



**Flocculation-Sedimentation Basin** – see inside cover >



# SAN JUAN WATER DISTRICT

GRANITE BAY, CALIFORNIA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Cover Photo: The District's Water Treatment Plant after completion of the 2016 Flocculation/Sedimentation Improvement Project. The total approved construction budget was \$6.644 million and the final construction cost was \$6.114 million, saving the District over \$500,000. The project included replacement of the original flocculation system and the sludge collection system, and construction of a second settled water channel.

SAN JUAN WATER DISTRICT  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 For the Fiscal Year Ended June 30, 2019

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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 4, 2019

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, 2019.

## 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, 2019, are free from material

misstatement. Information on the audit, and the auditor's opinion, can be found in the Independent Auditor's Report beginning 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, water efficiency 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 2018-2019 fiscal year was 34,110 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 Awareness 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 15<sup>th</sup> to September 30<sup>th</sup>) 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 2019 fiscal year, the District worked on and/or completed several capital improvement projects to improve the water system reliability:

- Relining of the Fair Oaks 40 pipeline
- Implementation of new GIS
- SCADA improvements
- Water Treatment Plan Chemical Feed Pump Replacements
- Installation of various Pressure Reducing Stations
- Completed the replacement of portions of the main distribution lines on Douglas Boulevard, Oak Avenue, Main Avenue, Edward Court, and Lou Place

Other projects underway in the 2019-20 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 1<sup>st</sup> 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 3.5% in June 2018 to 3.3% in June 2019<sup>1</sup>. Sacramento County's unemployment rate also improved, falling from 4.2% to 3.9% over the same time period<sup>1</sup>. The national average unemployment rate in June 2019 was 3.7%<sup>2</sup>. 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 6.6% increase in assessed property values in fiscal year 2018-19 over the prior fiscal year<sup>3</sup>, and Sacramento County experienced a 6.8%<sup>4</sup> increase in fiscal year 2018-19 values the prior fiscal year. The San Juan Water District is located in a relatively low growth area of both counties. There were approximately 14 more service connections for the current fiscal year, which represents a growth rate of approximately .13% for the year.

### **Water Supply Outlook**

As a result of the drought experienced in California in 2013, 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 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. 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

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1. California Employment Development Department

2. United States Department of Labor - Bureau of Labor Statistics

3. Placer County Assessor

4. Sacramento County Assessor

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, 2018. 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 (Water Efficiency, 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, 2018**

*Christopher P. Morill*

Executive Director/CEO

SAN JUAN WATER DISTRICT  
List of Elected and Appointed Officials June 30, 2019

**BOARD OF DIRECTORS – ELECTED OFFICIALS**

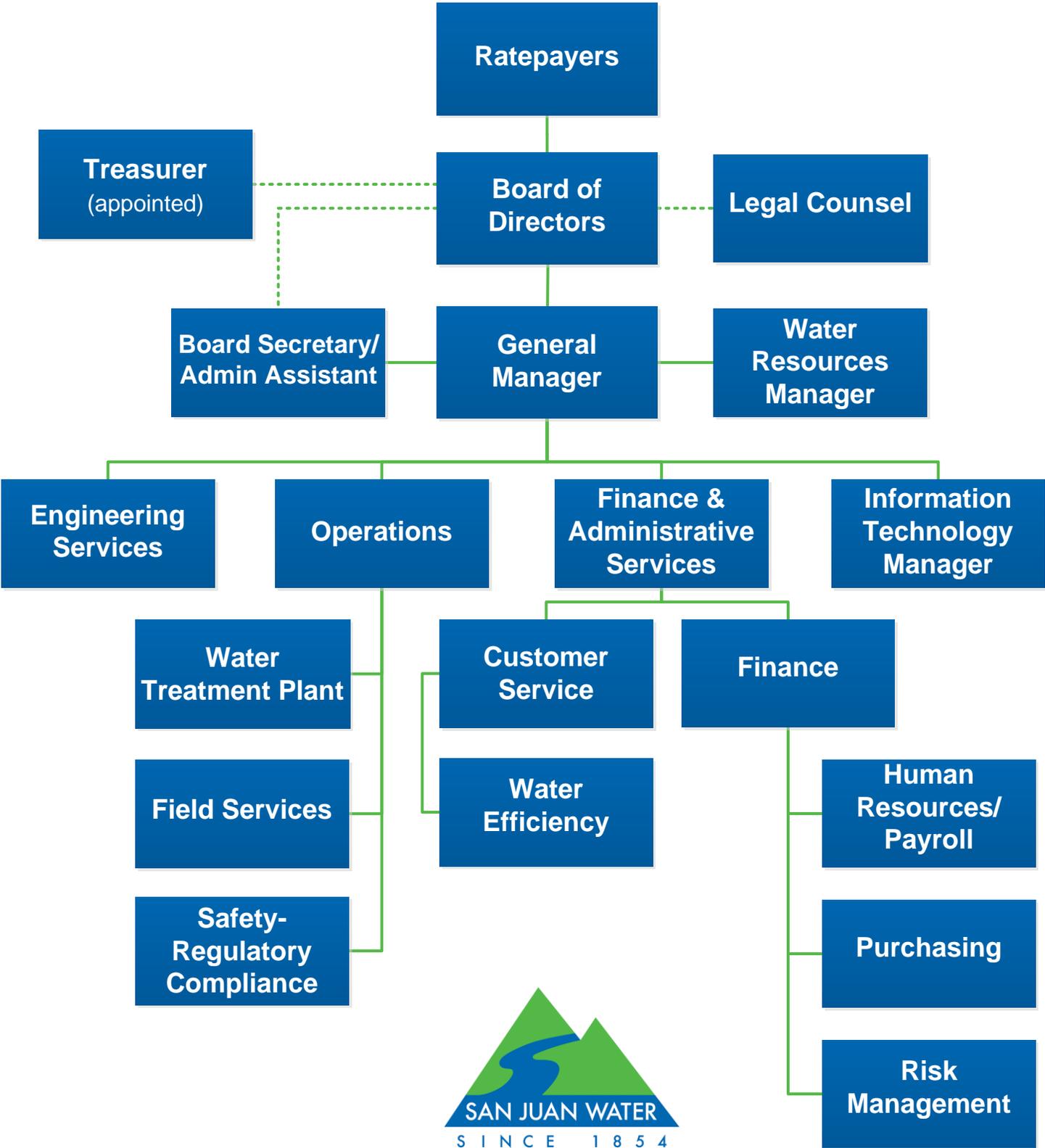
<u>Title</u>	<u>Name</u>	<u>Current Term</u>
President	Dan Rich	12/2014 – 12/2022
Vice President	Edward J. “Ted” Costa	12/2014 – 12/2022
Director	Marty Hanneman	10/2017 – 12/2022
Director	Kenneth H. Miller	12/2016 – 12/2020
Director	Pamela Tobin	12/2016 – 12/2020

**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, 2019



## 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 statement of net position as of June 30, 2019, 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, 2019 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.

## **Emphasis of Matters**

As discussed in Note J to the financial statements, the District's actuary applied Section 3.7.7(c)4 of Actuarial Standard of Practice No. 6, as revised, and determined age adjusted health insurance premiums are not necessary in the calculation of the District's net other postemployment benefits (OPEB) liability, and therefore, the Implicit Rate Subsidy is not applicable in calculating the total projection of benefits payments. 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, these schedules are fairly stated, in all material respects, in relation the basic financial statements as a whole.

To the Board of Directors  
San Juan Water District

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 4, 2019, 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 4, 2019

## 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, 2019 (Fiscal Year 2019). 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, 2019 are highlighted below.

- The District treated and delivered a total of 34,110 acre-feet of water to its wholesale customers in fiscal year 2018-19, as compared to 36,225 the year prior. In addition, it treated and delivered 13,605 and 10,769 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. Additionally, the District coordinated a groundwater substitution transfer of 2,808 acre-feet. This, combined with the water treated for SSWD, and a 9% wholesale rate increase that went into effect on January 1, 2019, resulted in increased wholesale water sale revenues of \$2.6 million or 24.3%.
- For the period ended June 30, 2019, the District supplied 10,350 acre-feet of water to 10,655 retail connections, compared to 10,823 acre-feet of water to 10,641 connections in the prior fiscal year. This, combined with an 8% rate increase that went into effect of January 1, 2019, resulted in total retail water sale revenues of \$11,405,735, an increase of \$483,450 or 4.4%, from the prior year.
- In an effort to pay down the District's unfunded pension liability, reducing future costs, the District remitted extra payment totaling \$6.9 million over the past two years. As a result, the net pension liability has fallen to \$1,564,717. 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 17.

The Required Supplementary Information 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, 2019, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$73,904,911. In the prior year, assets exceeded liabilities by \$64,964,919 (restated).

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

**Statement of Net Position**

	2019	2018*	Change
<b>Assets</b>			
Current Assets	\$ 29,191,234	\$ 24,249,960	\$ 4,941,274
Capital Assets, Net	86,193,959	82,902,151	3,291,808
Other Noncurrent Assets	307,290	312,349	(5,059)
Total Assets	<u>115,692,483</u>	<u>107,464,460</u>	<u>8,228,023</u>
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Refunding	1,789,443	1,895,771	(106,328)
Deferred Pensions Related Outflows	4,112,565	8,108,144	(3,995,579)
Deferred Other Post Employment Benefits Related Outflows	608,458	665,663	(57,205)
Total Deferred Outflows of Resources	<u>6,510,466</u>	<u>10,669,578</u>	<u>(4,159,112)</u>
<b>Liabilities</b>			
Current Liabilities	3,614,304	2,999,072	615,232
Noncurrent Liabilities	42,029,658	46,786,905	(4,757,247)
Total Liabilities	<u>45,643,962</u>	<u>49,785,977</u>	<u>(4,142,015)</u>
<b>Deferred Inflows of Resources</b>			
Deferred Pension Related Inflows	2,636,551	3,383,142	(746,591)
Deferred Other Post Employment Benefits Related Outflows	17,525	-	17,525
	<u>2,654,076</u>	<u>3,383,142</u>	<u>(729,066)</u>
<b>Net Position</b>			
Net Investment in Capital Assets	50,920,596	46,484,354	4,436,242
Unrestricted	22,984,315	18,480,565	4,503,750
Total Net Position	<u>\$ 73,904,911</u>	<u>\$ 64,964,919</u>	<u>\$ 8,939,992</u>

2018 Restated\*

As shown in the table above, total assets increased by \$8.23 million, or 7.7% compared to the prior fiscal year. This change was due to several factors: 1) \$1.03 million in receivables issued for the Fair Oaks 40 re-lining project reimbursement; 2) \$3.7 million increase in investments; 3) \$2.4 million increase to capital asset work in progress from the Fair Oaks 40 re-lining project; and 4) \$1.09 million increase in capital assets related to new pipelines.

Deferred Outflows of Resources decreased by \$4.16 million due in large part to the \$2.68 million extra payment to CalPERS to pay down the unfunded pension liability in fiscal year 2017-2018. Since the recorded pension liability is based on an actuarial valuation from one year prior, the extra contribution was recorded as a deferred outflow of resources. The extra payment was included in valuation dated June 30, 2018, which was the basis for the pension liability in these financial statements, therefore it was removed from deferred outflows of resources and reduced the pension liability as of June 30, 2019.

Total liabilities decreased by \$4.14 million or 8.3% from the prior year. The decrease was primarily due to a \$3.23 million decrease in the unfunded pension liability.

The District realized an overall increase in net position of \$8.9 million for the year ended June 30, 2019. The components of net position as of June 30, 2019 are:

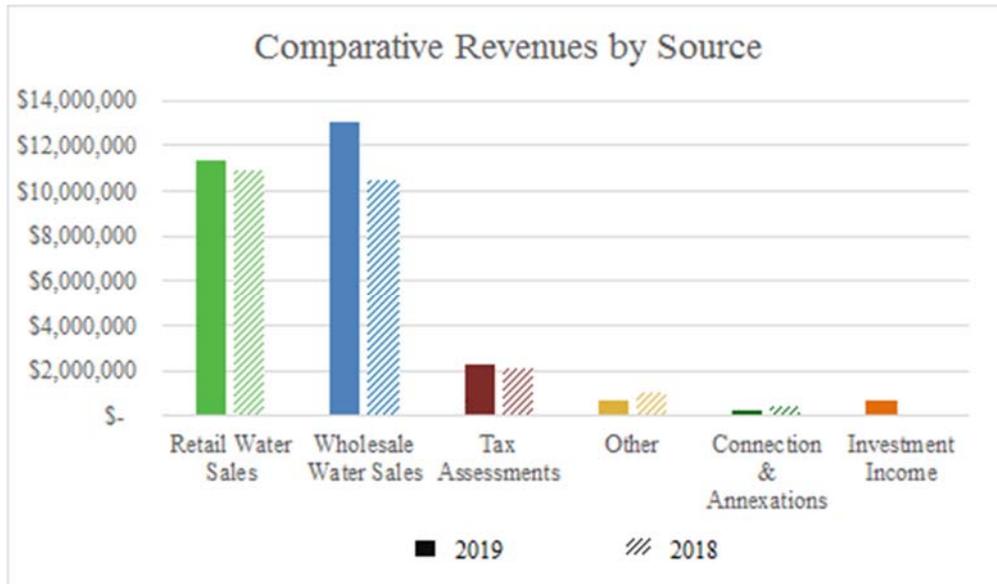
- Net Investment in Capital Assets: is the largest portion of the District's net position, 69%, and reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. In the prior year, net investment in capital assets represented 72% 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 \$4.5 million due to a combination of increased revenue, 12.8% overall, while expenses only increased 5.3% overall. Revenue increases are largely attributed to water sale revenues (increased sales volume and increased rates), while expenses did not increase proportionately.

