

SANTIAGO AQUEDUCT COMMISSION  
QUARTERLY MEETING  
THURSDAY, DECEMBER 11, 2025

CALL TO ORDER: 8:30 a.m., IRWD Board Room, 15600 Sand Canyon Avenue, Irvine, CA

ATTENDANCE

Commissioner Kay Havens (ETWD), Chair	_____
Commissioner John Withers (IRWD)	_____
Commissioner Sherry Wanninger (MNWD)	_____
Commissioner Jeffery Thomas (MWDOC)	_____
Commissioner Frank Ury (SMWD)	_____
Commissioner Ed Manich (TCWD)	_____

ALSO PRESENT

Paul Cook	_____	Kevin Burton	_____
Eileen Lin	_____	Neveen Adly	_____
Christine Franchville	_____	Diane Squyres	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
Legal Counsel: Allison Burns (SYC&R)	_____		

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**COMMUNICATIONS**

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1. Pledge of Allegiance
2. Public Comments
3. Determine the need to discuss and/or take action on item(s) introduced that came to the attention of the Commission subsequent to the agenda being posted.

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**ACTION ITEMS**

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4. MINUTES OF REGULAR COMMISSION MEETING, JUNE 19, 2025  
  
Recommendation: That the minutes of the June 19, 2025 meeting be approved as presented.
5. 2025-26 FINANCIAL REPORT  
  
A. Ratify Disbursement Resolution No. 728 dated June 2025.  
B. Ratify Disbursement Resolution No. 729 dated June 2025.  
C. Ratify Disbursement Resolution No. 730 dated September 2025.  
D. Ratify Disbursement Resolution No. 731 dated October 2025.  
E. Ratify Disbursement Resolution No. 732 dated October 2025.  
F. Receive and file Financial Statement dated November 30, 2025.  
  
Recommendation: That the Commission ratify Disbursement Resolutions Nos. 728 through 732 and receive and file the Financial Statement dated November 30, 2025, for the Santiago Aqueduct Commission.
6. FISCAL YEAR 2024-25 FINANCIAL REPORT – LIN / ADLY  
  
Recommendation: That the Commission approve the financial report for the fiscal year ended June 30, 2025.

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**OTHER BUSINESS**

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7. GENERAL MANAGER REPORT – COOK
8. ENGINEER REPORT – BURTON
9. MWDOC REPORT
10. ATTORNEY REPORT
11. COMMISSIONER COMMUNICATIONS

Commissioners may discuss meetings, communications, correspondence, or other items of general interest relating to matters within the Commission's jurisdiction. There will be no voting or formal action taken.

12. ADJOURN

Availability of agenda materials: Agenda exhibits and other writings that are disclosable public records distributed to all or a majority of the members of the Santiago Aqueduct Commission in connection with a matter subject to discussion or consideration at an open meeting of the Commission are available for public inspection in the District's office, 15600 Sand Canyon Avenue, Irvine, California. If such writings are distributed to members of the Commission less than 72 hours prior to the meeting, these writings will be available from the IRWD District Secretary at the same time as they are distributed to Commission members, except that if such writings are distributed one hour prior to, or during, the meeting, they will be available at the entrance of the meeting room at the District Office. The IRWD Board Room is wheelchair accessible. If you require any special disability-related accommodations (e.g., access to an amplified sound system, etc.), please contact the District Secretary at (949) 453-5300 during business hours at least seventy-two (72) hours prior to the scheduled meeting. This agenda can be obtained in an alternative format upon written request to the District Secretary at least seventy-two (72) hours prior to the scheduled meeting.

# **MINUTES OF THE QUARTERLY REGULAR MEETING OF THE SANTIAGO AQUEDUCT COMMISSION**

June 19, 2025

The quarterly meeting of the Santiago Aqueduct Commission (“SAC”) was duly noticed and was held at 8:31 a.m. on June 19, 2025, in the Board Room of the Irvine Ranch Water District, 15600 Sand Canyon Avenue, Irvine, California. Vice-Chairman WITHERS called the meeting to order at 8:31 a.m. ALLISON E. BURNS recorded the Minutes of the meeting.

## **COMMISSIONERS PRESENT**

Vice Chairman JOHN WITHERS, Irvine Ranch Water District (“IRWD”); ED MANDICH, Trabuco Canyon Water District (“TCWD”); FRANK URY, Santa Margarita Water District (“SMWD”); KAY HAVENS, El Toro Water District (“ETWD”); CHARLES BUSSLINGER, Municipal Water District of Orange County (“MWDOC”) and SHERRY WANNINGER, Moulton Niguel Water District (“MNWD”).

Also present were: PAUL COOK, SAC General Manager; NEVEEN ADLY, Treasurer, IRWD; KEVIN BURTON, Engineer, IRWD; ALLISON E. BURNS, General Counsel/Secretary; DIANE SQUYRES, Administrative Secretary, IRWD; CHRISTINE FRANCHVILLE, IRWD; EILEEN LIN, Assistant Treasurer, IRWD; CHRISTOPHER SMITHSON, IRWD; MALCOLM CORTEZ, Assistant Engineer, IRWD; WYATT MCCLEAN, ETWD; FERNANDO PALUDI, TCWD

## **COMMUNICATIONS**

1. Pledge of Allegiance – The Commission recited the Pledge of Allegiance.
2. Public Comments – No public comments.
3. Determine the need to discuss and/or take action on item(s) introduced that came to the attention of the Commission subsequent to the agenda being posted – Nothing to report.

## **ELECTION**

### **4. ELECTION OF OFFICERS - COOK**

Recommendation: That an election be conducted of the Chairman of the Santiago Aqueduct Commission. COOK conducted elections.

