

QUARTERLY MEETING
SANTIAGO AQUEDUCT COMMISSION
THURSDAY, DECEMBER 19, 2019

CALL TO ORDER: 8:00 a.m., IRWD Board Room
15600 Sand Canyon Avenue, Irvine, California

ATTENDANCE:

<u>Commissioners</u>	
TCWD – Don Chadd _____	SMWD – Donald Bunts _____
ETWD – Kathryn Freshley _____	MWDOC – Jeffery Thomas _____
MNWD – Kelly Jennings _____	IRWD – Mary Aileen Matheis _____
 <u>Staff</u>	
Paul Cook _____	Cheryl Clary _____
Kevin Burton _____	Malcolm Cortez _____
Eileen Lin _____	Christine Compton _____
Diane Squyres _____	Allison Burns, SYC&R _____

COMMUNICATIONS

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.

CONSENT ITEMS – Receive and file

4. MINUTES OF COMMISSION MEETING – MARCH 21, 2019
5. 2018-19 FINANCIAL REPORT
 - a. Ratify Disbursement Resolution No. 690 dated March 2019.
 - b. Ratify Disbursement Resolution No. 691 dated April 2019.
 - c. Ratify Disbursement Resolution No. 692 dated June 2019.
 - d. Ratify Disbursement Resolution No. 693 dated August 2019.
 - e. Ratify Disbursement Resolution No. 694 dated October 2019.
 - f. Receive and file Financial Statement dated November 30, 2019.
6. FISCAL YEAR 2018-19 FINANCIAL REPORT – CRAIG / TOBAR / CLARY

Recommendation: Receive and file.

ACTION ITEM

7. AMENDMENT NO. 9 TO THE SANTIAGO AQUEDUCT COMMISSION
JOINT POWERS AGREEMENT – BURTON / COOK

Recommendation: That the Santiago Aqueduct Commission's member agencies approve Amendment No. 9 to the Santiago Aqueduct Commission Joint Powers Agreement, subject to execution of the Transfer Agreement between IRWD and the County of Orange.

REPORTS

8. GENERAL MANAGER'S REPORT – COOK

9. ENGINEER'S REPORT – BURTON

10. MWDOC'S REPORT

11. ATTORNEY'S REPORT

12. COMMISSIONER'S COMMUNICATION

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.

OTHER BUSINESS

13. ADJOURNMENT

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 above-named Committee in connection with a matter subject to discussion or consideration at an open meeting of the Committee are available for public inspection in the District's office, 15600 Sand Canyon Avenue, Irvine, California ("District Office"). If such writings are distributed to members of the Committee less than 72 hours prior to the meeting, they will be available from the District Secretary of the District Office at the same time as they are distributed to Committee 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 Irvine Ranch Water District Committee 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 MEETING
OF THE SANTIAGO AQUEDUCT COMMISSION**

March 21, 2019

The quarterly meeting of the Santiago Aqueduct Commission (“SAC”) was duly noticed and was held at 8:00 a.m. on March 21, 2019 at the Sand Canyon Board Room of the Irvine Ranch Water District, 15600 Sand Canyon Avenue, Irvine, California. Chairman MATHEIS called the meeting to order at 8:04 a.m. ALLISON BURNS recorded the Minutes of the meeting.

COMMISSIONERS PRESENT

MARY AILEEN MATHEIS, Irvine Ranch Water District (“IRWD”); DON CHADD, Trabuco Canyon Water District (“TCWD”); KATHRYN FRESHLEY, El Toro Water District (“ETWD”); KARL SECKEL, Municipal Water District of Orange County (“MWDOC”); DON BUNTS, Santa Margarita Water District (“SMWD”); KELLY JENNINGS, Moulton Niguel Water District (“MNWD”).

Also present were: PAUL COOK, General Manager, IRWD; CHERYL CLARY, Treasurer, IRWD; KEVIN BURTON, Engineer, IRWD; MALCOLM CORTEZ, Alternate Engineer, IRWD; EILEEN LIN, Alternate Treasurer, IRWD; MIKE GASKINS, ETWD; DIANE SQUYRES, Administrative Secretary, IRWD; JESSICA CRAIG, IRWD; CHARLES GIBSON, SMWD; BARBARA MOURANT, IRWD; JEFF SMYTH, EAST ORANGE COUNTY WATER DISTRICT (“EOCWD”); MATT COLLINGS, MNWD; and ALLISON BURNS, General Counsel/Secretary.

KELLY JENNINGS and KATHRYN FRESHLEY were sworn in as Commissioners and MIKE GASKINS was sworn in as an Alternate Commissioner prior to commencement of the meeting.

There were no late items to the Agenda.

COMMUNICATIONS

1. **Pledge of Allegiance** - The members of the Commission and the audience recited the pledge of allegiance to the flag of the United States of America.
2. **Public Comments** –

Jeff Smyth of EOCWD provided public comment regarding agenda item No. 8, stating that the staff report’s blanket statements that the proposed JPA Amendment would have no impact does not include sufficient data to support the statements. Mr. Smyth stated a further concern that capacity is being affected by the proposed approval. Mr. Smyth requested additional information to allow, if appropriate, approval of this item.

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 - No items added.**

CONSENT ITEMS – Receive and file

4. MINUTES OF COMMISSION MEETING – DECEMBER 13- 2018. CHADD moved to approve and consent to item 4, seconded by BUNTS and unanimously approved.
5. 2018-19 FINANCIAL REPORT. CHADD moved to approve and consent to item 5 seconded by SECKEL and unanimously approved.

ACTION ITEMS

6. APPOINTMENT OF COMMISSIONER AND ALTERNATE COMMISSIONER FOR ETWD, AND APPOINTMENT OF COMMISSIONERS AND REAPPOINTMENT OF ALTERNATE COMMISSIONERS FOR MNWD AND MWDOC – COOK. Cook recommended approval.

A Motion was made by BUNTS, seconded by CHADD to appoint a Commissioner and Alternative Commission for ETWD and appointment of Commissioners and Reappointment of Alternative Commissions for MNWD and MWDOC, and unanimously approved.

7. AMENDMENT NO. 8 TO THE SANTIAGO AQUEDUCT COMMISSION JOINT POWERS AGREEMENT – BURTON. As discussed last year, IRWD reached agreement with the Irvine Company to purchase Irvine Company capacity in the Baker Pipeline. As a result of that transaction, Irvine Company is no longer a represented agency of SAC. The proposed Amendment was prepared to reflect that Irvine Company is no longer a represented agency of SAC and provide cleanup items (i.e. removal of former Los Alisos Water District). Exhibit B shows the capacity change per the amendment and shows there will be no change to any agency's capacity other than IRWD and that change is only with regard to the Irvine Company's former capacity in reach 1U. No other changes are being made. All costs the Irvine Company would pay roll over to IRWD. This change should allow SAC to get back its tax exempt status, thereby saving approximately \$800/year. Staff recommends that the Commission vote to recommend member agency approval of the document.