**Condensed Statement of Revenues, Expenses and Changes in Net Position**

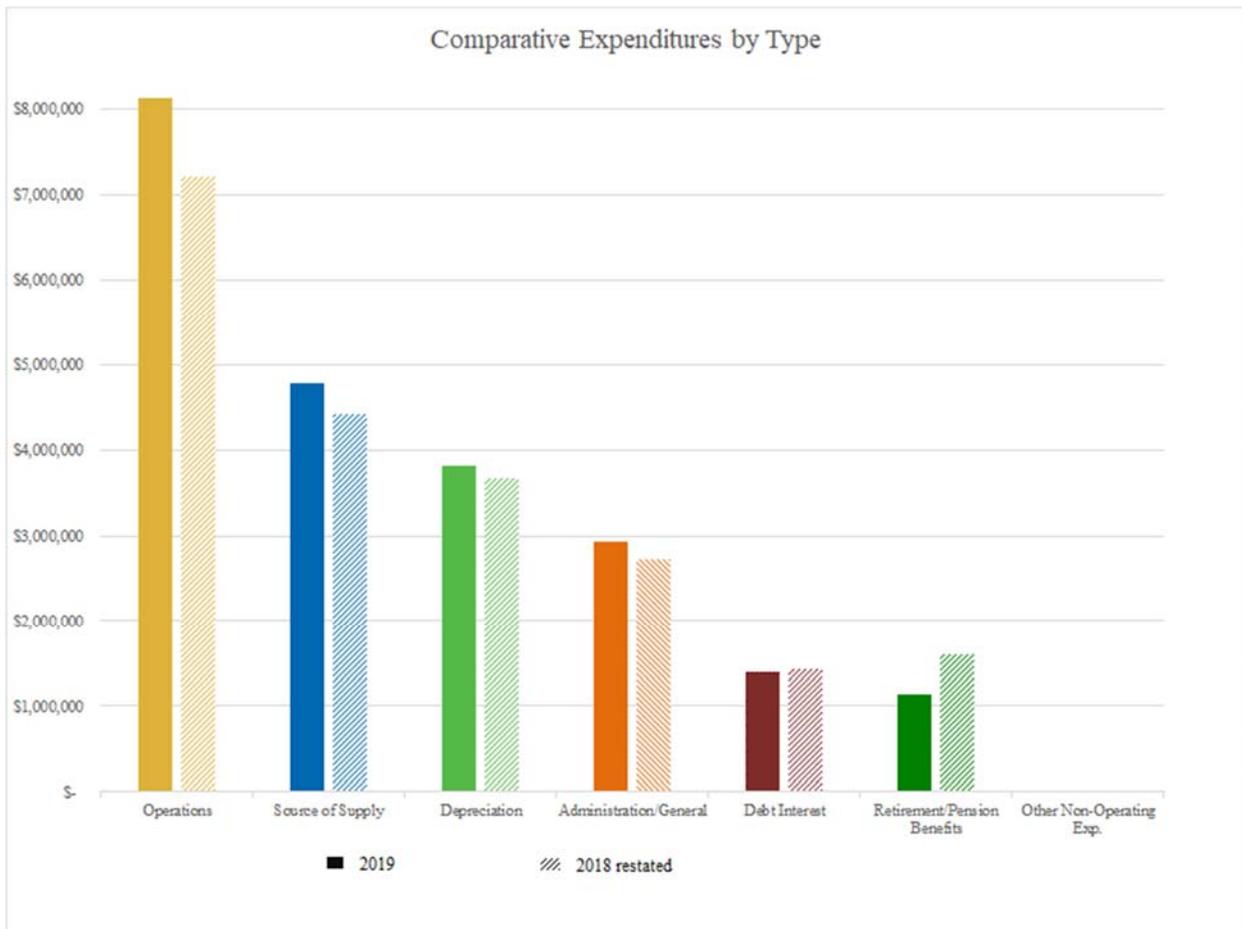
	2019	2018*	Change
<b>Revenues</b>			
Wholesale Water Sales	\$ 13,044,976	\$ 10,492,472	\$ 2,552,504
Retail Water Sales	11,405,735	10,922,285	483,450
Tax Assessments	2,236,374	2,123,196	113,178
Connections and Annexations	207,520	397,668	(190,148)
Investment Income	654,311	107,104	547,207
Other Operating Revenue	458,560	740,184	(281,624)
Other Non Operating Revenue	243,128	264,527	(21,399)
<b>Total Revenues</b>	<u>28,250,604</u>	<u>25,047,436</u>	<u>3,203,168</u>
<b>Expenses</b>			
Operations	8,129,292	7,208,640	920,652
Source of Supply	4,777,081	4,420,199	356,882
Administration and General	2,934,918	2,719,157	215,761
Depreciation	3,804,139	3,675,865	128,274
Interest Expense	1,391,648	1,428,906	(37,258)
Retirement (OPEB) & Pension Benefits	1,132,056	1,603,957	(471,901)
Other Non-Operating Expenses	8,005	9,112	(1,107)
<b>Total Expenses</b>	<u>22,177,139</u>	<u>21,065,836</u>	<u>1,111,303</u>
<b>Change in Net Position Before Capital Contributions</b>	<u>6,073,465</u>	<u>3,981,600</u>	<u>2,091,865</u>
<b>Capital Contributions</b>			
Contributed Assets	265,237	-	265,237
Capital Charges and Other Capital Revenue	2,601,290	946,298	1,654,992
	<u>2,866,527</u>	<u>946,298</u>	<u>1,920,229</u>
<b>Change in Net Position</b>	8,939,992	4,927,898	4,012,094
<b>Net Position, Beginning of Year, As Restated</b>	<u>64,964,919</u>	<u>60,037,021</u>	<u>4,927,898</u>
<b>Net Postion, End of Year</b>	<u>\$ 73,904,911</u>	<u>\$ 64,964,919</u>	<u>\$ 8,939,992</u>

\* 2018 Restated

As shown in the table above, the District's net position increased by \$8,939,992 for the period ended June 30, 2019. Revenues increased by \$3.2 million, and expenses increased by \$1.1 million from the prior year. Capital Contributions increased by \$1,920,229 as well, primarily due to contributions received for the Fair Oaks 40 pipeline relining process. Year over year changes are more fully described and depicted below.



- Combined water sales (wholesale and retail) represent 86.5% of District revenues (excluding Capital Contributions). Combined water sales increased over \$3 million from the prior year.
  - Revenues from Retail Water Sales increased by \$483,450 million from the prior year, an increase of 4.4%. The increase is attributable to an effective rate increase of 9% on January 1, 2018 and 8% on January 1, 2019.
  - Revenues from Wholesale Water Sales increased by 24.3% or \$2.55 million from the prior year. This increase is attributable to a 9% rate increase on January 1, 2019 and a \$1.12 million water transfer for consumption outside of the District’s service area.
- Tax Assessments increased by \$113,178 or 5.3% as a result of increasing assessed values within both Sacramento and Placer counties.
- Other Revenues (operating and non-operating) decreased by \$303,023 from the prior year. In the prior year, the District received a one-time refund of \$426,000 from the U.S. Bureau of Reclamation for excess payments. This was partially offset by a \$120,000 increase in cost recovery revenues. The remainder of the difference is due to a multitude of small year over year variances.
- Connection Fee revenues declined from the prior year, with a net decrease of just \$190,148.
- Investment Income increased by \$547,207 or 510.9% from the prior year due an increased amount of funds invested and to market fluctuations.



- As demonstrated in the graph above, Operations remains the largest category of expense. Operation expenses increased by \$920,652 or 12.8%, over the prior year. \$488,000 of the increase was due to increased salary costs. Salary costs increased as a result of a new position being filled in Fiscal Year 2018-19, and a position being vacant for a portion of the prior year due to employee turnover, a 2.6% COLA and an increase in Compensated Absences liability/expense. Additionally, there was an increase of \$149,000 in materials and supplies caused in part by the District's switch to radio read meters, which are more expensive. The remainder of the increase was due to increases in energy and system maintenance.
- Source of Supply, the second largest expense category, grew by \$356,882 or 8.1%. This is due primarily to the effective 9% increase (January 2019) of the rate paid by the Retail service area for water taken from Wholesale (an additional \$207,000), and \$702,000 paid for the cost of ground water pumped for the groundwater substitution transfer. Payments totaling \$516,000 in the prior year for the Antelope Pump Back project, offset current year expenses, resulting in the net increase of \$356,882.
- Administration and General Expenses increased by \$215,761 from the prior year. The increased is caused by the development of the SCADA master plan.
- Pension expenses decreased by \$550,928 due to a combination of the effect of prior year payments against the unfunded pension liability, and plan investment returns exceeding expectations.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The District's investment in capital assets as of June 30, 2019, net of accumulated depreciation, is \$86,193,959. This investment includes land, buildings, water treatment plant, distribution system, construction in progress, vehicles, equipment, office equipment and furniture. At June 30, 2018, this amount was \$82,902,151 (restated).

The increase from the prior fiscal year of \$3,291,808, is largely due to asset additions being more than annual depreciation. At June 30, 2019, the District had \$547,587 in construction and other significant commitments (Note G). At June 30, 2018, the District had \$1,570,317 in commitments outstanding.

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

Changes in capital asset amounts for 2019 were as follows:

Capital assets	2018 Balance (Restated)	Transfers	Additions	Disposal	2019 Balance
Non-depreciable assets	\$ 1,765,778	\$ (1,254,885)	\$ 3,457,651	\$ -	\$ 3,968,544
Depreciable assets	144,350,035	1,254,885	3,650,518	(404,409)	148,851,029
Accumulated depreciation	(63,213,662)	-	(3,804,139)	392,187	(66,625,614)
Total capital assets, net	\$ 82,902,151	\$ -	\$ 3,304,030	\$ (12,222)	\$ 86,193,959

Changes in capital asset amounts for 2018 (as restated) were as follows:

Capital assets	2017 Balance	Transfers	Additions	Disposal	2018 Balance (Restated)
Non-depreciable assets	\$ 7,660,801	\$ (7,501,506)	\$ 1,613,250	\$ (6,767)	\$ 1,765,778
Depreciable assets	137,218,323	7,501,506	356,509	(726,303)	144,350,035
Accumulated depreciation	(60,260,614)	-	(3,675,865)	722,817	(63,213,662)
Total capital assets, net	\$ 84,618,510	\$ -	\$ (1,706,106)	\$ (10,253)	\$ 82,902,151

Additional information on the restatement can be found in Note L.

### Debt Administration

As of June 30, 2019, the District had two different debt issues outstanding in an aggregate amount of \$34,250,000. Of this amount, \$1,085,000 represents the current portion due in Fiscal Year 2019. For more information on Long-Term Liabilities, refer to Note E.

	2019	2018	2017	2016	2015
2017 Revenue Refunding Bonds	\$ 24,615,000	\$ 25,180,000	\$ 26,125,000	\$ -	\$ -
2012 Revenue Refunding Bonds	9,635,000	10,120,000	10,585,000	11,035,000	11,475,000
2009 Certificates of Participation	-	-	-	28,825,000	29,255,000
1977 Economic Development Administration Loan	-	-	-	27,826	55,159
Total	\$ 34,250,000	\$ 35,300,000	\$ 36,710,000	\$ 39,887,826	\$ 40,785,159

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 26, 2019 the Board approved the Fiscal Year 2019-20 operating and capital budget in a total amount of \$34,089,900.

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. The provisions of this bill go into effect on February 1, 2020. The District has reviewed its ordinances and policies and is recommending the appropriate adjustments to ensure compliance with the law and continued collection of water bills.

## 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.

## BASIC FINANCIAL STATEMENTS

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SAN JUAN WATER DISTRICT  
STATEMENT OF NET POSITION

June 30, 2019

ASSETS	
CURRENT ASSETS	
Cash and investments	\$ 23,671,606
Receivables:	
Accounts	5,086,407
Taxes	91,679
Accrued interest receivable	79,936
Prepaid expenses	124,599
Inventories	137,007
TOTAL CURRENT ASSETS	29,191,234
NONCURRENT ASSETS	
Capital assets, not being depreciated	3,968,544
Capital assets, net of accumulated depreciation	82,225,415
TOTAL CAPITAL ASSETS	86,193,959
Investment in electrical power	307,290
TOTAL NONCURRENT ASSETS	86,501,249
TOTAL ASSETS	115,692,483
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts on refunding	1,789,443
Deferred pension related outflows	4,112,565
Deferred other postemployment benefits related outflows	608,458
TOTAL DEFERRED OUTFLOWS OF RESOURCES	6,510,466
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	1,047,855
Accrued liabilities	287,109
Accrued interest	610,141
Unearned revenues	90,601
Deposits payable	70,458
Due within one year:	
Accrued compensated absences	423,140
Bonds, notes and capital leases	1,085,000
TOTAL CURRENT LIABILITIES	3,614,304
NONCURRENT LIABILITIES	
Accrued compensated absences	423,636
Bonds, notes and capital leases	35,977,806
Net other postemployment benefit liability	4,063,499
Net pension liability	1,564,717
TOTAL NONCURRENT LIABILITIES	42,029,658
TOTAL LIABILITIES	45,643,962
DEFERRED INFLOWS OF RESOURCES	
Deferred pension related inflows	2,636,551
Deferred other postemployment benefits related inflows	17,525
TOTAL DEFERRED INFLOWS OF RESOURCES	2,654,076
NET POSITION	
Net investment in capital assets	50,920,596
Unrestricted	22,984,315
TOTAL NET POSITION	\$ 73,904,911

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, 2019

OPERATING REVENUES	
Water sales - wholesale	\$ 11,925,830
Water sales - retail	11,405,735
Water sales - out of service area	1,119,146
Other revenue	458,560
TOTAL OPERATING REVENUES	24,909,271
OPERATING EXPENSES	
Source of supply	
Water charged to retail service area	3,027,505
Placer County Water Agency	276,125
US Bureau of Reclamation	2,661
Wheeling	127,370
Bureau pumping	95,556
Other public agencies	1,247,864
Administration and general	2,934,918
Water treatment	2,769,364
Transmission and distribution	3,474,927
Customer service	661,246
Engineering	810,128
Water efficiency	413,627
Depreciation	3,804,139
Retirement benefits (OPEB)	443,263
Pension expense	688,793
TOTAL OPERATING EXPENSES	20,777,486
OPERATING INCOME	4,131,785
NON-OPERATING REVENUES (EXPENSES)	
Tax assessments	2,236,374
Investment income	654,311
Connections and annexations	207,520
Other revenue	243,128
Interest expense	(1,391,648)
Other expenses	(8,005)
TOTAL NON-OPERATING REVENUES (EXPENSES)	1,941,680
INCOME BEFORE CAPITAL CONTRIBUTIONS	6,073,465
CAPITAL CONTRIBUTIONS	
Contributed assets	265,237
Capital charges and other capital revenue	2,601,290
TOTAL CAPITAL CONTRIBUTIONS	2,866,527
CHANGE IN NET POSITION	8,939,992
NET POSITION	
Net position at beginning of year, as previously reported	64,600,982
Restatement due to error correction	363,937
Net position, beginning of year, as restated	64,964,919
NET POSITION AT END OF YEAR	\$ 73,904,911

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, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 24,059,394
Cash paid to suppliers for goods and services	(8,591,533)
Cash paid to employees for services	<u>(8,030,229)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	7,437,632
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Tax assessments received	<u>2,228,616</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	2,228,616
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital charges received	2,601,290
Acquisition and construction of capital assets	(6,842,932)
Proceeds from the sale of capital assets	11,067
Principal paid on capital debt	(1,050,000)
Interest paid on capital debt	(1,501,560)
Payments for miscellaneous expenses	(8,005)
Connection and annexation income	<u>207,520</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(6,582,620)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	<u>614,718</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>614,718</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,698,346
Cash and cash equivalents at beginning of year	<u>19,973,260</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 23,671,606</u></u>

(Continued)

SAN JUAN WATER DISTRICT

STATEMENT OF CASH FLOWS (Continued)

For the year ended June 30, 2019

RECONCILIATION OF OPERATING INCOME TO NET CASH

PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating income	\$ 4,131,785
Nonoperating income received	249,342
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	3,804,139
(Increase) decrease in accounts receivable	(1,120,680)
(Increase) decrease in prepaid expenses	(63,869)
(Increase) decrease in inventories	(11,028)
(Increase) decrease in deferred pension related outflows	3,995,579
(Increase) decrease in deferred other postemployment benefits related outflows	57,205
Increase (decrease) in accounts payable	532,614
Increase (decrease) in accrued liabilities	(15,546)
Increase (decrease) in unearned revenues	6,072
Increase (decrease) in deposits payable	15,389
Increase (decrease) in compensated absences	62,720
Increase (decrease) in deferred pension related inflows	(746,591)
Increase (decrease) in deferred other postemployment benefits related inflows	17,525
Increase (decrease) in other postemployment benefits liability	(239,925)
Increase (decrease) in net pension liability	<u>(3,237,099)</u>

NET CASH USED BY OPERATING ACTIVITIES \$ 7,437,632

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

Gain/(loss) on investment in joint venture	\$ 5,059
Amortization of bond premiums	(200,762)
Amortization of deferred amount on refunding	106,328
Contributed assets	(265,237)

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

SAN JUAN WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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SAN JUAN WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

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 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 of 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, 2019

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 cost, on a weighted average method. 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 \$5,000 or more. 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, 2019

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

Water lines constructed by private developers and then dedicated to the District are recorded as capital contributions when they pass inspection by the District. The estimated value of the lines are capitalized as pipelines, reservoirs, pumping stations and buildings. The District is responsible for future maintenance once it accepts the water lines.