General Manager COOK conducted the election of the Chair. WITHERS nominated HAVENS as Chair, seconded by WANNINGER and unanimously approved.

## **PUBLIC HEARING**

5. ANNUAL NOTICE OF PUBLIC HEARING ON THE STATUS OF VACANCIES AND RECRUITMENT AND RETENTION EFFORTS OF THE SANTIAGO AQUEDUCT COMMISSION IN COMPLIANCE WITH AB 2561

Recommendation: Conduct the hearing.

Chair HAVENS opened the public hearing. General Counsel Allison Burns reported that the Commission has no direct employees, there are no vacancies to report. Chair HAVENS closed the public hearing.

## ACTION ITEMS

### 6. MINUTES OF REGULAR COMMISSION MEETING, DECEMBER 12, 2024

Recommendation: That the Minutes of the December 12, 2024, meeting be approved as presented. WITHERS moved the item as presented, seconded by MANDICH and passed unanimously.

### 7. 2025 FINANCIAL REPORT –

#### Recommended Actions

- A. Ratify Disbursement Resolution No. 726 dated February 2025;
- B. Ratify Disbursement Resolution No. 727 dated April 2025;
- C. Receive and file Financial Statement dated May 31, 2025.

Eileen Lin presented the financial statements through May 31, 2025. Expenditures were largely for capital assets. The commission holds approximately \$100,000 in cash for operations and capital needs.

The Statement of Revenues, Expenses and Changes in Net Position is the equivalent of an income statement.

Operating Expenses: \$164,391 – primarily landscape maintenance and routine repairs, 27% general and admin charges, and \$1,443 in interest income. Total increase in net position: \$27,539.

WITHERS asked about the landscape costs. BURTON advised that these costs were for revegetating from repair work to the Baker Pipeline and will phase out over time.

WITHERS moved the item as presented, seconded by MANDICH and passed unanimously.

### 8. PROPOSED FISCAL YEARS 2025-26 AND 2026-27 OPERATIONS, MAINTENANCE, AND RESTORATION PROJECT BUDGET – SMITHSON / ADLY

Recommendation: That the Commission review and approve the proposed Fiscal Years 2025-26 and 2026-27 Operations, Maintenance and Restoration Project Budget as presented.

COOK asked ADLY to present the item.

ADLY presented the two year budget.

CHRISTOPHER SMITHSON walked through the recommended increase from \$1.12/AF TO \$1.18/AF for FY 2025-26 and \$1.20/AF for FY 2026-27.

Total Operations & Maintenance FY 25-26: \$181,900

Total Operations & Maintenance FY 26-27: \$183,500

Operations consists primarily of operating monitoring and reading meters for water delivery. The proposed /AF escalation is to account for cost escalations, particularly labor.

Maintenance consists primarily of pipeline and commission. This is a fixed charge based on demand allocation. The proposed increases are to account for insurance, cathodic protection, and inflation

Questions:

- WANNINGER – asked if habitat restoration was a five year obligation and then complete.
  - BURTON confirmed that restoration is a five year term, we are in year two. The habitat is doing very well and staff hopes to complete after one more year.
- HAVENS – asked for clarification of the process for sign-off on habitat restoration.
  - BURTON – the habitat is in the streambed. It gets sufficient water. The Commission has provided for hand watering and weeding. The area looks far better than everything around it.
- HAVENS – How does SAC petition to be relieved from 5 year obligation?
  - BURTON – The request has been submitted to the permitting agency. Staff has been following up with biologists. Staff has been informed it will require at least 3 years before SAC could be released from the obligation. Costs will go down as time goes on.

Moved by URY, seconded by WITHERS and passed unanimously.

#### 9. APPOINTMENT OF ACWA-JPIA DIRECTOR AND ALTERNATE DIRECTOR – COOK

Recommendation: That the Commission appoint a Director and Alternate Director to represent the Santiago Aqueduct Commission on the Board of Directors of the ACWA-JPIA.

COOK – staff recommends the Commission designate the Chair and Vice Chair as Representative and Alternate, respectively.

WANNINGER moved the item as presented, seconded by MANDICH and passed unanimously.

#### OTHER BUSINESS

#### 10. GENERAL MANAGER REPORT – COOK

COOK – No report.

11. ENGINEER'S REPORT – BURTON

- a. BURTON – The pipeline is in good condition, including cathodic protection. Some minor repairs have been included in the budget for maintenance of cathodic protection rectifiers. The Orange Heights development (relocation of ½ mile of pipeline at developer cost) will likely be delayed another year. When it does occur, staff will use the opportunity to check the condition of the pipeline and run cameras through it. Early testing shows a considerable timeline remaining on the pipeline.

12. MWDOC REPORT

BUSSLINGER – Diemer treatment plant will be offline in February for repairs.

WANNINGER – How long?

BUSSLINGER – 7 days.

13. ATTORNEY'S REPORT

BURNS – No report; Welcome to new members.

14. COMMISSIONERS' COMMUNICATIONS

None.

15. ADJOURN

HAVENS adjourned the meeting at 8:51 a.m.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'AEB', with a horizontal line extending to the right.

