



**Santa Margarita
Water District**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
JUNE 30, 2019**



RANCHO SANTA MARGARITA, CALIFORNIA

Santa Margarita Water District

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2019

Prepared by the Finance Department
26111 Antonio Parkway, Rancho Santa Margarita, CA 92688 • www.smwd.com

SANTA MARGARITA WATER DISTRICT
Comprehensive Annual Financial Report
For the Year Ended June 30, 2019

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Introductory Section

BOARD OF DIRECTORS

BETTY H. OLSON, PH.D

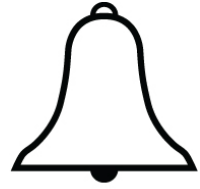
CHARLES T. GIBSON

SAUNDRA F. JACOBS

JUSTIN McCUSKER

FRANK URY

DANIEL R. FERONS
GENERAL MANAGER



Santa Margarita Water District

November 13, 2019

The Honorable Board of Directors
Santa Margarita Water District
26111 Antonio Parkway
Rancho Santa Margarita, CA 92688

Dear Members of the Board of Directors:

We are pleased to submit the Santa Margarita Water District (District) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended on June 30, 2019. The CAFR was prepared by the District in conformity with generally accepted accounting principles and audited in accordance with generally accepted auditing standards by a certified public accountant or firm.

The focus of this report is on the financial performance and position of the District. The CAFR provides an assessment of the District's finances, discusses the District's services and its strategic plans, highlights the District's major initiatives and offers financial and demographic trend information.

Management Responsibilities

The District is responsible for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and changes in the financial position of the District. We have included disclosures necessary to enable the reader to gain an understanding of the District's financial activities.

The accompanying financial statements include all of the organization's activities and functions controlled by the District's Board of Directors in accordance with the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting. For the purpose of this evaluation, control was determined by the Board's taxing authority and responsibility to adopt the budget, rates, and to establish policies.

An audit of the financial records and transactions of the District is conducted annually by independent certified public accountants. The District's Board of Directors selected the accounting firm of Vavrinek, Trine, Day & Co., LLP, now known as Eide Bailly, to perform the audit for the year ended June 30, 2019. The auditor's report on the District's basic financial statements and supplementary information is located on page 1 within the financial section of this report. This report renders an unmodified opinion on the District's basic financial statements for the year ended June 30, 2019.

The Management Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the District

The District was formed in 1964 as a California Water District in the southeast corner of Orange County on a portion of the historic Rancho Mission Viejo (RMV) and other large landholdings. The first Board of Directors was composed of major landowners who laid the groundwork for the long-term prosperity of the District and the region. Development began gradually with the first homeowner customers being served in 1974 in what would become the City of Mission Viejo.

As our customer base continues to grow, balancing the need for a sustainable water supply with water use efficiency and accommodating the growth planned for the region will continue to be a high priority for the District. This strategic outlook was highlighted this past year, as the District received the 2019 Association of California Water Agencies (ACWA) Clair A. Hill Agency Award for Excellence, which recognizes exemplary programs developed by ACWA member agencies.

Service Area and Customer Base

The District is the second largest retail water agency in Orange County. Its service area includes roughly the easterly half of the City of Mission Viejo, most of the City of Rancho Santa Margarita, the Talega community within the City of San Clemente, and the unincorporated communities of Coto de Caza, Ladera Ranch, Las Flores, and the Villages of Sendero and Esencia.

The District's service area includes the last major residential development areas within South Orange County. The District currently serves over 160,000 residents and is projected to add approximately 38,000 new residents by 2035 as part of The Ranch Plan approved by the County of Orange. The County of Orange has recently been approving the construction of approximately 500 new dwelling units per year in the District's service area. In addition, the District is proposing to annex the City of San Juan Capistrano's water and sewer utilities into the District in the upcoming year. This acquisition will add another 12,000 households and 35,000 people.

The District is operated as a single entity and charges common rates by customer class to all customers throughout the District. For the purpose of capital planning and project financing, the District has individual improvement districts (further referenced in the Statistical section "Assessed Value and Assessment Rate by Improvement District"). The District has historically funded capital projects through General Obligation (GO) bonds, Community Facility Districts (CFD) bonds, and ongoing user rates. Project costs funded through GO and CFD bonds are allocated amongst the District's eight improvement districts based on proportional benefit and funded through property taxes assessed to the landowners.

The improvement districts account for 83.5% of the District or 52,424 acres. The remaining acreage within the District includes the County of Orange Ronald W. Caspers Wilderness Park, Prima Deshecha Landfill, and Starr Ranch, an Audubon Society preserve; all of which encompass 10,250 acres.

Local Economy

There are roughly 600,000 residents in South Orange County, of which just under one third are served by the District. The communities within the District's boundaries are relatively affluent. In general, South Orange County enjoys low unemployment, even relative to the California and national average, and is projected to experience 2 percent annual economic growth. The household median income (HMI) is strong for the District's service area, at approximately \$129,000, compared to Orange County's HMI of approximately \$81,000.

Most businesses within South Orange County are smaller with under 50 employees. However, there are also some larger and significant companies within the District's borders, such as Applied Medical. There

are also many other thriving businesses, particularly in the Rancho Santa Margarita, Ladera Ranch and Mission Viejo areas. Future business growth is expected to serve the new areas of the Villages of Esencia and Sendero.

Governance

The District is governed by a five-member Board of Directors, of which four (4) were elected at-large by registered voters within the District boundaries for four-year terms and one (1) was appointed by the Board of Directors in August 2019. The Board of Directors is responsible for establishing policy, providing strategic planning, oversight, and setting direction and vision to ensure that the District meets its mission, fulfills its obligations and keeps its commitment to its customers.

The Board of Directors meets twice monthly and holds a strategic planning workshop annually and other special meetings as needed. In addition, the Board has three standing committees: Engineering and Operations, Finance and Administration, and Water Quality and Innovation. The committees provide for detailed review of the applicable subject matter. Meetings are conducted in accordance with the provisions of the Ralph M. Brown Act (California Government Code Section 54950 et seq.).

District Services

The District provides three core services to the community:

Drinking or “Potable” Water System

Like many water purveyors in south Orange County, most of the District’s domestic water supply is imported from northern California via the State Water Project and from the Colorado River via the Metropolitan Water District of Southern California’s (MET) Colorado River Aqueduct. The State Water Project, also known as the California Aqueduct, is the longest aqueduct system in the world; the Colorado River Aqueduct is a 242-mile water conveyance that brings water from the Colorado River to southern California.

The Municipal Water District of Orange County (MWDOC) wholesales water to the District and to other agencies within Orange County. MWDOC is a member of MET, which wholesales water across southern California. Currently, MET provides the District with treated water from the Robert B. Diemer Filtration Plant.

Major improvements have been made over the last two decades to enhance the reliability of the water supply system. These include the construction of the Upper Chiquita Reservoir, interconnections with the Irvine Ranch Water District (IRWD), purchase of capacity in the El Toro R-6 Reservoir, and participation in the construction of the Baker Filtration Plant which treats raw water delivered by MET or, in an emergency, water from Irvine Lake. The Baker Filtration Plant became operational in Fiscal Year 2017 and enhances the local reliability by providing a redundant treatment system to MET’s Robert B. Diemer Filtration Plant. These facilities, in addition to the District’s two emergency storage facilities, will help the District provide customers with an average of up to 30 days of water supply in the event of a failure of the regional water delivery system.

The District’s water quality meets or exceeds all the Federal and State requirements for drinking water. A Water Quality Report is issued annually that summarizes the testing requirements. The District operates a certified laboratory to perform most of the testing.

Recycled Water System

Recycled water is an important resource in the District's current and future water supply portfolio. The District plans to recycle and utilize its wastewater to the degree practical, which will provide up to 30% of the District's ultimate total water demand. Currently, the District has the capacity to produce up to 7.8 million gallons per day (MGD) of recycled water that meets the quality requirements of Title 22 of the California Code of Regulations. The recycled water supply is from highly treated wastewater and urban return flows and is primarily used for irrigation and construction purposes. Recycled water is produced at the District's two wastewater reclamation plants and stored in the Upper Oso Seasonal Storage Reservoir, and the Portola Reservoir as well as other storage tanks throughout the District.

In 2017, the District completed the Lake Mission Viejo Advanced Water Treatment Facility, which can produce up to 300 acre feet (AF) of highly treated water for delivery to Lake Mission Viejo. This project is a significant achievement in providing uninterrupted water service to the Lake and has received several awards from industry organizations, such as the Water Reuse Association. The District most recently received the 2019 Clair A. Hill Agency Award for Excellence presented by the Association of California Water Agencies for its creative and sustainable approach to addressing water reliability challenges.

In 2018, the District broke ground on the construction of the Trampas Reservoir and has had significant construction activity since then. The Trampas Reservoir is expected to provide 5,000 AF of storage and is the first new dam and reservoir in Orange County in over a decade.

The District has an overall strategic plan to nominally recycle 100% of its wastewater. The Lake Mission Viejo Advanced Water Treatment Facility project and the Trampas Reservoir project have both moved the District towards accomplishing this strategic plan.

Wastewater System

The District operates an extensive wastewater collection system as well as three wastewater treatment plants. It is also a member of the South Orange County Wastewater Authority (SOCWA), a Joint Powers Authority, which operates regional treatment plants. The District owns capacity in and/or operates the following five wastewater treatment plants:

- Jay B. Latham Wastewater Treatment Plant (operated by SOCWA);
- 3A Water Reclamation Plant, jointly owned by Moulton Niguel Water District (MNWD) and the District, (operated by MNWD);
- Chiquita Water Reclamation Plant, (owned and operated by the District);
- Oso Creek Water Reclamation Plant, (owned and operated by the District); and
- Nichols Water Reclamation Plant, (a small plant operated by the District under contract with Quest Diagnostics).

Operation of the collection system is a critical activity. The District regularly inspects the sewer lines with video equipment to check for blockages and problem areas. It also maintains a fleet of vacuum trucks to clean the system. Because the District's service area is in a series of hills and valleys, it requires the operation of 21 sewage lift stations to pump wastewater to the various treatment plants. The lift stations are regularly maintained and tested to ensure continuous operation. Back-up power supplies are also maintained by the District in case of outages. All the treatment plants, except the Nichols Plant, are connected to the SOCWA Dana Point Ocean Outfall for disposal of secondary effluent if the water is not recycled.

Regional Facilities

In addition to providing reliable potable water, recycled water, and wastewater service to its retail customers, the District currently operates various regional facilities and provides recycled water to adjoining agencies. As such, the District maintains inter-agency coordination and long-range planning to meet future water supply and wastewater treatment needs for its service area.

Major Initiatives & Projects

In its 55-year history, the District has focused on providing reliable, cost-effective water and wastewater service through innovation and the dedication of the Board and the District's team. Each year, the District reviews the Strategic Plan with long-range goals. The plan includes strategic and core objectives to provide focus and direction to move the District from where we are today to where we need to be for our customers.

Over the next 20 years, the focus will be on:

- Continuing to provide excellent water quality to all our customers;
- Continuing an environmentally responsible quality of life for our customers;
- Providing cost effective services and solutions;
- Providing sustainable water supplies; and
- Supporting the continuing community development as approved by the County of Orange.

Strategic Plan

The District's Strategic Plan, which includes the development of local supplies, is important during these times of changing climate and regulatory conditions, in order to ensure water supply reliability. The past several winter seasons have had extreme variability that continues to highlight Southern California's weather volatility and corresponding water supply changes from year to year.

The District is comparing the potential benefits of locally controlled projects with possible long-term cost savings to the ongoing increases in imported water costs. Collectively, to address the continued uncertainties, the District established a strategic plan based on three key objectives:

1. Nominally, recycling 100% of the District's wastewater;
2. Securing 30% of the domestic water supply from local supplies and up to 50% from sources other than MET by 2030; and
3. Six months of water supply in storage by 2030.

Technology Projects

In the last Fiscal Year, the District's multi-year effort of replacing the existing billing and financial systems concluded. First, in July 2019, the District launched a new customer billing system and website. The billing system enhanced our capabilities to share information with the District's residents and provided easy record tracking to allow for quicker responses to customer account inquiries. In March 2019, the District upgraded its financial system and now has a more automated work environment where records can be retained electronically within the system. In Fiscal Year 2020, the District plans to complete implementation of a new payroll and human resources system. Concurrently, the District is working towards fully integrating these systems with its Geographic Information System, SCADA, and Computer Maintenance Management

System. This technology upgrade will allow the District to achieve cost efficiencies, better serve our customers, and provide more robust business metrics.

Reliability Projects

After the 1999 Allen McCullough pipeline failure, we took a very strong look at system reliability. MET, by its own definition, considers itself a supplemental water supply and requires members and sub-member agencies to disconnect for up to seven days for repair and maintenance activities. Historically, this was a major effort on behalf of South Orange County with most agencies having much less capacity than required. Through significant effort, the District has improved this to approximately 21 days.

We are currently working on several programs to expand the recycled water supply and develop local potable water supplies. Each of the programs may have multiple phases or projects. Each of the programs is evaluated for the potential funding sources, cost of the water, proposed timing schedule and the Pros and Cons for proceeding.