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, 2019

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 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 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 April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This Statement required the District to disclose terms specified in debt agreements related to significant events of default with finance-related consequences and significant subjective acceleration clauses. The requirements of this Statement were implemented for the year ended June 30, 2019.

SAN JUAN WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

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

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement increases the usefulness of government’s financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. A lease is defined as a contract that conveys control of the right to use another entity’s nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This Statement enhances disclosures about capital assets and the cost of borrowing for a reporting period and simplifies the accounting for interest cost incurred before the end of a construction period. Interest cost incurred before the end of a construction period will be recognized as an expense in the period the interest cost is incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset. The requirements of this Statement are effective for the reporting periods beginning after December 15, 2018.

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, 2019:

Cash on hand	\$ 300
Deposits with financial institutions	1,141,586
Total cash	<u>1,141,886</u>
Local Agency Investment Fund	13,145,598
U.S. Treasury bond / note obligations	3,736,553
U.S. Federal Agency securities	1,364,165
Negotiable certificates of deposit	1,330,116
Medium-term corporate notes	1,114,192
Supra-National agency bond / note	626,544
Asset-backed Security/collateralized mortgage obligation	556,079
Federal Agency collateralized mortgage obligation	381,833
Money market mutual funds	274,640
Total investments	<u>22,529,720</u>
Total cash and investments	<u>\$ 23,671,606</u>

SAN JUAN WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

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 that market rate changes could adversely affect the fair value 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, 2019

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 of June 30, 2019:

	Total	Remaining Investment Maturities		
		12 Months or Less	13 to 24 Months	25 to 60 Months
LAIF	\$ 13,145,598	\$ 13,145,598		
U.S. Treasury bond / note obligations	3,736,553		\$ 832,855	\$ 2,903,698
U.S. Federal Agency securities	1,364,165	733,813	270,318	360,034
Negotiable certificates of deposit	1,330,116	601,904	728,212	
Medium-term corporate notes	1,114,192		476,597	637,595
Supra-National agency bond / note	626,544	99,929	434,952	91,663
Asset-backed security/collateralized mortgage obligation	556,079		44,709	511,370
Federal Agency collateralized mortgage obligation	381,833	919		380,914
Money market mutual funds	274,640	274,640		
	<u>\$ 22,529,720</u>	<u>\$ 14,856,803</u>	<u>\$ 2,787,643</u>	<u>\$ 4,885,274</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 credit ratings by Moody's as of year-end for each investment type.

Investment Type	Total as of June 30, 2019	Minimum Legal Rating	Minimum		
			Aaa	P1 to Aa3	Not Rated
LAIF	\$ 13,145,598	N/A			\$ 13,145,598
U.S. Treasury bond / note obligations	3,736,553	N/A	\$ 3,736,553		
U.S. Federal Agency securities	1,364,165	N/A	1,364,165		
Negotiable certificates of deposit	1,330,116	N/A		\$ 1,330,116	
Medium-term corporate notes	1,114,192	A		1,114,192	
Supra-National agency bond / note	626,544	AA	626,544		
Asset-backed security/collateralized mortgage obligations	556,079	AAA	556,079		
Federal Agency collateralized mortgage obligations	381,833	N/A	381,833		
Money market mutual funds	274,640	AAA	274,640		
	<u>\$ 22,529,720</u>		<u>\$ 6,939,814</u>	<u>\$ 2,444,308</u>	<u>\$ 13,145,598</u>

SAN JUAN WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

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	\$ 1,012,187

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, 2019, the carrying amount of the District's deposits were \$1,141,586 and the balances in financial institutions were \$2,048,455 and of this amount \$1,798,455 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 \$105,814,483,092, managed by the State Treasurer. Of that amount, 1.77% 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, 2019

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, 2019:

Investment Type	Totals	Level		
		1	2	3
LAIF	\$ 13,145,598		\$ 13,145,598	
U.S. Treasury bond / note obligations	3,736,553		3,736,553	
U.S. Federal Agency securities	1,364,165		1,364,165	
Negotiable certificates of deposit	1,330,116		1,330,116	
Medium-term corporate notes	1,114,192		1,114,192	
Supra-National agency bond / note	626,544		626,544	
Asset-backed security/collateralized mortgage obligations	556,079		556,079	
Federal Agency collateralized mortgage obligations	381,833		381,833	
Money market mutual funds	274,640		274,640	
Total Investments	<u>\$ 22,529,720</u>	<u>\$ -</u>	<u>\$ 22,529,720</u>	<u>\$ -</u>

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, 2019

NOTE C – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

	Balance at June 30, 2018	Restatements	Restated Balance at June 30, 2018	Transfers	Additions	Disposals	Balance at June 30, 2019
Capital assets, not being depreciated:							
Land	\$ 264,484		\$ 264,484				\$ 264,484
Construction in progress	1,320,226	\$ 181,068	1,501,294	\$ (1,254,885)	\$ 3,457,651		3,704,060
Total capital assets, not being depreciated	1,584,710	181,068	1,765,778	(1,254,885)	3,457,651		3,968,544
Capital assets, being depreciated:							
Pipelines	71,385,329	206,108	71,591,437	816,359	3,252,556	\$ (319,708)	75,340,644
Water Treatment Plant	35,545,241		35,545,241	59,364	395	(15,930)	35,589,070
Land improvements	898,076		898,076				898,076
Reservoirs	5,369,353		5,369,353	21,603	24,914		5,415,870
Pumping stations	12,574,653		12,574,653	344,860	74,620		12,994,133
Buildings	1,351,902		1,351,902	933	206,962	(29,215)	1,530,582
Vehicles and equipment	15,502,324		15,502,324	11,766	91,071	(39,556)	15,565,605
Intangibles	1,517,049		1,517,049				1,517,049
Total capital assets being depreciated	144,143,927	206,108	144,350,035	1,254,885	3,650,518	(404,409)	148,851,029
Less: accumulated depreciation:							
Pipelines	(33,320,282)	(23,239)	(33,343,521)		(1,863,770)	319,709	(34,887,582)
Water Treatment Plant	(15,462,895)		(15,462,895)		(826,590)	15,930	(16,273,555)
Land improvements	(664,597)		(664,597)		(13,040)		(677,637)
Reservoirs	(3,933,357)		(3,933,357)		(39,704)		(3,973,061)
Pumping stations	(3,318,982)		(3,318,982)		(364,159)		(3,683,141)
Buildings	(1,163,010)		(1,163,010)		(24,574)	16,992	(1,170,592)
Vehicles and equipment	(4,530,679)		(4,530,679)		(595,810)	39,556	(5,086,933)
Intangibles	(796,621)		(796,621)		(76,492)		(873,113)
Total accumulated depreciation	(63,190,423)	(23,239)	(63,213,662)	-	(3,804,139)	392,187	(66,625,614)
Total capital assets being depreciated, net	80,953,504	182,869	81,136,373	1,254,885	(153,621)	(12,222)	82,225,415
CAPITAL ASSETS, NET	\$ 82,538,214	\$ 363,937	\$ 82,902,151	\$ -	\$ 3,304,030	\$ (12,222)	\$ 86,193,959

SAN JUAN WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

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, 2019 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, 2019:

	Unaudited 2019
Balance Sheet:	
Assets	\$ 266,776,508
Liabilities	\$ 36,423,840
Net position	230,352,668
	Liabilities and Net Position \$ 266,776,508
Income Statement:	
Operating revenues	\$ 11,608,589
Operating expenses	19,022,324
Operating loss	(7,413,735)
Net non-operating revenue - interest and other	1,345,303
Adjustment to net position for capital improvements	2,276,791
	Change in Net Position \$ (3,791,641)
	District's share of net position \$ 307,290

SAN JUAN WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE E – LONG-TERM LIABILITIES

As of June 30, 2019, 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. The loan agreement defines events of default as 1) default in the principal payments; 2) default in the interest payments; 3) default by the District of any of the covenants, agreements, or conditions; 4) the filing by the District of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America. Upon the occurrence of an event of default, the principal of the bonds could be declared immediately due and payable. Annual principal payments, ranging from \$585,000 to \$2,470,000 are due on February 1 through February 1, 2039 and semi-annual interest payments ranging from \$46,827 to \$982,063 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. The loan agreement defines events of default as 1) default in the principal payments; 2) default in the interest payments; 3) default by the District of any of the covenants, agreements, or conditions; 4) the filing by the District of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America. Upon the occurrence of an event of default, the principal of the bonds could be declared immediately due and payable. Principal payments are due on February 1 through 2033 and range from \$500,000 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 \$462,108. Interest rates range from 1% to 5.25%.

The District’s long-term liability activity and outstanding balances for the year ended June 30, 2019 is as follows:

	June 30, 2018	Additions	Reductions	June 30, 2019	Due Within One Year
2017 Revenue Refunding Bonds	\$ 25,180,000		\$ (565,000)	\$ 24,615,000	\$ 585,000
2012 Revenue Refunding Bonds	10,120,000		(485,000)	9,635,000	500,000
Add: Unamortized premiums	3,013,568		(200,762)	2,812,806	
Total Bonds and Notes Payable	38,313,568		(1,250,762)	37,062,806	1,085,000
Compensated absences	784,056	\$ 643,555	(580,835)	846,776	423,140
Net OPEB liability	4,303,424	443,263	(683,188)	4,063,499	
Net pension liability	4,801,816		(3,237,099)	1,564,717	
	<u>\$ 48,202,864</u>	<u>\$ 1,086,818</u>	<u>\$ (5,751,884)</u>	<u>\$ 43,537,798</u>	<u>\$ 1,508,140</u>

SAN JUAN WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE E – LONG-TERM LIABILITIES (Continued)

The following is a schedule of maturities from long-term debt at June 30, 2019:

**2017 Revenue Refunding Bonds**

Year Ended June 30	Principal	Interest	Totals
2020	\$ 585,000	\$ 982,063	\$ 1,567,063
2021	605,000	958,329	1,563,329
2020	630,000	933,713	1,563,713
2023	655,000	909,460	1,564,460
2024	680,000	881,921	1,561,921
2025-2029	3,930,000	3,855,063	7,785,063
2030-2034	5,990,000	2,762,121	8,752,121
2035-2039	11,540,000	1,031,476	12,571,476
Total	<u>\$ 24,615,000</u>	<u>\$ 12,314,146</u>	<u>\$ 36,929,146</u>

**2012 Revenue Refunding Bonds**

Year Ended June 30	Principal	Interest	Totals
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	610,000	356,650	966,650
2025-2029	3,430,000	1,373,838	4,803,838
2030-2033	3,430,000	386,969	3,816,969
Total	<u>\$ 9,635,000</u>	<u>\$ 3,806,703</u>	<u>\$ 13,441,703</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, 2019, the District’s net revenues were 543% of debt service payments.

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, 2019.

SAN JUAN WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE F – NET INVESTMENT IN CAPITAL ASSETS

Capital assets, gross	\$ 152,819,573
Less: accumulated depreciation	<u>(66,625,614)</u>
Net capital assets	86,193,959
Add: Deferred costs on bond refunding	1,789,443
Less: Debt used for capital purposes	<u>(34,250,000)</u>
Less: Unamortized premium	<u>(2,812,806)</u>
Net investment in capital assets	<u><u>\$ 50,920,596</u></u>

NOTE G – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

The District has active construction and other significant projects as of June 30, 2019. At fiscal year end, the District’s construction and other significant commitments were as follows:

FO 40 Transmission Pipe Relining	\$ 50,315
Castellanos PS Lower GB Generator Rebuild	106,543
Upper & Lower Granite Bay Low Flow Pumps	93,738
Bacon Pump Station HVAC Replacement	79,000
GIS Implementation Services	113,844
SCADA Master Plan Development	<u>104,147</u>
Total commitment with contractors	<u><u>\$ 547,587</u></u>

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, 2019:

	Wholesale	Retail	Total
Capital reserves	\$ 15,088,542	\$ 3,752,733	\$ 18,841,275
Operating reserve	<u>1,784,360</u>	<u>2,358,680</u>	<u>4,143,040</u>
Total Unrestricted, Designated Net Position	<u><u>\$ 16,872,902</u></u>	<u><u>\$ 6,111,413</u></u>	<u><u>\$ 22,984,315</u></u>

SAN JUAN WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

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](http://www.calpers.ca.gov).

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 or their 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, 2019, are summarized as follows:

	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)
Hire date			
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%	6.25%
Required employer contribution rates	13.439%	12.759%	6.842%

In addition to the contribution rates above, the District was also required to make payments of \$138,355 toward its unfunded actuarial liability during the year ended June 30, 2019.

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

SAN JUAN WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE I- PENSION PLANS (Continued)

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, 2019 the employer contributions for the Plan (all rate plans combined) were \$675,697.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions: As of June 30, 2019, the District reported a net pension liability for its proportionate share of the net pension liability of \$1,564,717.

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, 2019 is measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures as required by GASB Statement No. 68. 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, 2019 was as follows:

Proportion - June 30, 2018	0.048420%
Proportion - June 30, 2019	0.016240%
Change - Increase (Decrease)	<u>-0.032180%</u>

For the year ended June 30, 2019, the District recognized pension expense of \$688,793. At June 30, the District reported deferred outflows of resources and deferred inflows of resources related to all Plans combined from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 675,697	
Differences between actual and expected experience	60,035	\$ (20,430)
Changes in assumptions	178,382	(43,718)
Differences between the employer's contributions and the employer's proportionate share of contributions	3,146,066	(41,437)
Change in employer's proportion	44,649	(2,530,966)
Net differences between projected and actual earnings on plan investments	<u>7,736</u>	
Total	<u>\$ 4,112,565</u>	<u>\$ (2,636,551)</u>

SAN JUAN WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE I – PENSION PLANS (Continued)

The \$675,697 reported as deferred outflows of resources related to contributions subsequent to the measurement date at June 30, 2019 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:

<u>Year Ended June 30</u>	
2020	\$ 351,042
2021	297,424
2022	165,925
2023	<u>(14,074)</u>
	<u>\$ 800,317</u>

Actuarial Assumptions: The total pension liabilities in the June 30, 2019 actuarial valuations for each of the Plans were determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
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(3)

(1) Depending on entry age and service

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

(3) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report.

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Change of Assumptions: The demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

SAN JUAN WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE I – PENSION PLANS (Continued)

Discount Rate: The discount rates used by CalPERS to measure the total pension liability was 7.15% in the June 30, 2018 accounting valuation. To determine whether the municipal bond rate should be used in the calculation of the 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. The tests revealed the assets would not run out. Therefore, the current 7.15% discount rate is appropriate, and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund (PEF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at the CalPERS website under the GASB 68 section.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund 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.

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, 2018. 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	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0%	(0.92)%
Total	100.0%		

- (a) An expected inflation of 2.0% used for this period.
- (b) An expected inflation of 2.92% used for this period.

SAN JUAN WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE I – PENSION PLANS (Continued)

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	\$ 6,912,951	\$ 1,564,717	\$ (2,850,161)

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, 2019 the District reported payables for the outstanding amount of contributions to the pension plan of \$10,889.

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.

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: As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms:

Active employees	47
Inactive employees or beneficiaries currently receiving benefit payments	<u>40</u>
Total number of participants	<u><u>87</u></u>

SAN JUAN WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

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

Contributions: The Board of Directors grants the authority to establish and amend the contribution requirements of the District. During the year ended June 30, 2019, the District’s cash contributions to the trust were \$160,000 and the benefit payments were \$448,458, resulting in total payments of \$608,458.