Allison E. Burns, Secretary

SANTIAGO AQUEDUCT COMMISSION  
DISBURSEMENT RESOLUTION NO. 728

June 2025

RESOLVED by Santiago Aqueduct Commission that items shown below be approved for payment and charges to the Contracting Agencies and to holders of capacity rights in the Santiago Aqueduct Commission in accordance with the policy with respect to standby charges, water surcharges and operation and maintenance costs adopted by this Commission on April 10, 1963: That the Contracting Public Agencies and other holders of capacity rights in said Santiago Aqueduct be called upon to pay this Commission for their respective shares of such items, and payments, such items and the distribution thereof are as follows:

OPERATIONS AND MAINTENANCE

1	AT&T	
	Charges for April 2025 - May 2025	\$ 331.74
2	Southern California Edison	
	Charges for March 2025	211.71
3	Stradling Yocca Carlson & Raulth LLP	
	Legal	360.00
4	Micheal Baker	
	Cathodic Protection Monitoring	14,752.07
5	Irvine Ranch Water District	
	Baker Pipeline Operation (April 2025 - June 2025)	4,625.04
	Baker Pipeline Maintenance (April 2025 - June 2025)	4,200.00
	Labor and G&A for Reach 1U (April 2025 - May 2025)	3,376.70
6	LandCare	
	Landscape Reach 1U	3,870.00
7	Harmworth Associates	
	Labor	<u>2,709.00</u>
8	TOTAL DISBURSEMENT RESOLUTION NO. 728	<u><u>\$ 34,436.26</u></u>

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SANTIAGO AQUEDUCT COMMISSION  
DISBURSEMENT RESOLUTION NO. 729

June 2025

RESOLVED by Santiago Aqueduct Commission that items shown below be approved for payment and charges to the Contracting Agencies and to holders of capacity rights in the Santiago Aqueduct Commission in accordance with the policy with respect to standby charges, water surcharges and operation and maintenance costs adopted by this Commission on April 10, 1963: That the Contracting Public Agencies and other holders of capacity rights in said Santiago Aqueduct be called upon to pay this Commission for their respective shares of such items, and payments, such items and the distribution thereof are as follows:

OPERATIONS AND MAINTENANCE

1	AT&T		
	Charges for June 2025	\$	165.70
2	Southern California Edison		
	Charges for April 2025 - May 2025		74.46
3	Stradling Yocca Carlson & Rauth LLP		
	Legal		60.00
4	Micheal Baker		
	Cathodic Protection Monitoring		2,445.00
5	Irvine Ranch Water District		
	Labor and G&A for Reach 1U (June 2025)		2,366.79
6	LandCare		
	Landscape Reach 1U		4,449.73
7	TOTAL DISBURSEMENT RESOLUTION NO. 729	\$	<u>9,561.68</u>

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SANTIAGO AQUEDUCT COMMISSION  
DISBURSEMENT RESOLUTION NO. 730

September 2025

RESOLVED by Santiago Aqueduct Commission that items shown below be approved for payment and charges to the Contracting Agencies and to holders of capacity rights in the Santiago Aqueduct Commission in accordance with the policy with respect to standby charges, water surcharges and operation and maintenance costs adopted by this Commission on April 10, 1963: That the Contracting Public Agencies and other holders of capacity rights in said Santiago Aqueduct be called upon to pay this Commission for their respective shares of such items, and payments, such items and the distribution thereof are as follows:

OPERATIONS AND MAINTENANCE

1	Southern California Edison Charges for June 2025	\$ 221.46
2	Stradling Yocca Carlson & Rauth LLP Legal	880.00
3	Harmsworth Associates Labor	<u>1,260.00</u>
4	TOTAL DISBURSEMENT RESOLUTION NO. 730	<u><u>\$ 2,361.46</u></u>

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SANTIAGO AQUEDUCT COMMISSION  
DISBURSEMENT RESOLUTION NO. 731

October 2025

RESOLVED by Santiago Aqueduct Commission that items shown below be approved for payment and charges to the Contracting Agencies and to holders of capacity rights in the Santiago Aqueduct Commission in accordance with the policy with respect to standby charges, water surcharges and operation and maintenance costs adopted by this Commission on April 10, 1963: That the Contracting Public Agencies and other holders of capacity rights in said Santiago Aqueduct be called upon to pay this Commission for their respective shares of such items, and payments, such items and the distribution thereof are as follows:

OPERATIONS AND MAINTENANCE

1	Irvine Ranch Water District Labor and G&A for Reach 1U (June 2025)	\$ 1,577.89
2	LandCare Landscape Reach 1U	<u>4,644.00</u>
3	TOTAL DISBURSEMENT RESOLUTION NO. 731	<u><u>\$ 6,221.89</u></u>

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SANTIAGO AQUEDUCT COMMISSION  
DISBURSEMENT RESOLUTION NO. 732

October 2025

RESOLVED by Santiago Aqueduct Commission that items shown below be approved for payment and charges to the Contracting Agencies and to holders of capacity rights in the Santiago Aqueduct Commission in accordance with the policy with respect to standby charges, water surcharges and operation and maintenance costs adopted by this Commission on April 10, 1963: That the Contracting Public Agencies and other holders of capacity rights in said Santiago Aqueduct be called upon to pay this Commission for their respective shares of such items, and payments, such items and the distribution thereof are as follows:

OPERATIONS AND MAINTENANCE

1	Irvine Ranch Water District Baker Pipeline Relocation Project with TIC (September 2022 - August 2025)	<u>\$ 30,717.94</u>
2	TOTAL DISBURSEMENT RESOLUTION NO. 732	<u><u>\$ 30,717.94</u></u>

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**Santiago Aqueduct Commission**  
**Statement of Net Position**  
**November 30, 2025**

	Unaudited 11/30/2025
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 203,192
Receivables:	
Accounts receivable	13,533
Interest receivable	472
Total receivables	<u>14,005</u>
Total current assets	<u>217,197</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	1,136,958
Capital assets, not being depreciated	30,718
Total noncurrent assets	<u>1,167,676</u>
<b>TOTAL ASSETS</b>	<u>1,384,873</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	<u>66,384</u>
<b>TOTAL LIABILITIES</b>	<u>66,384</u>
<b>NET POSITION</b>	
Investment in capital assets	1,167,676
Unrestricted for water services	150,813
<b>TOTAL NET POSITION</b>	<u>\$ 1,318,489</u>