The recycled water projects propose to convert Rancho Santa Margarita and other areas in the District as well as provide a source for potable reuse. The local potable water projects are listed in the proposed priority, much of the supply will be developed after 2020 based on the need for finalizing designs, obtaining permits and initiating construction.

Trampas Canyon Dam & Recycled Water Seasonal Storage Reservoir

A key element to establishing a long-term reliable water supplies is seasonal storage. The District is currently underway with the construction of the Trampas Canyon Dam & Recycled Water Seasonal Storage Reservoir. Originally constructed in 1973-1975, the District is rebuilding and raising the dam to provide 5,000 acre-feet of storage. This new reservoir will allow the District to produce recycled water year-round and store it during the periods of low demands for use during peak demands.



The District awarded the construction contract and as of the date of this letter construction is over 60% complete. The District hopes to begin “early filling” of the Reservoir with recycled water in the Spring of 2020, with an expected completion of the Dam in late July 2020. Funding is provided through a combination of District reserves, developer funding, State Water Resources Control Board low interest loans, grants, and other agency partnerships.

San Juan Watershed Potable Reuse

The District is studying the potential benefit of implementing Potable Reuse, whether direct or indirect, utilizing the San Juan Watershed. Negotiations and feasibility studies are in process which are evaluating a number of potential sources of supply and locations for spreading basins coupled with some of the naturally occurring groundwater controlled by the Rancho Mission Viejo Company. The State of California is developing water reuse guidelines, which are expected to take several years to implement.

City of San Juan Capistrano Annexation

As part of the District's effort to provide quality customer service, the District entered into a Memorandum of Understanding with the City of San Juan Capistrano ("City") for the annexation of the City's water and sewer utilities. The District will offer the City's water and sewer utilities efficiencies in operations and will undertake maintenance and needed capital projects that had been previously deferred. The District and the City are in the process of applying to the Orange County Local Area Formation Commission (LAFCO) to authorize the transfer. The District is also in the process of beginning the transition planning to integrate the City's current customers in the District's service area. The final acquisition is anticipated in the Spring of 2020.

Wastewater Master Plan

The District recently completed its Wastewater Master Plan. The purpose of this planning effort is to determine the wastewater treatment needs of the District and to identify the ultimate recycled water demands maximizing the use of those resources.



The District owns and operates two treatment plants and has capacity rights within two others. Based on a variety of factors including location of the facilities, wastewater and recycled water demands by area and customer growth, the master plan creates a roadmap for future recycled water production and delivery. The decision on where the wastewater is treated is driven by a variety of factors including:

The decision on where the wastewater is treated is driven by a variety of factors including:

- Minimizing pumping
- Level of treatment desired (assist with District's strategic goal of 100% recycle of wastewater)
- Cost of introducing recycled water into District's system
- Capital cost of construction
- Operational cost of facility
- Quality of effluent
- Agreements for treatment with other agencies (if any)

The master plan considers opportunities when excess recycled water can be used ultimately as potable water and analyzes the amount of recycled water that is available for incorporation into a potable reuse program. The District will continue to look towards the future and identify the best use of its resources.

City of Rancho Santa Margarita Area Conversion to Recycled Water

As part of the District's Integrated Resources Plan, the District is currently in the planning stages of a combination of projects which will allow certain existing District irrigation customers in the Melinda, City of Rancho Santa Margarita, and Hidden Ridge areas to convert to recycled water. By expanding the recycled water distribution system into these areas, the District will increase recycled water usage and significantly reduce dependence on imported potable water for irrigation. It will also reduce the amount of treated wastewater discharged into the ocean and enhance overall supply reliability. These projects, totaling over \$32 million, would be funded by customers residing within the areas aforementioned.

Capital Repair and Replacement Plan (CRP)

In addition to our other strategic initiatives, the District proactively plans for the maintenance, replacement or rehabilitation of our existing infrastructure. In doing so, the District develops a capital repair and replacement plan that projects needs ten years into the future. In the upcoming five-year period, the District anticipates costs over \$107 million (as of October 1, 2019), including ongoing projects currently underway. In addition, the District will be upgrading and expanding the Chiquita Water Reclamation Plant, of which a portion includes rehabilitation of the existing plant. The upgrade component will expand the plant's capacity in order to serve new development needs in Improvement Districts 5 and 6. There is a proposed cost sharing arrangement with Rancho Mission Viejo currently being discussed.

Financial Planning & Policies

Financial Planning

The District achieves a balanced budget by setting rates and fees to fund ongoing activities and provide reliable water to our customers. As with other utilities throughout the state, the District must address changing water policies, the impact of water demand changes, and maintaining high-quality customer service. The District continues to address these issues by investing in local water supplies, maximizing the use of recycled water and also developing local, drought-resilient water resources that will reduce its reliance on imported water.

The District maintains a long-range financial plan, which forecasts our operational and capital replacement program needs and accounts for changes to the economy, environment, operational requirements and capital investments. This plan incorporates the District's other planning documents, including the Integrated Resource Plan, Urban Water Management Plan (UWMP), and Long-Range Water Reliability Plan. As part of its long-range financial planning, the District anticipates issuing debt in the coming fiscal year and over the following five years in order to balance funding the District's strategic plan and the impacts to customer rates.

Budgetary Process and Controls

The District's annually adopted budget reflects the strategic goals and direction of the Board of Directors and serves as a key communication tool to its customers and stakeholders. The budget builds upon the District's financial policies and its capital program and utilizes a "zero-based" budgeting approach. This approach analyzes each of the District's activities in the upcoming year and assigns a projected cost to each activity based on need

Each of the District's four departments developed their operating expense budgets based on normal operating activities, as well as any additional activities or programs that are expected to be implemented during the fiscal year. The District's budget process is highly interactive and is typically a four-month process that enables the District to look at the District's needs and ways to increase operational efficiencies.

Throughout the fiscal year, the District monitors the budget by division and activities. The District presents a quarterly Financial Statement to its Finance and Administration Committee (FAC) and the Board for review.

Revenues

The District generates operating revenues primarily from charges related to the sale of water, recycled water, and wastewater services. Other revenues are classified as non-operating revenues and include property taxes, lease rental income, and investment income. The District's rates recover the cost of delivering water and wastewater services to the District's customers and are composed of two parts: 1) a fixed monthly charge to each customer to fully cover the related fixed costs; and 2) a variable rate based on the volume of water used and the wastewater discharged by each customer.



On March 25, 2019, the Board adopted increases to the wastewater fixed and commodity charges (Resolution No. 2019-03-04). The Board also approved increases to pass-through charges paid by water customers to account for increases in power and water supply costs pursuant to Resolution No. 2015-03-01. The changes adopted were effective May 2019. No changes were made to the existing water and recycled water rate structure. The District will increase rates annually to meet its financial requirements and objectives.

Financial Policies

The District adopts a set of financial policies which includes the Reserve Policy, the Purchasing Policy and the Investment Policy.

During 2019, the District adopted a Fiscal Policy and a revised Reserve Policy. The policies are intended to be part of the District's comprehensive financial strategy, ensuring the District's management and governing body consistently adhere to prudent fiscal practices.

The Reserve Policy identifies funding requirements and goals for several categories, including an Operating Reserve of at least 3 months of operating expenses, with a goal of 5 months of operating expenses, which provides funding for rate and pension fund contribution stabilization. Reserve requirements and goals are also established for Capital Emergency, Capital Repairs and Replacement, and new Capital Projects.

The category requirements are summarized below:

Category	Funding Level - Requirements	Funding Level – Goals
Operating Reserve (including dedicated rate and pension fund contribution Stabilization Funds)	25% / 3 months of Operating Expenses	42% / 5 months of Operating Expenses
Capital Reserve - Emergency	2% of Net Depreciable Assets	4% of Net Depreciable Assets
Capital Reserve- Repair & Replacement	10% of upcoming 5-Year Total	20% of upcoming 5-Year Total
Capital Reserve - New Projects	\$12.5 million	\$12.5 million
Restricted Loan / Bond Reserves Held by the District	As per Loan / Bond Documents	As per Loan / Bond Documents

In addition to individual reserve targets and as part of the Fiscal Policy adopted in 2019, the District strives to maintain reserve levels equivalent to a year of operating expenditures and a debt coverage ratio of 150% of annual debt service.

The current level of cash and investment reserves as of June 30, 2019 are \$79,228,676, which meet all the minimum funding requirements of our policy as described above.

Debt Administration

At June 30, 2019, the District had \$58,440,000 in General Obligation bonds outstanding. The District also had \$30,390,489 of loans payable as of June 30, 2019. The District anticipates issuing debt in the next fiscal year up to \$60 million.

Accounting Controls

In developing and evaluating the District's accounting system, consideration is given to the adequacy of internal controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance about the achievement of the District's objectives with regard to: (1) the reliability of financial records for preparing financial statements and maintaining accountability for assets; (2) effectiveness and efficiency of operations; (3) compliance with applicable laws and regulations; and (4) safeguarding of assets against loss from unauthorized acquisition, use or disposition.

The concept of reasonable assurance recognizes that: (1) the costs of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgements by management.

Investment Policy

An Investment Policy, as adopted by the Board of Directors, gives guidance to the District in terms of how to invest its funds in instruments permitted by the California Government Code Sections §53601 et seq. The investment objective of the District is to provide a balanced portfolio with the overall objective to preserve capital, maintain liquidity, and maximize the rate of return.

Annual Audit

The District is required by bond covenants and State statutes to conduct an annual audit of its financial statements by an independent certified public accountant. Based on best practices, the Board requires that the District rotate audit partners at least every five years if not more frequently. The accounting firm of Eide Bailly, conducted this year's audit. Their audit report, which contains an unmodified opinion, is included in the financial section of this report.

Employees

As of June 30, 2019, the District had 150 full time employee equivalents. The employees are highly-trained, effectively operate a complex business that delivers a product and service that is vital to the health and safety of the community.



The District, under the direction of the General Manager and executive team, is organized into four primary divisions - Administration, Finance, Water Resources/Engineering, and Operations. The General Manager, a thirty-four year employee of the District and only the sixth general manager, reports directly to the Board of Directors. The executive team provides day-to-day management and leadership for the departments. The District provides cross-training for its employees to support the work efforts across departmental lines. The management philosophy is to provide employees the opportunity to perform at the highest responsible level to enhance the work effort and opportunities for each individual.

The District strives for a balance between innovation and efficiency when reviewing staffing plans. The District is proud to employ plant operators that are well-trained in water treatment and can work across many of the District's owned and/or operated facilities.

The District has recognized one employee bargaining unit; the Santa Margarita Water District Employee Association (SMWDEA). SMWDEA represents the District's hourly and non-confidential employees which makes roughly two-thirds of the District's employees. The District and SMWDEA have a current memorandum of understanding extending through June 30, 2021.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Report to the District for its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2018. In order to be awarded a Certificate of Achievement, a governmental entity must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR). This report must satisfy both Generally Accepted Accounting Principles and applicable legal requirements.

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

We would like to express our appreciation to all members of the District's staff, particularly the members of the Finance Department, who participated in the preparation of this report. We would also like to thank the Board of Directors for their continued interest and support in all aspects of the District's financial management.