A Motion was made by SECKEL, seconded by FRESHLEY to approve Amendment No. 8 of the Joint Powers Agreement.

SECKEL – The EOCWD comment made at the outset of the meeting does not pertain to this change; but the Commission does need a meeting to discuss capacity swaps documented in prior JPA Amendments and whether those swaps affected EOCWD. SECKEL would like to participate in a meeting with IRWD and EOCWD. His review shows no impact to EOCWD. If any issues arise after that review, the Amendment can be brought back at a subsequent meeting. SECKEL would be happy to facilitate a meeting. Mr. Smyth agreed to SECKEL's proposal.

COOK – Please proceed with motion as presented.

SECKEL proposed an Amendment to his motion to require the meeting suggested by SECKEL. MWDOC has no remaining residual capacity, it only serves as a representative of smaller entities in the commission, including EOCWD and County of Orange. EOCWD would influence MWDOC's vote. If there are issues, MWDOC would bring the item back at the next meeting.

CHAIRMAN MATHEIS commented that the motion is to recommend that the member agencies bring the proposed Amendment back to their respective agencies and request their approval. FRESHLEY – ETWD staff and board approve the JPA Amendment and see no difficulty involved.

Whereupon, the Commission voted unanimously to approve the Motion.

8. PROPOSED FISCAL YEARS (FY) 2019-20 AND 2020-21 OPERATIONS AND MAINTENANCE BUDGET- CRAIG/LIN/CLARY.

COOK – This year, staff recommends the Commission consider and approve a two-year budget.

CRAIG – Staff is presenting a two-year operations operating and maintenance budget and recommending approval of the FY 2019-20 and 2020-21 budgets. Staff further recommends authorizing use of existing fees to pay operations maintenance fees for members for these years. Exhibits A1 –A3 are the proposed budgets. The 2019-20 total proposed budget of \$110,000 is allocated 31% to operations and 69% to maintenance. The operating expenses are funded by means of a surcharge on each acre-foot (AF) of water delivered and are shown on Exhibit “A-3”. The surcharge is budgeted at \$1.10 per acre-foot (AF) in FY 2019-20 and \$1.12 per AF in 2020-21. The proposed maintenance budgets for FY 2019-20 and FY 2020-21 are \$75,400 and \$76,050, respectively. The FY 2019-20 budget reflects a decrease of \$18,325 with the details shown on Exhibit “A-1”. The decrease is due primarily to a decrease in expected labor and landscape costs from the prior year budget partially offset by an increase in expected cathodic protection system monitoring. The increase of \$650 in FY 2020-21 as shown on Exhibit “A-2” is due to expected small inflation-related increases from the prior year. Exhibit “A4” shows the maintenance budget allocations with the applied cash by Agency.

SECKEL- Question re the proposed study referenced by staff.

CLARY– Staff will conduct a study to determine what SAC's reserves should be and make recommendations to the Commission re whether to have SAC hold the reserves or the individual members. The results of the study will be presented as a subsequent action.

JENNINGS- Asked when the study will be done.

CLARY – Stated the study will be started within the next few months.

FRESHLEY- ETWD agrees with bringing back the results of the study and commended IRWD for doing a good job controlling costs. She further noted that these reserves are just for a pipeline and asked what the probability is of needing to replace the pipeline and who will perform the study.

CLARY- IRWD will do the study internally.

A Motion was made by SECKEL, seconded by FRESHLEY to approve item 8 as presented including the proposed resolution, and unanimously approved.

REPORTS

9. **GENERAL MANAGER'S REPORT-COOK.**

COOK – Nothing to report.

10. **ENGINEER'S REPORT-BURTON.**

BURTON – Update on the pipeline: The pipeline made it through the wet season without damage. Cathodic protection rectifiers are operational and providing proper protection. During recent investigation and reading of test stations, it was determined a test station was missing. Someone regraded the access road along the pipeline and graded our station out of existence. The station was found on the side of the road. Based on recent grading in the area, there are two potential culprits. Staff will likely use SAC funds to repair the station, with likely costs between \$5,000-\$10,000.

SECKEL – Requested an update to the Commission regarding the relocation of the Baker Pipeline by the Irvine Company.

BURTON – Reported that the Santiago Hills development is on hold. Irvine Company has no plan to kick off development; therefore, the relocation is on hold.

11. **MWDOC REPORT.**

SECKEL – No specific report; open for questions.

12. **ATTORNEY'S REPORT.**

Reminded the Commissioners to fill out and turn in their Form 700s.

13. **COMMISSIONERS' COMMUNICATIONS**

Nothing to report

OTHER BUSINESS

14. **ADJOURNMENT.**

The meeting was adjourned at 8:32 a.m.

Respectfully submitted,

Allison E. Burns, Secretary

SANTIAGO AQUEDUCT COMMISSION
DISBURSEMENT RESOLUTION NO. 690

March 2019

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 Jan - Feb 2019	347.06
2	Micheal Baker	6,256.09
3	Southern California Edsion	
	Charges for Feb 2019 and Mar 2019	<u>542.99</u>
4	TOTAL DISBURSEMENT RESOLUTION NO. 690	<u>\$ 7,146.14</u>

SANTIAGO AQUEDUCT COMMISSION
DISBURSEMENT RESOLUTION NO. 691

April 2019

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 Mar - Apr 2019	347.08
2	Stradling Yocca Carlson & Rauth	672.00
3	Southern California Edison	
	Charges for Apr 2019	159.80
4	Kill-N-Bugs	3,420.00
5	Irvine Ranch Water District	
	Baker Pipeline Operation (Jan 2019 - Mar 2019)	6,233.25
	Baker Pipeline Maintenance (Jan 2019 - Mar 2019)	<u>6,074.93</u>
6	TOTAL DISBURSEMENT RESOLUTION NO. 691	<u>\$ 16,907.06</u>

SANTIAGO AQUEDUCT COMMISSION
DISBURSEMENT RESOLUTION NO. 692

June 2019

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 May - June 2019	347.10
2	Stradling Yocca Carlson & Rauth	1,624.00
3	Southern California Edison	
	Charges for May 2019	287.41
4	Michael Baker International	1,444.32
5	Irvine Ranch Water District	
	Baker Pipeline Operation (April 2019 - May 2019)	3,213.74
	Baker Pipeline Maintenance (April 2019 - May 2019)	<u>3,719.96</u>
6	TOTAL DISBURSEMENT RESOLUTION NO. 692	<u>\$ 10,636.53</u>