**Santiago Aqueduct Commission**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Period Ended November 30, 2025**

	Unaudited Period Ended 11/30/2025
<b>OPERATING REVENUES</b>	
Water surcharge	\$ 11,080
Member charges	110,899
Total operating revenues	<u>121,979</u>
<b>OPERATING EXPENSES</b>	
Contract labor	12,316
Equipment usage	-
Utilities	559
Landscape	22,809
Cathodic protection monitoring and maintenance	7,283
Telemetry alarm	829
General and administrative:	
Audit	4,500
Insurance	8,804
Legal	560
Administration management	8,725
Other	555
Depreciation	8,274
Total operating expenses	<u>75,214</u>
Operating income (loss)	<u>46,765</u>
<b>NONOPERATING REVENUES</b>	
Interest income	472
Increase (decrease) in fair value of investments	31
Total nonoperating revenues	<u>503</u>
Income (loss) before capital contributions	47,268
<b>CAPITAL CONTRIBUTIONS</b>	
Contributions from developer	<u>3,034</u>
Change in net position	50,302
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>1,268,187</u>
<b>NET POSITION AT END OF PERIOD</b>	<u><u>\$ 1,318,489</u></u>

December 11, 2025  
Prepared by: S. Hauptert  
Submitted by: E. Lin / N. Adly  
Approved by: Paul A. Cook 

## SANTIAGO AQUEDUCT COMMISSION

### FY 2024-25 FINANCIAL REPORT

#### SUMMARY:

The Santiago Aqueduct Commission hired Davis Farr, LLP, an outside audit firm, to conduct an audit of the Commission's financial statements for the Fiscal Year (FY) ended June 30, 2025. Davis Farr has completed its audit and concluded that in all material aspects, the statements fairly present the Commission's financial position as of June 30, 2025, and conform with generally accepted accounting principles.

#### BACKGROUND:

The FY 2024-25 Financial Report was prepared by the Commission as required by the California Government Code Section 6505 and will be available on the Commission website. The Financial Report, including audited financial statements, accompanying auditor's report, and Management's Discussion and Analysis of significant changes, is attached as Exhibit "A".

Attached as Exhibit "B" is the required Auditor Communication pursuant to the Statement on Auditing Standards 114 The Auditor's Communication with Those Charged with Governance. The letter reflects the auditor's understanding of key management assumptions and practices and notes that there were no disagreements with management during the scope of the audit. However, as part of the audit risk assessment, Davis Farr has identified related-party transactions for accounting and management services between the Commission and Irvine Ranch Water District (IRWD) as a significant risk. The audit procedures included reviewing all reimbursements made by the Commission to IRWD during the fiscal year and ensuring appropriate cutoff in the fiscal year. Lastly, the letter notes that any misstatements have been corrected by management.

Davis Farr has also provided a 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, attached as Exhibit "C", which states that the Commission did not identify any material weakness deficiencies in internal control. In addition, the report states that the result of the audit disclosed no instances of noncompliance or other matters that were required to be reported under Government Auditing Standards.

#### FISCAL IMPACTS:

None.

ENVIRONMENTAL COMPLIANCE:

This item is not a project as defined in the California Environmental Quality Act (CEQA), Code of Regulations, Title 14, Chapter 3, Section 15378.

RECOMMENDATION:

That the Commission approve the financial report for the fiscal year ended June 30, 2025.

LIST OF EXHIBITS:

Exhibit “A” – FY 2024-25 Financial Report

Exhibit “B” – SAS 114 Auditor’s Communication with Those Charged with Governance from Davis Farr LLP

Exhibit “C” – 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 from Davis Farr LLP

**Santiago Aqueduct Commission**

Financial Statements

Fiscal Year Ended June 30, 2025

# **Santiago Aqueduct Commission**

## **Financial Statements**

**Fiscal Year Ended June 30, 2025**

### **Table of Contents**

Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Position	7
Statement of Revenues, Expenses and Changes in Net Position	8
Statement of Cash Flows	9
Notes to the Basic Financial Statements	10

## **Independent Auditor's Report**

Board of Directors  
Santiago Aqueduct Commission  
Irvine, California

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the business-type activities of Santiago Aqueduct Commission (the "Commission") as of and for the year June 30, 2025, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of the Commission, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

The Commission's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for one year after the date that the financial statements are issued.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Summarized Comparative Information***

We have previously audited the Commission's 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 4, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2025 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Commission's internal control over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read "Davis Fan" followed by a stylized flourish.

Irvine, California  
November 17 2025

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance of the Santiago Aqueduct Commission (SAC) provides an overview of SAC's financial activities for the fiscal year ending June 30, 2025. This section should be read in conjunction with the basic financial statements and notes to the basic financial statements, which follow this analysis.