Respectfully submitted,



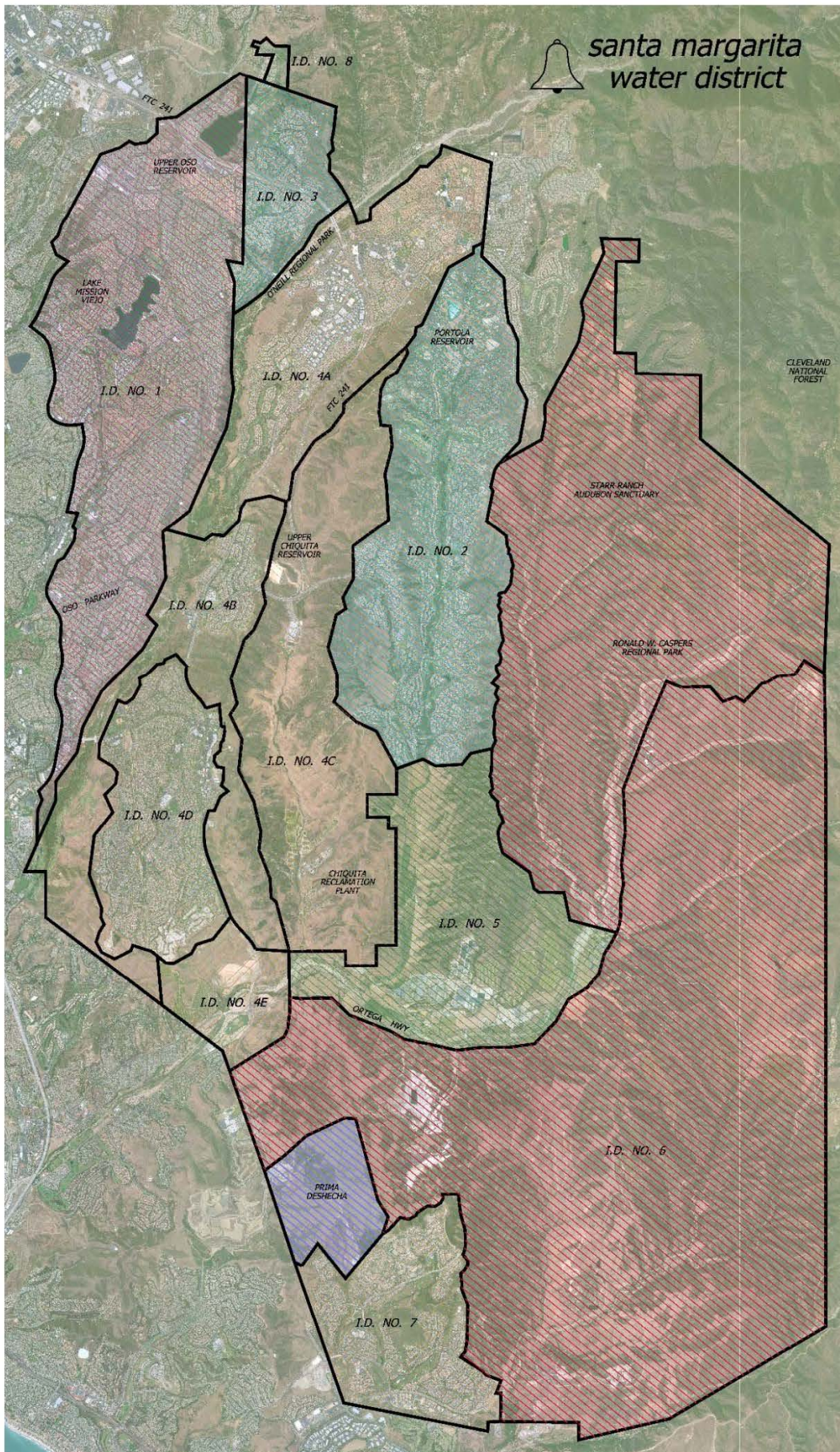
Daniel Ferons
General Manager



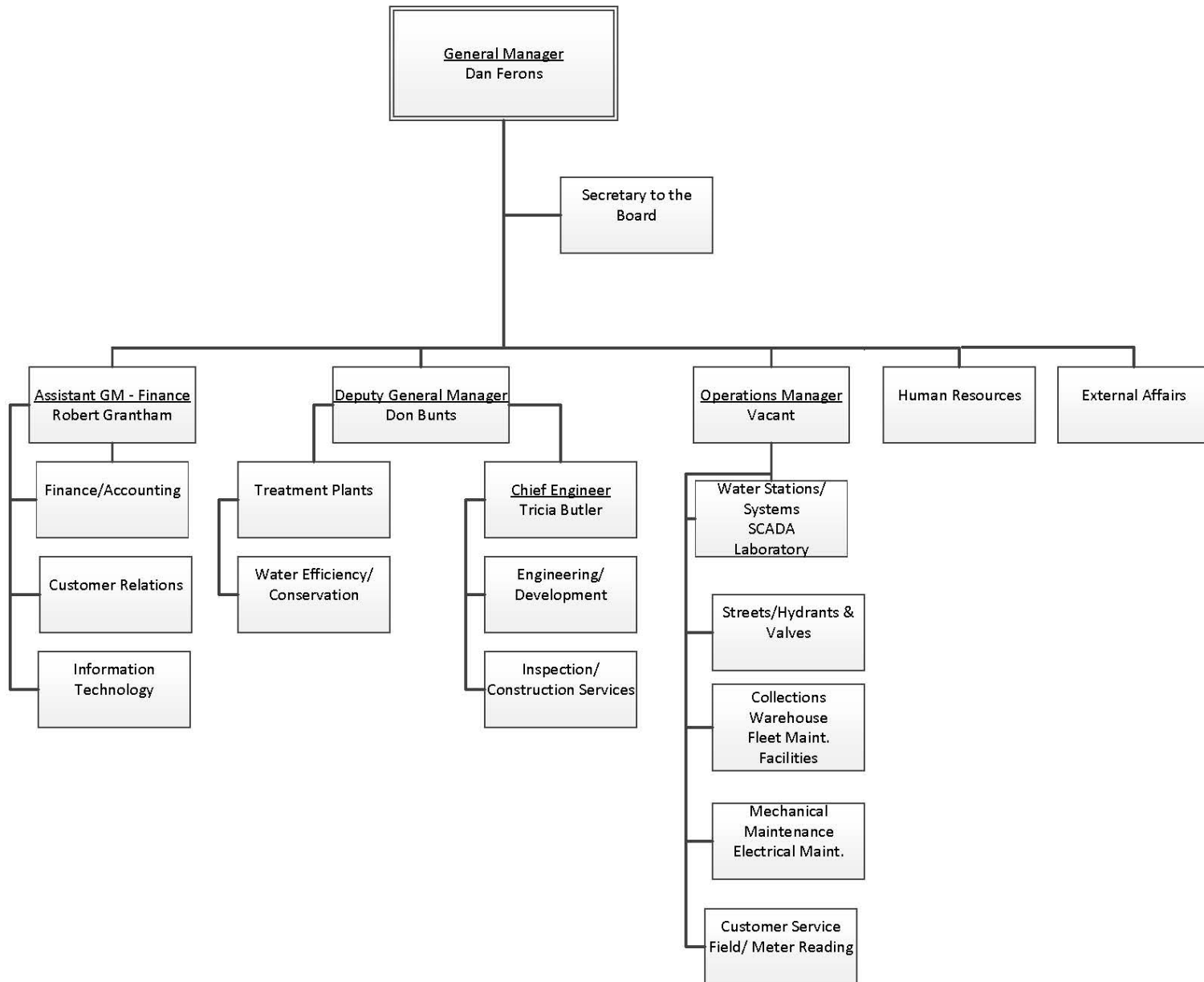
Robert S. Grantham
Assistant General Manager – Finance



Erica Castillo, CPA
Controller



Santa Margarita Water District



District Officials

Elected/Appointed Board of Directors:

Name	Length of Service	Current Term of Service
Saundra F. Jacobs	23 Years	2018-2022
Betty H. Olson, Ph. D.	25 Years	2016-2020
Charles T. Gibson	7 Years	2016-2020
Justin McCusker	6 Years	2018-2022
Frank Ury	< 1 Year	2019-2020 *

* Charley Wilson resigned as Board Member on August 1, 2019. He had been a board member for 19 years, with his current term of service scheduled to end in November 2020. Frank Ury was appointed to replace Director Wilson on August 29, 2019 and will fill the seat through the remainder of the term.

District Management:

Name	Position
Daniel R. Ferons	General Manager
Robert Grantham	Assistant General Manager - Finance
Don Bunts	Deputy General Manager
Kelly Radvansky	Secretary to the Board
Tricia Butler	Chief Engineer
Erica Castillo	Controller



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Santa Margarita Water District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO

Financial Section



Independent Auditor's Report

Board of Directors
Santa Margarita Water District
Rancho Santa Margarita, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Santa Margarita Water District (District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2019, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9, schedule of changes in the District's net pension liability and related ratios on page 45, and schedule of contributions on page 46, 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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



Laguna Hills, California
November 13, 2019

SANTA MARGARITA WATER DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2019

This section of the Santa Margarita Water District's (District) annual financial report presents Management's Discussion and Analysis of the District's financial performance during the fiscal year ended June 30, 2019. The information presented here is to be read and considered in conjunction with additional information provided with the letter of transmittal and the basic financial statements and accompanying notes.

Fiscal Highlights

- Cash and investments of \$106.2 million on June 30, 2019 represents an increase of \$6.2 million (6.2%) compared to the prior year balance of \$100.0 million. This is primarily due to increased investment income and funds received from the State Water Resources Control Board for Trampas.
- During fiscal year 2019 the District received \$10.8 million of grants, that were receivable from the State Water Resources Control Board (SWRCB) as of June 30, 2018.
- The net capital asset balance of \$722.0 million at June 30, 2019 increased \$27.2 million (3.9%) compared with the prior year balance of \$694.8 million. The largest increase in capital assets was in construction in progress, which increased \$30.2 million. Construction in progress increased primarily due to the construction of the Trampas Canyon Recycled Water Seasonal Storage Reservoir Project in fiscal year 2019.
- The District's total operating revenues decreased \$4.0 million or 5.1% from the prior fiscal year. This is primarily due to decreased consumption because of a wetter winter in fiscal year 2019 compared to the prior year.
- The District's total operating expenses increased \$1.2 million or 1.7% from the prior fiscal year. Although the District decreased its volume of purchased water, there was an offsetting increase in the wholesale cost of water. Additionally, during FY 2019 the District paid Moulton Niguel Water District (MNWD) \$2.1 million for water provided over several years. Approximately one-third of the water was consumed in FY 2019.
- MNWD assumed operations of the 3A treatment plant during FY 2019. This decreased the District's operating revenue from jointly owned facilities and correspondingly decreased the District's transmission and distribution expenses in FY 2019.
- The District's total non-operating revenues decreased \$2.4 million or 8.5% primarily due to a decrease in revenue from special assessments for debt service of \$3.4 million. The amount necessary to levy for the District's debt service payments in fiscal year 2019 was less than fiscal year 2018. In addition, interest expenses increased due to new loan amounts received in fiscal year 2019 from the State Water Resources Control Board. This was offset by an increase in non-operating revenues primarily related to an increase in investment income due to higher interest rates on investments and favorable market conditions.

Overview of the Financial Statements

This annual financial report consists of two parts, Management's Discussion and Analysis and the basic financial statements, including notes to the financial statements and required supplementary information. The District's financial statements offer key, high-level financial information about the District's activities.

SANTA MARGARITA WATER DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2019

The District is a self-supporting entity that follows enterprise fund accounting and presents its financial statements on the full accrual basis of accounting.

The Statement of Net Position includes information on all the District's assets and deferred outflows, liabilities and deferred inflows, with the difference between assets and deferred outflows and liabilities and deferred inflows reported as net position. Changes in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents information regarding how the District's net position changed during the fiscal year ended June 30, 2019. All changes in net position reflect the transactions giving rise to the change.

The Statement of Cash Flows provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides information on the sources and uses of the District's cash.

Financial Analysis of the District

The District's financial statements begin on page 10 of this document. The statement of Net Position, and the Statement of Revenues, Expenses and Changes in Net Position provide a depiction of the District's financial standing. Over time, increases in the District's net position is a positive indicator of the District's financial health. Additionally, one needs to consider other non-financial factors such as changes in economic conditions, population growth, zoning, and new or changed government legislation. Net Position as of June 30, 2019 increased by \$18,445,523, or 2.7%, to \$706,755,366 compared to prior year of \$688,309,843 primarily due to an increase in capital activity.

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on beginning on page 16.

SANTA MARGARITA WATER DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Condensed Statement of Net Position

	Fiscal Year 2019	Fiscal Year 2018	Increase (Decrease)	Percent Increase (Decrease)
Assets				
Current Assets	\$ 115,781,213	\$ 112,262,486	\$ 3,518,727	3.1%
Capital Assets, net	722,022,696	694,845,631	27,177,065	3.9%
Non-Current Assets	3,911,005	12,474,274	(8,563,269)	-68.6%
Total assets	<u>841,714,914</u>	<u>819,582,391</u>	<u>22,132,523</u>	<u>2.7%</u>
Deferred Outflows of Resources	<u>7,814,156</u>	<u>8,964,861</u>	<u>(1,150,705)</u>	<u>-12.8%</u>
Total Assets and Deferred Outflows of Resources	<u>849,529,070</u>	<u>828,547,252</u>	<u>20,981,818</u>	<u>2.5%</u>
Liabilities				
Current Liabilities	29,336,971	32,788,393	(3,451,422)	-10.5%
Non-Current Liabilities	112,313,484	105,798,475	6,515,009	6.2%
Total Liabilities	<u>141,650,455</u>	<u>138,586,868</u>	<u>3,063,587</u>	<u>2.2%</u>
Deferred Inflows of Resources	<u>1,123,249</u>	<u>1,650,541</u>	<u>(527,292)</u>	<u>-31.9%</u>
Net Position				
Net Investment in Capital Assets	633,048,096	616,456,290	16,591,806	2.7%
Restricted	21,955,425	14,407,638	7,547,787	52.4%
Unrestricted	51,751,845	57,445,915	(5,694,070)	-9.9%
Total Net Position	<u>706,755,366</u>	<u>688,309,843</u>	<u>18,445,523</u>	<u>2.7%</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 849,529,070</u>	<u>\$ 828,547,252</u>	<u>\$ 20,981,818</u>	<u>2.5%</u>

The District's total assets increased \$22,132,523 to \$841,714,914 compared with the prior year of \$819,582,391 primarily due to an increase in capital assets of \$27.2 million mainly resulting from the increased construction activity of the Trampas Recycled Water Seasonal Storage Reservoir Project in fiscal year 2019 and other capital repair and replacement projects.

The District's total liabilities of \$141,650,455 and \$138,586,868 for fiscal years 2019 and 2018, respectively, increased \$3,063,587, or 2.2%, primarily due to an increase in non-current liabilities of \$6,515,009, or 6.2%. The increase in non-current liabilities is primarily due to a \$19.0 million, or 183.8%, increase in loans payable due to additional disbursements received in fiscal year 2019 from the State Water Resources Control Board for the Trampas Recycled Water Seasonal Storage Reservoir Project. This was offset by scheduled debt service payments in fiscal year 2019.

