participant in the project having representation on the Management Committee.

The District applied as a Community Services District and a Central Valley Project Contractor, and received allocation of 1MW (megawatt) of power (capacity and associated energy) in exchange for an investment as a participant in the construction of the transmission line. Subsequent to the original allocation from the Department of Energy, the District purchased one additional megawatt of power from Trinity County Public Utility District. The cost of the purchase was \$75,000, plus a prorated share in the construction of the transmission line. Through a partial assignment of the District's California-Oregon Transmission Project entitlement to the Department of Energy, Western Area Power Administration, the District receives preferential energy rates and a discount on the US Bureau of Reclamation pumping from Folsom Lake.

The District has a 0.1334 percent equity interest in the net position of the Project as defined in the Long-Term Participation Agreement. The District also has an obligation to finance 0.1334 percent of the net losses of the Project; it also has the right to receive 0.1334 percent of the operating results of the Project income. The District is billed monthly for its share of the operations and maintenance costs of the Project. The District's net investment and its share of the operating results of the Project are reported as Investment in Electrical Power. The Project unaudited interim financial statements for the year ended June 30, 2018 are available from the California-Oregon Transmission Project at P.O. Box 15140, Sacramento, CA, 95866.

The following is the summarized unaudited financial information for the Project as of and for the year ended June 30, 2018:

	Unaudited 2018
Balance Sheet:	
Assets	\$ 265,954,164
Liabilities	\$ 31,809,855
Net position	234,144,309
	<u>\$ 265,954,164</u>
Income Statement:	
Operating revenues	\$ 14,025,630
Operating expenses	20,562,890
Operating loss	(6,537,260)
Net non-operating revenue - interest and other	582,410
Adjustment to net position for capital improvements	1,851,731
Change in Net Position	<u>\$ (4,103,119)</u>
District's share of net position	\$ 312,349

SAN JUAN WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE E – LONG-TERM LIABILITIES

As of June 30, 2018, the District had two components of outstanding debt during the year described below.

2017 Revenue Refunding Bonds: On June 22, 2017, the District issued \$26,125,000 of Revenue Refunding Bonds with interest ranging from 3.0% to 5.0%. These 2017 Revenue Refunding Bonds were issued to refund the 2009 Certificates of Participation. Annual principal payments, ranging from \$565,000 to \$2,470,000 are due on February 1 through February 1, 2039 and semi-annual interest payments ranging from \$46,827 to \$1,004,996 are due on February 1 and August 1 through February 1, 2039.

2012 Refunding Bonds: On May 16, 2012, the District issued Refunding Bonds in the amount of \$13,625,000 for the purpose of refunding the 2003 Certificates of Participation. Principal payments are due on February 1 through 2033 and range from \$485,000 to \$925,000, with semi-annual interest payments due on February 1 and August 1 through February 1, 2033 that range from \$28,328 to \$481,012. Interest rates range from 1% to 5.25%.

The District’s long-term liability activity and outstanding balances for the year ended June 30, 2018 is as follows:

	Restated June 30, 2017	Additions	Reductions	June 30, 2018	Due Within One Year
2017 Revenue Refunding Bonds	\$ 26,125,000		\$ (945,000)	\$ 25,180,000	\$ 565,000
2012 Revenue Refunding Bonds	10,585,000		(465,000)	10,120,000	485,000
Add: Unamortized premiums	3,217,870		(204,302)	3,013,568	
Total Bonds and Notes Payable	<u>39,927,870</u>		<u>(1,614,302)</u>	<u>38,313,568</u>	<u>1,050,000</u>
Compensated absences	680,559	\$ 585,223	(481,726)	784,056	365,959
Net OPEB obligation	4,475,520	657,035	(829,131)	4,303,424	
Net pension obligation	<u>7,968,028</u>	<u>1,742,520</u>	<u>(4,908,732)</u>	<u>4,801,816</u>	
	<u>\$ 53,051,977</u>	<u>\$ 2,984,778</u>	<u>\$ (7,833,891)</u>	<u>\$ 48,202,864</u>	<u>\$1,415,959</u>

The following is a schedule of maturities from long-term debt at June 30, 2018:

2017 Revenue Refunding Bonds

Year Ended June 30	Principal	Interest	Totals
2019	\$ 565,000	\$ 1,004,996	\$ 1,569,996
2020	585,000	982,063	1,567,063
2021	605,000	958,329	1,563,329
2022	630,000	933,713	1,563,713
2023	655,000	909,460	1,564,460
2024-2028	3,745,000	4,046,167	7,791,167
2029-2033	4,795,000	2,997,083	7,792,083
2034-2038	11,130,000	1,440,503	12,570,503
2039	<u>2,470,000</u>	<u>46,827</u>	<u>2,516,827</u>
Total	<u>\$ 25,180,000</u>	<u>\$ 13,319,141</u>	<u>\$ 38,499,141</u>

SAN JUAN WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE E – LONG-TERM LIABILITIES (Continued)

2012 Revenue Refunding Bonds

Year Ended June 30	Principal	Interest	Totals
2019	\$ 485,000	\$ 481,013	\$ 966,013
2020	500,000	462,108	962,108
2021	530,000	436,483	966,483
2022	555,000	409,463	964,463
2023	580,000	381,192	961,192
2024-2028	3,285,000	1,527,291	4,812,291
2029-2033	4,185,000	590,166	4,775,166
Total	<u>\$ 10,120,000</u>	<u>\$ 4,287,716</u>	<u>\$ 14,407,716</u>

Pledged Revenue: The District is required by its 2017 and 2012 Revenue Refunding Bonds to collect rates and charges from its water system that will be sufficient to yield net revenues equal to 115% of debt service payments on any future debt issued and deposit the net revenues in a revenue fund pledged for such future debt service payments. At June 30, 2018, the District’s net revenues were 325% of debt service payments.

Refundings: In June 2017, the District issued the 2017 Revenue Refunding Bonds in the amount of \$26,125,000 with an average interest rate of 3.87%, to refund \$28,825,000 of the 2009 Revenue Certificates of Participation with an average interest rate of 5.84%. The District completed the advance refunding to reduce its total debt service payments through 2039 by \$11,210,000. The net economic gain (difference between the present value of the old and new debt service payments) of the 2017 Refunding Bonds is \$6,811,769. The advance refunding resulted in differences between the reacquisition price and the net carrying amount of the outstanding debt of \$1,672,597 at June 30, 2018, net of accumulated amortization. The deferred amount on refunding, reported in the accompanying financial statements as a deferred inflow, is being credited to operations over 22 years using the straight-line method.

Arbitrage Rebate Liability: Section 148(f) of the Internal Revenue Code requires issuers of tax-exempt state and local bonds to remit to the federal government amounts equal to (a) the excess of the actual amounts earned on all “Non-purpose Investments” allocable to “Gross Proceeds” of an issue of municipal obligations less the amount that would have been earned if the investments bore a rate equal to the amount that would have been earned if the investments bore a rate equal to the yield on the issue, plus (b) all income attributable to the excess. Issuers must make rebate payments at least once every five years and upon final retirement or redemption of the bonds. There was no arbitrage liability at June 30, 2018.

NOTE F – NET INVESTMENT IN CAPITAL ASSETS

Capital assets, gross	\$ 145,728,637
Less: accumulated depreciation	<u>(63,190,423)</u>
Net capital assets	82,538,214
Add: Deferred Costs on Bond Refunding	1,895,771
Less: Debt used for capital purposes	(35,300,000)
Less: Unamortized premium	<u>(3,013,568)</u>
Net Investment in Capital Assets	<u>\$ 46,120,417</u>

SAN JUAN WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE G – CONSTRUCTION COMMITMENTS

The District has active construction projects as of June 30, 2018. At fiscal year end, the District’s commitment with contractors was as follows:

2017-2018 Water Main Replacement	\$ 1,570,317
Total commitment with contractors	\$ 1,570,317

NOTE H – NET POSITION

Designations: Designations of unrestricted net position may be imposed by the Board of Directors to reflect future spending plans or concerns about the availability of future resources. Designation may be modified, amended or removed by Board action. Designations included the following as of June 30, 2018:

	Wholesale	Retail	Total
Capital reserves	\$ 8,899,542	\$ 4,333,918	\$ 13,233,460
Operating reserve	1,924,240	2,292,740	4,216,980
Reserve for employees' vacation/sick leave	313,126	470,930	784,056
Delta/water rights	153,000		153,000
Developer deposits		55,069	55,069
Vehicles/equipment replacement	38,000		38,000
Total Unrestricted, Designated Net Position	\$ 11,327,908	\$ 7,152,657	\$ 18,480,565

NOTE I – PENSION PLANS

Plan Descriptions: All qualified permanent and probationary employees are eligible to participate in the District’s cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). The Public Employees’ Pension Reform Act of 2013 (PEPRA) created a new benefit and contribution level for new employees meeting certain criteria. PERS acts as a common investment and administrative agent for participating public employers within the State of California.

All permanent full and part-time District employees working at least 1,000 hours per year are eligible to participate in PERS. Under PERS, benefits vest after five years of service. Upon retirement, participants are entitled to an annual retirement benefit, payable for life, in an amount equal to a benefit factor times the monthly average salary of their highest twelve (Tier 1) and thirty-six (Tier 2 and PEPRA) consecutive months full-time equivalent monthly pay. Benefit provisions under the Plans are established by State statute and Board resolution. 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 at www.calpers.ca.gov.

SAN JUAN WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE I- PENSION PLANS (Continued)

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. Members with five years of total service are eligible to retire at age 50 (52 for PEPRA Miscellaneous Plan) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is the following: the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect for the year ended June 30, 2018, are summarized as follows:

Hire date	Miscellaneous Tier I Rate Plan (Prior to February 14, 2009)	Miscellaneous Tier II Rate Plan (On or after February 14, 2009)	Miscellaneous PEPRA Rate (On or after January 1, 2013)
Benefit formula (at full retirement)	3.0% @ 60	3.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-63	50-63	52-67
Monthly benefits, as a % of eligible compensation	2.000% to 3.000%	2.000% to 3.000%	1.0% to 2.5%
Required employee contribution rates	8.0%	8.0%	6.250%
Required employer contribution rates	12.698%	12.036%	6.533%

In addition to the contribution rates above, the District was also required to make payments of \$100,464 toward its unfunded actuarial liability during the year ended June 30, 2018.

The Miscellaneous Plan is closed to new members that are not already CalPERS eligible participants.

Contributions: Section 20814(c) of the California Public Employees' Retirement Law 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. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. 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.

For the year ended June 30, 2018 the employer contributions for the Plan (all rate plans combined) were \$3,359,478, including an additional payment toward the unfunded accrued liability of \$2,787,800.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions: As of June 30, 2018, the District reported a net pension liability for its proportionate share of the net pension liability of \$4,801,816.

The District's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability as of June 30, 2018 is measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuations as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures as required by GASB Statement No.68.

SAN JUAN WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE I – PENSION PLANS (Continued)

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 of all participating employers, actuarially determined. The District’s proportionate share of the net pension liability for the Plan as of June 30, 2018 was as follows:

Proportion - June 30, 2017	0.092083%
Proportion - June 30, 2018	0.048419%
Change - Increase (Decrease)	<u>-0.043664%</u>

For the year ended June 30, 2018, the District recognized pension expense of \$1,239,721. At June 30, the District reported deferred outflows of resources and deferred inflows of resources related to all Plans combined from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,359,478	
Differences between actual and expected experience	12,663	\$ (181,414)
Changes in assumptions	1,571,124	(119,800)
Differences between the employer's contributions and the employer's proportionate share of contributions	2,701,124	(160,749)
Change in employer's proportion	108,432	(2,921,179)
Net differences between projected and actual earnings on plan investments	<u>355,323</u>	
Total	<u>\$ 8,108,144</u>	<u>\$ (3,383,142)</u>

The \$3,359,478 reported as deferred outflows of resources related to contributions subsequent to the measurement date at June 30, 2018 will be recognized as a reduction of the net pension liability in the following year. Other amounts reported as net deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30		
2018	\$	234,417
2019		848,751
2020		493,319
2021		<u>(210,963)</u>
	<u>\$</u>	<u>1,365,524</u>

SAN JUAN WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE I – PENSION PLANS (Continued)

Actuarial Assumptions: The total pension liabilities in the June 30, 2018 actuarial valuations for each of the Plans were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.15% (2)
Mortality	Derived using CalPERS Membership Data for all Funds

(1) Depending on entry age and service

(2) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions used in the June 30, 2015 valuation were based on the results of a 2010 CalPERS experience study for the period from 1997 to 2007. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate: The discount rate used to measure the total pension liability was 7.15% for the June 30, 2016 valuation. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PEF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

In fiscal year 2016-2017, the financial reporting discount rate for the plan was lowered from 7.65 percent to 7.15 percent. Deferred outflows of resources for changes of assumptions represent the unamortized portion of this assumption change.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

SAN JUAN WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE I – PENSION PLANS (Continued)

The table below reflects the long-term expected real rate of return by asset class for the Plan as of the measurement date of June 30, 2017. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	(0.40)%	(0.90)%
Total	<u>100.0%</u>		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District’s proportionate share of the net pension liability for the Plans, calculated using the discount rate for the Plans, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Net Pension Liability	<u>\$ 9,980,690</u>	<u>\$ 4,801,816</u>	<u>\$ 512,578</u>

Pension Plan Fiduciary Net Position: Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan: At June 30, 2018 the District reported payables for the outstanding amount of contributions to the pension plan of \$9,914.