### **Financial Highlights**

- Total assets exceeded total liabilities by \$1,268,187 (net position), representing \$1,172,916 investment in capital assets and \$95,271 in unrestricted water services. This increased \$11,652 or 0.9 percent from the prior fiscal year's net position of \$1,256,535.
- Total assets were \$1,304,454, an increase of \$41,209 or 3.3 percent from the prior fiscal year. The increase was due primarily to a \$40,068 increase in total receivables, a \$27,684 increase in construction in progress, and a \$6,543 increase in cash and investments, offset by a \$33,094 decrease in capital assets net of accumulated depreciation.
- Total liabilities were \$36,267, an increase of \$29,557 or 440.5 percent from the prior fiscal year. The increase was due primarily to a \$27,684 increase in payable for the Baker Pipeline Relocation Project and an \$880 increase in legal fees.
- Total revenues increased \$39,827 or 23.5 percent from \$169,656 in the prior fiscal year to \$209,483 in the current fiscal year. The increase was due primarily to a \$41,866 increase in operating revenues, partially offset by a \$2,039 decrease in interest income and fair value of investments. There was also a capital contribution of \$27,684 from the Baker Pipeline Relocation Project.
- Total operating expenses were \$225,515, an increase of \$18,390 or 8.9 percent from the prior fiscal year. The increase was due primarily to an \$18,322 increase in cathodic protection monitoring and maintenance.

A more detailed analysis about the overall SAC's financial position and operations is provided in the following sections.

### **Overview of the Financial Statements**

The basic financial statements of SAC consist of the financial statements (Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows) and notes to the basic financial statements. The basic financial statements are prepared using the accrual basis of accounting.

**Statement of Net Position** depicts SAC's financial position on June 30, 2025, the end of SAC's fiscal year. The statement of net position shows all financial assets and liabilities of SAC. Net position represents the SAC's residual interest after liabilities are deducted from assets. Net position is displayed in two components: investment in capital assets and unrestricted net position for water services.

**Statement of Revenues, Expenses and Changes in Net Position** provides information on SAC's operations and can be used to determine whether SAC has recovered all its costs through operating and non-operating revenues.

**Statement of Cash Flows** provides information on SAC's cash receipts, cash payments and changes in cash resulting from operations and investments activities.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Notes to the Basic Financial Statements** provide additional information essential to a full understanding of the data provided in the basic financial statements.

### **Financial Analysis of SAC**

The following condensed schedules contain summary financial information extracted from the basic financial statements to assist general readers in evaluating SAC's overall financial position and results of operations as described in this Management's Discussion and Analysis (MD&A).

### **Financial Position Summary**

The Statement of Net Position reflects SAC's financial position as of June 30, 2025. The statement includes assets and liabilities. The net position represents SAC's net worth including but not limited to contributions and investments in capital assets. A condensed summary of SAC's total net position on June 30 is set forth below:

**Table 1 - Summary of Net Position**

	2025	2024	Increase/(Decrease)	
			Amount	Percentage
<b>Assets</b>				
Current assets	\$ 131,538	\$ 84,919	\$ 46,619	54.9%
Noncurrent assets	1,172,916	1,178,326	(5,410)	-0.5%
Total assets	1,304,454	1,263,245	41,209	3.3%
<b>Liabilities</b>				
Current liabilities	36,267	6,710	29,557	440.5%
Total liabilities	36,267	6,710	29,557	440.5%
<b>Net position</b>				
Investment in capital assets	1,172,916	1,178,326	(5,410)	-0.5%
Unrestricted for water services	95,271	78,209	17,062	21.8%
Total net position	\$ 1,268,187	\$ 1,256,535	\$ 11,652	0.9%

As shown in Table 1, SAC's total assets increased \$41,209 or 3.3 percent during the current fiscal year. Total current assets were \$131,538 an increase of \$46,619 or 54.9 percent from the prior fiscal year. Cash and investments increased \$6,543 or 8.6 percent from \$76,376 in the prior fiscal year to \$82,919 in the current fiscal year. The increase was due primarily to \$4,437 in cash provided by operating activities. Accounts receivable increased \$40,068 or 495.8 percent from \$8,082 in the prior fiscal year to \$48,150 in the current fiscal year. The increase was due primarily to a receivable for the Baker Pipeline Relocation Project.

Noncurrent assets were \$1,172,916, a decrease of \$5,410 or 0.5 percent from the prior fiscal year. The decrease was due to a \$27,684 increase in construction in progress, offset by \$33,094 of current fiscal year depreciation of capital assets.

SAC's total liabilities were \$36,267, an increase of \$29,557 or 440.5 percent from \$6,710 in the prior fiscal year. The increase was due primarily to a \$27,684 increase in payable for the Baker Pipeline Relocation Project and an \$880 increase in legal fees.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Net position at the end of the current fiscal year was \$1,268,187, representing the excess of total assets over total liabilities. Net position increased \$11,652 or 0.9 percent from \$1,256,535 in the prior fiscal year. Net position consists of investment in capital assets of \$1,172,916, or 92.5 percent, and an unrestricted net position for water services of \$95,271, or 7.5 percent.

### **Activities and Changes in Net Position**

The Statement of Revenues, Expenses and Changes in Net Position summarizes SAC's operations during the current fiscal year. A Summary of SAC's changes in net position for the fiscal years ended June 30 is included in Table 2 below:

**Table 2 - Revenues, Expenses and Changes in Net Position**

	2025	2024	Increase/(Decrease)	
			Amount	Percentage
<b>Operating revenues</b>				
Water surcharge	\$ 30,763	\$ 29,179	\$ 1,584	5.4%
Member charges	176,606	136,324	40,282	29.5%
Total operating revenues	207,369	165,503	41,866	25.3%
<b>Operating expenses</b>				
Contract labor	8,684	4,062	4,622	113.8%
Equipment usage	-	113	(113)	-100.0%
Utilities	1,755	1,679	76	4.5%
Landscape	84,045	93,743	(9,698)	-10.3%
Cathodic protection monitoring and maintenance	42,369	24,047	18,322	76.2%
Telemetry alarm	1,990	2,156	(166)	-7.7%
General and administrative	53,578	48,230	5,348	11.1%
Depreciation expense	33,094	33,095	(1)	0.0%
Total operating expenses	225,515	207,125	18,390	8.9%
<b>Non-operating revenues</b>	2,114	4,153	(2,039)	-49.1%
Total revenues	209,483	169,656	39,827	23.5%
Income (loss) before capital contributions	(16,032)	(37,469)	21,437	-57.2%
<b>Capital Contributions</b>				
Contributions from developer	27,684	-	27,684	100.0%
Change in net position	11,652	(37,469)	49,121	-131.1%
Beginning net position	1,256,535	1,294,004	(37,469)	-2.9%
<b>Ending net position</b>	<u>\$ 1,268,187</u>	<u>\$ 1,256,535</u>	<u>\$ 11,652</u>	<u>0.9%</u>