SANTIAGO AQUEDUCT COMMISSION
DISBURSEMENT RESOLUTION NO. 693

August 2019

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:

1	AT&T	
	Charges for July	173.55
2	Stradling Yocca Carlson & Rauth	84.00
3	Southern California Edison	
	Charges for June - Aug 2019	526.46
4	Michael Baker International	9,867.18
5	ACWA JPIA	500.00
6	Alliant Insurance Services	2,250.00
7	Irvine Ranch Water District	
	Kill-N- Bugs (Prior Years)	34,447.40
8	Irvine Ranch Water District	
	Baker Pipeline Operation (June 2019)	266.87
	Baker Pipeline Maintenance (June 2019)	<u>660.00</u>
9	TOTAL DISBURSEMENT RESOLUTION NO. 693	<u><u>\$ 48,775.46</u></u>

SANTIAGO AQUEDUCT COMMISSION
DISBURSEMENT RESOLUTION NO. 694

October 2019

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 Aug - Oct	520.65
2	Stradling Yocca Carlson & Rauth	196.00
3	Southern California Edison	
	Charges for Sept - Oct 2019	413.64
4	ACWA	2,258.42
5	ACWA JPIA	2,139.00
6	Irvine Ranch Water District	
	Baker Pipeline Operation (July - Sept)	3,770.29
	Baker Pipeline Maintenance (July - Sept 2019)	<u>6,445.08</u>
7	TOTAL DISBURSEMENT RESOLUTION NO. 694	<u><u>\$ 15,743.08</u></u>

Santiago Aqueduct Commission
Statement of Net Position
November 30, 2019

ASSETS

Current assets:

Cash and investments (1)	\$ 450,646
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Receivables:

Accounts receivable	5,374
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Interest receivable	1,707
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Total receivables	<u>7,081</u>
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Total current assets	<u>457,728</u>
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Noncurrent assets:

Capital assets, net of depreciation	47,976
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Total noncurrent assets, net	<u>47,976</u>
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TOTAL ASSETS	<u><u>505,704</u></u>
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LIABILITIES

Current liabilities:

Account payable	<u>7,094</u>
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TOTAL LIABILITIES	<u><u>7,094</u></u>
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NET POSITION

Investment in capital assets	47,976
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Unrestricted	450,634
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TOTAL NET POSITION	<u><u>\$ 498,610</u></u>
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(1) On March 21, 2019 the Commission adopted a resolution authorizing the use of existing cash to pay member fees for FY 2019-2020.

Santiago Aqueduct Commission
Statement of Revenues, Expenses and Changes in Net Position
For the Period Ended November 30, 2019

OPERATING REVENUES:

Water surcharge	\$ 13,139
Member charges (1)	-
Total operating revenues	<u>13,139</u>

OPERATING EXPENSES:

Contract labor	3,347
Equipment usage	-
Utilities	922
Landscape	4,080
Cathodic protection monitoring and maintenance	1,468
Cathodic protection upgrade expense	-
Telemetry alarm	868
General and administrative:	
Audit	5,100
Insurance	7,147
Legal	400
Property taxes	1,431
Administration management	5,400
Other	219
Depreciation	<u>751</u>
Total operating expenses	<u>31,133</u>
Operating income (loss)	<u>(17,994)</u>

NONOPERATING REVENUES:

Interest income	1,707
Increase (decrease) in fair value of investments	<u>(16)</u>
Total nonoperating revenues	<u>1,691</u>
Increase (decrease) in net position	(16,303)


NET POSITION AT BEGINNING OF YEAR

514,913

NET POSITION AT END OF NOVEMBER

\$ 498,610

(1) On March 21, 2019 the Commission adopted a resolution authorizing the use of existing cash to pay member fees for FY 2019-2020. Therefore, member charges for the period ended November 30, 2019 is \$0.

December 19, 2019
Prepared by: J. Craig and J. Tobar
Submitted by: C. Clary
Approved by: Paul A. Cook 

SANTIAGO AQUEDUCT COMMISSION

FY 2018-19 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, 2019. 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, 2019 and conform to generally accepted accounting principles.

BACKGROUND:

The FY 2018-19 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. 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 identifies Prior Period Adjustments the auditor considers to be a significant deficiency in internal control. Staff has already implemented controls in order to record all of the Commission's revenues and expenses transaction on the Commission's book. 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:

Receive and file.

LIST OF EXHIBITS:

Exhibit “A” – FY 2018-19 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

EXHIBIT "A"

Santiago Aqueduct Commission

Financial Statements

Fiscal Year Ended June 30, 2019

Santiago Aqueduct Commission

Financial Statements

Fiscal Year Ended June 30, 2019

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Independent Auditor's Report

Board of Directors
Santiago Aqueduct Commission
Irvine, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Santiago Aqueduct Commission (the "Commission"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Commission as of June 30, 2019, and the

respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The financial statements for the year ended June 30, 2019 reflect certain prior period adjustments as described further in note 1 to the financial statements. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Santiago Aqueduct Commission's financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated November 30, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

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, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2019 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 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 Commission's internal control over financial reporting and compliance.

Davis Ferr LLP

Irvine, California
November 13, 2019

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 ended June 30, 2019. 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 \$514,913 (net position), representing \$48,726 in investment in capital assets and \$466,187 in unrestricted for water services. This was an increase of \$10,397 or 2.1 percent over the prior fiscal year net position of \$504,516.
- Total current assets are \$511,655, an increase of \$39,001 or 8.3 percent over the prior fiscal year. Cash and Investments increased by \$36,015 primarily due to an increase in member charges.
- Total noncurrent assets were \$48,726, a decrease of \$3,493 or 6.7 percent from the prior year, representing current year depreciation.
- Total liabilities increased \$25,111 over the prior fiscal year. The increase was due primarily to the landscape charges from prior periods not yet paid partially offset by two months less of payables relating to reimbursements from member agencies for labor and administrative costs.
- Total revenues increased \$22,517 from \$113,127 in the prior fiscal year to \$135,644 in the current fiscal year. The increase is due primarily to an increase in member charges of \$27,000 to cover budgeted increased operating expenses.
- Total expenses were \$97,045, a decrease of \$20,573 from the prior fiscal year. The decrease is due primarily to a decrease in contract labor of \$18,102.

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 at June 30, 2019 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: net investment in capital assets and unrestricted 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 of 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.

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 the District:

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).