NOTE J – OTHER POST EMPLOYMENT BENEFITS (OPEB)

Description of the Plan: The District provides health care benefits to eligible retired District employees and survivor dependents as defined by their participating tier (first or second) and coverage level (basic or Medicare supplement) with a choice of several plans through an agent single-employer defined benefit plan established July 28, 2012. This is contracted with the California Public Employees’ Retirement System (CalPERS) through the Public Employees’ Medical and Hospital Care Act (PEMHCA). State statutes assign the authority to establish and amend the benefit provisions of the agent multiple-employer health care plans administered by CalPERS to the respective employer entities.

SAN JUAN WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE J – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

The District does not issue a separate stand-alone financial report for its OPEB plan.

Funding Policy: The District pays a percentage of the post-employment health care benefits for retirees, their spouses, and their dependents based on the retirees’ tier. Surviving spouses and eligible dependents of retirees may elect to continue health care benefits with the same District contribution towards the expense. Substantially all of the District’s employees may become eligible for these benefits if they reach normal retirement age while working for the District. No contributions are required for plan members or the District. Pre-funding contributions made by the District are at the discretion of the Board of Directors.

The contribution requirements of the District are established and may be amended by the District’s Board of Directors. Plan members are currently not required to contribute.

Employees Covered by Benefit Terms: At June 30, 2018, the following employees were covered by the benefit terms:

Active employees	46
Inactive employees or beneficiaries currently receiving benefit payments	39

Contributions: The Board of Directors grants the authority to establish and amend the contribution requirements of the District. During the year ended June 30, 2018, the District’s cash contributions to the trust were \$224,554 and the benefit payments were \$441,109, resulting in total payments of \$665,663.

Net OPEB Liability: The District's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017.

Actuarial Assumptions: The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	7.00%
Inflation	2.75%
Aggregate salary increases	2.75% per year
Investment rate of return	7.00%
Healthcare cost trend rates	4.00% annually
Mortality rates	Derived using CalPERS membership data

Mortality information for active and retired employees was based on 2009 CalPERS tables. The pre-retirement turnover information was developed based on the 2009 CalPERS Turnover for Miscellaneous Employees table created by CalPERS.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) was used and developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

SAN JUAN WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE J – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Asset Class	Percentage of Portfolio	Assumed Gross Return
US Large Cap	43.00%	7.80%
US Small Cap	23.00%	7.80%
Long-Term Corporate Bonds	12.00%	5.30%
Long-Term Government Bonds	6.00%	4.50%
Treasury Inflation Protected Securities (TIPS)	5.00%	7.80%
US Real Estate	8.00%	7.80%
All Commodities	3.00%	7.80%
	<u>100.0%</u>	

Discount Rate: The discount rate used to measure the total OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that District contributions will continue based upon the current funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make projected future benefit payments for current members for all future years. 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.

Changes in the Net OPEB Liability:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2017	\$ 6,996,993	\$ 2,521,475	\$ 4,475,518
Changes in the year:			
Service cost	155,387		155,387
Interest on the total OPEB liability	479,077		479,077
Contribution - employer		536,331	(536,331)
Net investment income		271,614	(271,614)
Benefit payments	(457,172)	(457,172)	-
Administrative expense		(1,387)	1,387
Net changes	<u>177,292</u>	<u>349,386</u>	<u>(172,094)</u>
Balance at June 30, 2018 (measurement date June 30, 2017)	<u>\$ 7,174,285</u>	<u>\$ 2,870,861</u>	<u>\$ 4,303,424</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates: The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease	Current	1% Increase
	6%	Discount Rate 7%	8%
Net OPEB liability	\$ 5,096,660	\$ 4,303,424	\$ 3,639,111

SAN JUAN WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE J – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease to 3.00%	Current Healthcare Cost Trend Rates 4.00%	1% Increase to 5.00%
Net OPEB liability	\$ 3,627,236	\$ 4,303,424	\$ 5,091,127

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2018, the District recognized OPEB expense of \$364,236. At June 30, 2018, the District reported deferred outflows of resources totaling \$665,663 for contributions subsequent to the measurement date. This amount will be recognized as a reduction of the OPEB liability in the following year.

Age-adjusted Premiums Not Used: As a general rule, Actuarial Standard of Practice 6 (ASOP 6) indicates retiree costs should be based on actual claim costs or age-adjusted premiums. However, the Plan's net OPEB liability was not computed using age-adjusted premiums because the District's actuary did not consider the use of age-adjusted premiums to be appropriate under the circumstances. This is due to the District participating in the CalPERS health insurance plan, PEMHCA. PEMHCA uses blended premiums for active and retired participants and is expected to continue this practice into the future. Contributions based on age-adjusted premiums would be larger than contributions based on actual premiums charged by PEMHCA. The actuary believes this would overstate contributions to the CERBT that would not be able to be recovered by the District. Many other actuaries believe it is appropriate to use age-adjusted premiums when computing net OPEB liabilities under GASB Statement No. 75. The District's net OPEB liability would have been significantly larger had it been computed using age-adjusted premiums.

NOTE K – RISK MANAGEMENT

The District participates in the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA) a public entity risk pool of California water agencies, for general and auto liability, public officials liability, property damage, fidelity insurance and workers compensation liability. ACWA/JPIA provides insurance through the pool up to a certain level, beyond which group-purchased commercial excess insurance is obtained.

The District pays an annual premium to ACWA/JPIA that includes its pro-rata share of excess insurance premiums, charges for the pooled risk, claims adjusting and legal costs, and administrative and other costs to operate the ACWA/JPIA. ACWA/JPIA may be terminated at any time by written consent of three-fourths of voting members at which time the members may be required to pay their share of any additional amount of premium in accordance with loss allocation formulas for final disposition of all claims and losses covered by the joint powers agreement. The ACWA/JPIA's financial statements are available at 5620 Birdcage Street, Suite 200, Citrus Heights, CA 95610-7632. The District's deductibles and maximum coverage are as follows:

SAN JUAN WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE K – RISK MANAGEMENT (Continued)

Coverage	ACWA/JPIA	Commercial Insurance	Deductible
General and Auto Liability (Includes public officials liability)	\$ 5,000,000	\$ 55,000,000	None
Property Damage	100,000	500,000,000	\$ 1,000 to 50,000
Crime	100,000		1,000
Workers' Compensation Liability	2,000,000	Statutory	None
Employers Liability	2,000,000		
Cyber Liability	5,000,000		

The District continues to carry commercial insurance for all other risks of loss to cover all claims for risk of loss to which the District is exposed. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE L – CHANGES IN ACCOUNTING PRINCIPLES

During the year ended June 30, 2018, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement required the District to recognize in its financial statements the net OPEB liability, deferred outflows of resources and deferred inflows of resources for the District's OPEB plan. Due to implementation of this Statement, the OPEB liability increased by \$4,182,721, deferred outflows of resources increased by \$536,331 and net position decreased by \$3,646,390 as of July 1, 2017.

NOTE M – COMMITMENT

The District has a contract with Placer County Water Agency (PCWA) to take or pay for an annual entitlement of 12,500 acre-feet. In any year during the term of this agreement, the District may request (PCWA) make available 25,000 acre-feet of water. The District has a contract with the City of Roseville whereby the City would reimburse the District for 4,000 acre-feet out of the 12,500 acre-feet annual entitlement, beginning no later than July 1, 2018.

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REQUIRED SUPPLEMENTARY INFORMATION

SAN JUAN WATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - (UNAUDITED)**

Last 10 Years

	2018	2017	2016	2015
Proportion of the net pension liability	0.04842%	0.09208%	0.08829%	0.08447%
Proportionate share of the net pension liability	\$ 4,801,816	\$ 7,968,028	\$ 6,059,953	\$ 5,255,811
Covered payroll - measurement period	\$ 4,171,684	\$ 4,292,723	\$ 3,836,968	\$ 3,785,664
Proportionate share of the net pension liability as a percentage of covered payroll	115.10%	185.62%	157.94%	138.83%
Plan fiduciary net position as a percentage of the total pension liability	87.20%	76.19%	78.40%	79.82%
Measurement date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Notes to Schedule:

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date.

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2015 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions: The June 30, 2015 Actuarial Valuation changed the discount rate from 7.50% (net of administrative expense) to 7.65% to correct for an adjustment to exclude administrative expense. The discount rate was changed from 7.65% to 7.15% in 2018.

SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN - MISCELLANEOUS PLAN (UNAUDITED)

Last 10 Years

	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 569,048	\$ 795,103	\$ 730,360	\$ 591,634
Contributions in relation to the actuarially determined contributions	(3,359,478)	(4,908,731)	(730,360)	(591,634)
Contribution deficiency (excess)	<u>\$ (2,790,430)</u>	<u>\$ (4,113,628)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll - fiscal year	\$ 4,254,297	\$ 4,171,684	\$ 4,292,723	\$ 3,836,968
Contributions as a percentage of covered payroll	13.38%	19.06%	17.01%	15.42%
Valuation date:	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012
Methods and assumptions used to determine contribution rates:				

Amortization method	Entry age normal			
Remaining amortization period	12 years	13 years	14 years	15 years
Asset valuation method	5-year smoothed market			
Inflation	2.75%	2.75%	2.75%	2.75%
Salary increases	Varies by entry age and service			
Investment rate of return	7.50%, net of pension plan investment expense, including inflation			
Retirement age	50 years			

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015, so no information was available prior to this date. Ten years of information will be presented as it becomes available.

SAN JUAN WATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2018

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS (UNAUDITED)

Measurement Period	2017
Total OPEB liability:	
Service cost	\$ 155,387
Interest	479,077
Benefit payments	(457,172)
Net change in total OPEB liability	<u>177,292</u>
Total OPEB liability - beginning	<u>6,996,993</u>
Total OPEB liability - ending (a)	<u><u>\$ 7,174,285</u></u>
Plan fiduciary net position:	
Contributions - employer	\$ 536,331
Net investment income	271,614
Benefit payments	(457,172)
Administrative expenses	(1,387)
Net change in plan fiduciary net position	<u>349,386</u>
Plan fiduciary net position - beginning	<u>2,521,475</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 2,870,861</u></u>
Net OPEB liability - ending (a)-(b)	<u><u>\$ 4,303,424</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u><u>40.02%</u></u>
Covered-employee payroll - measurement period	<u><u>\$ 4,171,684</u></u>
Net OPEB liability as percentage of covered-employee payroll	<u><u>103.16%</u></u>
Notes to schedule:	
Valuation date	June 30, 2017
Measurement period - fiscal year ended	June 30, 2017

Benefit changes. None.

Changes in assumptions. During 2018, the discount rate was changed from 7.5% to 7.0%.

Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

SAN JUAN WATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2018

SCHEDULE OF CONTRIBUTIONS TO THE OPEB PLAN (UNAUDITED)

	<u>2018</u>
Statutorily required contribution - employer fiscal year	\$ 449,109
Contributions in relation to the actuarially determined contributions	<u>(449,109)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll - employer fiscal year	\$ 4,254,297
Contributions as a percentage of covered-employee payroll	10.56%

Notes to Schedule:

Valuation date	June 30, 2017
Measurement period - fiscal year ended	June 30, 2017

An actuarially determined contribution rate was not calculated. The required contributions reported represent retiree premium payments.

Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

SUPPLEMENTARY INFORMATION

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SAN JUAN WATER DISTRICT
STATEMENT OF NET POSITION
WHOLESALE OPERATING

June 30, 2018

ASSETS

CURRENT ASSETS

Cash and investments	\$ 2,325,403
Receivables:	
Accounts	1,181,907
Accrued interest	7,984
Prepaid expenses	30,810
TOTAL CURRENT ASSETS	3,546,104

NONCURRENT ASSETS

Capital assets, not being depreciated	217,932
Capital assets, net of accumulated depreciation	56,282,336
TOTAL CAPITAL ASSETS	56,500,268

Investment in electrical power	312,349
TOTAL NONCURRENT ASSETS	56,812,617

TOTAL ASSETS 60,358,721

DEFERRED OUTFLOWS OF RESOURCES

Deferred amounts on refunding	1,215,100
Deferred pension related outflows	3,422,580
Deferred other postemployment benefits related outflows	286,820
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,924,500

LIABILITIES

CURRENT LIABILITIES

Accounts payable	106,706
Accrued liabilities	129,214
Accrued interest	402,040
Due within one year:	
Accrued compensated absences	156,052
Bonds, notes and capital leases	675,929
TOTAL CURRENT LIABILITIES	1,469,941

NONCURRENT LIABILITIES

Accrued compensated absences	157,074
Bonds, notes and capital leases	23,933,634
Net other postemployment benefit liability	1,868,078
Net pension liability	1,985,101
TOTAL NONCURRENT LIABILITIES	27,943,887

TOTAL LIABILITIES 29,413,828

DEFERRED INFLOWS OF RESOURCES

Deferred pension related inflows	1,448,541
----------------------------------	-----------

NET POSITION

Net investment in capital assets	33,105,805
Unrestricted	1,315,047

TOTAL NET POSITION \$ 34,420,852

SAN JUAN WATER DISTRICT
STATEMENT OF NET POSITION
WHOLESALE CAPITAL

June 30, 2018

ASSETS

CURRENT ASSETS

Cash and investments	\$ 9,756,252
Receivables:	
Accounts	249,255
Accrued interest	16,425
Taxes	<u>41,961</u>

TOTAL ASSETS 10,063,893

LIABILITIES

CURRENT LIABILITIES

Accounts payable	<u>51,032</u>
------------------	---------------

TOTAL LIABILITIES 51,032

NET POSITION

Unrestricted	<u>10,012,861</u>
--------------	-------------------

TOTAL NET POSITION \$ 10,012,861

SAN JUAN WATER DISTRICT
STATEMENT OF NET POSITION
RETAIL OPERATING

June 30, 2018

ASSETS

CURRENT ASSETS

Cash and investments		\$ 835,194
Receivables:		
Accounts		2,534,565
Accrued interest		2,535
Prepaid expenses		29,920
Inventories		125,979
	TOTAL CURRENT ASSETS	3,528,193

NONCURRENT ASSETS

Capital assets, not being depreciated		1,366,778
Capital assets, net of accumulated depreciation		24,671,168
	TOTAL CAPITAL ASSETS	26,037,946
	TOTAL NONCURRENT ASSETS	26,037,946
	TOTAL ASSETS	29,566,139

DEFERRED OUTFLOWS OF RESOURCES

Deferred amounts on refunding		680,671
Deferred pension related outflows		4,685,564
Deferred other postemployment benefits related outflows		378,843
	TOTAL DEFERRED OUTFLOWS OF RESOURCES	5,745,078

LIABILITIES

CURRENT LIABILITIES

Accounts payable		167,659
Accrued liabilities		173,441
Accrued interest		223,579
Unearned revenues		84,529
Deposits payable		55,069
Due within one year:		
Accrued compensated absences		209,907
Bonds, notes and capital leases		374,071
	TOTAL CURRENT LIABILITIES	1,288,255

NONCURRENT LIABILITIES

Accrued compensated absences		261,023
Bonds, notes and capital leases		13,329,934
Net other postemployment benefit liability		2,435,346
Net pension liability		2,816,715
	TOTAL NONCURRENT LIABILITIES	18,843,018

TOTAL LIABILITIES 20,131,273

DEFERRED INFLOWS OF RESOURCES

Deferred pension related inflows		1,934,601
----------------------------------	--	-----------

NET POSITION

Net investment in capital assets		13,014,612
Unrestricted		230,731
		13,245,343

TOTAL NET POSITION \$ 13,245,343

SAN JUAN WATER DISTRICT
STATEMENT OF NET POSITION
RETAIL CAPITAL

June 30, 2018

ASSETS

CURRENT ASSETS

Cash and investments	\$ 7,056,411
Receivables:	
Accrued interest	13,399
Taxes	41,960

TOTAL ASSETS 7,111,770

LIABILITIES

CURRENT LIABILITIES

Accounts payable	<u>189,844</u>
------------------	----------------

TOTAL LIABILITIES 189,844

NET POSITION

Unrestricted	<u>6,921,926</u>
--------------	------------------

TOTAL NET POSITION \$ 6,921,926

SAN JUAN WATER DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET POSITION
 BUDGET TO ACTUAL - WHOLESALE OPERATING

For the year ended June 30, 2018

	Actual	Final Budget	Variance with Final Budget
OPERATING REVENUE			
Wholesale revenue by entity			
San Juan Water District - retail	\$ 2,785,683	\$ 2,849,955	\$ (64,272)
Citrus Heights Water District	2,841,659	2,833,130	8,529
Fair Oaks Water District	1,912,584	2,092,580	(179,996)
Orange Vale Water Company	950,017	974,375	(24,358)
City of Folsom	274,445	267,755	6,690
Granite Bay Golf Course	12,402	24,340	(11,938)
Sacramento Suburban Water District	1,715,682	1,342,965	372,717
Other revenue	421,966	1,100	420,866
TOTAL OPERATING REVENUES	10,914,438	10,386,200	528,238
OPERATING EXPENSES			
Source of supply			
Water charged to retail service area			
Placer County Water Agency	380,125	500,300	(120,175)
Wheeling	71,073	140,000	(68,927)
Bureau pumping	92,266	119,700	(27,434)
Other public agencies	540,369	540,600	(231)
Administration and general	1,711,529	1,976,300	(264,771)
Water treatment	2,536,337	2,763,800	(227,463)
Engineering	324,874	333,300	(8,426)
Conservation	15,556	56,000	(40,444)
Depreciation	2,262,463	-	2,262,463
Retirement benefits (OPEB)	156,621	260,000	(103,379)
Pension expense	509,101	1,441,900	(932,799)
TOTAL OPERATING EXPENSES	8,600,314	8,131,900	468,414
NET INCOME (LOSS) FROM OPERATIONS	2,314,124	2,254,300	59,824
NON-OPERATING REVENUES (EXPENSES)			
Investment income	27,767	40,000	(12,233)
Other revenue	117,310	109,400	7,910
Interest expense	(917,950)	(939,800)	21,850
Other expenses	(7,377)	(2,800)	(4,577)
Capital outlay offsets	317,697	-	317,697
TOTAL NON-OPERATING REVENUES (EXPENSES)	(462,553)	(793,200)	330,647
INCOME (LOSS) BEFORE TRANSFERS	1,851,571	1,461,100	390,471
TRANSFERS			
Transfers out	(1,633,841)	(169,300)	(1,464,541)
TOTAL TRANSFERS	(1,633,841)	(169,300)	(1,464,541)
CHANGE IN NET POSITION	217,730	1,291,800	(1,074,070)
Net position at beginning of year, as previously reported	35,794,674	35,794,674	
Restatement for change in accounting principle	(1,591,552)	(1,591,552)	
Net position at beginning of year, as restated	34,203,122	34,203,122	-
NET POSITION AT END OF YEAR	\$ 34,420,852	\$ 35,494,922	\$ (1,074,070)

SAN JUAN WATER DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET POSITION
 BUDGET TO ACTUAL - WHOLESALE CAPITAL

For the year ended June 30, 2018

	Actual	Final Budget	Variance with Final Budget
OPERATING EXPENSES			
Water treatment	\$ 245,132	\$ 2,253,500	\$ (2,008,368)
TOTAL OPERATING EXPENSES	<u>245,132</u>	<u>2,253,500</u>	<u>(2,008,368)</u>
NET INCOME (LOSS) FROM OPERATIONS	(245,132)	(2,253,500)	2,008,368
NON-OPERATING REVENUES (EXPENSES)			
Tax assessments	1,061,598	1,090,000	(28,402)
Investment income	34,613	60,000	(25,387)
Connections and annexations	152,351	35,000	117,351
Other revenue	34,885	-	34,885
Capital outlay	(317,697)	(1,018,600)	700,903
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>965,750</u>	<u>166,400</u>	<u>799,350</u>
Capital contributions	<u>950,048</u>	<u>2,172,400</u>	<u>(1,222,352)</u>
INCOME (LOSS) BEFORE TRANSFERS	1,670,666	85,300	1,585,366
TRANSFERS			
Transfers in	1,633,841	169,300	1,464,541
TOTAL TRANSFERS	<u>1,633,841</u>	<u>169,300</u>	<u>1,464,541</u>
CHANGE IN NET POSITION	3,304,507	254,600	3,049,907
Net position at beginning of year	<u>6,708,354</u>	<u>6,708,354</u>	-
NET POSITION AT END OF YEAR	<u>\$ 10,012,861</u>	<u>\$ 6,962,954</u>	<u>\$ 3,049,907</u>

SAN JUAN WATER DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET POSITION
 BUDGET TO ACTUAL - RETAIL OPERATING

For the year ended June 30, 2018

	Actual	Final Budget	Variance with Final Budget
OPERATING REVENUE			
Water sales - retail	\$ 10,922,285	\$ 10,716,800	\$ 205,485
Other revenue	310,718	427,100	(116,382)
TOTAL OPERATING REVENUES	<u>11,233,003</u>	<u>11,143,900</u>	<u>89,103</u>
OPERATING EXPENSES			
Source of supply			
Water charged to retail service area	3,336,366	3,080,600	255,766
Administration and general	1,007,628	1,265,800	(258,172)
Transmission and distribution	3,089,091	3,166,400	(77,309)
Customer service	648,714	633,600	15,114
Engineering	337,938	443,700	(105,762)
Conservation	353,775	422,400	(68,625)
Depreciation	1,390,163	-	1,390,163
Retirement benefits (OPEB)	207,615	330,000	(122,385)
Pension expense	730,620	1,964,600	(1,233,980)
TOTAL OPERATING EXPENSES	<u>11,101,910</u>	<u>11,307,100</u>	<u>(205,190)</u>
NET INCOME (LOSS) FROM OPERATIONS	131,093	(163,200)	294,293
NON-OPERATING REVENUES (EXPENSES)			
Investment income	9,109	25,000	(15,891)
Other revenue	101,047	87,300	13,747
Interest expense	(510,956)	(522,300)	11,344
Other expenses	(1,735)	(3,400)	1,665
Capital outlay offsets	1,258,121	-	1,258,121
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>855,586</u>	<u>(413,400)</u>	<u>1,268,986</u>
INCOME (LOSS) BEFORE TRANSFERS	986,679	(576,600)	1,563,279
TRANSFERS			
Transfers in	-	1,394,700	(1,394,700)
Transfers out	(422,628)	-	(422,628)
TOTAL TRANSFERS	<u>(422,628)</u>	<u>1,394,700</u>	<u>(1,817,328)</u>
CHANGE IN NET POSITION	564,051	818,100	(254,049)
Net position at beginning of year, as previously reported	14,736,130	14,736,130	
Restatement for change in accounting principle	(2,054,838)	(2,054,838)	
Net position at beginning of year, as restated	<u>12,681,292</u>	<u>12,681,292</u>	<u>-</u>
NET POSITION AT END OF YEAR	<u>\$ 13,245,343</u>	<u>\$ 13,499,392</u>	<u>\$ (254,049)</u>

SAN JUAN WATER DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
BUDGET TO ACTUAL - RETAIL CAPITAL

For the year ended June 30, 2018

	Actual	Final Budget	Variance with Final Budget
OPERATING REVENUE			
Other revenue	\$ 7,500	\$ -	\$ 7,500
TOTAL OPERATING REVENUES	7,500		7,500
OPERATING EXPENSES			
Transmission and distribution	44,399	221,000	(176,601)
TOTAL OPERATING EXPENSES	44,399	221,000	(176,601)
NET INCOME (LOSS) FROM OPERATIONS	(36,899)	(221,000)	184,101
NON-OPERATING REVENUES (EXPENSES)			
Tax assessments	1,061,598	1,090,000	(28,402)
Investment income	35,615	60,000	(24,385)
Connections and annexations	245,317	450,000	(204,683)
Other revenue	11,285	-	11,285
Capital outlay	(1,258,121)	(5,428,000)	4,169,879
TOTAL NON-OPERATING REVENUES (EXPENSES)	95,694	(3,828,000)	3,923,694
Capital contributions	(3,750)	-	(3,750)
INCOME (LOSS) BEFORE TRANSFERS	55,045	(4,049,000)	4,104,045
TRANSFERS			
Transfers in	422,628	-	422,628
Transfers out	-	(1,394,700)	1,394,700
TOTAL TRANSFERS	422,628	(1,394,700)	1,817,328
CHANGE IN NET POSITION	477,673	(5,443,700)	5,921,373
Net position at beginning of year	6,444,253	6,444,253	-
NET POSITION AT END OF YEAR	\$ 6,921,926	\$ 1,000,553	\$ 5,921,373