### **Revenues**

As shown in Table 2, SAC's total revenues were \$209,483, representing an increase of \$39,827 or 23.5 percent from the prior fiscal year. SAC's operating revenues increased \$41,866 or 25.3 percent. The member charges increased \$40,282 or 29.5 percent, due primarily to a \$29,325 increase in landscape costs and a \$9,317 increase in labor costs for the Baker Pipeline Reach 1U. The member agencies' current fiscal year maintenance charges increased \$1,640, due primarily to higher maintenance expenses. The water surcharge rate increased from \$1.09 per acre foot in the prior fiscal year to \$1.12 per acre foot in

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

the current fiscal year. Water deliveries increased by 697.3 acre feet, from 26,769.4 acre feet in the prior fiscal year to 27,466.7 acre feet in the current fiscal year.

SAC's non-operating revenues decreased \$2,039 or 49.1 percent from the prior fiscal year. The decrease was due to a \$1,060 decrease in interest income and a \$979 decrease in fair value investments.

Capital contributions from developer increased by \$27,684, as a result of the Baker Pipeline Relocation Project. Additional information on this project can be found in Note 3 of the Notes to the Basic Financial Statements.

### **Expenses**

As shown in Table 2, SAC's operating expenses increased \$18,390 or 8.9 percent from \$207,125 in the prior fiscal year to \$225,515 in the current fiscal year. Landscape maintenance decreased \$9,698 and contributed 37.3 percent of the total operating expenses. Contract labor and general and administrative management expenses increased \$9,970 and contributed 27.6 percent of the total operating expenses. Cathodic protection related expenses increased \$18,322 and contributed 18.8 percent of the total operating expenses. Depreciation expense remained consistent and contributed 14.7 percent of the total operating expenses. Total other expenses decreased \$203 and contributed 1.6 percent of the total operating expenses.

### **Capital Assets**

As shown in Table 3, SAC's capital assets, net of depreciation consists of the following as of June 30:

**Table 3 - Capital Assets, Net of Depreciation**

	2025	2024	Increase/(Decrease)	
			Amount	Percentage
Meters	\$ 50,788	\$ 50,788	\$ -	0.0%
Bypass valve	63,609	63,609	-	0.0%
Vault covers	56,543	56,543	-	0.0%
Pipeline	1,203,641	1,203,641	-	0.0%
Less : accumulated depreciation	(229,349)	(196,255)	(33,094)	16.9%
Construction in progress	27,684	-	27,684	0%
Total	<u>\$ 1,172,916</u>	<u>\$ 1,178,326</u>	<u>\$ (5,410)</u>	<u>-0.5%</u>

Capital assets, net of depreciation decreased \$5,410 or 0.5 percent in the current fiscal year. This was due to a \$27,684 increase in construction in progress for the Baker Pipeline Relocation Project, offset by a \$33,094 increase in accumulated depreciation of the Baker Pipeline capital assets. Additional information on SAC's capital assets can be found in Note 3 of the Notes to the Basic Financial Statements.

### **Contacting the District's Financial Management**

This financial report is designed to provide a general review of SAC's finances. If you have questions about this report or need additional financial information, contact the Treasurer at the Santiago Aqueduct Commission, 15600 Sand Canyon Avenue, Irvine, California 92618-7500.

**Santiago Aqueduct Commission**  
Statement of Net Position  
June 30, 2025  
(with comparative data as of June 30, 2024)

	<u>2025</u>	<u>2024</u>
<b>ASSETS</b>		
Current assets:		
Cash and investments (note 2)	\$ 82,919	\$ 76,376
Receivables:		
Accounts receivable	48,150	8,082
Interest receivable	469	461
Total receivables	<u>48,619</u>	<u>8,543</u>
Total current assets	<u>131,538</u>	<u>84,919</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation (note 3)	1,145,232	1,178,326
Capital assets, not being depreciated (note 3)	27,684	-
Total noncurrent assets	<u>1,172,916</u>	<u>1,178,326</u>
<b>TOTAL ASSETS</b>	<u>1,304,454</u>	<u>1,263,245</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	<u>36,267</u>	<u>6,710</u>
<b>TOTAL LIABILITIES</b>	<u>36,267</u>	<u>6,710</u>
<b>NET POSITION</b>		
Investment in capital assets	1,172,916	1,178,326
Unrestricted for water services	95,271	78,209
<b>TOTAL NET POSITION</b>	<u>\$ 1,268,187</u>	<u>\$ 1,256,535</u>

See accompanying notes to the basic financial statements.