Deferred outflows and deferred inflows of resources vary year to year as a significant portion of the net amount is affected by actuarial assumptions as determined by CalPERS, which can fluctuate each year.

Deferred outflows of resources decreased by \$1,150,705 or 12.8% to \$7,814,156 compared to the prior year of \$8,964,861 primarily due to changes in valuation and changes in assumptions, as determined by the CalPERS GASB 68 Accounting Valuation Report.

Deferred inflows of resources decreased by \$527,292 or 31.9% compared to prior year primarily due to an increase in the differences between expected and actual experiences and amortization of other deferred inflows during the measurement period, as determined by the CalPERS GASB 68 Accounting Valuation Report.

SANTA MARGARITA WATER DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Net position increased by \$18,445,523, or 2.7%, to \$706,755,366 compared to prior year of \$688,309,843. The largest portion of the District's change in net position (90% as of June 30, 2019 and June 30, 2018) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending.

At the end of fiscal year 2019 and 2018, the District shows a positive balance in its unrestricted net position of \$51,751,845 and \$57,445,915, respectively, to be utilized in future years. Unrestricted net position decreased primarily due to an increase in spending on capital projects, particularly the Trampas Canyon Reservoir Project and the SWRCB Loan associated with this project. It also decreased due to decreases in water consumption due to the wetter winter months in fiscal year 2019 and a one time repayment for purchased water.

Condensed Statement of Revenues, Expenses and Changes in Net Position

	Fiscal Year 2019	Fiscal Year 2018	Increase (Decrease)	Percent Increase (Decrease)
Operating Revenues:				
Potable Water Charges	\$ 40,935,472	\$ 42,532,641	\$ (1,597,169)	-3.8%
Recycled and Wastewater Charges	28,824,165	29,630,219	(806,054)	-2.7%
Other Charges or Services	4,118,757	5,680,807	(1,562,050)	-27.5%
Total Operating Revenues	73,878,394	77,843,667	(3,965,273)	-5.1%
Operating Expenses:				
Water and Sanitation Expenses	45,626,757	45,634,582	(7,825)	0.0%
Compensation	20,191,877	19,338,871	853,006	4.4%
General and Administrative	5,253,092	4,885,463	367,629	7.5%
Total Operating Expenses before depreciation and amortization	71,071,726	69,858,916	1,212,810	1.7%
Depreciation and Amortization	21,337,294	20,546,739	790,555	3.8%
Operating income (loss)	(18,530,626)	(12,561,988)	(5,968,638)	47.5%
Non-Operating Revenues (Expenses)				
Special Assessment for Debt Service	14,246,710	17,647,908	(3,401,198)	-19.3%
Other Non-Operating Revenues	13,242,589	10,513,787	2,728,802	26.0%
Interest Expense	(2,027,006)	(333,729)	(1,693,277)	-507.4%
Other Non-Operating Expense	-	(1,062)	1,062	100.0%
Total Non-operating Revenues(Expenses)	25,462,293	27,826,904	(2,364,611)	-8.5%
Net Income before capital contributions	6,931,667	15,264,916	(8,333,249)	-54.6%
Capital contributions	11,513,856	30,487,572	(18,973,716)	-62.2%
Change in net position	18,445,523	45,752,488	(27,306,965)	-59.7%
Net position beginning of year	688,309,843	642,557,355	45,752,488	7.1%
Net position end of year	\$ 706,755,366	\$ 688,309,843	\$ 18,445,523	2.7%

SANTA MARGARITA WATER DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2019

In 2019 the District's total operating revenues decreased by \$3,965,273 or 5.1% primarily due to a decrease in water consumption because of the wetter winter months. Furthermore, Moulton Niguel Water District began operating the 3A treatment plant in fiscal year 2019, which was previously operated by the District. Moulton Niguel Water District previously paid the District to operate the plant for a share of the costs associated with the operation of the plant. Thus, in FY 2019, there was a decrease in operating revenue.

In fiscal year 2019 the District's total operating expenses before depreciation and amortization increased by \$1,212,810 or 1.7% primarily due to an increase in water purchase costs, which was offset by a decrease in transmission and distribution expenses that resulted from Moulton Niguel Water District assuming operations of the 3A treatment plant. In addition, there was an increase in salary, wages, and related benefits as a result of merit and cost of living adjustments during fiscal year 2019, which resulted in an increase in compensation expenses.

Net non-operating revenues decreased by \$2,364,611 or 8.5% primarily due to a decrease in revenue from special assessments for debt service of \$3.4 million. The amount necessary to levy for debt service payments in fiscal year 2019 was less than fiscal year 2018. In addition, interest expenses increased due to new loan amounts received in fiscal year 2019 from the State Water Resources Control Board. This was offset by an increase in non-operating revenues primarily related to an increase in investment income due to higher interest rates on investments and favorable market conditions.

In fiscal year 2019 the District's capital contributions decreased by \$18,973,716 or 62.2% primarily due to capital grants contributed from the State Water Resources Control Board in fiscal year 2018 of \$11.3 million. The District did not have capital grant contributions in fiscal year 2019. In addition, contributions from developers decreased in fiscal year 2019. During fiscal year 2018 the District had a single tract acceptance of \$5.9 million. There were no individual tract acceptances that large during fiscal year 2019.

Capital Asset Administration

At the end of fiscal years 2019 and 2018, the District's capital assets amounted to \$722,022,696 and \$694,845,631 (net of accumulated depreciation and amortization), respectively. Construction in progress increased \$30.2 million primarily due to the construction of the Trampas Canyon Recycled Water Seasonal Storage Reservoir Project in fiscal year 2019. Contributed facilities increased \$7.3 million during fiscal year 2019 primarily due to tracts contributed to the District. Additional information regarding the District's capital assets can be found in Note 4 of this report.

SANTA MARGARITA WATER DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2019

	Fiscal Year 2019	Fiscal Year 2018	Increase (Decrease)	Percent Increase (Decrease)
Water plant	\$ 478,953,582	\$ 477,386,725	\$ 1,566,857	0.3%
Sewer plant	230,848,438	226,297,343	4,551,095	2.0%
Contributed facilities	182,523,720	175,231,510	7,292,210	4.2%
Operational equipment	17,460,378	16,291,560	1,168,818	7.2%
Administration building	9,730,863	9,687,807	43,056	0.4%
Capacity Rights	43,311,718	42,813,982	497,736	1.2%
Miscellaneous/Master Plan	10,387,961	7,805,325	2,582,636	33.1%
Total depreciable assets	<u>973,216,660</u>	<u>955,514,252</u>	<u>17,702,408</u>	<u>1.9%</u>
Less accumulated depreciation & amortization:				
Depreciation and Amortization	390,699,804	370,008,868	20,690,936	5.6%
Net depreciable assets	<u>582,516,856</u>	<u>585,505,384</u>	<u>(2,988,528)</u>	<u>-0.5%</u>
Construction in progress	71,597,734	41,432,141	30,165,593	72.8%
Land	64,244,840	64,244,840	-	0.0%
Land - Administration building	3,663,266	3,663,266	-	0.0%
Total non depreciable assets	<u>139,505,840</u>	<u>109,340,247</u>	<u>30,165,593</u>	<u>27.6%</u>
Total Capital Assets, net	<u>\$ 722,022,696</u>	<u>\$ 694,845,631</u>	<u>\$ 27,177,065</u>	<u>3.9%</u>

Long Term Liabilities

Debt Administration

In fiscal year 2019 total long-term debt had a net increase of \$1,933,414 or 2.1% to \$94,129,346 which is primarily due to an increase in the State Water Resources Control Board loan of \$20.1 million in Fiscal Year 2019. This amount is offset by the annual debt service payments and amortization of net premium (discount). The following table summarizes the changes in long-term debt amounts for 2019.

	Balance at June 30, 2018	Additions	Transfers/ Deletions	Balance at June 30, 2019	Increase (Decrease)	Percent Increase (Decrease)
Long-Term debt:						
Bonds Payable	\$ 74,380,000	\$ -	\$ (15,940,000)	\$ 58,440,000	\$ (15,940,000)	-21.4%
Loans Payable	11,311,807	20,069,122	(990,440)	30,390,489	19,078,682	168.7%
	<u>85,691,807</u>	<u>20,069,122</u>	<u>(16,930,440)</u>	<u>88,830,489</u>	<u>3,138,682</u>	<u>3.7%</u>
Net Premium (Discount)	6,504,125	-	(1,205,268)	5,298,857	(1,205,268)	-18.5%
Total Long-Term Debt	<u>\$ 92,195,932</u>	<u>\$ 20,069,122</u>	<u>\$ (18,135,708)</u>	<u>\$ 94,129,346</u>	<u>\$ 1,933,414</u>	<u>2.1%</u>

Additional information on the District's long-term liabilities can be found in Note 5 of this report.

SANTA MARGARITA WATER DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Defined Benefit Pension Plan

Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (GASB 68) requires public employers that participate in a defined benefit pension plan, such as CalPERS, to record the net pension liability, pension expense, and deferred outflows/deferred inflows of resources related to pensions in the financial statements.

Net pension liability is the plan's total pension liability based on the entry age normal actuarial cost method less the plan's fiduciary net position. The District's net pension liability as of June 30, 2019 was \$30,426,027, an increase of \$243,587 (0.8%) from the prior year. This is due to an increase in total pension liability of \$5,361,112, netted with an increase in plan fiduciary net position of \$5,117,525. The plan's fiduciary net position as a percentage of the total pension liability increased to 69.73% in fiscal year 2019, compared with 68.29% in fiscal year 2018.

Pension expense is the change in net pension liability from the previous reporting period to the current reporting period less adjustments. Pension expense for the District in fiscal year 2019 totaled \$4,055,292, an increase of \$235,472 (6.16%) from the prior year. This amount is included in the salaries, wages and related benefits operating expense on the Statement of Revenues, Expenses and Changes in Net Position.

Deferred outflows/deferred inflows of resources related to pensions are certain changes in total pension liability and fiduciary net position that are to be recognized in future pension expense systematically over time. These amounts can fluctuate from year to year due to actuarial methods and assumptions determined by CalPERS, such as normal entry age, discount rate, mortality and inflation. Deferred outflows of resources related to pensions decreased in fiscal year 2019 by \$1,030,346. Deferred inflows of resources related to pension decreased in fiscal year 2019 by \$495,509.

Additional information on the defined benefit pension plan can be found in Note 9 of this report.

Fiduciary Activities

The District is the fiduciary for funds held on behalf of others, such as special tax assessments collected on behalf of Community Facility Districts (CFD) for the repayment of debt. The District's fiduciary activities are reported in the Note 12 to the basic financial statements. The District excludes these activities from its other financial statements because the District is not liable under any circumstance for the repayment of this debt, should the property owners default.

Requests for Information

This financial report is designed to provide our customers, investors, and creditors with an overview of the District's financial operations and condition. If you have questions about this report or need additional information you may contact the District's Controller at 26111 Antonio Parkway, Rancho Santa Margarita, CA 92688.

**Basic Financial Statements and
Accompanying Notes**

SANTA MARGARITA WATER DISTRICT
Statement of Net Position
June 30, 2019

ASSETS:

Current Assets:

Cash and investments (Note 2)	\$ 79,228,676
Accrued interest receivable	272,119
Accounts receivable - water and sanitation customers	7,960,520
Accounts receivable - other, net (Note 3)	689,771
Property taxes receivable	275,641
Water and supplies inventory	3,590,905
Prepaid expenses	647,515
Restricted - cash and investments (Note 2)	23,074,497
Restricted - accrued interest receivable	41,569
Total Current Assets	<u>115,781,213</u>

Non-current Assets:

Capital assets - not depreciated (Note 4)	139,505,840
Capital assets, net of accumulated depreciation & amortization (Note 4)	582,516,856
Restricted - unspent bond proceeds (Note 2)	3,911,005
Total Non-current Assets	<u>725,933,701</u>

Total Assets

841,714,914

DEFERRED OUTFLOWS OF RESOURCES:

Deferred outflows related to net pension liability (Note 9)	6,501,809
Deferred loss on debt defeasance (Note 5)	1,312,347
Total Deferred Outflows of Resources	<u>7,814,156</u>

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

\$ 849,529,070

See accompanying notes to the basic financial statements.