Net OPEB Liability: The District’s net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of 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 2014 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:

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%
	100.0%	

SAN JUAN WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

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

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, 2018	\$ 7,174,285	\$ 2,870,861	\$ 4,303,424
Changes in the year:			
Service cost	159,660		159,660
Interest on the total OPEB liability	491,254		491,254
Contribution - employer		665,663	(665,663)
Expected investment income		208,632	(208,632)
Investment gains / losses		21,907	(21,907)
Administrative expense		(5,363)	5,363
Benefit payments	(472,409)	(472,409)	-
Net changes	<u>178,505</u>	<u>418,430</u>	<u>(239,925)</u>
Balance at June 30, 2019 (measurement date June 30, 2018)	<u>\$ 7,352,790</u>	<u>\$ 3,289,291</u>	<u>\$ 4,063,499</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 Discount Rate	1% Increase
	6%	7%	8%
Net OPEB liability	\$ 4,844,426	\$ 4,063,499	\$ 3,352,253

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	Current Healthcare Cost Trend Rates	1% Increase
	to 3.00%	4.00%	to 5.00%
Net OPEB liability	\$ 3,265,689	\$ 4,063,499	\$ 4,934,424

SAN JUAN WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

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

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2019, the District recognized OPEB expense of \$443,263. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer contributions subsequent to measurement date	\$ 608,458	
Difference between projected and actual investment earnings		<u>\$ (17,525)</u>
Total	<u>\$ 608,458</u>	<u>\$ (17,525)</u>

The amount reported as deferred outflows of resources related to contributions after the measurement date will be recognized as a reduction of the net OPEB liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended <u>June 30</u>	
2020	\$ (4,382)
2021	(4,382)
2022	(4,382)
2023	<u>(4,379)</u>
	<u>\$ (17,525)</u>

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

The recognition period differs depending on the source of the gain or loss. The net difference between projected and actual earnings on OPEB plan investments is recognized over 5 years.

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 applied Section 3.7.7(c)4 for the ASOP 6 and determined age-adjusted premiums are not necessary and therefore, the Implicit Rate Subsidy is not applicable in calculating the total projection of benefit payments. 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

SAN JUAN WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

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

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:

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	3,000,000		

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.

SAN JUAN WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE L – NET POSITION RESTATEMENT

The District reviewed items previously expensed as well as developer conveyances and determined amounts warranted capitalization. As a result, there has been a total restatement of \$363,937 for the District relating to capital assets.

Net position as previously reported, June 30, 2018	\$ 64,600,982
Effect of capital assets review	<u>363,937</u>
Restatement of Net Position	<u>363,937</u>
Net Position, as restated, July 1, 2018	<u><u>\$ 64,964,919</u></u>

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**

	2019	2018	2017	2016	2015
Proportion of the net pension liability	0.01624%	0.04842%	0.09208%	0.08829%	0.08447%
Proportionate share of the net pension liability	\$ 1,564,717	\$ 4,801,816	\$ 7,968,028	\$ 6,059,953	\$ 5,255,811
Covered payroll - measurement period	\$ 4,254,297	\$ 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	36.78%	115.10%	185.62%	157.94%	138.83%
Plan fiduciary net position as a percentage of the total pension liability	96.04%	87.20%	76.19%	78.40%	79.82%
Measurement date	June 30, 2018	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**

	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 675,697	\$ 569,048	\$ 795,103	\$ 730,360	\$ 591,634
Contributions in relation to the actuarially determined contributions	(675,697)	(3,359,478)	(4,908,731)	(730,360)	(591,634)
Contribution deficiency (excess)	\$ -	\$ (2,790,430)	\$ (4,113,628)	\$ -	\$ -
Covered payroll - fiscal year	\$ 4,599,756	\$ 4,254,297	\$ 4,171,684	\$ 4,292,723	\$ 3,836,968
Contributions as a percentage of covered payroll	14.69%	13.38%	19.06%	17.01%	15.42%
Valuation date:	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012

Methods and assumptions used to determine contribution rates:

Amortized cost method					
Amortized method					
Remaining amortization period					
	Market Value	Market Value	Market Value	Market Value	15-year smoothed market
Asset valuation method	2.75%	2.75%	2.75%	2.75%	2.75%
Inflation					
Salary increases					
Payroll growth	3.00%	3.00%	3.00%	3.00%	3.00%
Investment rate of return	7.375%	7.50%	7.50%	7.50%	7.50%

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, 2019

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

Measurement Period	2018	2017
Total OPEB liability:		
Service cost	\$ 159,660	\$ 155,387
Interest	491,254	479,077
Benefit payments	<u>(472,409)</u>	<u>(457,172)</u>
Net change in total OPEB liability	178,505	177,292
Total OPEB liability - beginning	<u>7,174,285</u>	<u>6,996,993</u>
Total OPEB liability - ending (a)	<u>\$ 7,352,790</u>	<u>\$ 7,174,285</u>
Plan fiduciary net position:		
Contributions - employer	\$ 665,663	\$ 536,331
Net investment income	208,632	271,614
Investment gains/losses	21,907	
Benefit payments	(472,209)	(457,172)
Administrative expenses	<u>(5,363)</u>	<u>(1,387)</u>
Net change in plan fiduciary net position	418,630	349,386
Plan fiduciary net position - beginning	<u>2,870,861</u>	<u>2,521,475</u>
Plan fiduciary net position - ending (b)	<u>\$ 3,289,491</u>	<u>\$ 2,870,861</u>
Net OPEB liability - ending (a)-(b)	<u>\$ 4,063,299</u>	<u>\$ 4,303,424</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>44.74%</u>	<u>40.02%</u>
Covered-employee payroll - measurement period	<u>\$ 4,254,297</u>	<u>\$ 4,171,684</u>
Net OPEB liability as percentage of covered-employee payroll	<u>95.51%</u>	<u>103.16%</u>
Notes to schedule:		
Valuation date	June 30, 2017	June 30, 2017
Measurement period - fiscal year ended	June 30, 2018	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, 2019

**SCHEDULE OF CONTRIBUTIONS TO THE OPEB PLAN (UNAUDITED)**

	<u>2019</u>	<u>2018</u>
Statutorily required contribution - employer fiscal year	\$ 448,458	\$ 449,109
Contributions in relation to the actuarially determined contributions	<u>(448,458)</u>	<u>(449,109)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll - employer fiscal year	\$ 4,599,756	\$ 4,254,297
Contributions as a percentage of covered-employee payroll	9.75%	10.56%

**Notes to Schedule:**

Valuation date	June 30, 2017	June 30, 2017
Measurement period - fiscal year ended	June 30, 2018	June 30, 2017

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

**SCHEDULE OF INVESTMENT RETURNS (UNAUDITED)**

	<u>2019</u>	<u>2018</u>
Annual money-weighted rate of return, net of investment expenses	12.51%	7.00%

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, 2019

ASSETS

CURRENT ASSETS

Cash and investments	\$ 1,921,124
Receivables:	
Accounts	1,141,432
Accrued interest	24,055
Prepaid expenses	84,669
TOTAL CURRENT ASSETS	3,171,280

NONCURRENT ASSETS

Capital assets, not being depreciated	3,397,564
Capital assets, net of accumulated depreciation	54,046,413
TOTAL CAPITAL ASSETS	57,443,977

Investment in electrical power	307,290
TOTAL NONCURRENT ASSETS	57,751,267

TOTAL ASSETS 60,922,547

DEFERRED OUTFLOWS OF RESOURCES

Deferred amounts on refunding	1,146,847
Deferred pension related outflows	1,788,966
Deferred other postemployment benefits related outflows	264,679
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,200,492

LIABILITIES

CURRENT LIABILITIES

Accounts payable	345,671
Accrued liabilities	124,655
Accrued interest	392,085
Due within one year:	
Accrued compensated absences	190,888
Bonds, notes and capital leases	698,450
TOTAL CURRENT LIABILITIES	1,751,749

NONCURRENT LIABILITIES

Accrued compensated absences	172,697
Bonds, notes and capital leases	23,105,921
Net other postemployment benefit liability	1,766,453
Net pension liability	680,652
TOTAL NONCURRENT LIABILITIES	25,725,723

TOTAL LIABILITIES 27,477,472

DEFERRED INFLOWS OF RESOURCES

Deferred pension related inflows	1,146,900
Deferred other postemployment benefits related inflows	7,623
TOTAL DEFERRED INFLOWS OF RESOURCES	1,154,523

NET POSITION

Net investment in capital assets	34,786,452
Unrestricted	704,592
TOTAL NET POSITION	\$ 35,491,044

SAN JUAN WATER DISTRICT  
STATEMENT OF NET POSITION  
WHOLESALE CAPITAL

June 30, 2019

ASSETS

CURRENT ASSETS

Cash and investments	\$ 15,022,984
Receivables:	
Accounts	1,281,835
Accrued interest	33,217
Taxes	<u>45,840</u>

TOTAL ASSETS 16,383,876

LIABILITIES

CURRENT LIABILITIES

Accounts payable	<u>215,566</u>
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TOTAL LIABILITIES 215,566

NET POSITION

Unrestricted	<u>16,168,310</u>
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TOTAL NET POSITION \$ 16,168,310

SAN JUAN WATER DISTRICT  
STATEMENT OF NET POSITION  
RETAIL OPERATING

June 30, 2019

ASSETS

CURRENT ASSETS

Cash and investments	\$	1,111,719
Receivables:		
Accounts		2,659,986
Accrued interest		6,487
Prepaid expenses		39,930
Inventories		137,007
TOTAL CURRENT ASSETS		3,955,129

NONCURRENT ASSETS

Capital assets, not being depreciated		570,980
Capital assets, net of accumulated depreciation		28,179,002
TOTAL CAPITAL ASSETS		28,749,982
TOTAL NONCURRENT ASSETS		28,749,982

TOTAL ASSETS 32,705,111

DEFERRED OUTFLOWS OF RESOURCES

Deferred amounts on refunding		642,596
Deferred pension related outflows		2,323,599
Deferred other postemployment benefits related outflows		343,779
TOTAL DEFERRED OUTFLOWS OF RESOURCES		3,309,974

LIABILITIES

CURRENT LIABILITIES

Accounts payable		225,608
Accrued liabilities		162,454
Accrued interest		218,056
Unearned revenues		90,601
Deposits payable		70,458
Due within one year:		
Accrued compensated absences		232,252
Bonds, notes and capital leases		386,550
TOTAL CURRENT LIABILITIES		1,385,979

NONCURRENT LIABILITIES

Accrued compensated absences		250,939
Bonds, notes and capital leases		12,871,885
Net other postemployment benefit liability		2,297,046
Net pension liability		884,065
TOTAL NONCURRENT LIABILITIES		16,303,935

TOTAL LIABILITIES 17,689,914

DEFERRED INFLOWS OF RESOURCES

Deferred pension related inflows		1,489,651
Deferred other postemployment benefits related inflows		9,902
TOTAL DEFERRED INFLOWS OF RESOURCES		1,499,553

NET POSITION

Net investment in capital assets		16,134,144
Unrestricted		691,474
TOTAL NET POSITION	\$	16,825,618

SAN JUAN WATER DISTRICT  
STATEMENT OF NET POSITION  
RETAIL CAPITAL

June 30, 2019

ASSETS

CURRENT ASSETS

Cash and investments	\$ 5,615,779
Receivables:	
Accounts	3,154
Accrued interest	16,177
Taxes	45,839

TOTAL ASSETS 5,680,949

LIABILITIES

CURRENT LIABILITIES

Accounts payable	<u>261,010</u>
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TOTAL LIABILITIES 261,010

NET POSITION

Unrestricted	<u>5,419,939</u>
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TOTAL NET POSITION \$ 5,419,939

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, 2019

	Actual	Final Budget	Variance with Final Budget
<b>OPERATING REVENUE</b>			
Wholesale revenue by entity			
San Juan Water District - retail	\$ 2,992,982	\$ 3,060,820	\$ (67,838)
Citrus Heights Water District	2,997,334	3,008,870	(11,536)
Fair Oaks Water District	2,112,130	2,135,050	(22,920)
Orangevale Water Company	1,031,805	1,039,750	(7,945)
City of Folsom	296,788	302,430	(5,642)
Granite Bay Golf Course	10,632	12,970	(2,338)
Sacramento Suburban Water District	2,484,159	1,482,510	1,001,649
Water sales - out of service area	1,119,146	1,623,900	(504,754)
Other revenue	77,568	1,500	76,068
TOTAL OPERATING REVENUES	<u>13,122,544</u>	<u>12,667,800</u>	<u>454,744</u>
<b>OPERATING EXPENSES</b>			
Source of supply			
Water charged to retail service area			
Placer County Water Agency	276,125	275,000	1,125
US Bureau of Reclamation	2,661	-	2,661
Wheeling	127,370	91,500	35,870
Bureau pumping	95,556	143,700	(48,144)
Other public agencies	1,247,864	1,505,300	(257,436)
Administration and general	1,819,536	1,969,400	(149,864)
Water treatment	2,736,663	2,987,600	(250,937)
Engineering	372,358	390,600	(18,242)
Water efficiency	19,258	47,100	(27,842)
Depreciation	2,378,076	-	2,378,076
Retirement benefits (OPEB)	192,819	284,200	(91,381)
Pension expense	315,371	293,200	22,171
TOTAL OPERATING EXPENSES	<u>9,583,657</u>	<u>7,987,600</u>	<u>1,596,057</u>
NET INCOME (LOSS) FROM OPERATIONS	3,538,887	4,680,200	(1,141,313)
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Investment income	166,868	40,000	126,868
Other revenue	117,265	111,900	5,365
Interest expense	(893,978)	(955,000)	61,022
Other expenses	(6,532)	(2,700)	(3,832)
Capital outlay offsets	3,152,939	-	3,152,939
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>2,536,562</u>	<u>(805,800)</u>	<u>3,342,362</u>
INCOME (LOSS) BEFORE TRANSFERS	6,075,449	3,874,400	2,201,049
<b>TRANSFERS</b>			
Transfers out	(5,186,325)	(2,776,900)	(2,409,425)
TOTAL TRANSFERS	<u>(5,186,325)</u>	<u>(2,776,900)</u>	<u>(2,409,425)</u>
CHANGE IN NET POSITION	889,124	1,097,500	(208,376)
Net position at beginning of year, as previously reported	34,420,852	34,420,852	
Restatement due to error correction	181,068	181,068	
Net position at beginning of year, as restated	<u>34,601,920</u>	<u>34,601,920</u>	<u>-</u>
NET POSITION AT END OF YEAR	<u>\$ 35,491,044</u>	<u>\$ 35,699,420</u>	<u>\$ (208,376)</u>

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, 2019

	Actual	Final Budget	Variance with Final Budget
OPERATING EXPENSES			
Water treatment	\$ 32,701	\$ 3,101,000	\$ (3,068,299)
TOTAL OPERATING EXPENSES	<u>32,701</u>	<u>3,101,000</u>	<u>(3,068,299)</u>
NET INCOME (LOSS) FROM OPERATIONS	(32,701)	(3,101,000)	3,068,299
NON-OPERATING REVENUES (EXPENSES)			
Tax assessments	1,118,187	1,094,700	23,487
Investment income	278,848	65,000	213,848
Connections and annexations	124,971	75,000	49,971
Other revenue	31,468	-	31,468
Capital outlay	(3,152,939)	(1,755,700)	(1,397,239)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(1,599,465)</u>	<u>(521,000)</u>	<u>(1,078,465)</u>
Capital contributions	2,601,290	2,285,400	315,890
INCOME (LOSS) BEFORE TRANSFERS	969,124	(1,336,600)	2,305,724
TRANSFERS			
Transfers in	5,186,325	2,776,900	2,409,425
TOTAL TRANSFERS	<u>5,186,325</u>	<u>2,776,900</u>	<u>2,409,425</u>
CHANGE IN NET POSITION	6,155,449	1,440,300	4,715,149
Net position at beginning of year	10,012,861	10,012,861	-
NET POSITION AT END OF YEAR	<u>\$ 16,168,310</u>	<u>\$ 11,453,161</u>	<u>\$ 4,715,149</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, 2019