**Santiago Aqueduct Commission**  
Statement of Revenues, Expenses and Changes in Net Position  
For the Fiscal Year Ended June 30, 2025  
(with comparative data for the Fiscal Year Ended June 30, 2024)

	2025	2024
<b>OPERATING REVENUES</b>		
Water surcharge	\$ 30,763	\$ 29,179
Member charges	176,606	136,324
Total operating revenues	<u>207,369</u>	<u>165,503</u>
<b>OPERATING EXPENSES</b>		
Contract labor	8,684	4,062
Equipment usage	-	113
Utilities	1,755	1,679
Landscape	84,045	93,743
Cathodic protection monitoring and maintenance	42,369	24,047
Telemetry alarm	1,990	2,156
General and administrative:		
Audit	5,980	5,750
Insurance	8,958	7,858
Legal	3,400	511
Administration management	33,600	32,400
Other	1,640	1,711
Depreciation	33,094	33,095
Total operating expenses	<u>225,515</u>	<u>207,125</u>
Operating income (loss)	<u>(18,146)</u>	<u>(41,622)</u>
<b>NONOPERATING REVENUES</b>		
Interest income	1,912	2,972
Increase (decrease) in fair value of investments	202	1,181
Total nonoperating revenues	<u>2,114</u>	<u>4,153</u>
Income (loss) before capital contributions	(16,032)	(37,469)
<b>CAPITAL CONTRIBUTIONS</b>		
Contributions from developer	<u>27,684</u>	<u>-</u>
Change in net position	11,652	(37,469)
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>1,256,535</u>	<u>1,294,004</u>
<b>NET POSITION AT END OF YEAR</b>	<u><u>\$ 1,268,187</u></u>	<u><u>\$ 1,256,535</u></u>

See accompanying notes to the basic financial statements.

**Santiago Aqueduct Commission**  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2025  
(with comparative data for the Fiscal Year Ended June 30, 2024)

	2025	2024
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from member agencies and others	\$ 167,301	\$ 162,560
Cash paid to suppliers of goods and services	(162,864)	(214,702)
Net cash provided by (used for) operating activities	4,437	(52,142)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest revenue	1,904	3,122
Purchases of investments	(1,904)	(3,122)
Net cash provided by (used for) investing activities	-	-
Net increase (decrease) in cash and cash equivalents	4,437	(52,142)
Cash and cash equivalents at beginning of year	35,649	87,791
Cash and cash equivalents at end of year	\$ 40,086	\$ 35,649
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ (18,146)	\$ (41,622)
Depreciation	33,094	33,095
(Increase) decrease in accounts receivable	(40,068)	(2,943)
Increase (decrease) in accounts payable	29,557	(40,672)
Net cash provided by (used for) operating activities	\$ 4,437	\$ (52,142)
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>		
Change in fair value of investments	\$ 202	\$ 1,181
Contributions of capital assets from developer	27,684	-

See accompanying notes to the basic financial statements.



# **Santiago Aqueduct Commission**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2025

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## **(1) Reporting Entity and Summary of Significant Accounting Policies**

### **A. Organization and Operations of the Reporting Entity**

The Santiago Aqueduct Commission (SAC) was formed in September 1961 as a multi-agency joint powers agency under the California Government Code section 6500. SAC was formed to finance, construct and maintain the Baker Pipeline designed to bring imported untreated water from the Metropolitan Water District of Southern California (MWD) to South Orange County. The Baker Pipeline was completed in 1962 and extended the MWD Santiago Lateral by 15 miles. SAC's member agencies include East Orange County Water District, Irvine Ranch Water District, Santa Margarita Water District, Trabuco County Water District, El Toro Water District and Moulton Niguel Water District.

### **B. Basic Financial Statements**

The basic financial statements are comprised of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, the Statement of Cash Flows, and the Notes to the Basic Financial Statements.

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

SAC's financial activities are accounted for as an enterprise fund. A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from surcharges and member charges. Revenues and expenses are recognized on the accrual basis. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred, regardless of when the related cash flow takes place.

SAC's operating revenues and expenses generally result from providing pipeline capacity and operations and maintenance services to member agencies in connection with water operations. The principal operating revenues of SAC are member charges to cover operation and maintenance expenses. Operating expenses include operations and maintenance expenses associated with the pipeline, general and administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, SAC uses restricted resources and then unrestricted resources.

### **D. Cash and Investments**

Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near to their maturity that they present insignificant risk of changes in value because of changes in interest rates and have an original maturity date of 12 months or less. Investments are reported at fair value.

# Santiago Aqueduct Commission

Notes to the Basic Financial Statements, Continued  
For the Fiscal Year Ended June 30, 2025

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## (1) Reporting Entity and Summary of Significant Accounting Policies (continued)

### D. Cash and Investments (Continued)

Changes in fair value that occur during the fiscal year are recognized as an increase (decrease) in fair value of investments reported for that fiscal year. Interest income includes interest earnings on SAC's investments.

### E. Accounts Receivable

SAC's accounts receivable is from its member agencies in the normal course of operations. Management has evaluated the accounts and believes they are collectible.

### F. Capital Assets

Capital assets are valued at cost where historical records are available and at an estimated acquisition value where no historical costs exist. SAC capitalizes all assets with a historical cost of at least \$5,000 and a useful life of at least three years. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Depreciation is recorded on a straight-line basis over the following estimated useful lives:

Meters	30 years
Valves	40 years
Vault Covers	40 years
Pipeline	40 years

### G. Fair Value Measurements

Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

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

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

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

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

# Santiago Aqueduct Commission

Notes to the Basic Financial Statements, Continued  
For the Fiscal Year Ended June 30, 2025

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## (1) Reporting Entity and Summary of Significant Accounting Policies (continued)

### H. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- **Net Investment in Capital Assets** – This component of net position consists of capital assets, net of accumulated depreciation reduced by any debt outstanding against the acquisition, construction or improvement of those assets.
- **Restricted Net Position** – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – This component of net position consists of net position that does not meet the definition of restricted or net investment in capital assets.