SAN JUAN WATER DISTRICT

STATEMENT OF CASH FLOWS
WHOLESALE OPERATING

For the year ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 11,023,938
Cash paid to suppliers for goods and services	(3,136,737)
Cash paid to employees for services	<u>(4,269,408)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,617,793
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital recovery from wholesale capital	317,697
Acquisition and construction of capital assets	(317,697)
Proceeds from the sale of capital assets	3,285
Principal paid on capital debt	(906,167)
Interest paid on capital debt	(730,633)
Payments for miscellaneous expenses	(7,377)
Transfers to wholesale capital	<u>(1,633,841)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(3,274,733)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	<u>25,276</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>25,276</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	368,336
Cash and cash equivalents at beginning of year	<u>1,957,067</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 2,325,403</u></u>

(Continued)

SAN JUAN WATER DISTRICT

STATEMENT OF CASH FLOWS (Continued)
WHOLESALE OPERATING

For the year ended June 30, 2018

RECONCILIATION OF OPERATING INCOME TO NET CASH

PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating income (loss)	\$ 2,314,124
Nonoperating income received	122,984
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	2,262,463
(Increase) decrease in accounts receivable	(13,484)
(Increase) decrease in prepaid expenses	(890)
(Increase) decrease in deferred pension related outflows	(737,849)
(Increase) decrease in deferred other postemployment benefits related outflows	(73,803)
Increase (decrease) in accounts payable	(105,803)
Increase (decrease) in accrued liabilities	28,853
Increase (decrease) in compensated absences	51,398
Increase (decrease) in deferred pension related inflows	1,187,667
Increase (decrease) in other postemployment benefits liability	(56,396)
Increase (decrease) in net pension liability	<u>(1,361,471)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ 3,617,793

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

Gain/(loss) on investment in joint venture	\$ 5,473
Amortization of bond premiums	(131,558)
Amortization of deferred charge on refunding	68,852

The notes to the financial statements are an integral part of this statement.

SAN JUAN WATER DISTRICT

STATEMENT OF CASH FLOWS
RETAIL OPERATING

For the year ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 10,840,024
Cash paid to suppliers for goods and services	(5,296,965)
Cash paid to employees for services	(5,787,930)
NET CASH USED BY OPERATING ACTIVITIES	<u>(244,871)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital recovery from retail capital	1,258,121
Acquisition and construction of capital assets	(1,264,886)
Proceeds from the sale of capital assets	9,227
Principal paid on capital debt	(503,833)
Interest paid on capital debt	(404,552)
Payments for miscellaneous expenses	5,031
Transfers to retail capital	(422,628)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,323,520)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	8,691
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>8,691</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,559,700)
Cash and cash equivalents at beginning of year	<u>2,394,894</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 835,194</u>

(Continued)

SAN JUAN WATER DISTRICT

STATEMENT OF CASH FLOWS (Continued)
RETAIL OPERATING

For the year ended June 30, 2018

RECONCILIATION OF OPERATING INCOME TO NET CASH

PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating income (loss)	\$ 131,093
Nonoperating income received	91,820
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	1,390,163
(Increase) decrease in accounts receivable	(577,062)
(Increase) decrease in prepaid expenses	
(Increase) decrease in inventories	(29,824)
(Increase) decrease in deferred pension related outflows	(978,079)
(Increase) decrease in deferred other postemployment benefits related outflows	(55,529)
Increase (decrease) in accounts payable	(53,835)
Increase (decrease) in accrued liabilities	38,111
Increase (decrease) in unearned revenues	84,529
Increase (decrease) in deposits payable	7,734
Increase (decrease) in compensated absences	52,099
Increase (decrease) in deferred pension related inflows	1,574,349
Increase (decrease) in other postemployment benefits liability	(115,699)
Increase (decrease) in net pension liability	<u>(1,804,741)</u>

NET CASH USED BY OPERATING ACTIVITIES \$ (244,871)

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

Amortization of bond premiums	\$ (72,745)
Amortization of deferred charge on refunding	38,401

The notes to the financial statements are an integral part of this statement.

SAN JUAN WATER DISTRICT

CAPITAL ASSET ROLLFORWARD
WHOLESALE

For the year ended June 30, 2018

	Balance at June 30, 2017	Transfers	Additions	Disposals	Balance at June 30, 2018
CAPITAL ASSETS, NOT BEING DEPRECIATED					
Land	\$ 98,212				\$ 98,212
Construction in progress	7,215,473	\$ (7,373,604)	\$ 277,851		119,720
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	7,313,685	(7,373,604)	277,851	-	217,932
CAPITAL ASSETS, BEING DEPRECIATED					
Pipelines	29,233,856	54,160			29,288,016
Water treatment plant	28,346,993	7,288,885	19,585	\$ (126,222)	35,529,241
Land improvements	814,105				814,105
Reservoirs	2,862,601	14,330			2,876,931
Pumping stations	7,047,178				7,047,178
Buildings	1,296,461				1,296,461
Vehicles and equipment	13,943,602	9,000	14,034	(27,006)	13,939,630
Intangibles	1,100,393	7,229	6,227		1,113,849
TOTAL CAPITAL ASSETS BEING DEPRECIATED	84,645,189	7,373,604	39,846	(153,228)	91,905,411
LESS ACCUMULATED DEPRECIATION					
Pipelines	(7,811,936)		(744,689)		(8,556,625)
Water treatment plant	(14,874,455)		(702,928)	124,388	(15,452,995)
Land improvements	(606,276)		(13,372)		(619,648)
Reservoirs	(2,778,969)		(3,544)		(2,782,513)
Pumping stations	(2,746,787)		(208,152)		(2,954,939)
Buildings	(1,128,776)		(17,150)		(1,145,926)
Vehicles and equipment	(3,089,809)		(507,166)	25,354	(3,571,621)
Intangibles	(473,346)		(65,462)		(538,808)
TOTAL ACCUMULATED DEPRECIATION	(33,510,354)	-	(2,262,463)	149,742	(35,623,075)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	51,134,835	7,373,604	(2,222,617)	(3,486)	56,282,336
CAPITAL ASSETS, NET	\$ 58,448,520	\$ -	\$ (1,944,766)	\$ (3,486)	\$ 56,500,268

SAN JUAN WATER DISTRICT

CAPITAL ASSET ROLLFORWARD
RETAIL

For the year ended June 30, 2018

	Balance at June 30, 2017	Transfers	Additions	Disposals	Balance at June 30, 2018
CAPITAL ASSETS, NOT BEING DEPRECIATED					
Land	\$ 166,272				\$ 166,272
Construction in progress	180,844	\$ (127,902)	\$ 1,154,331	\$ (6,767)	1,200,506
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	347,116	(127,902)	1,154,331	(6,767)	1,366,778
CAPITAL ASSETS, BEING DEPRECIATED					
Pipelines	42,354,005	42,233		(298,925)	42,097,313
Water treatment plant	16,000				16,000
Land improvements	75,885		8,086		83,971
Reservoirs	2,492,422				2,492,422
Pumping stations	5,527,475				5,527,475
Buildings	55,441				55,441
Vehicles and equipment	1,502,706		89,472	(29,484)	1,562,694
Intangibles	549,200	85,669	12,997	(244,666)	403,200
TOTAL CAPITAL ASSETS BEING DEPRECIATED	52,573,134	127,902	110,555	(573,075)	52,238,516
LESS ACCUMULATED DEPRECIATION					
Pipelines	(23,954,440)		(1,108,143)	298,925	(24,763,658)
Water treatment plant	(9,415)		(485)		(9,900)
Land improvements	(42,482)		(2,467)		(44,949)
Reservoirs	(1,118,312)		(32,532)		(1,150,844)
Pumping stations	(224,570)		(139,472)		(364,042)
Buildings	(14,447)		(2,636)		(17,083)
Vehicles and equipment	(900,744)		(87,799)	29,484	(959,059)
Intangibles	(485,850)		(16,629)	244,666	(257,813)
TOTAL ACCUMULATED DEPRECIATION	(26,750,260)	-	(1,390,163)	573,075	(27,567,348)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	25,822,874	127,902	(1,279,608)	-	24,671,168
CAPITAL ASSETS, NET	\$ 26,169,990	\$ -	\$ (125,277)	\$ (6,767)	\$ 26,037,946

STATISTICAL SECTION

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STATISTICAL SECTION

This part of the San Juan Water District’s comprehensive annual financial report presents all detailed information as context for understanding the information in the financial statements, note disclosures, and required supplementary information of the District’s overall financial health.

Financial Trends 56-57

These schedules contain trend information to help the reader understand how the District’s financial performance changed over time.

Revenue Capacity..... 58-63

These schedules contain information to help the reader assess the District’s most significant local revenue sources: wholesale water rates, retail water rates and property taxes.

Debt Capacity 64-67

These schedules present information to help the reader assess the affordability of the District’s current levels of outstanding debt and the District’s ability to issue additional debt in the future.

Demographic and Economic Information 68-69

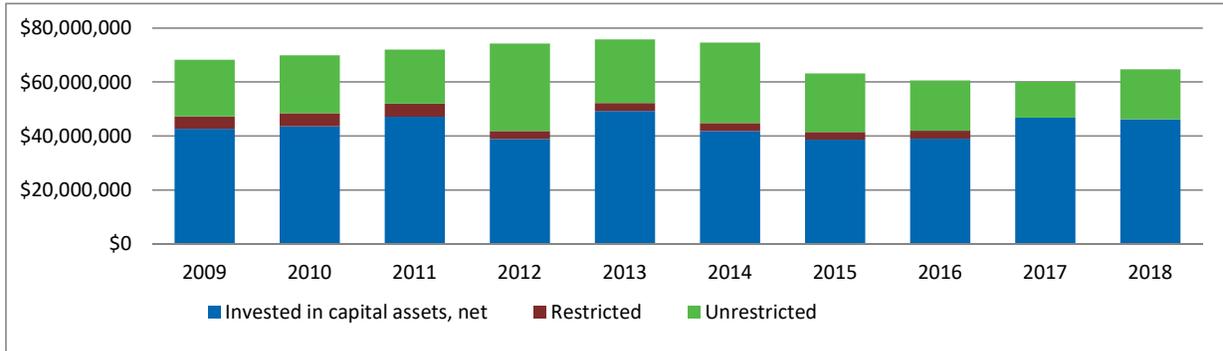
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District’s financial activities take place and to help make comparisons over time and with other governments.

Operating Information 70-74

These schedules contain service and infrastructure data to help the reader understand how the District’s financial report relates to the services the District provides and the activities it performs. Government Code Section 66013(d) and (e) Report is included in this section.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

San Juan Water District
Table 1: Net Position by Component
 (Accrual Basis of Accounting)



	2009	2010	2011	2012 ¹	2013 ¹	2014 ²	2015 ³	2016 ⁴	2017 ⁵	2018
Net Position:										
Invested in capital assets, net	\$42,545,198	\$43,492,739	\$47,026,193	\$38,861,678	\$49,186,800	\$41,785,998	\$38,531,907	\$38,997,463	\$46,693,664	\$46,120,417
Restricted	4,704,111	4,931,780	4,835,676	2,911,170	2,911,170	2,911,170	2,911,577	2,912,921	-	-
Unrestricted	20,886,799	21,465,447	20,112,276	32,444,787	23,665,458	29,880,325	21,709,884	18,554,154	13,343,357	18,480,565
Total net position	\$68,136,108	\$69,889,966	\$71,974,145	\$74,217,635	\$75,763,428	\$74,577,493	\$63,153,368	\$60,464,538	\$60,037,021	\$64,600,982

Notes:

¹ Restated to reflect implementation of GASB Statements 63 and 65, and other prior-year adjustments.

² Restated to reflect implementation of GASB Statement 68 and capital asset prior year adjustments.

³ Restated to reflect capital asset and compensated absences prior year adjustments.