	Actual	Final Budget	Variance with Final Budget
<b>OPERATING REVENUE</b>			
Water sales - retail	\$ 11,405,735	\$ 11,479,700	\$ (73,965)
Other revenue	380,992	379,600	1,392
TOTAL OPERATING REVENUES	<u>11,786,727</u>	<u>11,859,300</u>	<u>(72,573)</u>
<b>OPERATING EXPENSES</b>			
Source of supply			
Water charged to retail service area	3,027,505	3,095,300	(67,795)
Administration and general	1,115,382	1,248,400	(133,018)
Transmission and distribution	3,474,927	3,903,400	(428,473)
Customer service	661,246	641,700	19,546
Engineering	437,770	475,700	(37,930)
Water efficiency	394,369	417,800	(23,431)
Depreciation	1,426,063	-	1,426,063
Retirement benefits (OPEB)	250,444	380,900	(130,456)
Pension expense	373,422	393,200	(19,778)
TOTAL OPERATING EXPENSES	<u>11,161,128</u>	<u>10,556,400</u>	<u>604,728</u>
NET INCOME (LOSS) FROM OPERATIONS	625,599	1,302,900	(677,301)
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Investment income	53,819	30,000	23,819
Other revenue	87,178	86,200	978
Interest expense	(497,670)	(531,000)	33,330
Other expenses	(1,473)	(2,200)	727
Capital outlay offsets	3,689,993	-	3,689,993
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>3,331,847</u>	<u>(417,000)</u>	<u>3,748,847</u>
Capital contributions	265,237	-	265,237
INCOME (LOSS) BEFORE TRANSFERS	4,222,683	885,900	3,336,783
<b>TRANSFERS</b>			
Transfers out	(825,277)	275,300	(1,100,577)
TOTAL TRANSFERS	<u>(825,277)</u>	<u>275,300</u>	<u>(1,100,577)</u>
CHANGE IN NET POSITION	3,397,406	1,161,200	2,236,206
Net position at beginning of year, as previously reported	13,245,343	13,245,343	
Restatement due to error correction	182,869	182,869	
Net position at beginning of year, as restated	<u>13,428,212</u>	<u>13,428,212</u>	<u>-</u>
NET POSITION AT END OF YEAR	<u>\$ 16,825,618</u>	<u>\$ 14,589,412</u>	<u>\$ 2,236,206</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, 2019

	Actual	Final Budget	Variance with Final Budget
OPERATING REVENUE			
Other revenue	\$ -	\$ -	\$ -
TOTAL OPERATING REVENUES			
OPERATING EXPENSES			
Transmission and distribution	-	508,800	(508,800)
TOTAL OPERATING EXPENSES	-	508,800	(508,800)
NET INCOME (LOSS) FROM OPERATIONS	-	(508,800)	508,800
NON-OPERATING REVENUES (EXPENSES)			
Tax assessments	1,118,187	1,094,700	23,487
Investment income	154,776	65,000	89,776
Connections and annexations	82,549	100,000	(17,451)
Other revenue	7,217	-	7,217
Capital outlay	(3,689,993)	(5,505,300)	1,815,307
TOTAL NON-OPERATING REVENUES (EXPENSES)	(2,327,264)	(4,245,600)	1,918,336
Capital contributions	-	-	-
INCOME (LOSS) BEFORE TRANSFERS	(2,327,264)	(4,754,400)	2,427,136
TRANSFERS			
Transfers in	825,277	275,300	549,977
TOTAL TRANSFERS	825,277	275,300	549,977
CHANGE IN NET POSITION	(1,501,987)	(4,479,100)	2,977,113
Net position at beginning of year	6,921,926	6,921,926	-
NET POSITION AT END OF YEAR	\$ 5,419,939	\$ 2,442,826	\$ 2,977,113

SAN JUAN WATER DISTRICT

STATEMENT OF CASH FLOWS  
WHOLESALE OPERATING

For the year ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 13,292,432
Cash paid to suppliers for goods and services	(4,234,652)
Cash paid to employees for services	<u>(2,784,260)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	6,273,520
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital recovery from wholesale capital	3,152,939
Acquisition and construction of capital assets	(3,152,939)
Proceeds from the sale of capital assets	5,133
Principal paid on capital debt	(675,929)
Interest paid on capital debt	(964,943)
Payments for miscellaneous expenses	(6,532)
Transfers to wholesale capital	<u>(5,186,325)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(6,828,596)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	<u>150,797</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>150,797</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(404,279)
Cash and cash equivalents at beginning of year	<u>2,325,403</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 1,921,124</u></u>

(Continued)

SAN JUAN WATER DISTRICT

STATEMENT OF CASH FLOWS (Continued)  
WHOLESALE OPERATING

For the year ended June 30, 2019

RECONCILIATION OF OPERATING INCOME TO NET CASH

PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating income (loss)	\$ 3,538,887
Nonoperating income received	129,413
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	2,378,076
(Increase) decrease in accounts receivable	40,475
(Increase) decrease in prepaid expenses	(53,859)
(Increase) decrease in deferred pension related outflows	1,633,614
(Increase) decrease in deferred other postemployment benefits related outflows	22,141
Increase (decrease) in accounts payable	238,965
Increase (decrease) in accrued liabilities	(4,559)
Increase (decrease) in compensated absences	50,459
Increase (decrease) in deferred pension related inflows	(301,641)
Increase (decrease) in deferred other postemployment benefits related inflows	7,623
Increase (decrease) in other postemployment benefits liability	(101,625)
Increase (decrease) in net pension liability	<u>(1,304,449)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ 6,273,520

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

Gain/(loss) on investment in joint venture	\$ 5,059
Amortization of bond premiums	(129,263)
Amortization of deferred amount on refunding	68,253

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, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 11,764,011
Cash paid to suppliers for goods and services	(4,559,880)
Cash paid to employees for services	<u>(5,245,969)</u>
NET CASH USED BY OPERATING ACTIVITIES	1,958,162
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital recovery from retail capital	3,689,993
Acquisition and construction of capital assets	(3,689,993)
Proceeds from the sale of capital assets	5,934
Principal paid on capital debt	(374,071)
Interest paid on capital debt	(536,617)
Payments for miscellaneous expenses	(1,473)
Transfers to retail capital	<u>(825,277)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,731,504)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	49,867
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>49,867</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	276,525
Cash and cash equivalents at beginning of year	<u>835,194</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 1,111,719</u></u>

(Continued)

SAN JUAN WATER DISTRICT

STATEMENT OF CASH FLOWS (Continued)  
RETAIL OPERATING

For the year ended June 30, 2019

RECONCILIATION OF OPERATING INCOME TO NET CASH

PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating income (loss)	\$ 625,599
Nonoperating income received	81,244
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	1,426,063
(Increase) decrease in accounts receivable	(125,421)
(Increase) decrease in prepaid expenses	(10,010)
(Increase) decrease in inventories	(11,028)
(Increase) decrease in deferred pension related outflows	2,361,965
(Increase) decrease in deferred other postemployment benefits related outflows	35,064
Increase (decrease) in accounts payable	57,949
Increase (decrease) in accrued liabilities	(10,987)
Increase (decrease) in unearned revenues	6,072
Increase (decrease) in deposits payable	15,389
Increase (decrease) in compensated absences	12,261
Increase (decrease) in deferred pension related inflows	(444,950)
Increase (decrease) in deferred other postemployment benefits related inflows	9,902
Increase (decrease) in other postemployment benefits liability	(138,300)
Increase (decrease) in net pension liability	<u>(1,932,650)</u>

NET CASH USED BY OPERATING ACTIVITIES \$ 1,958,162

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

Amortization of bond premiums	\$ (71,499)
Amortization of deferred amount on refunding	38,075
Contributed assets	265,237

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, 2019

	Balance at June 30, 2018	Restatement	Restated Balance at June 30, 2018	Transfers	Additions	Disposals	Balance at June 30, 2019
<b>CAPITAL ASSETS, NOT BEING DEPRECIATED</b>							
Land	\$ 98,212	\$ -	\$ 98,212	\$ -	\$ -	\$ -	\$ 98,212
Construction in progress	119,720	181,068	300,788	(92,733)	3,091,297	-	3,299,352
<b>TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED</b>	<b>217,932</b>	<b>181,068</b>	<b>399,000</b>	<b>(92,733)</b>	<b>3,091,297</b>	<b>-</b>	<b>3,397,564</b>
<b>CAPITAL ASSETS, BEING DEPRECIATED</b>							
Pipelines	29,288,016	-	29,288,016	-	-	(15,906)	29,272,110
Water treatment plant	35,529,241	-	35,529,241	59,364	395	(15,930)	35,573,070
Land improvements	814,105	-	814,105	-	-	-	814,105
Reservoirs	2,876,931	-	2,876,931	21,603	24,914	-	2,923,448
Pumping stations	7,047,178	-	7,047,178	-	-	-	7,047,178
Buildings	1,296,461	-	1,296,461	-	-	(29,215)	1,267,246
Vehicles and equipment	13,939,630	-	13,939,630	11,766	36,333	(27,895)	13,959,834
Intangibles	1,113,849	-	1,113,849	-	-	-	1,113,849
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<b>91,905,411</b>	<b>-</b>	<b>91,905,411</b>	<b>92,733</b>	<b>61,642</b>	<b>(88,946)</b>	<b>91,970,840</b>
<b>LESS ACCUMULATED DEPRECIATION</b>							
Pipelines	(8,556,625)	-	(8,556,625)	-	(744,719)	15,906	(9,285,438)
Water treatment plant	(15,452,995)	-	(15,452,995)	-	(826,105)	15,930	(16,263,170)
Land improvements	(619,648)	-	(619,648)	-	(10,337)	-	(629,985)
Reservoirs	(2,782,514)	-	(2,782,514)	-	(7,172)	-	(2,789,686)
Pumping stations	(2,954,939)	-	(2,954,939)	-	(208,153)	-	(3,163,092)
Buildings	(1,145,926)	-	(1,145,926)	-	(15,940)	16,993	(1,144,873)
Vehicles and equipment	(3,571,620)	-	(3,571,620)	-	(506,966)	27,895	(4,050,691)
Intangibles	(538,808)	-	(538,808)	-	(58,684)	-	(597,492)
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>(35,623,075)</b>	<b>-</b>	<b>(35,623,075)</b>	<b>-</b>	<b>(2,378,076)</b>	<b>76,724</b>	<b>(37,924,427)</b>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET</b>	<b>56,282,336</b>	<b>-</b>	<b>56,282,336</b>	<b>92,733</b>	<b>(2,316,434)</b>	<b>(12,222)</b>	<b>54,046,413</b>
<b>CAPITAL ASSETS, NET</b>	<b>\$ 56,500,268</b>	<b>\$ 181,068</b>	<b>\$ 56,681,336</b>	<b>\$ -</b>	<b>\$ 774,863</b>	<b>\$ (12,222)</b>	<b>\$ 57,443,977</b>

SAN JUAN WATER DISTRICT

CAPITAL ASSET ROLLFORWARD  
RETAIL

For the year ended June 30, 2019

	Balance at June 30, 2018	Restatement	Restated Balance at June 30, 2018	Transfers	Additions	Disposals	Balance at June 30, 2019
<b>CAPITAL ASSETS, NOT BEING DEPRECIATED</b>							
Land	\$ 166,272	\$ -	\$ 166,272	\$ -	\$ -	\$ -	\$ 166,272
Construction in progress	1,200,506	-	1,200,506	(1,162,152)	366,354	-	404,708
<b>TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED</b>	<b>1,366,778</b>	<b>-</b>	<b>1,366,778</b>	<b>(1,162,152)</b>	<b>366,354</b>	<b>-</b>	<b>570,980</b>
<b>CAPITAL ASSETS, BEING DEPRECIATED</b>							
Pipelines	42,097,313	206,108	42,303,421	816,359	3,252,556	(303,803)	46,068,533
Water treatment plant	16,000	-	16,000	-	-	-	16,000
Land improvements	83,971	-	83,971	-	-	-	83,971
Reservoirs	2,492,422	-	2,492,422	-	-	-	2,492,422
Pumping stations	5,527,475	-	5,527,475	344,860	74,620	-	5,946,955
Buildings	55,441	-	55,441	933	206,962	-	263,336
Vehicles and equipment	1,562,694	-	1,562,694	-	54,738	(11,660)	1,605,772
Intangibles	403,200	-	403,200	-	-	-	403,200
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<b>52,238,516</b>	<b>206,108</b>	<b>52,444,624</b>	<b>1,162,152</b>	<b>3,588,876</b>	<b>(315,463)</b>	<b>56,880,189</b>
<b>LESS ACCUMULATED DEPRECIATION</b>							
Pipelines	(24,763,657)	(23,239)	(24,786,896)	-	(1,119,051)	303,803	(25,602,144)
Water treatment plant	(9,900)	-	(9,900)	-	(485)	-	(10,385)
Land improvements	(44,949)	-	(44,949)	-	(2,703)	-	(47,652)
Reservoirs	(1,150,844)	-	(1,150,844)	-	(32,532)	-	(1,183,376)
Pumping stations	(364,043)	-	(364,043)	-	(156,006)	-	(520,049)
Buildings	(17,083)	-	(17,083)	-	(8,634)	-	(25,717)
Vehicles and equipment	(959,059)	-	(959,059)	-	(88,844)	11,660	(1,036,243)
Intangibles	(257,813)	-	(257,813)	-	(17,808)	-	(275,621)
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>(27,567,348)</b>	<b>(23,239)</b>	<b>(27,590,587)</b>	<b>-</b>	<b>(1,426,063)</b>	<b>315,463</b>	<b>(28,701,187)</b>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET</b>	<b>24,671,168</b>	<b>182,869</b>	<b>24,854,037</b>	<b>1,162,152</b>	<b>2,162,813</b>	<b>-</b>	<b>28,179,002</b>
<b>CAPITAL ASSETS, NET</b>	<b>\$ 26,037,946</b>	<b>\$ 182,869</b>	<b>\$ 26,220,815</b>	<b>\$ -</b>	<b>\$ 2,529,167</b>	<b>\$ -</b>	<b>\$ 28,749,982</b>

## 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** ..... 60-61

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

**Revenue Capacity**..... 62-67

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** ..... 68-71

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** ..... 72-73

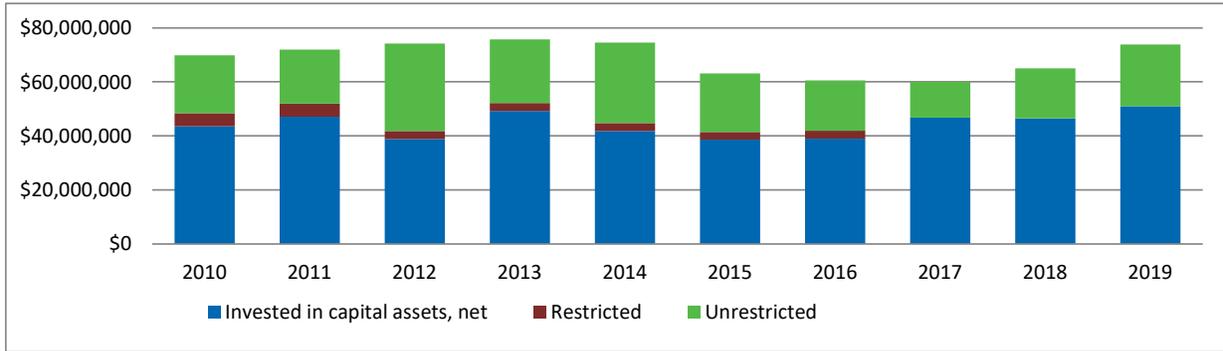
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.