SANTA MARGARITA WATER DISTRICT
Statement of Net Position (continued)
June 30, 2019

LIABILITIES:

Current Liabilities:

Accounts payable and accrued expenses	\$ 12,239,826
Accrued wages and related payables	775,379
Retentions payable and construction deposits	470,002
Other deposits payable	730,135
Unearned revenue	41,506
Accrued interest payable	1,383,453
Long-term liabilities - due within one year	
Compensated absences (Note 6)	1,136,381
Bonds payable (Note 5)	11,545,000
Loans payable (Note 5)	1,015,289
Total Current Liabilities	29,336,971

Non-current Liabilities:

Long-term liabilities - due in more than one year	
Compensated absences (Note 6)	85,534
Bonds payable (Note 5)	52,193,857
Loans payable (Note 5)	29,375,200
Reimbursement agreement advances (Note 5)	180,037
Accrued interest payable on reimbursement agreements (Note 5)	52,829
Net pension liability (Note 9)	30,426,027
Total Non-current Liabilities	112,313,484

Total Liabilities	141,650,455
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DEFERRED INFLOWS OF RESOURCES:

Deferred inflows related to net pension liability (Note 9)	1,054,643
Deferred gain on debt defeasance (Note 5)	68,606
Total Deferred Inflows of Resources	1,123,249

TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	142,773,704
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NET POSITION:

Net investment in capital assets (Note 7)	633,048,096
Restricted for (Note 8):	
Special assessment for debt service	21,638,215
Other	317,210
Unrestricted	51,751,845
TOTAL NET POSITION	\$ 706,755,366

See accompanying notes to the basic financial statements.

SANTA MARGARITA WATER DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2019

OPERATING REVENUES:

Potable water charges:

Potable water commodity charge	\$ 19,515,431
Monthly service charge	19,524,156
Transmission charge	1,895,885
Total potable water charges	<u>40,935,472</u>

Recycled water charges:

Recycled water commodity charge	5,610,527
Monthly service charge	1,298,184
Transmission charge	449,404
Total recycled water charges	<u>7,358,115</u>

Wastewater charges:

Wastewater commodity charge	5,052,803
Monthly service charge	16,413,247
Total wastewater charges	<u>21,466,050</u>

Other charges or services:

Jointly operated facilities and other reimbursements	1,906,772
Construction related revenues	327,665
Rebates	296,503
Customer related revenues	789,675
Other revenues	798,142
Total other charges or services	<u>4,118,757</u>
Total Operating Revenues	<u>73,878,394</u>

OPERATING EXPENSES:

Source of supply - water purchases	25,874,531
Power	5,184,012
Transmission and distribution	9,660,373
Regional facilities	354,919
Wastewater treatment	4,552,922
Salaries, wages and related benefits	20,191,877
Customer relations	909,760
General and administrative	4,343,332
Total Operating Expenses	<u>71,071,726</u>

Operating income (loss) before depreciation and amortization expense	2,806,668
Depreciation and amortization expense	(21,337,294)
Operating income (loss)	<u>\$ (18,530,626)</u>

See accompanying notes to the basic financial statements.

SANTA MARGARITA WATER DISTRICT
Statement of Revenues, Expenses and Changes in Net Position (continued)
For the Year Ended June 30, 2019

NON-OPERATING REVENUES (EXPENSES):

Special assessment tax revenues for debt service	\$ 14,246,710
Property taxes	8,324,301
Investment earnings	3,699,167
Capacity lease revenue	1,438
Rental revenue	1,242,157
Loss on sale of capital asset	(732,355)
Other non-operating revenue	707,881
Interest expense	(2,027,006)
Total non-operating, revenues (expenses)	25,462,293
Income before capital contributions	6,931,667

CAPITAL CONTRIBUTIONS:

Contributions from developer	7,292,210
Contributions from agencies	116,472
Jointly-owned facilities capital reimbursements	4,105,174
Total capital contributions	11,513,856
Change in net position	18,445,523
Net position, beginning of year	688,309,843
Net position, end of year	\$ 706,755,366

See accompanying notes to the basic financial statements.

SANTA MARGARITA WATER DISTRICT
Statement of Cash Flows
For the Year Ended June 30, 2019

Cash flows from operating activities:

Cash receipts from customers	\$ 70,006,878
Cash receipts from others	5,424,005
Cash paid to employees for salaries and wages	(19,414,527)
Cash paid to vendors and suppliers for materials and services	(50,704,792)
Net cash provided by operating activities	5,311,564

Cash flows from non-capital financing activities:

Property taxes received	8,413,843
Loan receivable payment received	707,881
Capacity lease revenue	1,438
Net cash provided by non-capital financing activities	9,123,162

Cash flows from capital and related financing activities:

Acquisition and construction of capital assets	(41,954,504)
Capital contributions	4,221,646
Special assessment tax revenues for debt service received	14,246,710
Repayments of advances	(332,307)
Proceeds from grants	10,869,394
Proceeds from new loans	20,069,122
Principal paid for bond debt service and loans payable	(16,930,440)
Interest paid for debt service	(3,361,061)
Net cash (used in) capital and related financing activities	(13,171,440)

Cash flows from investing activities:

Proceeds from the sale and maturity of investment securities	67,178,040
Purchase of investment securities	(77,498,841)
Investment earnings	2,019,697
Rental revenues	1,242,157
Net cash (used in) investing activities	(7,058,947)

Net increase (decrease) in cash and cash equivalents	(5,795,661)
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Cash and cash equivalents, beginning of year	13,579,177
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Cash and cash equivalents, end of year	\$ 7,783,516
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Continued on next page

See accompanying notes to the basic financial statements.

SANTA MARGARITA WATER DISTRICT
Statement of Cash Flows (continued)
For the Year Ended June 30, 2019

Reconciliation of cash and cash equivalents to amounts reported on the statement of net position:

Reported on the Statement of Net Position:	
Cash and investments	\$ 79,228,676
Restricted - cash and investments	23,074,497
Restricted - unspent bond proceeds	3,911,005
Total cash and investments - per statement of net position	<u>106,214,178</u>
Less investments not meeting the definition of cash and cash equivalents:	
Investments	<u>(98,430,662)</u>
Total cash and cash equivalents	<u>\$ 7,783,516</u>

Reconciliation of operating loss to net cash provided by operating activities:

Operating (loss)	\$ (18,530,626)
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Adjustments to reconcile operating (loss) to net cash used by operating activities:

Depreciation and amortization expense - capital recovery	21,337,294
--	------------

Change in assets and liabilities:

(Increase) decrease in assets:

Accounts receivable - water and sanitation customers	247,241
Accounts receivable - other	1,264,354
Water and supplies inventory	(1,115,418)
Prepaid expenses	(105,961)

Increase (decrease) in liabilities:

Accounts payable and accrued expenses	1,055,887
Accrued wages and related payables	36,845
Retentions payable and construction deposits	340,549
Other deposits payable	40,894
Net pension liability	243,587
Deferred outflows/inflows related to pensions	534,837
Compensated absences	(37,919)

Total adjustments	<u>23,842,190</u>
Net cash provided by operating activities	<u>\$ 5,311,564</u>

Supplemental disclosure of non-cash capital and related financing and investing activities:

Amortization of premiums and discounts	\$ 1,205,268
Amortization of deferred gain/loss on defeasance	(88,576)
Contributed facilities, water plant and sewer plant	7,292,210
Unrealized gain on investments	1,660,738
Loss on disposal of capital assets	(732,355)

See accompanying notes to the basic financial statements.

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Santa Margarita Water District (District) was established on December 23, 1964 under provisions of the California Water District Law (Section 34000, et seq. of the California Water Code). At the time of its formation, the District encompassed approximately 41,400 acres. Its area has been expanded to approximately 62,700 acres through a series of annexations (and one de-annexation). Individual improvement districts, of which there are presently 14, function as operating units and provide a basis for the design and adoption of plans of work and authorization and sale of bonds.

Separate internal debt service accounts are maintained for each improvement district and community facilities district to account for each improvement district and community facilities district for the purposes of complying with applicable legal provisions, Board of Directors' resolutions and other requirements. Currently, the District recovers uniform monthly user rates across all improvement districts. Debt obligations and annual assessments for general obligation bonds will vary by improvement district.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting and Financial Reporting Standards Codification 2100, *The Financial Reporting Entity*. The District is the primary governmental unit based on the foundation of a separate governing board that is elected by the citizens in a general popular election. There are no component units associated with the District. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and 1) it is able to impose its will on that organization, or 2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

Basis of Accounting and Measurement Focus

The accounting policies of the District's basic financial statements conform to Generally Accepted Accounting Principles in the United States of America (GAAP) applicable to state and local government agencies using pronouncements issued by the Governmental Accounting Standards Board (GASB) and as such, the District reports its activities as an enterprise fund. The basic financial statements presented are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, 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 flows take place.

Operating revenues and expenses result from providing potable water, wastewater and recycled water services associated with the principal activity of the District. Operating revenues include potable water, wastewater and recycled water service charges. Operating expenses include water purchases and wastewater disposal costs, salaries and benefits and depreciation on capital assets. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses. Non-operating revenues and expenses, such as special assessments, property taxes, investment income and interest expense, result from non-exchange transactions. Nonexchange transactions are when the District gives (receives) value without directly receiving (giving) value in exchange.

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, deferred inflows and outflows, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts for revenues and expenses for the reporting period. Actual results may differ from those estimates.

Cash Equivalents and Investments

The District has adopted an investment policy directing the Treasurer to deposit funds in financial institutions.

Substantially all of the District's cash is invested in interest bearing cash accounts and is recorded at cost. The District considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents.

The District records investments at fair value and changes in fair value are recorded as unrealized gains or losses. All demand deposits and certificates of deposit held by a bank are entirely insured or collateralized with securities having a fair value of at least 10% in excess of the total amount of funds on deposit. Investment income is comprised of interest earnings, changes in fair value, and any gains or losses realized upon the liquidation on or sale of investments.

Fair Value

The District measures investments at fair value, or the price that would be received to sell an asset or paid to transfer a liability. The District values its asset by using the market approach, cost approach or income approach, as appropriate. The District values its investments into 3 categories: level 1, quoted prices for identical assets in active markets, level 2, other than quoted prices included in level 1, including quoted prices for similar assets in active markets and quoted prices for identical assets in markets that are not active, and level 3, unobservable inputs for an asset or liability.

Restricted Assets

Amounts shown as restricted assets are to be used for specified purposes, such as servicing general obligation bond debt and the construction of capital assets. Such assets have been restricted by either bond indenture, law or contractual obligation.

Concentration

The District currently purchases practically all of its potable water from the Metropolitan Water District of Southern California (MWD) and is paid through the Municipal Water District of Orange County (MWDOC). The District has a contract with the Irvine Ranch Water District to purchase water from Irvine Lake in select circumstances. However, this amount of water is currently insignificant.

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories consist of purchased water held in reservoirs, recycled water held in reservoirs, and supplies inventory including water meters, pipe, meter boxes and other materials required to maintain the District's water and sewer system. Non-water related inventories are recorded at historical cost. Water inventory is valued at average cost per acre-foot through the MWDOC. Recycled water inventory is calculated at average cost per acre-foot to produce recycled water.

Capital Assets

Capital assets are stated at historical cost or the estimated historical cost if actual cost is not available. Donated assets which consist of land, tract facilities and other capital assets contributed by developers are recorded as contributed facilities based on acquisition value at date of donation. Depreciation of capital assets is charged as an expense against operations. Depreciation is recorded using the straight-line method based on estimated lives which range from 4 to 75 years, consisting primarily of operational equipment over 4 to 12 years; water plant, power plant and administrative building over 40 years; and mains and other conduits over 60 to 75 years. Capital outlays that cost \$5,000 or more and that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

The District also owns intangible assets which include capacity rights for acquiring rights to water in pipelines owned and maintained by other agencies. These rights are amortized over the life of the asset or the term of the agreement, whichever is less.

Accounts Receivable Uncollectible Accounts

The District extends credit to customers in the normal course of operations. The District maintains an allowance for doubtful accounts for amounts outstanding more than 45 days, and amounts over \$50 are sent first to collections and are written off once no further amounts are recovered.

Property Taxes

The County of Orange Assessor's Office assesses all real and personal property within the County each year. The County of Orange Tax Collector's Office bills and collects the District's share of property taxes and special assessments. The County of Orange Treasurer's Office remits current and delinquent tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations. Secured property tax revenues are recognized on a full accrual basis. At year end an accrual for the remaining unpaid taxes levied for the tax year is recorded. Ad valorem 1% general property taxes are the secondary pledge to the General Obligation Bonds based on the bond covenants.

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property taxes receivable at year-end are related to property taxes and special assessments collected by the County of Orange pertaining to the current tax year, which have not been remitted to the District as of June 30. The property tax calendar is as follows:

Lien date	January 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

Prepaid Expenses and Other Deposits

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

Deferred Gain or Loss on Debt Defeasance

The advance refunding of certain bonds resulted in refunding gains or losses. Losses are included as deferred outflows of resources and gains are included as deferred inflows of resources on the accompanying Statement of Net Position and are amortized over the shorter of maturity of the refunding debt or the remaining maturity of the refunded debt using the effective interest method.

Interest Expense

The District incurs interest charges on bonds and notes payable. Interest incurred during the year ended June 30, 2019, totaled \$2,027,006. Bond premiums and discounts on refunded debt are deferred and amortized over the life of the bonds using the effective interest method.

Compensated Absences

The District's personnel policies provide for the accumulation of general leave for vacation and sick time. Full-time employees earn from 140 to 272 hours per year, depending on their length of employment. General leave may be accumulated to a maximum of twice the employee's annual entitlement or 400 hours, whichever occurs first. Eligible part-time employees accrue general leave on a pro-rata based on the number of hours worked in a regular workweek divided by 40 hours. All accrued and unused general leave is paid to the employee upon termination of employment or retirement. The cost of vested or accumulated general leave is accrued as an expense as benefits are incurred to the employee.