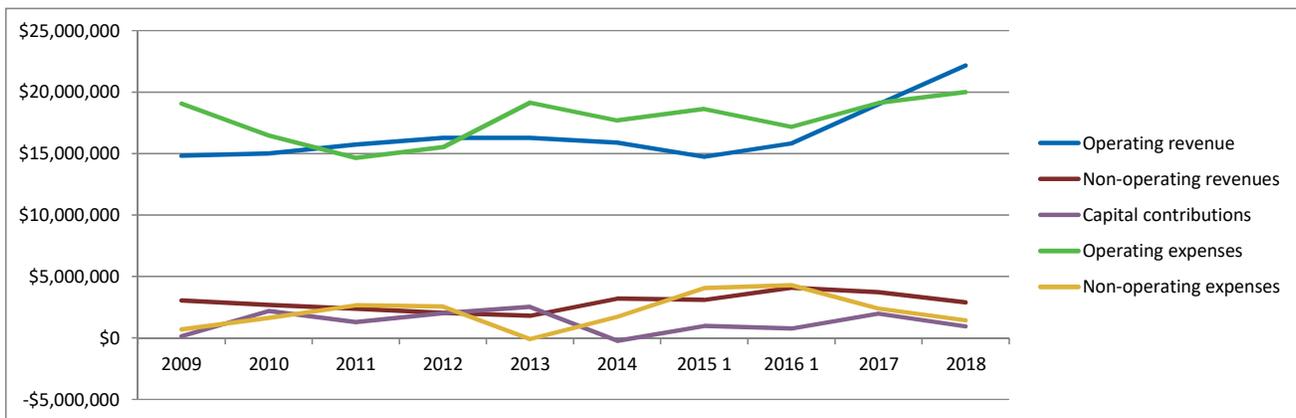
⁴ Restated capital asset prior year adjustment.

⁵ Restated to reflect the implementation of GASB Statement No. 75 for Postemployment Benefits Other Than Pensions (OPEB) during Fiscal Year 2017-2018. See Financial Notes for additional information.

Source: San Juan Water District Finance & Administrative Services Department

San Juan Water District
Table 2: Changes in Net Position
 (Accrual Basis of Accounting)

	2009	2010	2011	2012	2013	2014	2015 ¹	2016 ¹	2017	2018
Operating Revenues										
Wholesale revenue	\$ 7,111,207	\$ 7,554,791	\$ 7,764,982	\$ 7,364,002	\$ 7,013,144	\$ 6,614,718	\$ 6,220,759	\$ 7,067,960	\$ 9,477,539	\$ 10,492,472
Retail revenue	7,542,865	7,299,989	7,834,917	8,090,259	8,544,267	8,481,583	7,846,437	8,255,437	9,114,487	10,922,285
Other revenue	147,769	144,086	123,714	803,986	700,236	766,591	666,965	499,150	421,579	740,184
Total operating revenue	14,801,841	14,998,866	15,723,613	16,258,247	16,257,647	15,862,892	14,734,161	15,822,547	19,013,605	22,154,941
Operating Expenses	19,062,904	16,465,647	14,640,270	15,522,579	19,124,440	17,673,564	18,617,237	17,174,304	19,111,183	19,991,755
Net loss from operations	(4,261,063)	(1,466,781)	1,083,343	735,668	(2,866,793)	(1,810,672)	(3,883,076)	(1,351,757)	(97,578)	2,163,186
Non-operating revenues	3,036,346	2,665,689	2,367,655	2,033,319	1,796,677	3,187,986	3,091,137	4,084,136	3,715,929	2,892,495
Non-operating expenses	690,024	1,617,298	2,650,494	2,534,731	(93,601)	1,725,227	4,035,641	4,299,268	2,387,144	1,438,018
Net income before capital contributions	(1,914,741)	(418,390)	800,504	234,256	(976,515)	(347,912)	(4,827,580)	(1,566,889)	1,231,207	3,617,663
Capital contributions	131,801	2,172,250	1,283,677	2,009,234	2,522,308	(225,068)	959,849	762,439	1,987,666	946,298
Change in net position	\$ (1,782,940)	\$ 1,753,860	\$ 2,084,181	\$ 2,243,490	\$ 1,545,793	\$ (572,980)	\$ (3,867,731)	\$ (804,450)	\$ 3,218,873	\$ 4,563,961



Note:
¹ Restated to reflect prior year adjustments.

Source: San Juan Water District Finance & Administrative Services Department

San Juan Water District
Table 3: Wholesale Water Rates and Connection Fees
 Last Ten Years Effective January 1

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Uniform Commodity Rate (UCR) ¹:										
San Juan Water District Retail	\$ 115.19	\$ 127.86	\$ 90.60	\$ 90.60	\$ 90.60	\$ 93.32	\$ 89.17	\$ 102.02	\$ 81.14	\$ 81.14
Citrus Heights Water District	77.71	86.25	90.60	90.60	90.60	93.32	89.17	102.02	81.14	81.14
Fair Oaks Water Company	77.71	86.25	90.60	90.60	90.60	93.32	89.17	102.02	81.14	81.14
Orange Vale Water Company	77.71	86.25	90.60	90.60	90.60	93.32	89.17	102.02	81.14	81.14
City of Folsom	146.28	162.37	90.60	90.60	90.60	93.32	89.17	102.02	81.14	81.14
Annual Service Charge:										
San Juan Water District Retail	\$ 266,271	\$ 295,561	\$ 311,080	\$ 311,080	\$ 311,080	\$ 320,412	\$ 440,965	\$ 505,258	\$ 1,114,644	\$ 1,359,660
Citrus Heights Water District	333,024	369,657	367,450	367,450	367,450	378,474	462,858	530,343	1,142,268	1,393,352
Fair Oaks Water Company	228,915	254,095	208,340	208,340	208,340	214,590	356,683	408,687	855,824	1,043,948
Orange Vale Water Company	74,911	83,151	80,300	80,300	80,300	82,709	156,402	179,205	394,248	480,908
City of Folsom	26,360	32,771	35,160	35,160	35,160	36,215	44,925	51,475	113,664	138,652
Annual Debt Service Charge ²:										
San Juan Water District Retail	\$ 618,403	\$ 563,089	\$ 563,594	\$ 585,863	\$ 570,181	\$ 613,611	\$ 447,679	\$ 613,811	\$ 613,752	\$ 613,804
Citrus Heights Water District	738,294	621,614	627,938	621,477	648,443	672,537	673,415	672,833	672,804	672,752
Fair Oaks Water Company	444,071	415,185	385,416	434,744	405,722	443,222	443,957	443,513	443,452	443,404
Orange Vale Water Company	143,636	173,021	166,458	179,008	180,570	191,913	192,041	191,922	191,952	191,952
City of Folsom	48,972	50,104	59,659	51,581	53,653	56,430	142,591	142,283	142,156	141,952
Capital Facilities Charge (implemented in 2015) ³:										
San Juan Water District Retail							\$ 458,635	\$ 493,158	\$ 426,660	\$ 34,524
Citrus Heights Water District							-	-	-	-
Fair Oaks Water Company							-	-	-	-
Orange Vale Water Company							210,270	219,447	219,448	9,176
City of Folsom							71,595	71,595	71,596	-
Connection Fees:										
Up to 1" Meter	\$ 319	\$ 337	\$ 344	\$ 354	\$ 364	\$ 372	\$ 381	\$ 391	\$ 400	\$ 412
1" Meter	531	560	572	588	605	619	633	650	665	686
1 1/2" Meter	1,062	1,121	1,145	1,178	1,212	1,240	1,269	1,303	1,333	1,374
2" Meter	1,699	1,793	1,832	1,884	1,938	1,983	2,029	2,083	2,131	2,197
3" Meter	3,398	3,585	3,663	3,767	3,874	3,964	4,055	4,164	4,260	4,392
4" Meter	5,309	5,602	5,724	5,887	6,055	6,196	6,339	6,509	6,659	6,865
6" Meter	13,273	14,004	14,309	14,717	15,136	15,489	15,845	16,270	16,644	17,160
8" Meter	19,113	20,166	20,606	21,193	21,797	22,305	22,818	23,430	23,969	24,712
10" Meter	30,793	32,490	33,199	34,145	35,118	35,936	36,763	37,748	38,616	39,813
12" Meter	45,659	48,175	49,226	50,629	52,072	53,285	54,511	55,972	57,259	59,034

Notes:

¹ Effective 2011, the UCR for SJWD Retail and Folsom no longer include pumping costs. SJWD Retail are now direct costs in the budget and Folsom pays a pumping surcharge to SJWD Retail.

² 2012 Annual Debt Service Charges were revised during the calendar year.

³ The Capital Facilities Charge was implemented in 2015.

Source: San Juan Water District Finance & Administrative Services Department

San Juan Water District
Table 4: Retail Water Rates and Connection Fees
 Last Ten Years Effective January 1 ¹

	2009	2010	2011	2012	2013	2014	2015 ²	2016	2017	2018
Commodity Rate per 100 CCF:										
Uniform Rate	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.80	\$ 0.92	\$ 0.92	\$ 0.92
Residential										
0 to 20 ccf	0.40	0.43	0.44	0.44	0.45	0.46	-	-	-	-
21 to 200 ccf	0.68	0.73	0.74	0.74	0.75	0.77	-	-	-	-
201+ ccf	0.48	0.51	0.52	0.52	0.53	0.54	-	-	-	-
Commercial	0.53	0.62	0.63	0.63	0.64	0.66	-	-	-	-
Daily Base Charge (fixed based on meter size):										
Up to 1"	\$ 1.06	\$ 1.13	\$ 1.15	\$ 1.15	\$ 1.17	\$ 1.20	\$ 1.08	\$ 1.24	\$ 1.42	\$ 1.63
1 1/2"	2.81	3.01	3.07	3.07	3.13	3.19	2.88	3.31	3.68	4.22
2"	4.49	4.80	4.90	4.90	5.00	5.10	4.59	5.28	5.58	6.72
3"	8.93	9.56	9.75	9.75	9.95	10.14	9.13	10.50	10.90	12.51
4"	13.92	14.89	15.19	15.19	15.49	15.80	14.23	16.36	18.12	20.80
6"	27.81	29.76	30.36	30.36	30.97	31.59	28.46	32.73	36.18	41.54
8"	50.01	53.51	54.58	54.58	55.67	56.79	51.16	58.83	57.85	66.42
10"	80.54	86.18	87.90	87.90	89.66	91.45	82.39	94.75	N/A	N/A
12"	119.41	127.77	130.32	130.32	132.93	135.60	122.16	140.48	N/A	N/A
Fire District	5.41	5.79	5.90	5.90	6.02	6.15	5.53	6.36	7.28	8.36
Daily Base Charge for Private Fire Lines (fixed based on meter size):										
4"	\$ 0.40	\$ 0.43	\$ 0.44	\$ 0.44	\$ 0.45	\$ 0.46	\$ 0.47	\$ 0.53	\$ 0.57	\$ 0.62
6"	0.60	0.64	0.65	0.65	0.66	0.68	0.70	0.78	0.84	0.92
8"	0.80	0.86	0.88	0.88	0.90	0.92	0.95	1.05	1.14	1.24
10"	0.97	1.04	1.05	1.05	1.07	1.09	1.12	1.26	1.36	1.48
Connection Fees (in addition, new connections also pay a Wholesale Connection fee listed in Wholesale Rates):										
Up to 1" Meter	\$ 12,164	\$ 12,834	\$ 13,114	\$ 13,488	\$ 13,872	\$ 14,195	\$ 14,521	\$ 14,910	\$ 15,253	\$ 15,726
1 1/2" Meter	24,327	25,667	26,227	26,974	27,743	28,389	29,042	29,820	30,506	31,452
2" Meter	38,923	41,068	41,963	43,159	44,389	45,423	46,468	47,713	48,810	50,323
3" Meter	77,846	82,135	83,926	86,318	88,778	90,847	92,936	95,427	97,622	100,648
4" Meter	120,806	127,462	130,241	133,953	137,771	140,981	144,224	148,089	151,495	156,191
6" Meter	243,270	256,674	262,269	269,744	277,432	283,896	290,426	298,209	305,068	314,525
8" Meter	437,895	462,023	472,095	485,550	499,388	511,024	522,778	536,788	549,134	566,157
10" Meter	705,498	744,371	760,598	782,275	804,570	823,316	842,252	864,824	884,715	912,141
12" Meter	1,046,082	1,103,721	1,127,782	1,159,924	1,192,982	1,220,778	1,248,856	1,282,325	1,311,819	1,352,485

Notes:

¹ The 2015 rates were amended February 1, 2015.

² Beginning February 1, 2015 the tiered rate structure was replaced with a uniform rate.

³ A 10% drought surcharge on the volumetric rate was implemented on June 1, 2015 and removed April 1, 2016.