**Operating Information** ..... 74-78

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)



	2010	2011	2012 <sup>1</sup>	2013 <sup>1</sup>	2014 <sup>2</sup>	2015 <sup>3</sup>	2016 <sup>4</sup>	2017 <sup>5</sup>	2018 <sup>6</sup>	2019
Net Position:										
Invested in capital assets, net	\$43,492,739	\$47,026,193	\$38,861,678	\$49,186,800	\$41,785,998	\$38,531,907	\$38,997,463	\$46,693,664	\$46,484,354	\$50,920,596
Restricted	4,931,780	4,835,676	2,911,170	2,911,170	2,911,170	2,911,577	2,912,921	-	-	-
Unrestricted	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	22,984,315
Total net position	\$69,889,966	\$71,974,145	\$74,217,635	\$75,763,428	\$74,577,493	\$63,153,368	\$60,464,538	\$60,037,021	\$64,964,919	\$73,904,911

Notes:

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

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

<sup>3</sup> Restated to reflect capital asset and compensated absences prior year adjustments.

<sup>4</sup> Restated capital asset prior year adjustment.

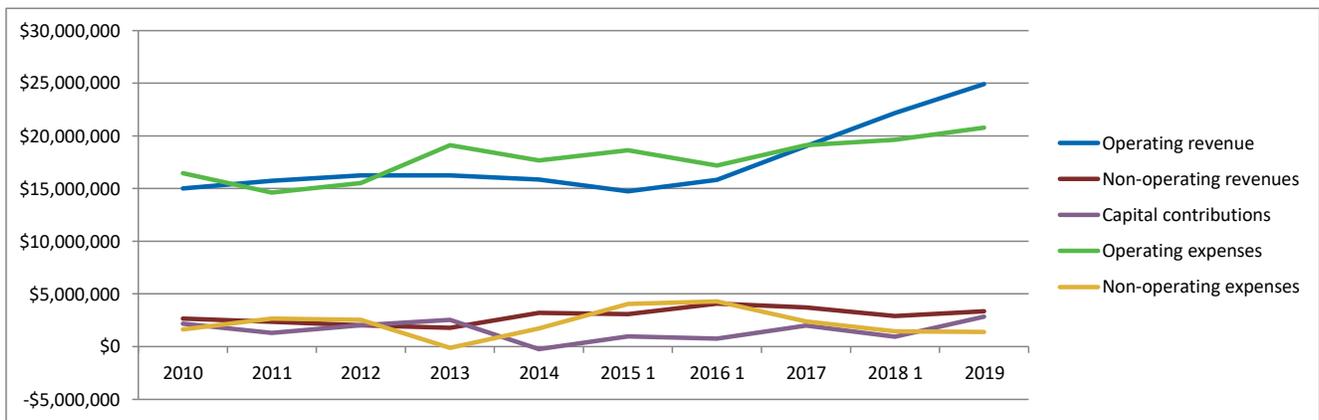
<sup>5</sup> Restated to reflect the implementation of GASB Statement No. 75 for Postemployment Benefits Other Than Pensions (OPEB) during Fiscal Year 2017-2018. See Financial Notes for additional information.

<sup>6</sup> Restated capital asset prior year adjustment.

Source: San Juan Water District Finance & Administrative Services Department

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

	2010	2011	2012	2013	2014	2015 <sup>1</sup>	2016 <sup>1</sup>	2017	2018 <sup>1</sup>	2019
<b>Operating Revenues</b>										
Wholesale revenue	\$ 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	\$ 13,044,976
Retail revenue	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	11,405,735
Other revenue	144,086	123,714	803,986	700,236	766,591	666,965	499,150	421,579	740,184	458,560
Total operating revenue	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	24,909,271
<b>Operating Expenses</b>	16,465,647	14,640,270	15,522,579	19,124,440	17,673,564	18,617,237	17,174,304	19,111,183	19,627,818	20,777,486
Net loss from operations	(1,466,781)	1,083,343	735,668	(2,866,793)	(1,810,672)	(3,883,076)	(1,351,757)	(97,578)	2,527,123	4,131,785
<b>Non-operating revenues</b>	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	3,341,333
<b>Non-operating expenses</b>	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	1,399,653
Net income before capital contributions	(418,390)	800,504	234,256	(976,515)	(347,912)	(4,827,580)	(1,566,889)	1,231,207	3,981,600	6,073,465
Capital contributions	2,172,250	1,283,677	2,009,234	2,522,308	(225,068)	959,849	762,439	1,987,666	946,298	2,866,527
Change in net position	\$ 1,753,860	\$ 2,084,181	\$ 2,243,490	\$ 1,545,793	\$ (572,980)	\$ (3,867,731)	\$ (804,450)	\$ 3,218,873	\$ 4,927,898	\$ 8,939,992



Note:  
<sup>1</sup> 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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Uniform Commodity Rate (UCR) <sup>1</sup>:</b>										
San Juan Water District Retail	\$ 127.86	\$ 90.60	\$ 90.60	\$ 90.60	\$ 93.32	\$ 89.17	\$ 102.02	\$ 81.14	\$ 81.14	\$ 81.14
Citrus Heights Water District	86.25	90.60	90.60	90.60	93.32	89.17	102.02	81.14	81.14	81.14
Fair Oaks Water Company	86.25	90.60	90.60	90.60	93.32	89.17	102.02	81.14	81.14	81.14
Orange Vale Water Company	86.25	90.60	90.60	90.60	93.32	89.17	102.02	81.14	81.14	81.14
City of Folsom	162.37	90.60	90.60	90.60	93.32	89.17	102.02	81.14	81.14	81.14
<b>Annual Service Charge:</b>										
San Juan Water District Retail	\$ 295,561	\$ 311,080	\$ 311,080	\$ 311,080	\$ 320,412	\$ 440,965	\$ 505,258	\$ 1,114,644	\$ 1,359,660	\$ 1,635,696
Citrus Heights Water District	369,657	367,450	367,450	367,450	378,474	462,858	530,343	1,142,268	1,393,352	1,676,228
Fair Oaks Water Company	254,095	208,340	208,340	208,340	214,590	356,683	408,687	855,824	1,043,948	1,255,888
Orange Vale Water Company	83,151	80,300	80,300	80,300	82,709	156,402	179,205	394,248	480,908	578,540
City of Folsom	32,771	35,160	35,160	35,160	36,215	44,925	51,475	113,664	138,652	166,800
<b>Annual Debt Service Charge <sup>2</sup>:</b>										
San Juan Water District Retail	\$ 563,089	\$ 563,594	\$ 585,863	\$ 570,181	\$ 613,611	\$ 447,679	\$ 613,811	\$ 613,752	\$ 613,804	\$ 505,084
Citrus Heights Water District	621,614	627,938	621,477	648,443	672,537	673,415	672,833	672,804	672,752	556,964
Fair Oaks Water Company	415,185	385,416	434,744	405,722	443,222	443,957	443,513	443,452	443,404	371,316
Orange Vale Water Company	173,021	166,458	179,008	180,570	191,913	192,041	191,922	191,952	191,952	155,584
City of Folsom	50,104	59,659	51,581	53,653	56,430	142,591	142,283	142,156	141,952	118,468
<b>Capital Facilities Charge (implemented in 2015) <sup>3</sup>:</b>										
San Juan Water District Retail						\$ 458,635	\$ 493,158	\$ 426,660	\$ 34,524	\$ 34,524
Citrus Heights Water District						-	-	-	-	-
Fair Oaks Water Company						-	-	-	-	-
Orange Vale Water Company						210,270	219,447	219,448	9,176	9,176
City of Folsom						71,595	71,595	71,596	-	-
<b>Connection Fees <sup>4</sup>:</b>										
Up to 1" Meter	\$ 337	\$ 344	\$ 354	\$ 364	\$ 372	\$ 381	\$ 391	\$ 400	\$ 412	\$ 1,186
1" Meter	560	572	588	605	619	633	650	665	686	1,186
1 1/2" Meter	1,121	1,145	1,178	1,212	1,240	1,269	1,303	1,333	1,374	2,371
2" Meter	1,793	1,832	1,884	1,938	1,983	2,029	2,083	2,131	2,197	3,794
3" Meter	3,585	3,663	3,767	3,874	3,964	4,055	4,164	4,260	4,392	7,589
4" Meter	5,602	5,724	5,887	6,055	6,196	6,339	6,509	6,659	6,865	11,857
6" Meter	14,004	14,309	14,717	15,136	15,489	15,845	16,270	16,644	17,160	29,643
8" Meter	20,166	20,606	21,193	21,797	22,305	22,818	23,430	23,969	24,712	42,686
10" Meter	32,490	33,199	34,145	35,118	35,936	36,763	37,748	38,616	39,813	68,772
12" Meter	48,175	49,226	50,629	52,072	53,285	54,511	55,972	57,259	59,034	101,973

Notes:

<sup>1</sup> 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.

<sup>2</sup> 2012 Annual Debt Service Charges were revised during the calendar year.

<sup>3</sup> The Capital Facilities Charge was implemented in 2015.

<sup>4</sup> Connection Fees in 2019 were effective on February 26, 2019.

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 <sup>1</sup>

	2010	2011	2012	2013	2014	2015 <sup>2</sup>	2016	2017	2018	2019
<b>Commodity Rate per 100 CCF:</b>										
Uniform Rate	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.80	\$ 0.92	\$ 0.92	\$ 0.92	\$ 0.92
<b>Residential</b>										
0 to 20 ccf	0.43	0.44	0.44	0.45	0.46	-	-	-	-	-
21 to 200 ccf	0.73	0.74	0.74	0.75	0.77	-	-	-	-	-
201+ ccf	0.51	0.52	0.52	0.53	0.54	-	-	-	-	-
Commercial	0.62	0.63	0.63	0.64	0.66	-	-	-	-	-
<b>Daily Base Charge (fixed based on meter size):</b>										
Up to 1"	\$ 1.13	\$ 1.15	\$ 1.15	\$ 1.17	\$ 1.20	\$ 1.08	\$ 1.24	\$ 1.42	\$ 1.63	\$ 1.83
1 1/2"	3.01	3.07	3.07	3.13	3.19	2.88	3.31	3.68	4.22	4.75
2"	4.80	4.90	4.90	5.00	5.10	4.59	5.28	5.58	6.72	7.56
3"	9.56	9.75	9.75	9.95	10.14	9.13	10.50	10.90	12.51	14.07
4"	14.89	15.19	15.19	15.49	15.80	14.23	16.36	18.12	20.80	23.40
6"	29.76	30.36	30.36	30.97	31.59	28.46	32.73	36.18	41.54	46.73
8"	53.51	54.58	54.58	55.67	56.79	51.16	58.83	57.85	66.42	74.72
10"	86.18	87.90	87.90	89.66	91.45	82.39	94.75	N/A	N/A	N/A
12"	127.77	130.32	130.32	132.93	135.60	122.16	140.48	N/A	N/A	N/A
Fire District	5.79	5.90	5.90	6.02	6.15	5.53	6.36	7.28	8.36	N/A
<b>Daily Base Charge for Private Fire Lines (fixed based on meter size):</b>										
4"	\$ 0.43	\$ 0.44	\$ 0.44	\$ 0.45	\$ 0.46	\$ 0.47	\$ 0.53	\$ 0.57	\$ 0.62	\$ 0.68
6"	0.64	0.65	0.65	0.66	0.68	0.70	0.78	0.84	0.92	1.00
8"	0.86	0.88	0.88	0.90	0.92	0.95	1.05	1.14	1.24	1.35
10"	1.04	1.05	1.05	1.07	1.09	1.12	1.26	1.36	1.48	1.61
<b>Connection Fees (in addition, new connections also pay a Wholesale Connection fee listed in Wholesale Rates) <sup>4</sup>:</b>										
Up to 1" Meter	\$ 12,834	\$ 13,114	\$ 13,488	\$ 13,872	\$ 14,195	\$ 14,521	\$ 14,910	\$ 15,253	\$ 15,726	\$ 15,726
1 1/2" Meter	25,667	26,227	26,974	27,743	28,389	29,042	29,820	30,506	31,452	31,452
2" Meter	41,068	41,963	43,159	44,389	45,423	46,468	47,713	48,810	50,323	50,323
3" Meter	82,135	83,926	86,318	88,778	90,847	92,936	95,427	97,622	100,648	100,648
4" Meter	127,462	130,241	133,953	137,771	140,981	144,224	148,089	151,495	156,191	156,191
6" Meter	256,674	262,269	269,744	277,432	283,896	290,426	298,209	305,068	314,525	314,525
8" Meter	462,023	472,095	485,550	499,388	511,024	522,778	536,788	549,134	566,157	566,157
10" Meter	744,371	760,598	782,275	804,570	823,316	842,252	864,824	884,715	912,141	912,141
12" Meter	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	1,352,485

Notes:

<sup>1</sup> The 2015 rates were amended February 1, 2015.

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

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

<sup>4</sup> 2019 Connection Fees were effective on February 26, 2019.

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)
<b>2010</b> <sup>1</sup>	\$ 6,372,458	\$ 919,104	\$ 7,291,562	5,078,489
<b>2011</b> <sup>1</sup>	6,821,008	1,000,370	7,821,378	5,038,636
<b>2012</b> <sup>1</sup>	7,058,136	1,025,042	8,083,178	5,229,292
<b>2013</b> <sup>1</sup>	7,432,485	1,110,112	8,542,597	5,823,065
<b>2014</b> <sup>1</sup>	7,388,798	1,119,919	8,508,716	5,430,370
<b>2015</b> <sup>2</sup>	6,661,233	1,185,368	7,846,601	4,414,012
<b>2016</b> <sup>2</sup>	7,196,801	1,058,636	8,255,437	4,717,454
<b>2017</b> <sup>2</sup>	7,952,605	1,161,882	9,114,487	4,663,318
<b>2018</b> <sup>2</sup>	9,533,095	1,389,190	10,922,285	4,990,170
<b>2019</b> <sup>1</sup>	9,960,544	1,445,191	11,405,735	4,732,317

Note:

<sup>1</sup> Total Water Deliveries are reported from July through June in FY 2010 through FY 2014 and FY 2019.

<sup>2</sup> From FY 2015 through FY 2018 Total Water Deliveries are reported from August through July to match accrual adjustments at fiscal year end.

