

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 Farr 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)

	2019	2018
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	15,911	12,925
Total current assets	511,655	472,654
Noncurrent assets:		
Capital assets, net of depreciation (note 3)	48,726	52,219
Total noncurrent assets, net	48,726	52,219
TOTAL ASSETS	560,381	524,873
LIABILITIES		
Current liabilities:		
Account payable	45,468	20,357
TOTAL LIABILITIES	45,468	20,357
NET POSITION		
Investment in capital assets	48,726	52,219
Unrestricted	466,187	452,297
TOTAL NET POSITION	\$ 514,913	\$ 504,516

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	128,080	109,540
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	97,045	117,618
Operating income (loss)	31,035	(8,078)
NONOPERATING REVENUES:		
Interest income	6,589	3,809
Increase (decrease) in fair value of investments	975	(222)
Total nonoperating revenues	7,564	3,587
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	\$ 514,913	\$ 504,516

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)

	<u>2019</u>	<u>2018</u>
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>\$ 495,744</u>	<u>\$ 459,729</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>\$ 28,932</u>	<u>\$ 18,530</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Fair value of investments adjustment	<u>\$ 975</u>	<u>\$ (222)</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	<u>56,543</u>	-	-	<u>56,543</u>
Sub-total	<u>170,940</u>	-	-	<u>170,940</u>
Less accumulated depreciation:				
Meters	(50,299)	(489)	-	(50,788)
Valve	(36,575)	(1,591)	-	(38,166)
Vault Covers	<u>(31,847)</u>	<u>(1,413)</u>	-	<u>(33,260)</u>
Sub-total	<u>(118,721)</u>	<u>(3,493)</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.