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to the net pension liability, and pension expenses, information about the fiduciary net position of the California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Deferred outflows of resources and deferred inflows of resources represent the effects on the net pension liability that have occurred after the liability was measured or differences between amounts based on the assumptions versus actual results. These amounts are amortized between a one and five-year period.

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position

Net position consists of the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Restricted net position is used before unrestricted net position if expenses are incurred for purposes where both restricted and unrestricted net position are available. Net position is categorized as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows or resources that are attributable to the acquisition, construction or improvement of those assets or related debt are included in this component of net position.

Restricted – This component of net position consists of assets that have limitations imposed on their use through external restrictions imposed by creditors or other state and federal government regulatory agencies. These are then reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the net amount of the assets, deferred outflows or resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted net position.

New Accounting Pronouncements

Adopted in the Current Year

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. Effective for the District’s fiscal year ending June 30, 2019.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Effective for the District’s fiscal year ending June 30, 2019.

Effective in Future Years

The Government Accounting Standards Board (GASB) has issued pronouncements that will impact future financial presentations. Management has not currently determined the impact, if any, of the newly issued pronouncements.

GASB Statement No. 84, *Fiduciary Activities*. Effective for the District’s fiscal year ending June 30, 2020.

GASB Statement No. 87, *Leases*. Effective for the District’s fiscal year ending June 30, 2021.

GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*. Effective for the District’s fiscal year ending June 30, 2020.

GASB Statement No. 91, *Conduit Debt Obligations*. Effective for the District’s fiscal year ended June 30, 2021.

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2019 are classified in the accompanying financial statements as follows:

Cash and investments	\$ 79,228,676
Restricted - cash and investments	
Special assessments for debt service	23,074,497
Bond proceeds for capital projects in non-current	3,911,005
Total cash and investments	\$ 106,214,178
Cash and cash equivalents	\$ 7,783,516
Money market funds	20,508,141
Investments	77,922,521
Total investments	98,430,662
Total cash and investments	\$ 106,214,178

Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs, which includes quoted prices for similar assets in active markets, quoted prices for identical assets in markets that are not active, or inputs other than quoted prices that are observable for the asset such as, interest rates and yield curves observable at commonly quoted intervals, implied volatilities, and credit spreads; and Level 3 inputs are significant unobservable inputs. The District has the following recurring fair value measurements as of June 30, 2019:

- U.S. Treasury securities of \$29.4 million are valued using quoted market prices for similar assets (Level 2 inputs).
- U.S. Agency securities of \$4.1 million are valued using quoted prices for similar assets (Level 2 inputs).
- Supranationals of \$1.0 million are valued using quoted prices for similar assets (Level 2 inputs).
- Municipal Bonds of \$0.3 million are valued using quoted prices for similar assets (Level 2 inputs).
- Medium-term Corporate Notes of \$17.5 million are valued institutional quotes based on various market and industry inputs (Level 2 inputs).
- Negotiable Certificates of Deposit of \$6.0 million are valued using quoted prices for similar assets (Level 2 inputs).
- Asset-backed securities of \$5.6 million are valued using quoted prices for similar assets (Level 2 inputs).
- Money Market Mutual Funds of \$20.5 million*
- Joint Powers Authority Investment Pool of \$14.0 million*

*Money market mutual funds and local government investment pools are recorded at NAV (or basis of \$1 in and out), and not at fair value. Accordingly, the fair value measurements are based on uncategorized inputs not defined as level 1, 2 or 3.

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 2 – CASH AND INVESTMENTS (continued)

Investments Authorized by the California Government Code and the District’s Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code and the District’s investment policy. The table also identifies certain provisions of the California Government Code (or the District’s investment policy, if more restrictive) that address interest rate risk and concentration of credit risk. This table does not address investment of debt proceeds held by bond trustee that are governed by the provisions of the debt agreements of the District, rather than the general provisions of the California Government Code or the District’s investment policy.

Investment Types Authorized by State Law	Authorized By Investment Policy	*Maximum Maturity	*Maximum Percentage of Portfolio	*Maximum Investment in One Issuer
U.S. Treasury	Yes	5 years	80%	80%
Federal Agency	Yes	5 years	80%	80%
Municipal Bonds	Yes	5 years	30%	10%
Medium-Term Corporate Notes***	Yes	5 years	30%	30%
Supranationals	Yes	5 years	30%	30%
Banker's Acceptances***	Yes	180 days	40%	30%
Negotiable Certificates of Deposit	Yes	5 years	20% **	20%
Placement Service Deposits	Yes	5 years	20% **	20%
Non-negotiable Certificates of Deposit	Yes	5 years	40%	40%
Commercial Paper	Yes	270 days	25%	25%
Collateralized Securities	No	N/A	N/A	N/A
Asset-Backed Securities	Yes	5 years	20%	20%
Repurchase Agreements	Yes	1 year	100%	100%
Reverse Repurchase Agreements	No	N/A	N/A	N/A
Mutual Funds	No	N/A	N/A	N/A
Money Market Mutual Funds	Yes	N/A	20%	10%
County Pooled Investment Funds	No	N/A	N/A	N/A
Local Agency Investment Fund (LAIF)	Yes	N/A	50%	Up to \$65 million
JPA Pools (other investments pools)	Yes	N/A	20%	20%

* Based on state law requirements or investment policy requirements, whichever is more restrictive.

** The combined maximum cannot exceed 30%.

*** Only allowed if managed externally.

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 2 – CASH AND INVESTMENTS (continued)

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District’s investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury	None	100%	100%
Federal Agency	None	100%	100%
Municipal Bonds	None	100%	100%
Banker's Accepntances	1 year	100%	100%
Negotiable Certificates of Deposit	365 days	100%	100%
Commercial Paper	270 days	100%	100%
Investment Contracts	None	100%	100%
Repurchase Agreements	None	100%	100%
Money Market Mutual Funds	N/A	100%	100%
Local Agency Investment Fund (LAIF)	None	100%	100%

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 to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the District investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the District investments by maturity:

	<u>Total</u>	<u>Remaining Maturity in Months</u>		
		<u>12 Months or Less</u>	<u>13 to 24 months</u>	<u>25 to 60 months</u>
U.S. Treasury	\$ 29,446,818	\$ -	\$ 2,013,594	\$ 27,433,224
Federal Agency	4,089,637	1,537	-	4,088,100
Supranationals	1,018,482	-	-	1,018,482
Municipal Bonds	299,605	-	299,605	-
Medium-Term Corporate Notes	17,464,274	1,553,921	7,573,659	8,336,694
Negotiable Certificates of Deposit	6,004,115	2,657,320	3,346,795	-
Asset-Backed Securities	5,580,750	10,442	487,170	5,083,138
Local Government Investment Pool	14,018,840	14,018,840	-	-
Money Market Funds	4,386,263	4,386,263	-	-
Held by Fiscal Agent:				
Money Market Funds	16,121,878	16,121,878	-	-
Total Investments	\$ 98,430,662	\$ 38,750,201	\$ 13,720,823	\$ 45,959,638

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 2 – CASH AND INVESTMENTS (continued)

Disclosures Related 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 the assignment of a rating by a nationally recognized statistical rating organization. The District uses Standard & Poor's ratings, if available. A Moody's rating is used if there is no Standard & Poor rating available. Presented below is the actual rating as of year-end for each investment type, and the minimum rating required by (where applicable) the California Government Code, the District investment policy, or debt agreements.

Investment Type	Total	Minimum Legal Rating*	Rating as of Year Ended June 30, 2019				
			AAA to AAAM	AA+	AA to AA-	A+ to A-	A-1 to A-1+
U.S. Treasury	\$ 29,446,818	N/A	\$ -	\$ 29,446,818	\$ -	\$ -	\$ -
Federal Agency	4,089,637	N/A	-	4,089,637	-	-	-
Supranationals	1,018,482	AAA	1,018,482	-	-	-	-
Municipal Bonds	299,605	N/A	-	-	299,605	-	-
Medium-Term Corporate Notes	17,464,274	A	353,540	999,466	4,046,788	12,064,480	-
Negotiable Certificates of Deposit	6,004,115	N/A	-	-	2,185,002	1,161,793	2,657,320
Asset-Backed Securities	5,580,750	AA	5,580,750	-	-	-	-
Money Market Funds	4,386,263	AAAm	4,386,263	-	-	-	-
Joint Powers Authority Pool:							
CAMP	14,018,840	AAAm	14,018,840	-	-	-	-
Held by Fiscal Agent:							
Money Market Funds	16,121,878	AAAm	16,121,878	-	-	-	-
Totals	\$ 98,430,662		\$ 41,479,753	\$ 34,535,921	\$ 6,531,395	\$ 13,226,273	\$ 2,657,320

* Minimum legal ratings per the California Government Code or the District's investment policy (whichever is more restrictive) from any rating NRSRO.

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. Custodial credit risk generally applies only to direct investment in marketable securities. Custodial credit risk does not apply to a local government's indirect investment securities through the use of mutual funds or government investment pools (such as LAIF). The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits:

- 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 fair 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 District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

For investments held by bond trustee, the bond trustee selects the investments under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the District in a third party safe keeping account at either Bank of New York, Wells Fargo Bank, or Union Bank.

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 2 – CASH AND INVESTMENTS (continued)

Joint Powers Authority Pool

The District is a voluntary participant in a Joint Powers Authority (JPA), the California Asset Management Program (CAMP), which is a permitted investment under California Government Code 53601(p). CAMP is directed by a Board of Trustees, which is made up of experienced local government finance directors and treasurers. As of June 30, 2019, the District’s total investment in CAMP was \$14,018,840.

NOTE 3 – ACCOUNTS RECEIVABLES, OTHER

Accounts receivables - other consists of outstanding billings to other agencies for joint-owned facilities, and charges for customer connections to the District sewer system as follows:

	2019
Quest Diagnostics/Nichols Institute	\$ 168,546
Moulton Niguel Water District	119,977
Trabuco Canyon Water District	84,791
County of Orange	81,738
South County Pipeline Receivables	39,236
FEMA UCR Claim	38,504
South Coast/JRWSS	26,060
San Juan Basin Authority	23,661
Fenner Valley Water Authority	20,967
City of San Juan Capistrano	20,755
Rancho Mission Viejo, LLC - misc.	17,733
City of San Clemente	12,992
Other Various	34,811
Total Accounts Receivables - Other, Net	\$ 689,771

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 4 – CAPITAL ASSETS

Capital assets as of June 30, 2019 consist of the following:

	Balance at June 30, 2018	Additions	Transfers	Dispositions/ Retirements	Balance at June 30, 2019
Water plant	\$ 477,386,725	\$ -	\$ 1,566,857	\$ -	\$ 478,953,582
Sewer plant	226,297,343	19,729	5,691,508	(1,160,142)	230,848,438
Contributed facilities	175,231,510	7,292,210	-	-	182,523,720
Operational equipment	16,291,560	1,453,298	-	(284,480)	17,460,378
Administration building	9,687,807	-	43,056	-	9,730,863
Capacity Rights	42,813,982	-	497,736	-	43,311,718
Miscellaneous/Master Plan	7,805,325	-	2,582,636	-	10,387,961
Total depreciable assets	<u>955,514,252</u>	<u>8,765,237</u>	<u>10,381,793</u>	<u>(1,444,622)</u>	<u>973,216,660</u>
Less accumulated depreciation & amortization:					
Water plant	(153,915,556)	(9,177,224)	1,145,839	-	(161,946,941)
Sewer plant	(111,550,039)	(5,009,359)	-	382,845	(116,176,553)
Contributed facilities	(84,203,590)	(4,320,861)	-	-	(88,524,451)
Administration building	(7,584,436)	(325,073)	-	-	(7,909,509)
Operational equipment	(10,998,614)	(1,269,316)	-	263,513	(12,004,417)
Capacity Rights	(1,092,727)	(881,812)	(1,145,839)	-	(3,120,378)
Miscellaneous/Master Plan	(663,906)	(353,649)	-	-	(1,017,555)
Total depreciation & amortization	<u>(370,008,868)</u>	<u>(21,337,294)</u>	<u>-</u>	<u>646,358</u>	<u>(390,699,804)</u>
Net depreciable assets	<u>585,505,384</u>	<u>(12,572,057)</u>	<u>10,381,793</u>	<u>(798,264)</u>	<u>582,516,856</u>
Capital Assets Not Being Depreciated:					
Construction in progress	41,432,141	41,489,052	(10,381,793)	(941,666)	71,597,734
Land	64,244,840	-	-	-	64,244,840
Land - Administration building	3,663,266	-	-	-	3,663,266
Total non depreciable assets	<u>109,340,247</u>	<u>41,489,052</u>	<u>(10,381,793)</u>	<u>(941,666)</u>	<u>139,505,840</u>
Total Assets	<u>\$ 694,845,631</u>	<u>\$ 28,916,995</u>	<u>\$ -</u>	<u>\$ (1,739,930)</u>	<u>\$ 722,022,696</u>

Depreciation and amortization expense for the year ended June 30, 2019 was \$21,337,294 based on straight-line depreciation.