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Financial Position Summary:

The Statement of Net Position reflects SAC's financial position as of June 30, 2019. 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 at June 30 is set forth below:

Table 1 - Summary of Net Position

	2019	2018	Increase/(Decrease) Amount	Percentage
Assets				
Current assets	\$ 511,655	\$ 472,654	\$ 39,001	8.3%
Noncurrent assets	48,726	52,219	(3,493)	-6.7%
Total assets	560,381	524,873	35,508	6.8%
Liabilities				
Current liabilities	45,468	20,357	25,111	123.4%
Total liabilities	45,468	20,357	25,111	123.4%
Net position				
Investment in capital assets	48,726	52,219	(3,493)	-6.7%
Unrestricted for water services	466,187	452,297	13,890	3.1%
Total net position	\$ 514,913	\$ 504,516	\$ 10,397	2.1%

As shown in Table 1, SAC's total assets increased \$35,508 or 6.8 percent. Cash and investments increased \$36,015 from \$459,729 in the prior fiscal year to \$495,744 in the current fiscal year. The increase was due primarily to an increase in member charges and a reduction in contract labor. Accounts receivable increased slightly by \$2,504 due to higher operation surcharge revenue related to a prior period of \$6,245 partially offset by a decrease in June 2019 surcharge revenue of \$3,741 due to a lower rate.

SAC's total liabilities increased \$25,111 from \$20,357 in the prior fiscal year. The increase was due primarily to landscape charges from prior periods not yet paid partially offset by two months less of payables relating to reimbursements from member agencies for labor and administrative costs.

Net position at end of the current fiscal year is \$514,913 representing the excess of total assets over total liabilities. Net position increased \$10,397 or 2.1 percent from \$504,516 in the prior fiscal year to \$514,913 in the current fiscal year. Net position consists of investment in capital assets of \$48,726 and an unrestricted net position for water services of \$466,187.

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 year ended June 30 is included in Table 2 below:

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Table 2 - Revenues, Expenses and Changes in Net Position

	2019	2018	Increase/(Decrease)	
			Amount	Percentage
Operating revenues				
Water surcharge	\$ 34,355	\$ 42,815	\$ (8,460)	-19.8%
Member charges	93,725	66,725	27,000	40.5%
Total operating revenues	128,080	109,540	18,540	16.9%
Non-operating revenues	7,564	3,587	3,977	110.9%
Total revenues	135,644	113,127	22,517	19.9%
Operating expenses				
Contract labor	12,325	30,427	(18,102)	-59.5%
Equipment usage	287	880	(593)	-67.4%
Utilities	2,934	3,513	(579)	-16.5%
Landscape	4,770	1,995	2,775	139.1%
Cathodic protection monitoring and maintenance	30,251	32,450	(2,199)	-6.8%
Cathodic protection upgrade expense	3,420	3,080	340	11.0%
Telemetry alarm	2,083	2,081	2	0.1%
General and administrative	37,482	38,495	(1,013)	-2.6%
Depreciation expense	3,493	4,697	(1,204)	-25.6%
Total operating expenses	97,045	117,618	(20,573)	-17.5%
Changes in net position	38,599	(4,491)	43,090	-959.5%
Beginning Net Position	504,516	509,007	(4,491)	-0.9%
Prior period adjustments (note 4)	(28,202)	-	(28,202)	-100.0%
Ending Net Position	\$ 514,913	\$ 504,516	\$ 10,397	2.1%

Revenues:

As shown in Table 2, SAC's operating revenues increased \$18,540 or 16.9 percent. Member charges contributed 73 percent of total operating revenues in the current fiscal year. Member charges are funds contributed by member agencies to ensure adequacy of funds available to pay for operating expenditures and increased \$27,000 or 40.5 percent from \$66,725 in the prior fiscal year to \$93,725 in the current fiscal year. The increase of member charges was due primarily to a \$22,000 budget increase in landscape maintenance charges from the prior year.

The water surcharge revenue contributed 27 percent of total operating revenues. The water surcharge decreased by \$8,460 from the prior year due to a lower surcharge rate of \$1.12 per acre foot on 30,674.1 acre feet of sales in 2019 compared to \$1.40 per acre foot on 30,582.4 acre feet of sales in 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Expenses:

As shown in Table 2, SAC's operating expenses decreased \$20,573. Contract labor and general and administrative expenses decreased \$19,115 and contributed 51 percent of the total operating expenses. Cathodic protection related expenses decreased \$1,859 and contributed 35 percent of the total operating expenses. Landscape maintenance increased \$2,775 and contributed 5 percent of the total operating expenses. The total of the other expenses decreased \$1,170 and contributed 5 percent of the total operating expenses. Depreciation expense decreased \$1,204 due to a fully depreciated asset in the prior year and contributed 4 percent of the total operating expenses.

Capital Assets:

SAC's investment in capital assets net of depreciation as of June 30 were as follows:

	2019	2018	Increase/(Decrease)	
			Amount	Percentage
Meters	\$ -	\$ 489	\$ (489)	-100.0%
Bypass valve	25,443	27,034	(1,591)	-5.9%
Vault covers	23,283	24,696	(1,413)	-5.7%
Total	<u>\$ 48,726</u>	<u>\$ 52,219</u>	<u>\$ (3,493)</u>	<u>-6.7%</u>

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 design to provide member agencies with a general review of SAC's finances to show SAC's accountability for the money it receives. 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, 2019
(with comparative data as of June 30, 2018)

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets:		
Cash and investments (note 2)	\$ 495,744	\$ 459,729
Receivables:		
Accounts receivable	14,152	11,648
Interest receivable	1,759	1,277
Total receivables	<u>15,911</u>	<u>12,925</u>
Total current assets	<u>511,655</u>	<u>472,654</u>
Noncurrent assets:		
Capital assets, net of depreciation (note 3)	<u>48,726</u>	<u>52,219</u>
Total noncurrent assets, net	<u>48,726</u>	<u>52,219</u>
TOTAL ASSETS	<u>560,381</u>	<u>524,873</u>
LIABILITIES		
Current liabilities:		
Account payable	<u>45,468</u>	<u>20,357</u>
TOTAL LIABILITIES	<u>45,468</u>	<u>20,357</u>
NET POSITION		
Investment in capital assets	48,726	52,219
Unrestricted	466,187	452,297
TOTAL NET POSITION	<u>\$ 514,913</u>	<u>\$ 504,516</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, 2019
(with comparative data for the Fiscal Year Ended June 30, 2018)

	2019	2018
OPERATING REVENUES:		
Water surcharge	\$ 34,355	\$ 42,815
Member charges	93,725	66,725
Total operating revenues	<u>128,080</u>	<u>109,540</u>
OPERATING EXPENSES:		
Contract labor	12,325	30,427
Equipment usage	287	880
Utilities	2,934	3,513
Landscape	4,770	1,995
Cathodic protection monitoring and maintenance	30,251	32,450
Cathodic protection upgrade expense	3,420	3,080
Telemetry alarm	2,083	2,081
General and administrative:		
Audit	5,000	5,000
Insurance	7,104	7,352
Legal	2,721	3,756
Property taxes	1,409	1,349
Administration management	20,500	20,400
Other	748	638
Depreciation	3,493	4,697
Total operating expenses	<u>97,045</u>	<u>117,618</u>
Operating income (loss)	<u>31,035</u>	<u>(8,078)</u>
NONOPERATING REVENUES:		
Interest income	6,589	3,809
Increase (decrease) in fair value of investments	975	(222)
Total nonoperating revenues	<u>7,564</u>	<u>3,587</u>
Increase (decrease) in net position	38,599	(4,491)
NET POSITION AT BEGINNING OF YEAR	504,516	509,007
Prior period adjustment (note 4)	(28,202)	-
NET POSITION AT END OF YEAR	<u>\$ 514,913</u>	<u>\$ 504,516</u>

See accompanying notes to the basic financial statements.