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

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

Customers	Fiscal Year					
	2019			2010		
	Total Revenue	Rank	% of Revenue <sup>1</sup>	Total Revenue	Rank	% of Revenue
Roseville Joint Union High School	\$ 34,615	1	0.30%	\$ 20,175	1	0.28%
Placer County Dept. of Facility Svcs - R.L. Feist Park	16,798	2	0.15%			
Placer County Dept. of Facility Svcs - Granite Bay Park	16,429	3	0.14%			
Eureka Union School District/Cavitt Jr. High	16,292	4	0.14%	9,539	6	0.13%
Eureka Union School District/Oakhills Elementary	15,676	5	0.14%			
Granite Bay Business Park	14,870	6	0.13%	11,201	4	0.15%
City of Folsom - Davies Park	13,764	7	0.12%			
Granite Bay Estates MHC LLC	13,091	8	0.11%			
San Juan Unified School District/Golden Valley Charter	12,913	9	0.11%			
Bushnells Landscape Creations	12,703	10	0.11%	9,384	7	0.13%
Rolling Greens Estates LLC				13,877	2	0.19%
Sierra Valley Real Estate				11,202	3	0.15%
Maison Chapeaux				9,840	5	0.13%
Placer County Department of Facility Services				9,328	8	0.13%
Otow Revocable Living Trust				9,135	9	0.13%
California State Dept of Parks & Rec				8,947	10	0.12%
<b>Total</b>	<b>\$ 167,151</b>		<b>1.47%</b>	<b>\$ 112,628</b>		<b>1.54%</b>
<b>Total Customer Revenue</b>	<b>\$ 11,405,735</b>			<b>\$ 7,291,562</b>		

Note:

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

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	2019		2010	
		Taxable Assessed Value	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
Montage Apartments Prop Owner LLC	Apartments	\$ 76,989,600	0.39%	\$ -	
Birdcage GRF2 LLC	Shopping Center	71,807,452	0.36%		
Sunrise Mall Property LLC	Commercial	47,891,881	0.24%		
Rollingwood Commons Apartments LLC	Apartments	47,338,312	0.24%	41,046,210	0.34%
AU Zone Madison LLC/NMC Madison Marketplace	Shopping Center	46,560,000	0.23%		
Mitchell/Sippola LP	Shopping Center	43,437,052	0.22%		
Wal Mart Real Estate Business Trust	Commercial	32,297,922	0.16%	27,008,938	0.22%
Fairfield Sunrise LLC	Apartments	28,519,182	0.14%		
Sacto Fair Oaks Blvd. Apartments LP	Apartments	28,138,793	0.14%	32,191,168	0.27%
PWRP Orangevale LP	Shopping Center	28,045,081	0.14%		
Fair Oaks Fountains LLC	Apartments	26,022,505	0.13%	23,199,360	0.19%
MGP XII Sunrise Village LLC	Shopping Center	25,800,010	0.13%		
Marshall Field Stores Inc	Commercial	25,521,209	0.13%	20,780,328	0.16%
Wedgewood Commons Apartments LLC	Apartments	25,269,048	0.13%	22,238,900	0.18%
Ethan Conrad	Commercial	23,992,877	0.12%	20,821,865	0.16%
Madison & Sunrise Associates LLC	Commercial	23,749,989	0.12%		
SW Spring Creek LP	Apartments	23,627,433	0.12%		
Costco Wholesale Corporation	Commercial	23,568,331	0.12%	21,424,004	0.17%
MGP XI US Properties LLC	Shopping Center	22,440,000	0.11%		
Lowes HIW Inc.	Commercial	22,294,532	0.11%	26,217,590	0.21%
Steadfast Sunrise I LLC	Commercial			113,903,453	0.94%
MP Birdcage Marketplace LLC	Shopping Center			57,081,298	0.51%
The Realty Associates Fund VIII LP	Shopping Center			52,965,169	0.47%
VIF & Lyon Oak Creek LLC	Apartments			50,270,774	0.44%
Grove at Sunrise LLC	Apartments			28,318,239	0.23%
PK I Cable Park LP	Commercial			27,580,873	0.23%
Theodore Mitchell	Apartments			24,094,823	0.20%
Woo Family Investment Properties	Commercial			23,113,254	0.19%
Fair Oaks Promenade LLC	Apartments			22,588,843	0.19%
Sears Roebuck & Company	Commercial			22,463,976	0.19%
Ronald P & Maureen A Ashley	Miscellaneous			21,478,538	0.18%
<b>Total</b>		<b>\$ 693,311,209</b>	<b>3.50%</b>	<b>\$ 678,787,603</b>	<b>5.67%</b>

2018-2019 Total Secured Assessed Valuation:

\$19,830,730,526

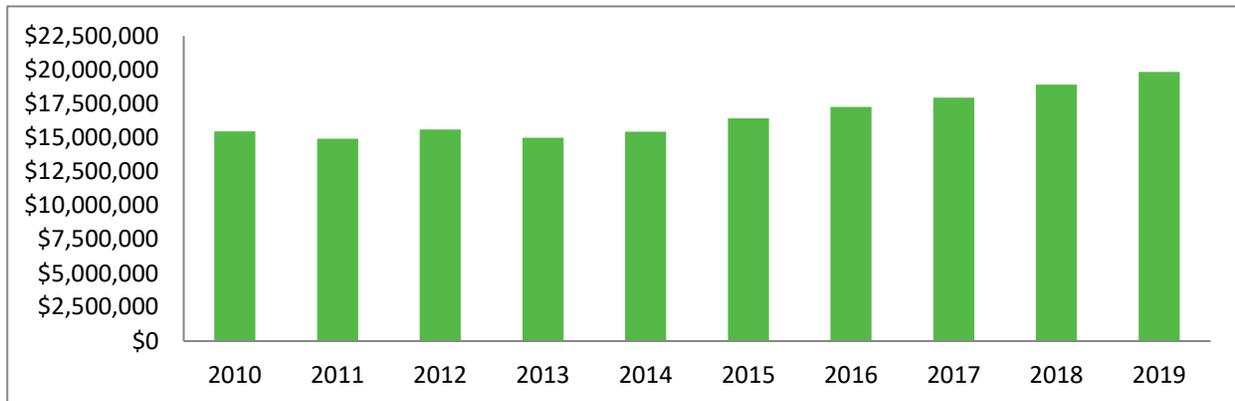
2009-2010 Total Secured Assessed Valuation:

\$11,537,357,558

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)

<b>Fiscal Year</b>	<b>Secured Assessed Value</b>	<b>Unsecured Assessed Value</b>	<b>Total Assessed Value</b>	<b>Total Property Tax Revenue</b>	<b>Total Direct Tax Rate</b>
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%
2019	19,830,731	220,445	20,051,176	2,236	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 2009-10 through 2014-15)  
 California Municipal Statistics, Inc (Fiscal Year 2015-16 through current)

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

<b>Fiscal Year</b>	<b>Revenue Bonds</b>	<b>Certificates of Participation</b>	<b>Economic Development Admin Loan</b>	<b>California Energy Commission Loan</b>	<b>Unamortized Premiums</b>	<b>Total Debt</b>	<b>Percentage of Personal Income</b>	<b>Debt Per Capita</b>
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%	237.09
2015	11,475,000	29,255,000	55,159	-	1,435,162	42,220,321	48.24%	278.62
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	41.32%	259.78
2018	35,300,000	-	-	-	3,013,568	38,313,568	35.74%	247.53
2019	34,250,000	-	-	-	2,812,806	37,062,806	N/A	237.79

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, 2019

2018-19 Assessed Valuation: \$ 20,051,175,529

<b>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>	<b>Total Debt 6/30/2019</b>	<b>Percent Applicable <sup>1</sup></b>	<b>District's Share of Debt 6/30/2019</b>
Los Rios Community College District	\$ 396,190,000	7.54%	\$ 29,876,688
Sierra Joint Community College District School Facilities Improvement District No. 4	80,000,000	8.022	6,417,600
Folsom-Cordova Unified School District School Facilities Improvement District No. 2	18,562,478	10.355	1,922,145
Folsom-Cordova Unified School District School Facilities Improvement District No. 5	183,035,000	10.426	19,083,229
San Juan Unified School District	606,880,956	36.971	224,369,958
Placer Union High School District	23,359,138	4.318	1,008,648
Placer Union High School District School Facilities Improvement District No. 2	21,000,000	12.200	2,562,000
Roseville Joint Union High School District	136,440,358	15.793	21,548,026
Eureka Union School District	853,338	73.293	625,437
Loomis Union School District	2,870,000	16.025	459,917
Roseville City School District	14,387,296	0.605	87,043
Fair Oaks Recreation and Park District	9,435,000	98.870	9,328,385
Roseville Placer Valley Sports Complex and Tourism Marketing Assessment District	34,250,000	2.357	807,273
California Statewide Community Development Authority Obligations	1,494,164	100.000	1,494,164
San Juan Water District	37,062,806	100.000	37,062,806
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>	<b>\$ 1,565,820,534</b>		<b>\$ 356,653,319</b>
<b>OVERLAPPING GENERAL FUND DEBT</b>			
Sacramento County General Fund Obligations	\$ 174,027,519	9.16%	\$ 15,932,219
Sacramento County Pension Obligation Bonds	885,670,052	9.155	81,083,093
Sacramento County Board of Education Certificates of Participation	3,975,000	9.155	363,911
Placer County General Fund Obligations	25,490,000	6.987	1,780,986
Placer County Office of Education Certificates of Participation	910,000	6.987	63,582
Sierra Joint Community College District Certificates of Participation	3,726,000	5.291	197,143
Folsom-Cordova Unified School District Certificates of Participation	6,455,000	6.554	423,061
San Juan Unified School District Certificates of Participation	126,302	36.971	46,695
Eureka Union School District Certificates of Participation	3,135,000	73.293	2,297,736
Other School District Certificates of Participation	10,050,000	Various	267,916
City of Folsom Certificates of Participation	1,930,991	11.815	228,147
City of Roseville Certificates of Participation	22,500,122	2.357	530,328
Sacramento Metropolitan Fire District Certificates of Participation	8,865,000	19.729	1,748,976
Sacramento Metropolitan Fire District Pension Obligation Bonds	46,958,975	19.729	9,264,536
South Placer Fire Protection District Certificates of Participation	5,050,000	62.903	3,176,602
Sunrise Recreation and Park District Certificates of Participation	5,685,000	37.765	2,146,940
Placer Mosquito and Vector Control District Certificates of Participation	2,925,000	6.987	204,370
<b>TOTAL GROSS OVERLAPPING GENERAL FUND DEBT</b>	<b>\$ 1,207,479,961</b>		<b>\$ 119,756,241</b>
Less: Sacramento County supported obligations			<b>1,560,700</b>
<b>TOTAL NET OVERLAPPING GENERAL FUND DEBT</b>			<b>\$ 118,195,541</b>
<b>TOTAL DIRECT DEBT</b>			<b>\$ 37,062,806</b>
<b>TOTAL GROSS OVERLAPPING DEBT</b>			<b>\$ 439,346,754</b>
<b>TOTAL NET OVERLAPPING DEBT</b>			<b>\$ 437,786,054</b>
<b>GROSS COMBINED TOTAL DEBT <sup>2</sup></b>			<b>\$ 476,409,560</b>
<b>NET COMBINED TOTAL DEBT</b>			<b>\$ 474,848,860</b>
<b>RATIOS TO 2018-19 ASSESSED VALUATION</b>			
Direct Debt		0.18%	
Total Direct and Overlapping Tax and Assessment Debt		1.59%	
Gross Combined Total Debt		2.19%	
Net Combined Total Debt		2.18%	

Notes:

<sup>1</sup> 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.

<sup>2</sup> 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

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest<sup>2</sup></b>	<b>Total Debt Service</b>	<b>Total General Expenses<sup>1</sup></b>	<b>Ratio of Debt Service to Total General Expenses</b>
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%
2019	1,050,000	1,486,081	2,536,081	20,785,491	12.20%

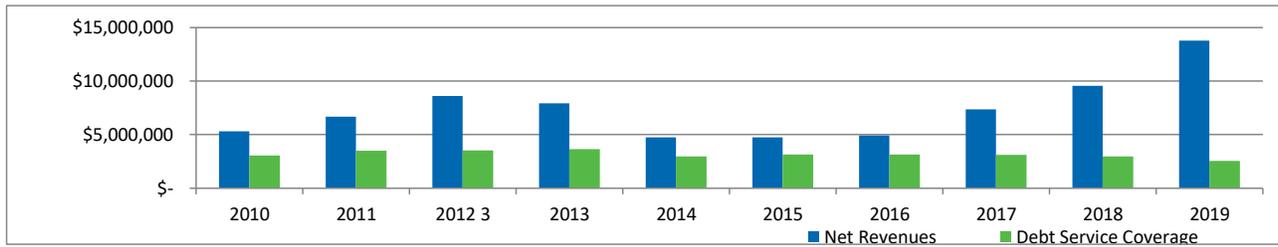
Notes:

<sup>1</sup> 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.

<sup>2</sup> 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



	2010	2011 <sup>4</sup>	2012 <sup>3</sup>	2013	2014	2015	2016	2017	2018	2019
<b>Revenues</b>										
Retail Water Sales	\$ 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	\$ 11,405,735
Wholesale Water Sales	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	13,044,976
Capital Contributions <sup>5</sup>			2,009,234	2,522,308	(225,068)	959,849	762,439	600,311	946,298	2,601,290
Connections/Annexations	163,266	163,541	176,362	34,741	1,134,335	1,020,687	657,865	399,703	397,668	207,520
Property Tax Revenue	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	2,236,374
Investment Income	468,099	271,233	187,780	52,954	271,721	147,684	217,332	123,079	107,104	654,311
Other	484,166	335,357	912,033	803,044	870,679	790,267	1,799,955	1,577,754	1,004,711	701,688
<b>Total</b>	<b>\$ 17,968,007</b>	<b>\$ 17,967,554</b>	<b>\$ 20,300,800</b>	<b>\$ 20,576,633</b>	<b>\$ 18,825,811</b>	<b>\$ 18,944,271</b>	<b>\$ 20,669,122</b>	<b>\$ 23,329,845</b>	<b>\$ 25,993,734</b>	<b>\$ 30,851,894</b>
<b>Operation &amp; Maintenance Costs</b>										
Source of Supply	\$ 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	\$ 4,777,081
Pumping and Telemetry <sup>1</sup>	542,837	590,217	621,783	609,304	759,067	-	-	-	-	-
Water Treatment	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	2,769,364
Transmission/Distribution	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	3,474,927
Administration/General	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	2,934,918
Customer Service	666,916	658,999	681,163	697,301	597,624	540,731	572,400	552,993	648,714	661,246
Water Efficiency	637,461	617,917	662,589	614,749	649,832	682,311	726,091	512,520	369,331	413,627
Engineering	317,451	342,523	325,113	264,583	633,783	432,701	603,427	603,841	662,812	810,128
Retirement <sup>5</sup>			252,332	307,509	398,851	586,942	443,149	976,780	1,603,957	1,132,056
Other	76,552	59,022	53,233	149,947	198,473	765,647	2,299,092	421,171	106,159	102,438
<b>Total</b>	<b>\$ 12,664,907</b>	<b>\$ 11,317,182</b>	<b>\$ 11,705,011</b>	<b>\$ 12,670,870</b>	<b>\$ 14,102,237</b>	<b>\$ 14,212,045</b>	<b>\$ 15,767,856</b>	<b>\$ 15,977,094</b>	<b>\$ 16,445,288</b>	<b>\$ 17,075,785</b>
<b>Net Revenues</b>	<b>\$ 5,303,100</b>	<b>\$ 6,650,372</b>	<b>\$ 8,595,789</b>	<b>\$ 7,905,763</b>	<b>\$ 4,723,574</b>	<b>\$ 4,732,226</b>	<b>\$ 4,901,266</b>	<b>\$ 7,352,751</b>	<b>\$ 9,548,446</b>	<b>\$ 13,776,109</b>
<b>Debt Service</b>										
2017 Bonds <sup>2</sup>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,181	\$ 1,971,722	\$ 1,569,996
2012 Bonds	-	-	-	1,883,113	804,300	971,800	979,200	968,500	964,234	966,085
2009 COPs <sup>2</sup>	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	1,733,552	1,732,488	1,747,713	-	-	-	-	-	-	-
EDA Loan	30,088	30,088	30,088	30,088	30,091	30,091	30,091	28,924	-	-
CEC Advance	6,188	6,188	6,188	3,094	-	-	-	-	-	-
<b>Total</b>	<b>\$ 3,041,957</b>	<b>\$ 3,487,039</b>	<b>\$ 3,502,064</b>	<b>\$ 3,633,970</b>	<b>\$ 2,946,666</b>	<b>\$ 3,107,966</b>	<b>\$ 3,111,691</b>	<b>\$ 3,078,255</b>	<b>\$ 2,935,956</b>	<b>\$ 2,536,081</b>
<b>Debt Service Coverage</b>	<b>1.74</b>	<b>1.91</b>	<b>2.45</b>	<b>2.18</b>	<b>1.60</b>	<b>1.52</b>	<b>1.58</b>	<b>2.39</b>	<b>3.25</b>	<b>5.43</b>

Notes:

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

<sup>2</sup> The 2009 COP Bonds were refunded in June 2017 by the 2017 Bonds.