The following identifies the ten largest remaining commitments on construction projects in fiscal year 2019:

Project Description	Remaining Commitment	Project Expenses to Date
Trampas RW Seasonal Storage Reservoir	\$ 49,196,810	\$ 46,804,514
TERP Program	1,749,798	2,695,081
MNWD-Oso/Trabuco Sewer Line	868,300	2,287
City of San Clemente Avenida Pico-Pico Recycled Water Pump Station Piping	669,973	2,867,427
Reservoir Management System Estado Zone 4 Reservoir	539,487	645,101
Chiquita Repl Influent Pumps	508,080	309
Headquarters Garden Rehabilitation	484,119	52,448
San Juan Basin Watershed Optimization	395,990	1,733,224
Gobernadora MP Basin Pump Station	298,090	14,410
Tesoro Reservoir Zone 2	259,362	1,861,625
	<u>\$ 54,970,009</u>	<u>\$ 56,676,426</u>

Project costs reflect only the District's portion of the cost of the facilities that are shared with other agencies.

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 5 – LONG TERM LIABILITIES

Long-term liabilities and changes for the year ended June 30, 2019 was as follows:

	Balance at June 30, 2018	Additions	Deletions	Balance at June 30, 2019	Amount Due Within One year	Amount Due Beyond One Year
<u>General Obligation</u>						
<u>Bonds Payable:</u>						
2009 Series A	\$ 885,000	\$ -	\$ (885,000)	\$ -	\$ -	\$ -
2009 Series B	5,195,000	-	(5,195,000)	-	-	-
2014 Series A	38,925,000	-	(9,860,000)	29,065,000	10,635,000	18,430,000
2017 Series A	29,375,000	-	-	29,375,000	910,000	28,465,000
Total GOB Payable	74,380,000	-	(15,940,000)	58,440,000	11,545,000	46,895,000
Premium / Discount, net	6,504,125	-	(1,205,268)	5,298,857	862,257	4,436,600
Total Bonds Payable	<u>\$ 80,884,125</u>	<u>\$ -</u>	<u>\$ (17,145,268)</u>	<u>\$ 63,738,857</u>	<u>\$ 12,407,257</u>	<u>\$ 51,331,600</u>

2009 General Obligation Bonds Series A

In 2009, the District issued \$38,490,000 of General Obligation Water Bonds – Series A with an interest rate of 2.00% to 5.25% that matures annually on August 1 from 2010 to 2038. The proceeds from the bonds were used to pay for domestic water supply reliability projects including an interconnection to the South County Water Transmission System, the Upper Chiquita Reservoir and the Baker Regional Water Treatment Plant. The source of repayment of these bonds is special assessment tax revenues for debt service, which is secured by land. During the fiscal year ended June 30, 2017, these bonds were partially refunded with the issuance of the 2017 Refunding General Obligation Bonds Series A. This refunding legally defeased \$31,635,000 of the 2009 General Obligation Water Bonds – Series A in fiscal year ended June 30, 2017, with remaining debt service paid in the year ended June 30, 2019.

2009 General Obligation Bonds Series B

In 2009, the District issued \$36,205,000 of Consolidated Refunding General Obligation Water Bonds – Series B with an interest rate from 2.00% to 5.00% that matures annually on August 1 from 2010 to 2018. The proceeds from the bonds were used to refund the 1997 General Obligation Water Bonds. The source of repayment of these bonds is special assessment tax revenues for debt service, which is secured by land. The remaining debt service was paid in the year ended June 30, 2019.

2014 Refunding General Obligation Bonds Series A

In July 2014 the District issued \$65,340,000 of Refunding General Obligation Bonds 2014 Series A with interest rates from 3.00% to 5.00% that matures annually on August 1 from 2015 to 2032. The proceeds of the bonds were used to refund the 2003 Series A and 2004 Series A bonds (Improvement District Nos. 2, 2A, 3, 3A, 4, 4A & 4B) of the Santa Margarita Water District/Dana Point Authority, which had an interest rate of 1.05% to 5.00%. The final maturity date remains the same, at August 1, 2032. The source of repayment of these bonds is special assessment tax revenues for debt service, which is secured by land.

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 5 – LONG TERM LIABILITIES (continued)

2017 Refunding General Obligation Bonds Series A

In April 2017 the District issued \$29,375,000 of Refunding General Obligation Bonds 2017 Series A with interest rates from 3.00% to 5.00% that matures annually on August 1 from 2019 to 2038. The proceeds of the bonds were used to partially refund the 2009 Series A bonds (Improvement District Nos. 2, 2A, 3, 3A, 4, 4A & 4B) of the Santa Margarita Water District/Dana Point Authority, which had an interest rate of 2.00% to 5.25%. This refunding legally defeased \$31,635,000 of the 2009 Series A bonds in the year ended June 30, 2017. The final maturity date remains the same, at August 1, 2038. The source of repayment of these bonds is special assessment tax revenues for debt service, which is secured by land.

Future maturities based on the terms of bond indentures are as follows:

General Obligation Bonds Debt Service Schedule:

Year	Principal	Interest	Total
2020	\$ 11,545,000	\$ 2,466,901	\$ 14,011,901
2021	12,385,000	1,887,476	14,272,476
2022	1,420,000	1,556,976	2,976,976
2023	1,485,000	1,489,251	2,974,251
2024	1,560,000	1,413,126	2,973,126
2025-2029	9,080,000	5,780,380	14,860,380
2030-2034	10,830,000	3,291,289	14,121,289
2035-2039	10,135,000	1,046,700	11,181,700
Total	<u>\$ 58,440,000</u>	<u>\$ 18,932,099</u>	<u>\$ 77,372,099</u>

Source of Repayment

The District's general obligation bonds are general obligations of the improvement districts of the District. These bonds are payable from annual ad-valorem assessments levied upon the assessable land within each district based on the assessed value of such land but not the improvements thereon. As additional security for repayment of the bonds, the District has established liens on the following funds received from or attributable to the improvement districts for which the bonds are issued to the extent such funds are received by each district: (i) standby charges, (ii) connection charges, (iii) that district's share of property taxes or special taxes received from Orange County, California, (iv) proceeds from the foreclosure of property to the extent necessary to pay delinquent ad valorem assessments or standby charges and (v) investment earnings, if any, thereon. Generally, the bonds represent several (and not joint) obligations of each district. An event of default with respect to the bonds of a particular improvement district will not result in an event of default with respect to the bond of any other improvement district.

Deferred Gain or Loss on Debt Defeasance

The balance for deferred gain on debt defeasance as of June 30, 2019 is as follows:

General Obligation Bonds	Balance at June 30, 2018	Additions	Deletions	Amortization	Balance at June 30, 2019
2014A Series	<u>\$ 100,389</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (31,783)</u>	<u>\$ 68,606</u>

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 5 – LONG TERM LIABILITIES (continued)

The balance for deferred loss on debt defeasance as of June 30, 2019 is as follows:

General Obligation Bonds	Balance at June 30, 2018	Additions	Deletions	Amortization	Balance at June 30, 2019
2017A Series	\$ 1,432,706	\$ -	\$ -	\$ (120,359)	\$ 1,312,347

Loans Payable:

The District has four outstanding loans with the State Water Resources Control Board and one outstanding loan with the City of Mission Viejo. The outstanding balance of all loans as of June 30, 2019 is as follows:

	Balance at June 30, 2018	Additions	Deletions	Balance at June 30, 2019	Within One Year	Beyond One Year
2003 Loan	\$ 2,288,112	\$ -	\$ (433,569)	\$ 1,854,543	\$ 445,275	\$ 1,409,268
2003 Loan	4,600,188	-	(414,390)	4,185,798	423,921	3,761,877
2008 Loan	229,412	-	(20,383)	209,029	20,913	188,116
2017 Loan	2,739,095	-	(122,098)	2,616,997	125,180	2,491,817
2017 Loan	1,455,000	20,069,122	-	21,524,122	-	21,524,122
Total	\$ 11,311,807	\$ 20,069,122	\$ (990,440)	\$ 30,390,489	\$ 1,015,289	\$ 29,375,200

2003 State Water Resources Control Board Loan

In fiscal year 2003 the District entered into a loan agreement with the State Water Resources Control Board which was subsequently amended to provide \$7,228,123 for water reclamation projects under Water Code Section §13999.10. This loan is to be repaid over 20 years, and accrues interest at a rate of 2.7%. The future debt service payments as of June 30, 2019 are as follows:

Year	Principal	Interest	Total
2020	\$ 445,275	\$ 50,073	\$ 495,348
2021	457,298	38,050	495,348
2022	469,645	25,703	495,348
2023	482,325	13,023	495,348
Total	\$ 1,854,543	\$ 126,849	\$ 1,981,392

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 5 – LONG TERM LIABILITIES (continued)

2003 State Water Resources Control Board Loan

In fiscal year 2003, the District entered into a second loan agreement with the State Water Resources Control Board to provide \$7,979,635 for water reclamation projects under Water Code Section §13999.10. Principal payments are being made in fiscal years 2009 through 2028 and accrue interest at a rate of 1.3% and also have a service charge rate of 1.0%. The remaining debt service payments as of June 30, 2019 are as follows:

Year	Principal	Interest	Service Charge	Total
2020	\$ 423,921	\$ 54,415	\$ 41,858	\$ 520,194
2021	433,671	48,904	37,619	520,194
2022	443,646	43,267	33,282	520,195
2023	453,850	37,499	28,846	520,195
2024	464,288	31,599	24,307	520,194
2025-2028	1,966,422	64,635	49,720	2,080,777
Total	<u>\$ 4,185,798</u>	<u>\$ 280,319</u>	<u>\$ 215,632</u>	<u>\$ 4,681,749</u>

2008 State Water Resources Control Board Loan

In fiscal year 2008, the District entered into a loan agreement with the State Water Resources Control Board to provide \$408,000 for water reclamation projects under the Water Code Section §13999.10. This loan is to be repaid over 20 years, and accrues interest at a rate of 2.6%. The remaining debt service payments as of June 30, 2019 are as follows:

Year	Principal	Interest	Total
2020	\$ 20,913	\$ 5,435	\$ 26,348
2021	21,457	4,891	26,348
2022	22,015	4,333	26,348
2023	22,587	3,761	26,348
2024	23,175	3,173	26,348
2025-2028	98,882	6,510	105,392
Total	<u>\$ 209,029</u>	<u>\$ 28,103</u>	<u>\$ 237,132</u>

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 5 – LONG TERM LIABILITIES (continued)

2017 City of Mission Viejo

In fiscal year 2016, the District entered into a loan agreement with the City of Mission Viejo to provide \$3,000,000 for the design and construction of the Lake Mission Viejo Advanced Water Treatment Facility. The full loan amount was disbursed in fiscal year 2017. This loan is to be repaid over 20 years, and accrues interest at a rate of 2.5%. The remaining debt service payments as of June 30, 2019 are as follows:

Year	Principal	Interest	Total
2020	\$ 125,180	\$ 64,257	\$ 189,437
2021	128,339	61,099	189,438
2022	131,577	57,860	189,437
2023	134,898	54,539	189,437
2024	138,302	51,135	189,437
2025-2029	745,655	201,530	947,185
2030-2034	844,610	102,575	947,185
2035-2036	368,436	10,437	378,873
Total	\$ 2,616,997	\$ 603,432	\$ 3,220,429

2017 State Water Resources Control Board Loan

In fiscal year 2017, the District entered into a loan agreement with the State Water Resources Control Board to provide a loan up to \$47,012,000 for the Trampas Canyon Recycled Water Seasonal Storage Reservoir Project under Proposition 1 the Water Quality, Supply, and Infrastructure Improvement Act of 2014 and the Clean Water State Revolving Fund. In fiscal year 2018, the total loan agreement was increased to up to \$76,315,000. This loan will be disbursed through installment payments and interest will accrue at a rate of 1.0% beginning with each disbursement. In fiscal year 2019, \$20,069,122 was disbursed for the loan. The loan balance as of June 30, 2019 is \$21,524,122. Loan payments will begin one year after completion of construction or start of operations, whichever is sooner. Payments are estimated to begin in fiscal year 2020 and will be fully amortized by fiscal year 2049.

Reimbursement Agreement Advances and Accrued Interest

Funds may be advanced by landowners and developers for planning, design and/or construction of facilities or systems for which an improvement district or community facilities district has not yet issued bonds. Such funds are advanced to the District under a reimbursement agreement between the landowner/developer and the District providing that the advances shall be repaid from the next appropriate bond issue. Reimbursement from bond proceeds is dependent upon approval of the facilities by the District’s Board of Directors. Advances accrue interest, based on the terms of the agreement, from the date of the advance until repayment date.