Santiago Aqueduct Commission
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2019
(with comparative data for the Fiscal Year Ended June 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from member agencies	\$ 131,820	\$ 112,808
Cash paid to suppliers of goods and services	<u>(102,888)</u>	<u>(94,278)</u>
Net cash provided by (used for) operating activities	<u>28,932</u>	<u>18,530</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>7,083</u>	<u>2,923</u>
Net cash provided by investing activities	<u>7,083</u>	<u>2,923</u>
Net increase (decrease) in cash and cash equivalents	36,015	21,453
Cash and cash equivalents at beginning of year	<u>459,729</u>	<u>438,276</u>
Cash and cash equivalents at end of year	<u><u>\$ 495,744</u></u>	<u><u>\$ 459,729</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating income (loss)	\$ 31,035	\$ (8,078)
Depreciation	3,493	4,697
(Increase) decrease in accounts receivable	3,740	3,268
Increase (decrease) in accounts payable	<u>(9,336)</u>	<u>18,643</u>
Net cash provided by (used for) operating activities	<u><u>\$ 28,932</u></u>	<u><u>\$ 18,530</u></u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Fair value of investments adjustment	<u><u>\$ 975</u></u>	<u><u>\$ (222)</u></u>

See accompanying notes to the basic financial statements.

(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 the County of Orange, 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. 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.

C. Assets, Liabilities and Net Position

1. 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.

2. 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.

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

C. Assets, Liabilities and Net Position (continued)

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

3. Accounts Receivable

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

4. Capital Assets

Capital assets are valued at cost where historical records are available and at an estimated historical cost 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

5. 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.

6. 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.

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

7. 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 input 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.

(2) Cash and Investments

Cash and investments as of June 30, 2019 consist of the following:

Deposits with financial institution	\$ 219,940
Local Agency Investment Fund	<u>275,804</u>
Total cash and investments	<u>\$ 495,744</u>

(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 deposits 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.

(2) Cash and Investments (continued)

Disclosure Relating to Credit Risk

Generally, credit risk is the risk that an 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.

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, 2019 is as follows:

	Balance at <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2019</u>
Capital assets, being depreciated:				
Meters	\$ 50,788	\$ -	\$ -	\$ 50,788
Valve	63,609	-	-	63,609
Vault Covers	56,543	-	-	56,543
Sub-total	<u>170,940</u>	<u>-</u>	<u>-</u>	<u>170,940</u>
Less accumulated depreciation:				
Meters	(50,299)	(489)	-	(50,788)
Valve	(36,575)	(1,591)	-	(38,166)
Vault Covers	(31,847)	(1,413)	-	(33,260)
Sub-total	<u>(118,721)</u>	<u>(3,493)</u>	<u>-</u>	<u>(122,214)</u>
Total capital assets, net	<u>\$ 52,219</u>	<u>\$ (3,493)</u>	<u>\$ -</u>	<u>\$ 48,726</u>

(4) Restatement of Net Position

A prior period adjustment was recorded to recognize certain revenues and expenses relating to prior periods. Santiago Aqueduct Commission recorded the following prior period adjustment:

Net position as previously reported at June 30, 2018	\$	504,516
Prior period revenues		6,245
Prior period expenses		<u>(34,447)</u>
Net position as restated at June 30, 2018	\$	<u>476,314</u>

In June 2019, SAC identified operational surcharge revenue from prior years that had not been recorded on SAC's books. These are reflected above as prior period revenues. In addition, invoices from prior years for landscape charges were not previously recorded on SAC's books. These are reflected above as prior period expenses. These adjustments are reflected as a restatement to the beginning Net Position in 2019.

EXHIBIT "B"



Davis Farr LLP
2301 Dupont Drive | Suite 200 | Irvine, CA 92612
Main: 949.474.2020 | Fax: 949.263.5520

To the Board of Directors
Santiago Aqueduct Commission

We have audited the financial statements of the Santiago Aqueduct Commission (Commission) for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated March 21, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Commission are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2019. We noted no transactions entered into by the Commission during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 significantly from those expected. The most sensitive estimates affecting the Commission's financial statements were:

- Management's judgment of which expenses are capital versus maintenance.
- Estimates involving which expenses to be accrued as of the year end.

We evaluated the key factors and assumptions used to develop the estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The following material misstatements detected as a result of audit procedures were corrected by management: to correct beginning net position for prior years' revenue and expense previously unrecorded.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 13, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Commission's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the 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.

Davis Farr LLP

Irvine, California
November 13, 2019

EXHIBIT "C"



Davis Farr LLP
2301 Dupont Drive | Suite 200 | Irvine, CA 92612
Main: 949.474.2020 | Fax: 949.263.5520

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, 2019, 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 13, 2019.

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) to determine the 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described below, we identified a deficiency in internal control that we consider to be a significant deficiency.

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 Commission'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. We consider the following to be a significant deficiency:

(1) Prior Period Adjustments

For the fiscal year ended June 30, 2019, there were material prior period adjustments to recognize revenues and expenses previously unrecorded. Auditing standards define the restatement of previously issued financial statements to reflect the correction of a material misstatement as an indicator of a deficiency in internal control.

Recommendation

Currently, transactions are processed by the Irvine Ranch Water District and later remitted to or reimbursed by the Santiago Aqueduct Commission. The Commission should establish procedures to identify transactions that belong to the Santiago Aqueduct Commission to ensure they are processed in the reporting period in which the related transactions occurred.

Management's Corrective Action Plan

Staff concurs with the finding and has already implemented controls in order to record all the Commission's revenues and expenses transactions on the Commission's book.

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 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*.

The Commission's Responses to Findings

The Commission's responses to the findings identified in our audit are described within the letter. The Commission's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.