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

<sup>4</sup> Capital Contributions now excludes capital asset contributions.

<sup>5</sup> 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 Nine Years Ago

Employer	Fiscal Year					
	2019			2010		
	Number of Employees	Rank	% of Total Employed	Number of Employees	Rank	% of Total Employed
<u>County of Sacramento</u>						
State of California	76,131	1	11.20%	73,243	1	12.26%
UC Davis Health	12,674	2	1.86%	8,500	4	1.42%
Kaiser Permanente	11,404	3	1.68%	6,414	6	1.07%
Sacramento County	11,330	4	1.67%	11,260	2	1.89%
U.S. Government	10,227	5	1.50%			
Sutter Health	8,809	6	1.30%	8,702	3	1.46%
Dignity Health	7,000	7	1.03%			
Elk Grove Unified School District	6,381	8	0.94%	6,391	7	1.07%
Intel Corporation	6,200	9	0.91%	6,000	8	1.00%
San Juan Unified School District	5,289	10	0.78%	4,900	10	0.82%
Sacramento City Unified School District				6,976	5	1.17%
Sacramento Municipal Utility District				5,057	9	0.85%
<b>Total</b>	<b>155,445</b>		<b>22.87%</b>	<b>137,443</b>		<b>23.01%</b>
<b>Total Employed in Sacramento County</b>	<b>679,600</b>			<b>597,258</b>		

Employer	Fiscal Year					
	2019			2010		
	Number of Employees	Rank	% of Total Employed	Number of Employees	Rank	% of Total Employed
<u>County of Placer</u>						
Kaiser Permanente	6,015	1	3.38%	3,064	1	1.94%
Sutter Health	5,835	2	3.28%	1,983	5	1.26%
Squaw Valley Alpine Meadows	2,600	3	1.46%			
Thunder Valley Casino Resort	2,500	4	1.40%	1,412	7	0.90%
Sierra Joint Community College District	2,149	5	1.21%			
PRIDE Industries, Inc.	1,291	6	0.72%	1,135	9	0.72%
Hewlett-Packard Co.	1,200	7	0.67%	2,500	2	1.59%
City of Roseville	1,162	8	0.65%	1,282	8	0.81%
Safeway, Inc	1,119	9	0.63%			
Union Pacific Railroad Co. Inc.	990	10	0.56%	2,000	4	1.27%
Placer County				2,400	3	1.52%
Northstar-At-Tahoe				1,500	6	0.95%
Raley's				1,006	10	0.64%
<b>Total</b>	<b>24,861</b>		<b>13.96%</b>	<b>18,282</b>		<b>11.60%</b>
<b>Total Employed in Placer County</b>	<b>178,100</b>			<b>157,540</b>		

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 10, 2019 (Placer) and May 31, 2019 (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

<b>Fiscal Year</b>	<b>Wholesale Population<sup>1</sup></b>	<b>Retail Population<sup>2</sup></b>	<b>Total Personal Income<sup>3</sup></b>	<b>Per Capita Personal Income<sup>3</sup></b>	<b>Unemployment Rate<sup>3</sup></b>
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	96,641,943	49,676	4.62%
2018	154,781	29,830	107,192,168	58,064	4.08%
2019	155,865	29,957	Not yet available		3.74%

Note:

<sup>1</sup> 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.

<sup>2</sup> Retail Population is included in the Wholesale Population.

<sup>3</sup> Total Person Income, 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.

Sources: U.S. Department of Commerce, Bureau of Economic Analysis  
 San Juan Water District Urban Management Plan  
 California Employment Development Department

**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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Executive	3	3	3	3	3	3	3	4	4	4
Water Efficiency	5	5	4	4	4	4	4	3	4	5
Customer Service	3	3	4	4	4	4	4	4	4	4.5
Engineering Services	4	4	4	4	4	4	4	4	4	4
Field Services	15	15	15	15	15	15	15	15	14.6	14.9
Finance/Administrative Services	5	5	5	5	5	5	5	5	6	3.5
Water Treatment Operations	10	10	10	10	10	10	10	10	11.4	12.2
<b>Total</b>	<b>45</b>	<b>45</b>	<b>45</b>	<b>45</b>	<b>45</b>	<b>45</b>	<b>45</b>	<b>45</b>	<b>47</b>	<b>48</b>

Actual Versus Budgeted	FY 2010		FY 2019	
	Filled as of		Filled as of	
	June 30	Budgeted	June 30	Budgeted
Executive	3	3	4	4
Water Efficiency	4	4	5.0	5
Customer Service	3	3	4.5	4.5
Engineering Services	4	4.0	4	4
Field Services	17	17	14.2	14.9
Finance/Administrative Services	5	5	4	3.5
Water Treatment Operations	9	9	12.0	12.2
<b>Total</b>	<b>45</b>	<b>45</b>	<b>47</b>	<b>48</b>

Certificates and Licenses	September 30, 2019
American Water Works Association - Cross Connection Control Specialist	2
American Water Works Association - Water Use Efficiency Practitioner Grade 1	2
American Water Works Association - Water Quality Analyst	1
Backflow Prevention Assembly General Tester	11
State Water Resources Control Board Water Distribution Operator	
Grade 1	0
Grade 2	7
Grade 3	6
Grade 4	10
Grade 5	2
State Water Resources Control Board Water Treatment Operator	
Grade 1	0
Grade 2	15
Grade 3	1
Grade 4	2
Grade 5	3
California Professional Engineer - Civil	4
California Water Environment Association Electrical Technician Grade 2	1
Certified Erosion, Sediment and Stormwater Inspector	1
Certified Landscape Irrigation Auditor	1
Certified Professional Public Buyer	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 Treatment Department

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Facilities:</b>										
# of Treatment Plants	1	1	1	1	1	1	1	1	1	1
Plant Capacity (MGD) <sup>1</sup>	120	120	120	150	150	150	150	150	150	150
Miles of Pipeline <sup>5</sup>							16	16	16	16
# of ARVs <sup>6</sup>		71	71	86	86	89	90	90	92	93
# of Blow-offs <sup>6</sup>		52	52	59	59	60	59	59	61	61
# of Fire Hydrants <sup>6</sup>		13	13	14	14	14	14	14	14	14
# of Valves <sup>6</sup>		21	21	45	45	48	48	48	51	51
# of Pumping Stations <sup>2</sup>	3	-	-	-	-	-	1	1	1	1
# of Storage Tanks/Reservoirs	1	1	1	1	1	1	1	1	1	1
<b>Water Supply Available (in acre-feet):</b>										
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
<b>Total Water Supply</b>	<b>82,200</b>									
<b>Water Supply Delivered (in acre-feet):</b>										
Pre-1914 Water Rights	30,364	32,732	34,912	34,961	30,952	29,372	26,219	27,126	33,996	28,466
USBR/CVP Water Contract	418	1,211	555	3,048	-	-	1,230	-	-	-
PCWA Contract	9,075	8,574	8,841	11,326	10,374	-	3,594	6,330	2,228	5,644
<b>Total Water Supply Delivered</b>	<b>39,857</b>	<b>42,517</b>	<b>44,308</b>	<b>49,335</b>	<b>41,326</b>	<b>29,372</b>	<b>31,043</b>	<b>33,456</b>	<b>36,225</b>	<b>34,110</b>
<b>Production (average in acre-feet):</b>										
Five Year	61,047	59,005	56,159	54,169	50,834	48,106	43,309	41,262	40,707	41,921
Ten Year	65,683	64,455	62,845	61,166	57,751	54,577	51,157	48,710	47,486	46,426
Fifteen Year	63,363	63,880	63,667	63,419	61,777	59,824	57,406	55,660	54,372	52,500
Twenty Year	59,945	60,385	60,690	60,753	60,156	59,548	58,737	58,066	57,760	56,832
<b>Number of Retail Connections by Wholesale Customer:</b>										
San Juan Water District	10,373	10,361	10,410	10,441	10,500	10,559	10,601	10,617	10,641	10,655
Citrus Heights Water District <sup>3</sup>	19,187	19,131	19,173	19,552	19,591	19,645	19,785	19,851	19,902	19,911
Fair Oaks Water District <sup>3</sup>	14,450	14,129	14,135	14,133	14,221	14,278	13,894	13,996	13,986	14,031
Orange Vale Water Company	5,543	5,545	5,545	5,600	5,600	5,600	5,600	5,600	5,673	5,679
City of Folsom	981	981	981	981	981	981	981	981	981	981
<b>Total Connections</b>	<b>50,534</b>	<b>50,147</b>	<b>50,244</b>	<b>50,707</b>	<b>50,893</b>	<b>51,063</b>	<b>50,861</b>	<b>51,045</b>	<b>51,183</b>	<b>51,257</b>
<b>Population <sup>4</sup></b>	<b>180,000</b>	<b>180,548</b>	<b>181,048</b>	<b>181,739</b>	<b>182,239</b>	<b>151,531</b>	<b>152,614</b>	<b>153,697</b>	<b>154,781</b>	<b>155,865</b>

Notes:

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> Connections are based on number at agency's December 31 fiscal year end.

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

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

<sup>6</sup> 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)

<b>Month</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
July	2,292	3,240	2,866	2,152	2,226	1,634	1,296	2,157	2,312	2,347
August	2,095	3,126	2,714	2,325	2,071	1,620	1,290	2,290	2,281	2,080
September	1,844	2,607	2,345	2,497	1,621	1,389	1,193	1,920	1,853	1,605
October	1,413	1,873	1,525	1,294	1,350	1,110	970	996	1,566	1,516
November	1,059	786	965	596	931	631	536	769	856	1,103
December	679	780	930	661	688	454	453	649	539	712
January	722	719	922	637	563	488	410	630	385	649
February	673	619	651	534	196	439	491	546	458	600
March	538	617	549	854	350	726	630	676	446	631
April	577	1,186	835	1,106	629	773	928	754	730	980
May	1,285	1,793	1,788	1,745	1,227	885	1,444	1,490	1,652	1,274
June	2,544	2,042	1,936	1,816	1,613	1,129	1,929	1,871	2,177	1,947
<b>Annual Total</b>	<b>15,721</b>	<b>19,388</b>	<b>18,026</b>	<b>16,219</b>	<b>13,466</b>	<b>11,279</b>	<b>11,571</b>	<b>14,748</b>	<b>15,256</b>	<b>15,444</b>
<b>Average Monthly Water Production</b>	<b>1,310</b>	<b>1,616</b>	<b>1,502</b>	<b>1,352</b>	<b>1,122</b>	<b>940</b>	<b>964</b>	<b>1,229</b>	<b>1,271</b>	<b>1,287</b>
<b>Average Daily Water Production</b>	<b>43.1</b>	<b>53.1</b>	<b>49.4</b>	<b>44.4</b>	<b>36.9</b>	<b>30.9</b>	<b>31.7</b>	<b>40.4</b>	<b>41.8</b>	<b>42.3</b>

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Facilities:</b>										
Miles of Main Line <sup>1</sup>	214.0	214	214	214	214	216	201	206	206	206
# of ARVs <sup>2</sup>		768	768	807	804	673	769	769	775	775
# of Blow-offs <sup>2</sup>		788	788	861	861	739	798	798	807	809
# of Fire Hydrants <sup>2</sup>		1,412	1,412	1,423	1,443	1,432	1,454	1,454	1,462	1,463
# of Valves <sup>2</sup>		2,761	2,761	2,766	2,810	2,675	2,849	2,849	2,852	2,864
# of Pumping Stations	5	6	6	6	6	6	9	9	9	9
# of Storage Tanks/Reservoirs	1	1	1	1	1	1	3	3	3	3
<b>Active Connections:</b>										
Single-Family Residential	9,778	9,771	9,811	9,851	9,908	9,964	10,003	10,011	10,030	10,049
Multi-Family Residential	119	119	119	119	119	119	119	119	119	119
Commercial	239	238	239	242	242	241	243	249	250	248
Institutional	11	11	11	11	11	11	11	11	11	11
Landscape Irrigation	214	210	209	205	207	211	212	212	215	212
Agricultural Irrigation	4	4	4	5	5	5	5	7	8	8
Other	8	8	8	8	8	8	8	8	8	8
<b>Total Connections</b>	<b>10,373</b>	<b>10,361</b>	<b>10,401</b>	<b>10,441</b>	<b>10,500</b>	<b>10,559</b>	<b>10,601</b>	<b>10,617</b>	<b>10,641</b>	<b>10,655</b>
<b>Total New Connections</b>	<b>28</b>	<b>-12</b>	<b>40</b>	<b>40</b>	<b>59</b>	<b>59</b>	<b>42</b>	<b>16</b>	<b>24</b>	<b>14</b>
<b>Consumption (units of ccf):</b>										
Single-Family Residential	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	3,830,930
Multi-Family Residential	87,162	80,391	83,539	80,962	76,392	57,293	54,675	58,822	60,879	66,619
Commercial	171,923	197,402	199,458	175,946	195,122	129,490	122,397	145,857	163,192	160,740
Institutional	81,364	68,920	74,877	116,328	97,881	85,287	78,787	56,236	84,318	84,234
Landscape Irrigation	358,816	355,991	360,465	426,595	402,151	252,183	244,749	235,248	357,005	337,484
Agricultural Irrigation	9,282	7,612	9,634	13,195	12,787	10,745	9,864	84,530	20,337	26,877
Other	789	927	871	1,705	908	827	791	245	442	1,561
<b>Total Consumption</b>	<b>5,078,489</b>	<b>5,038,636</b>	<b>5,229,292</b>	<b>5,823,065</b>	<b>5,430,370</b>	<b>3,558,634</b>	<b>3,462,925</b>	<b>4,089,781</b>	<b>4,714,338</b>	<b>4,508,445</b>
<b>Average Daily Consumption</b>	<b>13,914</b>	<b>13,804</b>	<b>14,327</b>	<b>15,954</b>	<b>14,878</b>	<b>9,750</b>	<b>9,487</b>	<b>11,205</b>	<b>12,916</b>	<b>12,352</b>
Population	30,641	30,615	30,722	30,831	31,009	29,452	29,578	29,704	29,830	29,957

Note:

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

<sup>2</sup> 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, 2019

Connection Fees, beginning balance		\$	-
Connection Fees Collected	\$		82,549
Interest Earned			-
Fees Available			<u>82,549</u>
Applied to:			
Capital Costs Funded	\$		82,549
Refunds			-
Total Funds Applied			<u>82,549</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, 2019, 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 4, 2019.

**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 4, 2019