Source: San Juan Water District Finance & Administrative Services Department
 San Juan Water District Customer Service Department

San Juan Water District
Table 5: Retail Metered Water Sales by Type
 Last Ten Fiscal Years

Fiscal Year	Residential	Commercial	Total Water Sales	Total Water Deliveries (CCF)
2009	\$ 6,580,530	\$ 946,169	\$ 7,526,699	5,821,462
2010	\$ 6,372,458	\$ 919,104	\$ 7,291,562	5,078,489
2011	\$ 6,821,008	\$ 1,000,370	\$ 7,821,378	5,038,636
2012	\$ 7,058,136	\$ 1,025,042	\$ 8,083,178	5,229,292
2013	\$ 7,432,485	\$ 1,110,112	\$ 8,542,597	5,823,065
2014	\$ 7,388,798	\$ 1,119,919	\$ 8,508,716	5,430,370
2015	\$ 6,661,233	\$ 1,185,368	\$ 7,846,601	4,414,012
2016	\$ 7,196,801	\$ 1,058,636	\$ 8,255,437	4,717,454
2017	\$ 7,952,605	\$ 1,161,882	\$ 9,114,487	4,663,318
2018	\$ 9,533,095	\$ 1,389,190	\$ 10,922,285	4,990,170

Note: Starting in FY 2015 Total Water Deliveries are reported from August through July to match accrual adjustments at fiscal year end.

Sources: *San Juan Water District Customer Service Department (revenue)*
San Juan Water District Water Treatment Department (water deliveries)

San Juan Water District
Table 6: Ten Largest Retail Customers
 Current Year and Ten Years Ago

Customers	Fiscal Year					
	2018			2008 ²		
	Total Revenue	Rank	% of Revenue ¹	Total Revenue	Rank	% of Revenue
Roseville Joint Union High School	\$ 29,740	1	0.27%	\$ 18,424	1	0.27%
Eureka Union School District/Cavitt Jr. High	23,862	2	0.22%	8,861	7	0.13%
Placer County Dept. of Facility Svcs - R.L. Feist Park	16,312	3	0.15%			
Placer County Dept. of Facility Svcs - Granite Bay Park	15,671	4	0.14%			
Eureka Union School District/Ridgeview Elementary	15,341	5	0.14%			
Granite Bay Business Park	14,549	6	0.13%	10,581	4	0.16%
West Silverwood Owners Association	14,372	7	0.13%			
Bushnells Landscape Creations	14,256	8	0.13%	11,407	3	0.17%
City of Folsom	13,452	9	0.12%			
Granite Bay Estates MHC LLC	12,733	10	0.12%			
Rolling Greens Estates LLC				14,732	2	0.22%
Bayside Covenant Church				10,228	5	0.15%
Sierra Valley Real Estate				9,569	6	0.14%
Otow Revocable Living Trust				8,728	8	0.13%
San Juan Unified School District - Lake Natoma				8,715	9	0.13%
Maison Chapeaux				7,624	10	0.11%
Total	\$ 170,286		1.56%	\$ 108,869		1.61%
Total Customer Revenue	\$ 10,922,285			\$ 6,747,808		

Note:

¹ "% of Revenue" is expressed as a percentage of the District's total commercial and residential customer retail revenue.

² 2009 Data is not available.

Source: San Juan Water District Customer Service Department

San Juan Water District
Table 7: Principal Property Taxpayers
 Current Year and Nine Years Ago

Taxpayer	Primary Land Use	2018		2009	
		Taxable Assessed Value	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
Birdcage CRF2 LLC	Shopping Center	\$ 77,937,995	0.41%	\$ -	
Montage Apartments Prop Owner LLC	Apartments	75,480,000	0.40%		
Sunrise Mall Property LLC	Commercial	56,319,387	0.30%		
Rollingwood Commons Apartments LLC	Apartments	45,709,752	0.24%	41,132,421	0.34%
The Realty Associates Fund VIII LP	Shopping Center	44,846,817	0.24%	53,091,000	0.44%
Mitchell/Sippola LP	Shopping Center	43,155,222	0.23%		
Wal Mart Real Estate Business Trust	Commercial	32,322,497	0.17%	27,073,102	0.22%
Fairfield Sunrise LLC	Apartments	27,959,983	0.15%		
Sacto Fair Oaks Blvd. Apartments LP	Apartments	27,708,048	0.15%	32,278,852	0.27%
MGP XI US Properties LLC	Shopping Center	27,400,000	0.14%		
PWRP Orangevale LP	Shopping Center	27,237,563	0.14%		
Fair Oaks Fountains LLC	Apartments	25,513,439	0.13%	22,888,800	0.19%
Marshall Field Stores Inc	Commercial	24,927,953	0.13%	23,555,522	0.19%
Wedgewood Commons Apartments LLC	Apartments	24,742,702	0.13%		
SW Spring Creek LP	Apartments	23,164,151	0.12%		
Costco Wholesale Corporation	Commercial	22,890,503	0.12%	21,366,938	0.18%
Madison & Sunrise Associates LLC	Commercial	22,114,698	0.12%	20,792,772	0.17%
Lowes HIW Inc.	Commercial	22,056,968	0.12%	25,835,588	0.21%
Canyon Terrace Folsom LLC	Apartments	21,275,394	0.11%		
Salishan Apartments LP	Apartments	21,147,204	0.11%		
Steadfast Sunrise I LLC	Commercial			114,174,050	0.94%
VIF & Lyon Oak Creek LLC	Apartments			62,002,929	0.51%
MP Birdcage Marketplace LLC	Shopping Center			57,216,905	0.47%
Grove at Sunrise LLC	Apartments			28,390,066	0.23%
PK I Cable Park LP	Commercial			27,646,400	0.23%
Sacto Winding Way Apartments LLC	Apartments			23,960,010	0.20%
Woo Family Investment Properties	Commercial			22,732,521	0.19%
Sears Roebuck & Company	Commercial			22,571,754	0.19%
Ronald P & Maureen A Ashley	Miscellaneous			21,529,565	0.18%
1158 Page State LLC	Apartments			19,500,000	0.16%
Demmon Family Partnership	Apartments			19,154,814	0.16%
Total		\$ 693,910,276	3.67%	\$ 686,894,009	4.73%

2017-2018 Total Secured Assessed Valuation:

\$18,906,931,137

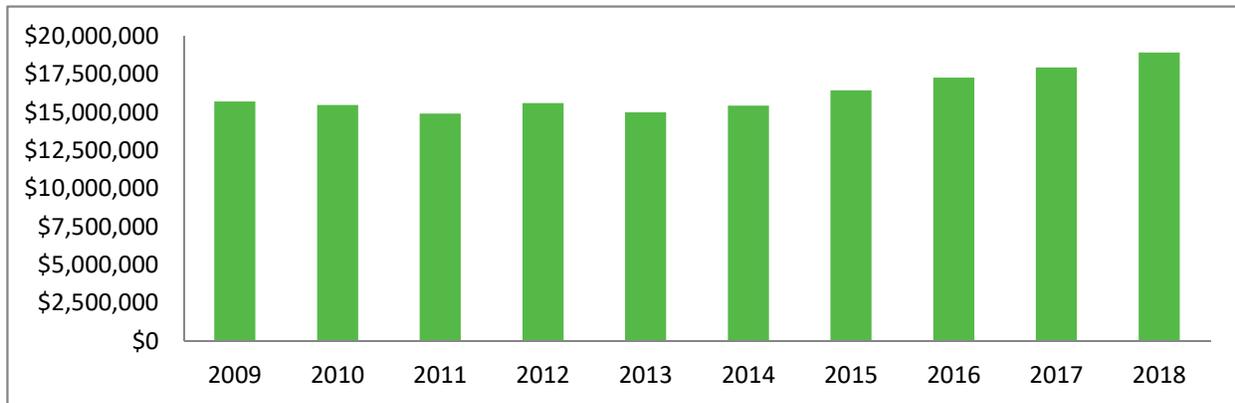
2008-2009 Total Secured Assessed Valuation:

\$14,522,072,072

Source: California Municipal Statistics, Inc

San Juan Water District
Table 8: Assessed Actual Value of Taxable Property
 (Accrual Basis of Accounting)
 Last Ten Fiscal Years
 (in thousands of dollars)

Fiscal Year	Secured Assessed Value	Unsecured Assessed Value	Total Assessed Value	Total Property Tax Revenue	Total Direct Tax Rate
2009	15,701,866	74,471	15,776,337	1,822	0.012%
2010	15,454,819	67,677	15,522,496	1,687	0.011%
2011	14,900,077	63,928	14,964,005	1,565	0.010%
2012	15,579,095	32,499	15,611,594	1,561	0.010%
2013	14,980,101	242,107	15,222,208	1,606	0.011%
2014	15,425,919	232,223	15,658,142	1,678	0.011%
2015	16,414,070	223,352	16,637,422	1,798	0.011%
2016	17,262,244	216,199	17,478,443	1,908	0.011%
2017	17,928,033	216,351	18,144,384	2,037	0.011%
2018	18,906,931	211,559	19,118,490	2,123	0.011%



Note: In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Sources: *County of Sacramento and County of Placer (Fiscal Years 2007-08 through 2014-15)*
California Municipal Statistics, Inc (Fiscal Year 2015-16 and 2016-17)

San Juan Water District
Table 9: Ratios of Outstanding Debt by Type
 Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Revenue Bonds	Certificates of Participation	Economic Development Admin Loan	California Energy Commission Loan	Unamortized Premiums	Total Debt	Percentage of Personal Income	Debt Per Capita
2009	-	-	49,345,000	193,826	16,787	759,105	50,314,718	96.10%	256.59
2010	-	-	47,980,000	173,430	11,513	720,159	48,885,102	91.18%	271.58
2011	-	-	46,985,000	152,013	5,924	669,717	47,812,654	62.97%	264.82
2012	-	13,625,000	30,085,000	129,527	-	1,818,156	45,657,683	74.35%	253.65
2013	-	12,145,000	30,075,000	105,916	-	1,686,792	44,012,708	68.90%	242.18
2014	-	11,895,000	29,670,000	81,190	-	1,560,211	43,206,401	65.97%	228.53
2015	-	11,475,000	29,255,000	55,159	-	1,435,162	42,220,321	48.24%	269.15
2016	-	11,035,000	28,825,000	27,826	-	1,312,829	41,200,655	45.52%	269.97
2017	-	36,710,000	-	-	-	3,217,870	39,927,870	41.58%	259.78
2018	-	35,300,000	-	-	-	3,013,568	38,313,568	N/A	247.53

Note: Details regarding the District's debt can be found in the notes to the financial statements.

Source: San Juan Water District Finance & Administrative Services Department

San Juan Water District
Table 10: Computation of Direct and Overlapping Bonded Debt
June 30, 2018

2017-18 Assessed Valuation: \$ 19,118,489,783

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT	Total Debt 6/30/2018	Percent Applicable ¹	District's Share of Debt 6/30/2018
Los Rios Community College District	\$ 413,020,000	7.653%	\$ 31,608,421
Folsom-Cordova Unified School District School Facilities Improvement District No. 2	20,316,422	10.604%	2,154,353
Folsom-Cordova Unified School District School Facilities Improvement District No. 5	183,370,000	10.658%	19,543,575
San Juan Unified School District	441,659,706	37.130%	163,988,249
Placer Union High School District	24,411,873	4.384%	1,070,217
Roseville Joint Union High School District	111,408,296	16.141%	17,982,413
Eureka Union School District	1,481,206	73.330%	1,086,168
Loomis Union School District	4,165,000	16.485%	686,600
Roseville City School District	15,563,924	63.000%	98,053
City of Folsom Assessment District No. 90-1	485,000	100.000%	485,000
California Statewide Community Development Authority Obligations	1,501,968	100.000%	1,501,968
San Juan Water District	38,313,568	100.000%	38,313,568
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT	\$ 1,255,696,963		\$ 278,518,585
OVERLAPPING GENERAL FUND DEBT			
Sacramento County General Fund Obligations	\$ 213,680,900	9.310%	\$ 19,885,145
Sacramento County Pension Obligation Bonds	925,700,052	9.306%	86,145,647
Sacramento County Board of Education Certificates of Participation	4,840,000	9.306%	450,410
Placer County General Fund Obligations	28,395,000	7.145%	2,028,823
Placer County Office of Education Certificates of Participation	1,110,000	7.145%	79,310
Los Rios Community College District Certificates of Participation	440,000	7.653%	33,673
Sierra Joint Community College District Certificates of Participation	4,770,000	5.406%	257,866
Folsom-Cordova Unified School District Certificates of Participation	9,450,000	6.735%	636,458
San Juan Unified School District Certificates of Participation	251,352	37.130%	93,327
Eureka Union School District Certificates of Participation	3,380,000	73.330%	2,478,554
Other School District Certificates of Participation	10,560,000	Various	387,764
City of Folsom Certificates of Participation	2,221,445	12.101%	268,817
City of Roseville Certificates of Participation	24,044,438	2.425%	583,078
Sacramento Metropolitan Fire District Certificates of Participation	9,090,000	19.890%	1,808,001
Sacramento Metropolitan Fire District Pension Obligation Bonds	49,423,975	19.890%	9,830,429
South Placer Fire Protection District Certificates of Participation	5,145,000	79.369%	4,083,535
Sunrise Recreation and Park District Certificates of Participation	5,875,000	37.898%	2,226,508
Placer Mosquito and Vector Control District Certificates of Participation	3,270,000	7.145%	233,642
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT	\$ 1,301,647,162		\$ 131,510,987
Less: Sacramento County supported obligations			1,674,233
City of Roseville supported obligations			67,275
TOTAL NET OVERLAPPING GENERAL FUND DEBT			\$ 129,769,479
TOTAL DIRECT DEBT			\$ 38,313,568
TOTAL GROSS OVERLAPPING DEBT			\$ 371,716,004
TOTAL NET OVERLAPPING DEBT			\$ 369,974,496
GROSS COMBINED TOTAL DEBT ²			\$ 410,029,572
NET COMBINED TOTAL DEBT			\$ 408,288,064
RATIOS TO 2017-18 ASSESSED VALUATION			
Direct Debt		0.20%	
Total Direct and Overlapping Tax and Assessment Debt		1.26%	
Gross Combined Total Debt		1.94%	
Net Combined Total Debt		1.94%	

Notes:

¹ The percentage of overlapping debt applicable to the water district is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the water district divided by the overlapping district's total taxable assessed value.

² Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc
San Juan Water District Finance & Administrative Services Department

San Juan Water District
Table 11: Ratio of Annual Debt Service Expenses for All Debt to Total General Expenses
 Last Ten Fiscal Years

Fiscal Year	Principal	Interest²	Total Debt Service	Total General Expenses¹	Ratio of Debt Service to Total General Expenses
2008	918,191	863,197	1,781,388	14,738,945	12.09%
2009	954,401	826,187	1,780,588	18,906,512	9.42%
2010	1,390,670	1,810,145	3,200,815	15,715,490	20.37%
2011	1,024,924	2,465,408	3,490,332	14,143,017	24.68%
2012	1,053,410	2,448,654	3,502,064	15,838,223	22.11%
2013	1,516,616	2,117,353	3,633,969	16,544,003	21.97%
2014	679,726	2,265,829	2,945,555	17,641,917	16.70%
2015	861,031	2,246,935	3,107,966	15,709,068	20.67%
2016	897,333	2,214,358	3,111,691	19,367,331	16.07%
2017	927,826	2,150,429	3,078,255	19,440,126	15.83%
2018	1,410,000	1,525,956	2,935,956	20,000,867	14.68%

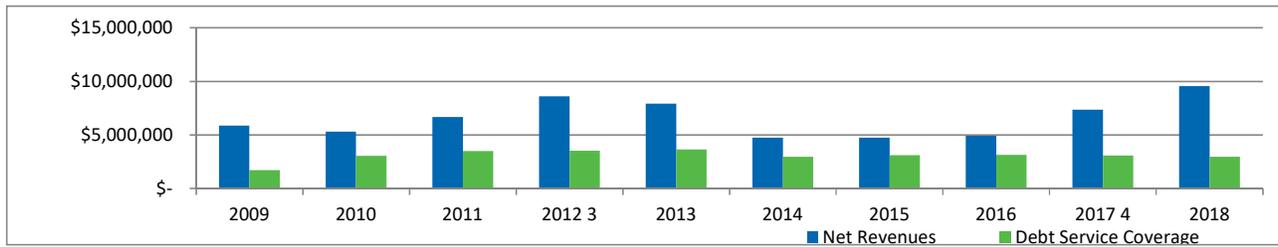
Notes:

¹ Total general expenses are total expenses excluding interest expense. Details regarding the District's outstanding debt can be found in the notes to the financial statements.

² Interest is based on Fiscal Year interest expense, excluding amortization expense.

Source: *San Juan Water District Finance & Administrative Services Department*

San Juan Water District
Table 12: Debt Service Coverage
 Last Ten Fiscal Years



	2009	2010	2011	2012 ³	2013	2014	2015	2016	2017 ⁴	2018
Revenues										
Retail Water Sales	\$ 7,542,865	\$ 7,299,989	\$ 7,834,917	\$ 8,090,259	\$ 8,544,267	\$ 8,481,583	\$ 7,846,437	\$ 8,255,437	\$ 9,114,487	\$ 10,922,285
Wholesale Water Sales	7,111,208	7,865,283	7,764,982	7,364,002	7,013,144	6,614,719	6,379,883	7,067,960	9,477,539	10,492,472
Capital Contributions ⁵				2,009,234	2,522,308	(225,068)	959,849	762,439	600,311	946,298
Connections/Annexations	45,699	163,266	163,541	176,362	34,741	1,134,335	1,020,687	657,865	399,703	397,668
Property Tax Revenue	1,822,166	1,687,204	1,597,524	1,561,130	1,606,175	1,677,842	1,799,464	1,908,134	2,036,972	2,123,196
Investment Income	847,510	468,099	271,233	187,780	52,954	271,721	147,684	217,332	123,079	107,104
Other	327,374	484,166	335,357	912,033	803,044	870,679	790,267	1,799,955	1,577,754	1,004,711
Total	\$ 17,696,822	\$ 17,968,007	\$ 17,967,554	\$ 20,300,800	\$ 20,576,633	\$ 18,825,811	\$ 18,944,271	\$ 20,669,122	\$ 23,329,845	\$ 25,993,734
Operation & Maintenance Costs										
Source of Supply	\$ 3,221,008	\$ 3,284,931	\$ 2,820,910	\$ 3,186,686	\$ 3,506,604	\$ 2,912,322	\$ 3,082,424	\$ 2,861,628	\$ 3,960,004	\$ 4,420,199
Pumping and Telemetry ¹	663,975	542,837	590,217	621,783	609,304	759,067	-	-	-	-
Water Treatment	2,211,536	2,171,923	2,119,426	1,701,918	1,932,517	1,888,549	2,147,336	2,004,076	2,384,261	2,781,469
Transmission/Distribution	1,639,125	1,767,690	1,657,517	1,764,998	1,926,664	2,240,966	2,671,982	2,530,756	2,827,356	3,133,490
Administration/General	2,161,541	3,199,146	2,450,651	2,455,196	2,661,692	3,822,770	3,301,971	3,727,237	3,738,168	2,719,157
Customer Service	689,023	666,916	658,999	681,163	697,301	597,624	540,731	572,400	552,993	648,714
Conservation	636,509	637,461	617,917	662,589	614,749	649,832	682,311	726,091	512,520	369,331
Engineering	359,576	317,451	342,523	325,113	264,583	633,783	432,701	603,427	603,841	662,812
Retirement ⁵				252,332	307,509	398,851	586,942	443,149	976,780	1,603,957
Other	249,251	76,552	59,022	53,233	149,947	198,473	765,647	2,299,092	421,171	106,159
Total	\$ 11,831,544	\$ 12,664,907	\$ 11,317,182	\$ 11,705,011	\$ 12,670,870	\$ 14,102,237	\$ 14,212,045	\$ 15,767,856	\$ 15,977,094	\$ 16,445,288
Net Revenues	\$ 5,865,278	\$ 5,303,100	\$ 6,650,372	\$ 8,595,789	\$ 7,905,763	\$ 4,723,574	\$ 4,732,226	\$ 4,901,266	\$ 7,352,751	\$ 9,548,446
Debt Service										
2017 Bonds ²	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,181	\$ 1,971,722
2012 Bonds	-	-	-	-	1,883,113	804,300	971,800	979,200	968,500	964,234
2009 COPs ²	-	1,272,129	1,718,275	1,718,075	1,717,675	2,112,275	2,106,075	2,102,400	2,057,650	-
2003 COPs	1,648,383	1,733,552	1,732,488	1,747,713	-	-	-	-	-	-
EDA Loan	30,088	30,088	30,088	30,088	30,088	30,091	30,091	30,091	28,924	-
CEC Advance	6,188	6,188	6,188	6,188	3,094	-	-	-	-	-
Total	\$ 1,684,659	\$ 3,041,957	\$ 3,487,039	\$ 3,502,064	\$ 3,633,970	\$ 2,946,666	\$ 3,107,966	\$ 3,111,691	\$ 3,078,255	\$ 2,935,956
Debt Service Coverage	3.48	1.74	1.91	2.45	2.18	1.60	1.52	1.58	2.39	3.25

Notes:

¹ Beginning in Fiscal Year 2014-2015, Pumping and Telemetry is split between Water Treatment and Transmission and Distribution.

² The 2009 COP Bonds were refunded in June 2017 by the 2017 Bonds.

³ Beginning in Fiscal Year 2011-2012, Debt Service Coverage calculation methodology was changed.

⁴ Capital Contributions now excludes capital asset contributions.

⁵ Data not available until Fiscal Year 2011-2012.

Source: San Juan Water District Finance & Administrative Services Department

San Juan Water District
Table 13: Principal Employers for Counties Served
 Current Year and Eight Years Ago

Employer	Fiscal Year					
	2018			2010		
	Number of Employees	Rank	% of Total Employed	Number of Employees	Rank	% of Total Employed
<u>County of Sacramento</u>						
State of California	75,801	1	11.28%	73,243	1	12.26%
UC Davis Health	12,840	2	1.91%	8,500	4	1.42%
Sacramento County	12,208	3	1.82%	11,260	2	1.89%
Kaiser Permanente	11,005	4	1.64%	6,414	6	1.07%
U.S. Government	10,325	5	1.54%			
Sutter Health	8,177	6	1.22%	8,702	3	1.46%
Dignity Health	7,000	7	1.04%			
Elk Grove Unified School District	6,210	8	0.92%	6,391	7	1.07%
Intel Corporation	6,000	9	0.89%	6,000	8	1.00%
Apple Inc.	5,000	10	0.74%			
Sacramento City Unified School District				6,976	5	1.17%
Sacramento Municipal Utility District				5,057	9	0.85%
San Juan Unified School District				4,900	10	0.82%
Total	154,566		23.01%	137,443		23.01%
Total Employed in Sacramento County	671,700			597,258		

Employer	Fiscal Year					
	2018			2010		
	Number of Employees	Rank	% of Total Employed	Number of Employees	Rank	% of Total Employed
<u>County of Placer</u>						
Kaiser Permanente	5,835	1	3.32%	3,064	1	1.94%
Sutter Health	3,386	2	1.93%	1,983	5	1.26%
Squaw Valley Alpine Meadows	2,600	3	1.48%			
Thunder Valley Casino Resort	2,114	4	1.20%	1,412	7	0.90%
Hewlett-Packard Co.	2,000	5	1.14%	2,500	2	1.59%
PRIDE Industries, Inc.	1,747	6	1.00%	1,135	9	0.72%
Roseville City School District	1,486	7	0.85%			
City of Roseville	1,148	8	0.65%	1,282	8	0.81%
Safeway, Inc	1,137	9	0.65%			
Adventist Health	1,008	10	0.57%			
Placer County				2,400	3	1.52%
Union Pacific Railroad Co. Inc.				2,000	4	1.27%
Northstar-At-Tahoe				1,500	6	0.95%
Raley's				1,006	10	0.64%
Total	22,461		12.79%	18,282		11.60%
Total Employed in Placer County	175,500			157,540		

Note: Information is not available specific to San Juan Water District service area, so counties served are shown.
 The District began including the employer statistics in the Fiscal Year Ending June 30, 2011 for 2010.

Sources: *Sacramento Business Journal* May 11, 2018 (Placer) and June 1, 2018 (Sacramento) issues
Sacramento Business Journal 2010
 California State Employment Development Department - Unemployment Rate and Labor Force statistics

San Juan Water District
Table 14: Demographic and Economic Statistics
 Last Ten Fiscal Years

Fiscal Year	Wholesale Population ¹	Retail Population ²	Total Personal Income	Per Capita Personal Income ³	Unemployment Rate ³
2009	196,089	30,578	52,356,182	23,098	11.30%
2010	180,000	30,641	53,612,730	25,452	12.40%
2011	180,548	30,615	75,928,511	35,957	12.30%
2012	180,000	30,722	61,406,829	29,141	10.80%
2013	181,739	30,831	63,877,648	30,050	8.48%
2014	182,239	31,009	65,495,913	30,713	7.37%
2015	151,531	29,452	87,513,638	48,355	5.78%
2016	152,614	29,578	90,506,232	49,676	5.61%
2017	153,697	29,704	96,017,779	52,354	4.62%
2018	154,781	29,830	Not yet available		4.08%

Note:

¹ Wholesale population for 2009 through 2014 includes estimates of Citrus Heights Water District, Fair Oaks Water District, Orange Vale Water Company, San Juan Water District Retail and City of Folsom (served by San Juan Water District Wholesale) based on the 2010 Urban Water Management Plan. 2015 population estimates are based on the draft 2015 Urban Water Management Plan, which includes a new calculation methodology from the Department of Water Resources.