Irvine, California
November 13, 2019

December 19, 2019
Prepared and
submitted by: K. Burton
Approved by: Paul A. Cook



SANTIAGO AQUEDUCT COMMISSION

AMENDMENT NO. 9 TO THE SANTIAGO AQUEDUCT COMMISSION JOINT POWERS AGREEMENT

SUMMARY:

Irvine Ranch Water District (IRWD) and the County of Orange are scheduled in February 2020 to execute an Assignment and Assumption Agreement (Transfer Agreement) to transfer the County's capacity in Reaches 1U, 2U, 3U and 4U of the Baker Pipeline to IRWD. Amendment No. 9 to the Santiago Aqueduct Commission (SAC) Joint Powers Agreement recognizes the transfer of capacity and the resulting allocation of costs of maintenance, capital repairs and capital improvements to the Baker Pipeline. Amendment No. 9 also updates the represented agencies of SAC following IRWD's capacity transfer with the County. Staff recommends that the Santiago Aqueduct Commission's member agencies approve Amendment No. 9 to the Santiago Aqueduct Commission Joint Powers Agreement, subject to execution of the Transfer Agreement between IRWD and the County of Orange.

BACKGROUND:

IRWD and the County are scheduled in February 2020 to execute a Transfer Agreement to transfer the County's 1.0 cubic feet per second (cfs) capacity in Reach 1U and the 1.06 cfs capacity in Reaches 2U, 3U and 4U of the Baker Pipeline to IRWD. The Transfer Agreement is attached as Exhibit "A". The intent of Amendment No. 9 to the SAC Joint Powers Agreement is to memorialize the effect of the Transfer Agreement and acknowledge that each of the SAC member and represented agencies not participating in the Transfer Agreement will retain the same capacity rights identified in Amendment No. 8 to the SAC Joint Powers Agreement. Additionally, Amendment No. 9 updates the represented agencies of SAC following IRWD's capacity transfer with the County. Amendment No. 9 is attached as Exhibit "B".

The capacity of each SAC member and represented agency in each reach of the Baker Pipeline is shown in Exhibit "A" of Amendment No. 9. The maintenance, capital repair and capital improvement cost shares for each member and represented agency in each reach, and for the Baker Pipeline as a whole, are shown in Exhibit "B" of Amendment No. 9. The capacities and allocation of costs of maintenance, capital repairs and capital improvements of the non-participating Transfer Agreement SAC member and the represented agencies remains unchanged from Amendment No. 8.

FISCAL IMPACTS:

The costs for maintenance, capital repairs and capital improvements will be allocated between the participating SAC member agencies and represented agencies, as shown in Exhibit "B", and are effective on the date the Transfer Agreement is executed.

ENVIRONMENTAL COMPLIANCE:

This activity is exempt from the California Environmental Quality Act (CEQA) as authorized under the California Code of Regulations, Title 14, Chapter 3, Section 15306 which provides exclusion for projects involving basic data collection, research, experimental management, and resource evaluation activities which do not result in a serious or major disturbance to an environmental resource. These may be strictly for information gathering purposes, or as part of a study leading to an action which a public agency has not yet approved, adopted, or funded.

RECOMMENDATION:

That the Santiago Aqueduct Commission's member agencies approve Amendment No. 9 to the Santiago Aqueduct Commission Joint Powers Agreement, subject to execution of the Transfer Agreement between IRWD and the County of Orange.

LIST OF EXHIBITS:

- Exhibit "A" – Assignment and Assumption Agreement between Irvine Ranch Water District and the County of Orange
- Exhibit "B" – Amendment No. 9 to the Santiago Aqueduct Commission Joint Powers Agreement

ASSIGNMENT AND ASSUMPTION AGREEMENT

This ASSIGNMENT AND ASSUMPTION AGREEMENT ("**Agreement**") is dated _____, 2020 (the "**Effective Date**") and is between **IRVINE RANCH WATER DISTRICT**, a California water district, organized under Division 13 of the California Water Code ("**IRWD**"), and the County of Orange ("**County**"). IRWD and County are each a "**Party**" and together are the "**Parties.**"

On or about April 13, 1961, the Los Alisos Water District, the El Toro Water District, and the Orange County Municipal Water District entered into the Santiago Aqueduct Commission Joint Powers Agreement (the "**JPA**"). The JPA created the Santiago Aqueduct Commission ("**Commission**") to construct, maintain, repair and manage the Santiago Aqueduct ("**Aqueduct**", also known as the "**Baker Pipeline**"), which would transmit water to the parties to the JPA.

The JPA was amended eight times, by: Amendment to the JPA (on or about September 11, 1961); Amendment No. 2 to the JPA (on or about January 1, 1978) ("**Amendment 2**"); Amendment No. 3 to the JPA (on or about January 13, 1978); Amendment No. 4 to the JPA (on or about September 1, 1981); Amendment No. 5 to the JPA (on or about October 22, 1986); Amendment No. 6 to the JPA (on or about July 8, 1999); Amendment No. 7 to the JPA (on or about June 19, 2014); and Amendment No. 8 to the JPA (dated March 21, 2019). These Amendments, along with all exhibits and attachments thereto, are collectively identified in this Agreement as the "**Amendments.**" Amendment 2 added IRWD as a party and as a member of the Commission and acknowledged that the County was a party to the JPA with respect to certain matters and was represented on the Commission by the Municipal Water District of Orange County. That amendment, and various other leases and subleases issued pursuant to the Amendments, granted the Parties certain rights and obligations with respect to the construction, maintenance, operation of water lines to be constructed parallel to the Aqueduct to supply water to, among others, the Parties. Pursuant to the JPA Amendments, the County possesses 1.0 cfs capacity in Reach 1U of the Aqueduct, and 1.06 cfs of capacity in each of Reaches 2U, 3U, and 4U of the Aqueduct (together the "**County Capacity Rights**").

The Parties intend by this Agreement for the County to assign and transfer the County Capacity Rights, and any related rights and obligations under the JPA, memoranda of understanding, related agreements, the Amendments, and any other leases or subleases related thereto, to IRWD for valuable consideration.

The Parties therefore agree as follows:

1. Assignment. In exchange for IRWD's payment to the County of the sum of \$227,790 (the "**Transfer Fee**") concurrent with the delivery of this Agreement, the County hereby assigns and transfers to IRWD all of the County's right, title, interest and obligations under the JPA and the Amendments including the County Capacity Rights (collectively, the "**County Interest**") effective as of the Effective Date. Upon assignment and transfer of the County Interest as set forth in this section, IRWD accepts from the County all such County Interest, subject to the terms and conditions set forth in this Agreement.