### I. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### J. Comparative Financial Statements and Reclassifications

The information included in the accompanying financial statements for the prior year has been presented for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Certain amounts presented in the prior year financial statements have been reclassified, in order to be consistent with the current year's presentation.

## (2) Cash and Investments

Cash and investments as of June 30, 2025 consist of the following:

Deposits with financial institution	\$	40,086
Local Agency Investment Fund		42,833
Total cash and investments	\$	<u>82,919</u>

# Santiago Aqueduct Commission

Notes to the Basic Financial Statements, Continued  
For the Fiscal Year Ended June 30, 2025

## (2) Cash and Investments (continued)

### Investments Authorized by the California Government Code

The following table identifies the investment types that are authorized for SAC by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by a bond trustee governed by the provisions of debt agreements of SAC, rather than the general provisions of the California Government Code.

<u>Authorized Investment type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment In One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
Orange County Treasury Pool	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

### 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 the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code requires that a financial institution secure deposit made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

### Disclosure 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 assignment of a rating by a nationally recognized statistical rating organization.

## Santiago Aqueduct Commission

Notes to the Basic Financial Statements, Continued  
For the Fiscal Year Ended June 30, 2025

### (2) Cash and Investments (continued)

#### Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The remaining maturity of SAC's LAIF investment is 12 months or less.

#### Investment in State Investment Pool

SAC 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 SAC's investment in this pool is reported in the accompanying financial statements at amounts based upon SAC'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. SAC categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. The LAIF investment is not subject to the fair value measurement classification.

### (3) Capital Assets

Capital asset activity for the fiscal year ended June 30, 2025 is as follows:

	Balance at June 30, 2024	Additions	Deletions	Balance at June 30, 2025
Capital assets, being depreciated:				
Meters	\$ 50,788	\$ -	\$ -	\$ 50,788
Bypass valve	63,609	-	-	63,609
Vault covers	56,543	-	-	56,543
Pipeline	1,203,641	-	-	1,203,641
Sub-total	1,374,581	-	-	1,374,581
Less accumulated depreciation:				
Meters	(50,788)	-	-	(50,788)
Bypass valve	(46,117)	(1,590)	-	(47,707)
Vault covers	(40,328)	(1,413)	-	(41,741)
Pipeline	(59,022)	(30,091)	-	(89,113)
Sub-total	(196,255)	(33,094)	-	(229,349)
Total depreciable capital assets, net	1,178,326	(33,094)	-	1,145,232
Capital assets, non-depreciable:				
Construction in progress	-	27,684	-	27,684
Total capital assets, net	\$ 1,178,326	\$ (5,410)	\$ -	\$ 1,172,916

## **Santiago Aqueduct Commission**

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2025

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### **(3) Capital Assets (continued)**

Construction in progress is a capital project relocating a section of the Baker Pipeline, paid for by The Irvine Company. The Baker Pipeline Relocation Project consists of construction and installation of a fifty-four-inch water transmission pipeline and related valves in The Irvine Company new easement area, as well as cessation of use of the water transmission pipeline and related appurtenances in The Irvine Company old easement area. The Baker Pipeline Relocation Project has incurred costs of \$27,684 through June 30, 2025, primarily for the planning and design phase of the project. The Baker Pipeline Relocation Project is expected to be completed during the fiscal year ending June 30, 2026.

### **(4) Related Party**

SAC and the Irvine Ranch Water District (IRWD) entered into an agreement for maintenance and operation of the Baker Pipeline on January 1, 2001. In addition, IRWD provides accounting and administration services to SAC. It is agreed that IRWD is an independent contractor to SAC. As of June 30, 2025, the outstanding payable to IRWD was \$36,267.



Board of Directors  
Santiago Aqueduct Commission  
Irvine, California

We have audited the financial statements of the Santiago Aqueduct Commission (the "Commission") as of and for the year ended June 30, 2025 and have issued our report thereon dated November 17, 2025. Professional standards require that we advise you of the following matters relating to our audit.

### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated March 25, 2025 our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Commission solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence under the American Institute of Certified Public Accountants ("AICPA") independence standards, contained in the Code of Professional Conduct.

## **Significant Risks Identified**

We have identified the following significant risks:

- Related-party transactions for accounting and management services between the Commission and Irvine Ranch Water District (IRWD). Our procedures included reviewing all reimbursements made by the Commission to IRWD during the fiscal year and ensuring appropriate cutoff in the fiscal year.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Commission is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2025. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

There were no significant accounting estimates affecting the financial statements during the year ended June 30, 2025.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Commission's financial statements relate to the cash and investments disclosures.

## **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

## **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, Professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account



balances or disclosures, and the financial statements as a whole. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following material misstatement that we identified as a result of our audit procedures was brought to the attention of, and corrected by, management: capitalizable expenses incurred in the current fiscal year were not properly accrued at year-end.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Commission's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the management representation letter dated November 17, 2025.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings or Issues**

In the normal course of our professional association with the Commission, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Commission's auditors.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This report is intended solely for the information and use of the Board of Directors, and management of the Commission and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink, appearing to read "Davis Fan" followed by a stylized flourish.

Irvine, California  
November 17, 2025

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Board of Directors  
Santiago Aqueduct Commission

**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**

**Independent Auditors' Report**

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 Santiago Aqueduct Commission (the "Commission") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated November 17, 2025.

**Report On Internal Control over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. 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. 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 or significant deficiencies may exist that have not been identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission'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 financial statements. However,

providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

A handwritten signature in blue ink, appearing to read "Davis Fan" followed by a stylized flourish.

Irvine, California  
November 17, 2025