Beginning in 2015, the population is based on the 2015 Urban Water Management Plan, which includes a new calculation methodology from the Department of Water Resources.

² Retail Population is included in the Wholesale Population.

³ Per Capita Personal Income and the Unemployment Rate are not available for the District's specific area, so it includes totals for both Sacramento and Placer Counties.

San Juan Water District
Table 15: Staffing - Certificates - Licenses by Function/Program
 Last Ten Fiscal Years

Comparison by Function/Program	Full-Time Equivalent Employees as of June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Executive	3	3	3	3	3	3	3	3	4	4
Conservation	3.5	5	5	4	4	4	4	4	3	3.5
Customer Service	3	3	3	4	4	4	4	4	4	3.5
Engineering Services	3.5	4	4	4	4	4	4	4	4	4
Field Services	17	15	15	15	15	15	15	15	14.6	14.6
Finance/Administrative Services	5	5	5	5	5	5	5	5	5	6
Water Treatment Operations	10	10	10	10	10	10	10	10	10.4	11.4
Total	45	45	45	45	45	45	45	45	45	47

Actual Versus Budgeted	FY 2009		FY 2018	
	Filled as of		Filled as of	
	June 30	Budgeted	June 30	Budgeted
Executive	3	3	3	4
Conservation	3.5	3.5	3.5	3.5
Customer Service	3	3	3.5	3.5
Engineering Services	3	3.5	4	4
Field Services	17	17	15.1	14.6
Finance/Administrative Services	5	5	6	6
Water Treatment Operations	10	10	11.9	11.4
Total	44.5	45	47	47

Certificates and Licenses	December 4, 2018
American Water Works Association - Water Use Practitioner Grade 1	1
American Water Works Association - Water Use Efficiency Grade 1	1
American Water Works Association - Water Quality Laboratory Analyst	1
Backflow Prevention Assembly General Tester	11
California Department of Health Services Water Distribution Operator	
Grade 1	0
Grade 2	7
Grade 3	7
Grade 4	10
Grade 5	2
California Department of Health Services Water Treatment Operator	
Grade 1	1
Grade 2	12
Grade 3	1
Grade 4	2
Grade 5	3
California Professional Engineer - Civil	4
California Water Environment Association Grade 2	1
Certified Erosion, Sediment and Stormwater Inspector	1
Certified Public Accountant	1
Department of Industrial Relations - Certified General Electrician	1
Irrigation Association Certified Irrigation Landscape Auditor	1
Qualified Storm Water Pollution Prevention Plan Practitioner	1
The State Bar of California - Attorney	1

Source: San Juan Water District Finance & Administrative Services Department
 San Juan Water District Field Services Department

San Juan Water District
Table 16: Wholesale Water System Capital Asset and Operating Indicators
 Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Facilities:										
# of Treatment Plants	1	1	1	1	1	1	1	1	1	1
Plant Capacity (MGD) ¹	120	120	120	120	150	150	150	150	150	150
Miles of Pipeline ⁵								16	16	16
# of ARVs ⁶			71	71	86	86	89	90	90	92
# of Blow-offs ⁶			52	52	59	59	60	59	59	61
# of Fire Hydrants ⁶			13	13	14	14	14	14	14	14
# of Valves ⁶			21	21	45	45	48	48	48	51
# of Pumping Stations ²	3	3	-	-	-	-	-	1	1	1
# of Storage Tanks/Reservoirs	1	1	1	1	1	1	1	1	1	1
Water Supply Available:										
Pre-1914 Water Rights	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000
USBR/CVP Water Contract	24,200	24,200	24,200	24,200	24,200	24,200	24,200	24,200	24,200	24,200
PCWA Contract	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Total Water Supply	82,200									
Water Supply Delivered:										
Pre-1914 Water Rights	28,999	30,364	32,732	34,912	34,961	30,952	29,372	26,219	27,126	33,996
USBR/CVP Water Contract	7,022	418	1,211	555	3,048	-	-	1,230	-	-
PCWA Contract	11,301	9,075	8,574	8,841	11,326	10,374	-	3,594	6,330	2,228
Total Water Supply Delivered	47,322	39,857	42,517	44,308	49,335	41,326	29,372	31,043	33,456	36,225
Production (average in acre-feet):										
Five Year	64,669	61,047	59,005	56,159	54,169	50,834	48,106	43,309	41,262	40,707
Ten Year	67,248	65,683	64,455	62,845	61,166	57,751	54,577	51,157	48,710	47,486
Fifteen Year	63,263	63,363	63,880	63,667	63,419	61,777	59,824	57,406	55,660	54,372
Twenty Year	60,140	59,945	60,385	60,690	60,753	60,156	59,548	58,737	58,066	57,760
Number of Retail Connections by Wholesale Customer:										
San Juan Water District	10,348	10,373	10,361	10,410	10,441	10,500	10,559	10,601	10,617	10,641
Citrus Heights Water District ³	19,547	19,568	19,576	19,547	19,547	19,557	19,600	19,600	19,900	19,900
Fair Oaks Water District ³	14,450	14,129	14,135	14,133	14,221	14,225	14,278	13,894	13,996	13,986
Orange Vale Water Company ³	5,572	5,543	5,545	5,545	5,600	5,600	5,600	5,600	5,600	5,673
City of Folsom		981	981	981	981	981	981	981	981	981
Total Connections	49,917	50,594	50,598	50,616	50,790	50,863	51,018	50,676	51,094	51,181
Population ⁴	196,089	180,000	180,548	181,048	181,739	182,239	151,531	152,614	153,697	154,781

Notes:

¹ Treatment plant is rated for 150; normal permitted operation is 120 and permit conditions allow for up to 150 flows between May 15th and September 30th with State DPH conditional approval.

² Pump stations were assigned directly to Retail beginning January 1, 2011. Prior to that, costs were recovered through the Wholesale Rate charged to SJWD Retail.

³ Connections are projections because the agency's fiscal year ends on December 31.

⁴ The District updated population statistics in its 2015 Urban Water Management Plan based on a new calculation methodology from the Department of Water Resources.

⁵ Wholesale pipeline numbers were calculated and removed from Retail's total miles of pipeline as of 2016.

⁶ Data not available until Fiscal Year 2010-2011.

Sources: San Juan Water District Finance & Administrative Services Department
 San Juan Water District Engineering Services Department
 San Juan Water District Wholesale Operations Department

San Juan Water District
Table 17: Wholesale Water Production by Month
 Last Ten Fiscal Years
 (in million gallons)

Month	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
July	2,937	2,292	3,240	2,866	2,152	2,226	1,634	1,296	2,157	2,312
August	2,917	2,095	3,126	2,714	2,325	2,071	1,620	1,290	2,290	2,281
September	2,427	1,844	2,607	2,345	2,497	1,621	1,389	1,193	1,920	1,853
October	1,646	1,413	1,873	1,525	1,294	1,350	1,110	970	996	1,566
November	857	1,059	786	965	596	931	631	536	769	856
December	764	679	780	930	661	688	454	453	649	539
January	728	722	719	922	637	563	488	410	630	385
February	631	673	619	651	534	196	439	491	546	458
March	620	538	617	549	854	350	726	630	676	446
April	1,405	577	1,186	835	1,106	629	773	928	754	730
May	1,854	1,285	1,793	1,788	1,745	1,227	885	1,444	1,490	1,652
June	2,112	2,544	2,042	1,936	1,816	1,613	1,129	1,929	1,871	2,177
Annual Total	18,898	15,721	19,388	18,026	16,219	13,466	11,279	11,571	14,748	15,256
Average Monthly Water Production	1,575	1,310	1,616	1,502	1,352	1,122	940	964	1,229	1,271
Average Daily Water Production	51.8	43.1	53.1	49.4	44.4	36.9	30.9	31.7	40.4	41.8

Source: San Juan Water District Wholesale Operations Department

San Juan Water District
Table 18: Retail Water System Capital Asset and Operating Indicators
 Last Ten Calendar Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Facilities:										
Miles of Main Line ¹	214.0	214	214	214	214	214	216	201	206	206
# of ARVs ²			768	768	807	804	673	769	769	775
# of Blow-offs ²			788	788	861	861	739	798	798	807
# of Fire Hydrants ²			1,412	1,412	1,423	1,443	1,432	1,454	1,454	1,462
# of Valves ²			2,761	2,761	2,766	2,810	2,675	2,849	2,849	2,852
# of Pumping Stations	5	5	6	6	6	6	6	9	9	9
# of Storage Tanks/Reservoirs	1	1	1	1	1	1	1	3	3	3
Active Connections:										
Single-Family Residential	9,761	9,778	9,771	9,811	9,851	9,908	9,964	10,003	10,011	10,030
Multi-Family Residential	121	119	119	119	119	119	119	119	119	119
Commercial	215	239	238	239	242	242	241	243	249	250
Institutional	11	11	11	11	11	11	11	11	11	11
Landscape Irrigation	228	214	210	209	205	207	211	212	212	215
Agricultural Irrigation	4	4	4	4	5	5	5	5	7	8
Other	8	8	8	8	8	8	8	8	8	8
Total Connections	10,348	10,373	10,361	10,401	10,441	10,500	10,559	10,601	10,617	10,641
Total New Connections	3	25	-12	40	40	59	59	42	16	24
Consumption (units of ccf):										
Single-Family Residential	5,020,192	4,369,153	4,327,393	4,500,448	5,008,334	4,645,129	3,022,810	2,951,662	3,508,844	4,028,167
Multi-Family Residential	96,145	87,162	80,391	83,539	80,962	76,392	57,293	54,675	58,822	60,879
Commercial	149,209	171,923	197,402	199,458	175,946	195,122	129,490	122,397	145,857	163,192
Institutional	93,052	81,364	68,920	74,877	116,328	97,881	85,287	78,787	56,236	84,318
Landscape Irrigation	453,918	358,816	355,991	360,465	426,595	402,151	252,183	244,749	235,248	357,005
Agricultural Irrigation	8,144	9,282	7,612	9,634	13,195	12,787	10,745	9,864	84,530	20,337
Other	802	789	927	871	1,705	908	827	791	245	442
Total Consumption	5,821,462	5,078,489	5,038,636	5,229,292	5,823,065	5,430,370	3,558,634	3,462,925	4,089,781	4,714,338
Average Daily Consumption	15,949	13,914	13,804	14,327	15,954	14,878	9,750	9,487	11,205	12,916
Population	30,578	30,641	30,615	30,722	30,831	31,009	29,452	29,578	29,704	29,830

Note:

¹ Wholesale pipeline numbers were calculated and removed from Retail's total miles of pipeline as of 2016.

² Data not available until Fiscal Year 2010-2011.

Sources: San Juan Water District Customer Services Department
 San Juan Water District Engineering Services Department

San Juan Water District
Table 19: Retail Water Connection Fee Report
Per Government Code Section 66013(d) and (e)
Fiscal Year Ended June 30, 2018

Connection Fees, beginning balance		\$	-
Connection Fees Collected	\$	245,317	
Interest Earned		-	
Fees Available		<u>245,317</u>	
Applied to:			
Capital Costs Funded	\$	245,317	
Refunds		-	
Total Funds Applied		<u>245,317</u>	
Net Changes for the Year			<u>-</u>
Connection Fees, ending balance		<u>\$</u>	<u>-</u>

California Government Code (CGC) Section 66013 (c) requires the District to place capital facilities connection fees received and any interest income earned from the investment of these monies in a separate capital facilities fund. These monies are to be used solely for the purposes for which they were collected and not commingled with other District funds.

CGC Section 66013(d) requires the District to make certain information available to the public within 180 days after the close of each fiscal year. CGC Section 66013(e) allows the required information to be included in the District's annual financial report. The Retail Water Connection Fee Report meets this requirement.

Capacity fees are imposed for initiating water connection service by the District at the request of the customer. No fees are imposed upon real property or upon person as an incident of property ownership, but rather as a condition of service.

Source: San Juan Water District Finance & Administrative Services Department

OTHER REPORTS

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

To the Board of Directors
San Juan Water District
Granite Bay, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the San Juan Water District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 12, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

To the Board of Directors
San Juan Water District

Compliance and Other Matters

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

Purpose of this Report

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

Richardson & Company, LLP

December 12, 2018