2. Related Approvals. The Parties are not aware of any other approvals, acknowledgements, actions, confirmations, notices, consents or permissions required to be obtained or given in order for the County Capacity Rights and County Interest to transfer to IRWD (collectively “**Approvals**”). However, the Parties acknowledge that the Commission members intend to amend the JPA to account for the effect of this Agreement on the ownership of capacity within the Aqueduct. In the event Approvals are required, then IRWD will notify County and use its best efforts to obtain the Approvals on behalf of the Parties, at its own expense. The County agrees to reasonably cooperate with IRWD’s efforts.

3. Assumption. IRWD assumes and agrees to perform and fulfill all the terms, covenants, conditions, and obligations required to be performed and fulfilled by the County under the JPA and the Amendments.

4. Assignor Representations. The County represents that, to the County’s knowledge, (a) the County has not previously transferred or assigned any portion of the County Interest (including the County Capacity Rights), (b) the County has not amended, modified or terminated the JPA or the Amendments except as set forth therein, and (c) the County has not breached the JPA or the Amendments.

5. As-Is; Where-Is. Except as otherwise set forth in Section 4 above, IRWD acknowledges and agrees that it is accepting the assignment and conveyance of the County Interest based solely upon IRWD’s inspection and investigation of the same and all documents related thereto, or its opportunity to do so, and the County Interest is assigned in an “AS IS, WHERE IS” condition, without relying upon any representation or warranties, express, implied or statutory, of any kind. Except for a breach or misrepresentation caused exclusively by the County, in the event the Parties receive a third-party claim or demand related to this Agreement, or in the event the Parties are named in an action by a third party for issues related to this Agreement, the Parties shall notify the other of such event(s) and IRWD shall represent the County in any legal action unless the County undertakes to represent itself as co-defendant, in which event IRWD shall pay to County its litigation expenses, costs and attorneys’ fees. In the event the Parties suffer any losses, damages, costs, charges, or expenses, including reasonable attorney’s fees related to an action arising out of or related to this Agreement (except for litigation arising out of or related to a breach or misrepresentation caused exclusively by the County), and if judgment is entered against County and IRWD, an apportionment of liability to pay such judgment shall be made by a court of competent jurisdiction. Neither Party shall request a jury apportionment. Notwithstanding anything to the contrary, the County’s aggregate liability in connection with this Agreement shall not exceed the amount of the Transfer Fee.

6. Successors and Assigns. This Agreement will be binding on and inure to the benefit of the Parties, their heirs, executors, administrators, successors in interest, and assigns.

7. Choice of Law and Venue. All matters relating to this Agreement are governed by the laws of the State of California, and venue for any action related to the Agreement shall be the Superior Court of Orange County.

8. Notice. Any notice will be deemed given by depositing it in the United States Mail, first class, return receipt requested, or by courier or overnight delivery service and addressed as follows:

If to IRWD:

Irvine Ranch Water District
16500 Sand Canyon Avenue
P.O. Box 5700
Irvine, CA 92619-7000
Attn: Paul A. Cook, General Manager

If to the County:

County of Orange
Sheriff's Department
Attn: Director of Research and Development
431 The City Drive South
Orange, CA 92868

With a copy to:

County of Orange
Executive Office
Attn: Chief Real Estate Officer
333 W. Santa Ana Boulevard, 3rd Floor
Santa Ana, CA 92701

9. Amendment. Any amendment or modification of this Agreement must be written and properly executed by both Parties.

10. Interpretation. Each Party has participated in negotiating and drafting this Agreement, so if an ambiguity or a question of intent or interpretation arises, this Agreement is to be construed as if the Parties had drafted it jointly, as opposed to being construed against a party because it was responsible for drafting one or more provisions of this Agreement.

11. Further Assurances. The Parties shall take such actions, or execute, acknowledge and deliver, or obtain the execution, acknowledgment, and delivery of such instruments as are reasonably necessary, appropriate or desirable to give effect to the provisions of this Agreement.

12. Entire Agreement. This Agreement constitutes the entire agreement between the Parties regarding the County's assignment and IRWD's assumption of all of the County Interest. This Agreement supersedes all prior or contemporaneous agreements, commitments, conditions, discussions, instruments, offers, promises and/or proposals between the Parties regarding the County's assignment and IRWD's assumption of all of the County Interest, whether oral or written.

13. Authority. The Parties represent that the individuals executing this Agreement have the legal power, right and actual authority to bind that Party to the terms and conditions of this Agreement.

IRWD and the County are signing this Agreement to be effective as of the Effective Date.

**COUNTY OF ORANGE, a political subdivision
of the State of California**

By: _____
Chairwoman of the Board of Supervisors
Orange County, California

Signed and certified that a copy of this document
has been delivered to the Chair of the Board per
Government Code Section 25103, Resolution 79-1535.

ATTEST:

Robin Stieler
Clerk of the Board of Supervisors
Orange County, California

APPROVED AS TO FORM
Office of the County Counsel
Orange County, California

By: _____
Deputy County Counsel

IRVINE RANCH WATER DISTRICT

By: _____
Paul A. Cook, General Manager

APPROVED AS TO FORM:
Lewis Brisbois Bisgaard & Smith, LLP

By: _____
General Counsel

EXHIBIT "B"

AMENDMENT NO. 9 TO THE SANTIAGO AQUEDUCT COMMISSION JOINT POWERS AGREEMENT

This Amendment No. 9 to the Santiago Aqueduct Commission Joint Powers Agreement (“**Amendment No. 9**”) is effective [**INSERT DATE**], and is between the following six member agencies of the SANTIAGO AQUEDUCT COMMISSION (the “**Commission**”) created by a Joint Powers Agreement dated September 11, 1961 (as amended, the “**Joint Powers Agreement**”):

EL TORO WATER DISTRICT;
IRVINE RANCH WATER DISTRICT (“**IRWD**”) on its own behalf and as assignee of the County of Orange (the “**County**”);
MOULTON NIGUEL WATER DISTRICT;
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY (formerly known as Orange County Municipal Water District) (“**MWDOC**”) on behalf of represented agency
EAST ORANGE COUNTY WATER DISTRICT (“**EOCWD**”);
SANTA MARGARITA WATER DISTRICT; and
TRABUCO CANYON WATER DISTRICT (formerly known as Santa Ana Mountains County Water District).

The member agencies are also sometimes referred to as the “**Parties.**” EOCWD is a “**represented agency**” but is not a member agency.

The Joint Powers Agreement has been previously amended by the following amendments: the first Amendment (December 20, 1974); Amendment No. 2 (January 13, 1978); Amendment No. 3 (November 1, 1978); Amendment No. 4 (September 1, 1981); Amendment No. 5 (October 22, 1986), Amendment No. 6 (July 8, 1999); Amendment No. 7 (June 19, 2014), and Amendment No. 8 (March 21, 2019).

The Joint Powers Agreement (as amended) establishes certain hydraulic grade lines and capacity rights for the member agencies and represented agencies in the various reaches of the Santiago Aqueduct, also known as the Baker Pipeline. The costs of maintenance, capital repairs, and capital improvements to the Baker Pipeline are allocated to the member agencies and represented agencies in proportion to each party’s capacity rights in each reach as compared with the total capacity for each reach and in proportion to the length of each reach as compared with the entire length of the Baker Pipeline.

Capacity rights in the Baker Pipeline have been transferred among various member agencies and represented agencies, as previously reflected in the tables set forth in Amendment No. 8.

In [**INSERT DATE THAT COUNTY BOARD APPROVES AGREEMENT**], IRWD and the County executed an *Assignment and Assumption Agreement* (the “**Transfer Agreement**”) to transfer the County’s capacity in the Baker Pipeline to IRWD. The transfer of capacity rights

and the resulting allocations of maintenance, capital repairs, and capital improvement costs effective as of [**INSERT DATE THAT COUNTY BOARD APPROVES AGREEMENT**]. The Parties intend by this Amendment No. 9 to memorialize the effect of the Transfer Agreement and acknowledge that each of the Parties and represented agencies not participating in the Transfer Agreement will retain the same capacity rights identified in Amendment No. 8.

Therefore, the Parties amend the Joint Powers Agreement as follows:

SECTION 1. Exhibit A to this Amendment No. 9 identifies the capacities and hydraulic grade lines in the Baker Pipeline resulting from the Transfer Agreement. Exhibit B to this Amendment No. 9 identifies the corresponding allocation of costs of maintenance, capital repairs, and capital improvements for each reach of the Baker Pipeline and the Baker Pipeline in its entirety. Both exhibits are incorporated by reference into the Joint Powers Agreement and replace and supersede the prior Exhibits A and B.

SECTION 2. In order to reflect the transfer of the County's capacity to IRWD, the first two paragraphs of Section 3 of the Joint Powers Agreement, as amended by Amendment No. 8, are amended to read as follows:

"The Commission shall consist of six (6) regular members, one (1) regular member to be selected by each of the following member agencies:

El Toro Water District;
Irvine Ranch Water District;
Moulton Niguel Water District;
Municipal Water District of Orange County;
Santa Margarita Water District; and
Trabuco Canyon Water District.

The Commission shall maintain and operate the Baker Pipeline. Each member agency shall have one vote. MWDOC shall represent itself and EOCWD. Each member agency may appoint two alternate members, designated a first alternate member and a second alternate member, to the Commission."

SECTION 3. The Parties shall execute this Amendment No. 9 in duplicate, each identical duplicate of which will be considered an original.

[Signatures appear on following pages.]

The Parties have executed this Amendment No. 9 on the dates set forth below.

DATED: _____

EL TORO WATER DISTRICT

By: _____
President

By: _____
Secretary

APPROVED AS TO FORM:
Redwine and Sherrill, LLP

By: _____
District Counsel

DATED: _____

IRVINE RANCH WATER DISTRICT

By: _____
President

By: _____
Secretary

APPROVED AS TO FORM:
Lewis Brisbois Bisgaard & Smith, LLP

By: _____
District Counsel

DATED: _____

MOULTON NIGUEL WATER DISTRICT

By: _____
President

By: _____
Secretary

APPROVED AS TO FORM:
Best Best & Krieger LLP

By: _____
District Counsel

DATED: _____

MUNICIPAL WATER DISTRICT OF ORANGE
COUNTY

By: _____
President

By: _____
Secretary

APPROVED AS TO FORM:
Best Best & Krieger, LLP

By: _____
District Counsel

DATED: _____

SANTA MARGARITA WATER DISTRICT

By: _____
President

By: _____
Secretary

APPROVED AS TO FORM:
Best Best & Krieger, LLP

By: _____
District Counsel

DATED: _____

TRABUCO CANYON WATER DISTRICT

By: _____
President

By: _____
Secretary

APPROVED AS TO FORM:
Atkinson, Andelson, Loya, Ruud & Romo, LLP

By: _____
District Counsel

EXHIBIT A

SANTIAGO AQUEDUCT COMMISSION
BAKER PIPELINE
PIPELINE CAPACITIES

	Reach 1U	Reach 2U	Reach 3U	Reach 4U	Reach 5U
Length (LF)	9,400	10,425	7,950	28,500	6,070
HGL Elevation at End of Reach ¹	816	788	770	703	690
Agency	CFS	CFS	CFS	CFS	CFS
East Orange County Water District	10.00	-	-	-	-
Irvine Ranch Water District ²	50.00	15.65	11.60	11.60	10.50
Santa Margarita Water District	13.00	13.08	13.05	13.05	13.00
Trabuco Canyon Water District	8.00	8.05	8.03	8.03	8.00
El Toro Water District	5.00	5.00	5.00	5.00	5.00
Moulton Niguel Water District	13.00	13.00	13.00	13.00	13.00
Total Capacity	99.00	54.78	50.68	50.68	49.50

¹ Beginning HGL elevation of 832 at OC-33

² Includes IRWD purchase of County of Orange capacity in Reaches 1U, 2U, 3U, and 4U. All other capacities remain unchanged from JPA Amendment No. 8.

Exhibit B

Pipeline Capacities Maintenance, Capital Repair, and Capital Improvement Share, Total and By Reach

Length (LF)	Reach 1U 9,400		Reach 2U 10,425		Reach 3U 7,950		Reach 4U 28,500		Reach 5U 6,070		Total Pipeline 62,345	
	Capacity Length	%	Capacity Length	%	Capacity Length	%	Capacity Length	%	Capacity Length	%	Capacity Length	%
East Orange County Water District	94,000	9.53%	-	-	-	-	-	-	-	-	94,000	2.58%
Irvine Ranch Water District	470,000	50.79%	163,152	28.85%	92,220	23.06%	330,600	23.06%	63,735	21.22%	1,119,707	30.68%
Santa Margarita Water District	122,200	13.35%	136,359	23.65%	103,747	25.61%	371,925	25.61%	78,910	26.26%	813,141	22.28%
Trabuco Canyon Water District	75,200	8.15%	83,921	14.64%	63,839	15.81%	228,855	15.81%	48,560	16.16%	500,375	13.71%
El Toro Water District	47,000	5.05%	52,125	9.13%	39,750	9.87%	142,500	9.87%	30,350	10.10%	311,725	8.54%
Moulton Niguel Water District	122,200	13.13%	135,525	23.73%	103,350	25.65%	370,500	25.65%	78,910	26.26%	810,485	22.21%
Total	930,600	100%	571,082	100%	402,906	100%	1,444,380	100%	300,465	100%	3,649,433	100%