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 5 – LONG TERM LIABILITIES (continued)

Reimbursable advances by the landowner/developer at June 30, 2019 are as follows:

Landowner/Developer	Balance at June 30, 2018	Additions	Expiration/ Payments	Balance at June 30, 2019	Amount Due Within One Year	Amount Due Beyond One Year
Coto de Caza, Ltd.	\$ 22,019	\$ -	\$ -	\$ 22,019	\$ -	\$ 22,019
The San Juan Company	158,018	-	-	158,018	-	158,018
Total	<u>\$ 180,037</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 180,037</u>	<u>\$ -</u>	<u>\$ 180,037</u>

Reimbursable accrued interest by the landowner/developer at June 30, 2019 is as follows:

Landowner/Developer	Balance at June 30, 2018	Additions	Expiration/ Payments	Balance at June 30, 2019	Amount Due Within One Year	Amount Due Beyond One Year
Coto de Caza, Ltd.	\$ 51,508	\$ 1,321	\$ -	\$ 52,829	\$ -	\$ 52,829
Total	<u>\$ 51,508</u>	<u>\$ 1,321</u>	<u>\$ -</u>	<u>\$ 52,829</u>	<u>\$ -</u>	<u>\$ 52,829</u>

NOTE 6 – COMPENSATED ABSENCES

Changes to compensated absences balances for June 30, 2019 are as follows:

Balance at June 30, 2018	Earned	Taken	Balance at June 30, 2019	Amount Due Within One Year	Amount Due Beyond One Year
<u>\$ 1,259,834</u>	<u>\$ 1,266,109</u>	<u>\$ (1,304,028)</u>	<u>\$ 1,221,915</u>	<u>\$ 1,136,381</u>	<u>\$ 85,534</u>

NOTE 7 – NET INVESTMENT IN CAPITAL ASSETS

Net investment in capital assets as of June 30, 2019 is as follows:

Capital assets, net of accumulated depreciation	\$ 722,022,696
Less: Outstanding debt attributable to capital assets:	
Bonds payable	(63,738,857)
Loans payable	(30,390,489)
Add:	
Unspent bond proceeds	3,911,005
Deferred gains and losses on debt defeasances, net	1,243,741
Total net investment in capital assets	<u>\$ 633,048,096</u>

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 8 – RESTRICTED NET POSITION

Restricted net position as of June 30, 2019 consists of the following:

Special assessments for debt service	\$ 23,074,497
Property taxes receivable	275,641
Restricted accrued interest receivable	41,569
Less:	
Accrued interest payable	(1,383,453)
Accrued interest payable on reimbursement agreements	(52,829)
	\$ 21,955,425

On June 5, 2019, the District adopted Resolution 2019-06-01 which established the funding level requirements for operating reserves equivalent to 25% of previous fiscal year’s operating expenses, emergency capital reserves equivalent to 2% of net capital assets, repair and replacement capital reserves equivalent to 10% of the forecasted 5-year total capital repair and replacement expenditures, new projects capital reserves equivalent to a fixed amount of \$12.5 million and restricted loan/bond reserves as required by bond and loan legal requirements. At June 30, 2019, the District had \$79,228,676 of reserves pursuant to Resolution 2019-06-01.

NOTE 9 – DEFINED BENEFIT PENSION PLAN WITH CALIFORNIA PUBLIC EMPLOYEE’S RETIREMENT SYSTEM

Plan Description

The District contributes to the California Public Employees’ Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions of all other requirements are established by state statute and the District. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS’ website at www.calpers.ca.gov.

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 9 – DEFINED BENEFIT PENSION PLAN WITH CALIFORNIA PUBLIC EMPLOYEE’S RETIREMENT SYSTEM (continued)

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. For employees hired after January 1, 2013, who generally have not already been a member of a pension system are subject to the California Public Employees’ Pension Report Act of 2013 (PEPRA). All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is the Basic Death Benefit or the 1959 Survivor Benefit (Level 4). Benefit terms are established and amended through the District’s Board of Directors and facilitated through CalPERS.

The Plans’ provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Hire Date	
	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8.0%	6.25%
Required employer contribution rates	25.789%	25.789%

The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

Employees Covered

At June 30, 2017, the following employees were covered by the benefit terms for the Plan:

Inactive employees or beneficiaries currently receiving benefits	110
Inactive employees entitled to but not yet receiving benefits	96
Active employees	143
Total	349

The table above reflects the most recent CalPERS census information available.

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 9 – DEFINED BENEFIT PENSION PLAN WITH CALIFORNIA PUBLIC EMPLOYEE’S RETIREMENT SYSTEM (continued)

Contributions

Section §20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The District’s actuarially required employer contribution rate for the year ended June 30, 2019 was 25.789%. This rate includes the current employer normal rate of 9.839% and the unfunded rate of 15.950% of annual covered payroll. The contribution requirements of employee participants and the District are established by state statute and may be amended by CalPERS. For the year ended June 30, 2019, the employer contributions totaled \$3,276,868.

For the employees in the 2.7% at 55 years of service plan, employees are required to contribute 8.0% of their annual covered salary. During the year ended June 30, 2019, the employees contributed the full 8.0% as determined by the memorandum of understanding (MOU) with the employees. For the employees in the 2.0% at 62 years of service the employees paid the full 6.25% contribution rate.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The net pension liability of the District at June 30, 2019 is based on the Plan’s measurement date of June 30, 2018, using an actuarial valuation as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined at the valuation date and rolled forward to the measurement date. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

The total pension liabilities in June 30, 2017 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Payroll growth	Varies by Entry Age and Service
Investment Rate of Return	7.15%

Mortality rates were based on the 2014 CalPERS Experience Study, which assumed future mortality improvements using Society of Actuaries Scale BB. The experience study can be obtained at the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class.

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 9 – DEFINED BENEFIT PENSION PLAN WITH CALIFORNIA PUBLIC EMPLOYEE’S RETIREMENT SYSTEM (continued)

The following table reflects the long term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	New Strategic Allocation	Real Return Years 1 – 10 ⁽¹⁾	Real Return Years 11 + ⁽²⁾
Global Equity	50.0%	4.80%	5.98%
Global Fixed Income	28.0	1.00	2.62
Inflation Sensitive	0.0	0.77	1.81
Private Equity	8.0	6.30	7.23
Real Estate	13.0	3.75	4.93
Liquidity	1.0	0.00	(0.92)

⁽¹⁾ An expected inflation of 2.00% used for this period

⁽²⁾ An expected inflation of 2.92% used for this period

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increases, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS’ website under Forms and Publications.

Changes of Assumptions

For the June 30, 2018 measurement date, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that District contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on these assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 9 – DEFINED BENEFIT PENSION PLAN WITH CALIFORNIA PUBLIC EMPLOYEE’S RETIREMENT SYSTEM (continued)

Changes in the Net Pension Liability

The following table shows the changes in net pension liability:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2018*	\$ 95,169,952	\$ 64,987,512	\$ 30,182,440
Increase (Decrease) in Pension Liability:			
Service Cost	2,247,163	-	2,247,163
Interest on the Total Pension Liability	6,765,594	-	6,765,594
Changes of Assumptions	(629,452)	-	(629,452)
Differences between Expected and Actual Experience	941,393	-	941,393
Net Plan to Plan Resource Movement	-	(163)	163
Contributions from Employer	-	2,855,073	(2,855,073)
Contributions from Employees	-	954,280	(954,280)
Net Investment Income	-	5,565,499	(5,565,499)
Benefit Payments, including Refunds of Employee Contributions	(3,963,586)	(3,963,586)	-
Administrative Expense	-	(101,268)	101,268
Other Miscellaneous Income/(Expense)	-	(192,310)	192,310
Net changes:	5,361,112	5,117,525	243,587
Balance at June 30, 2019*	\$ 100,531,064	\$ 70,105,037	\$ 30,426,027

*Represents the District's fiscal year-end date

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the District, calculated using the discount rate of 7.15% for the Plan, as well as what the District’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.15%) or 1-percentage point higher (8.15%) than the current rate:

	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Net Pension Liability	\$ 43,720,613	\$ 30,426,027	\$ 19,390,246

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 9 – DEFINED BENEFIT PENSION PLAN WITH CALIFORNIA PUBLIC EMPLOYEE’S RETIREMENT SYSTEM (continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2019 the District recognized pension expenses of \$4,055,292. At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District Contributions made Subsequent to the Measurement Period	\$ 3,276,868	\$ -
Change of Assumptions*	2,409,854	(479,582)
Differences between Expected and Actual Experiences*	717,252	(575,061)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	97,835	-
Net changes:	\$ 6,501,809	\$ (1,054,643)

*The expected average remaining service life (EARSLS) for the measurement periods ending June 30, 2015, June 30, 2016, June 30, 2017 and June 30, 2018 is 3.7, 3.8, 3.7, and 4.2 years, respectively. This recognition period determines the number of years the deferred outflows and deferred inflows of resources are amortized over.

Deferred outflows of resources of \$3,276,868 reported as employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. Deferred outflows of resources of \$3,224,942 and deferred inflows of resources of \$1,054,643 as described above will be recognized as pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows / (Inflows) of Resources
2019	\$ 1,789,561
2020	1,139,405
2021	(585,796)
2022	(172,872)

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 10 – DEFERRED COMPENSATION PLANS

Employees of the District may participate in the District’s deferred compensation plan organized under Section 457 of the Internal Revenue Code (457 Plan). The plan is administered by Mass Mutual. The plan allows the employees to defer or postpone receipt of income. Such income deferral provides tax advantages and a savings plan for the employees. The plan, available to all District employees, permits employees, as of January 1, 2019 to defer up to the lesser of \$19,000 or 100% of includible compensation, as defined until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

In 2001, the District adopted a deferred compensation plan organized under Section 401(a) of the Internal Revenue Code. The 401(a) plan, in conjunction with the 457 Plan allows employees to shelter matching contributions by the District from income taxes. All employees are eligible to participate up to the maximum employer contribution of \$1,740 per year. Withdrawals can be made upon retirement, disability or termination, but not later than 70 ½. For the year ended June 30, 2019, the employer contributions totaled \$220,053. The maximum contribution rate is included in the MOU and can be amended in the MOU and approved by the Board of Directors.

In 2003, the District adopted a deferred compensation plan organized under Section 414(h) of the Internal Revenue Code. Contract “at will” employee(s) may contribute one-time bonus money stipulated by the Board of Directors. Regular earned compensation may not be deferred into the 414(h) account and Contract “at will” employees will not have the option of receiving such amount directly instead of having the District contribute it to the Plan. The annual addition that may be contributed or allocated to the participant’s individual account under the plan for 2019 shall not exceed \$56,000, as adjusted for increases allowed in the Code.

NOTE 11 – JOINT POWERS AGREEMENTS

San Juan Basin Authority

The District is a member of the San Juan Basin Authority (SJBA) which operates under a joint powers agreement with the member agencies consisting of:

Santa Margarita Water District
South Coast Water District
Moulton Niguel Water District
City of San Juan Capistrano

The general purpose of the SJBA is to acquire, construct, use, operate and maintain facilities to supply water for irrigation, domestic, and municipal purposes, provide for the development and conservation of water supplies, and to coordinate regional management of the San Juan Creek basin and its tributary waters.

During the year ended June 30, 2019 the District paid \$327,562 to the SJBA for various costs of which the majority related to the development and maintenance of the facilities as well as operating costs. Copies of SJBA annual financial statements can be obtained at the District: San Juan Basin Authority c/o Santa Margarita Water District, P.O. Box 7005, Mission Viejo, California 92690-7005.

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 11 – JOINT POWERS AGREEMENTS (continued)

Santa Margarita/Dana Point Authority

The Santa Margarita/Dana Point Authority (SM/DPA) was created on August 25, 1987 between the Santa Margarita Water District and the Dana Point Sanitary District for the purpose of selling bonds to finance the acquisition of capacity in the Jay B. Latham treatment plant. In addition, SM/DPA issued revenue bonds, Series A and Series B dated July 15, 1994, and Series 1997A dated October 1, 1997 for the purpose of acquiring the 1994 and 1997 refunding Bonds, respectively, issued by the District. In July 2014 the District issued Refunding General Obligation Bonds 2014 Series A for the purpose of refunding the 2003 Series A and 2004 Series A Bonds. In April 2017 the District issued Refunding General Obligation Bonds 2017 Series A for the purpose of refunding the 2009 Series A Bonds (Note 5). During 1999, the Dana Point Sanitary District was dissolved and the South Coast Water District became the successor agency.

Each member is responsible for the debt service of Authority debt to the extent that the member benefits from the use of the debt proceeds. Authority issuances for which the District is responsible for debt service have been accounted for as a bond payable liability in the financial statements. During the year ended June 30, 2019 the District paid bond principal payments totaling \$15,940,000 and interest payments totaling \$2,807,893 to SM/DPA to service all of the District’s general obligation debt.

South Orange County Wastewater Authority

The District is a member of the South Orange County Wastewater Authority (SOCWA), formerly the South East Regional Reclamation Authority, which operates under a joint powers agreement with member agencies consisting of:

City of Laguna Beach (CLB)	Irvine Ranch Water District (IRWD)
City of San Clemente (CSC)	Moulton Niguel Water District (MNWD)
City of San Juan Capistrano (CSJC)	Santa Margarita Water District (SMWD)
El Toro Water District (ETWD)	South Coast Water District (SCWD)
Emerald Bay Services District (EBSB)	Trabuco Canyon Water District (TCWD)

The general purpose of SOCWA is to plan for, acquire, construct, maintain, repair, manage, operate and control facilities for the collection, transmission, treatment and disposal of waste water, the reclamation of waste water and the use of reclaimed waste water for any beneficial purpose. Revenues and expenses are allocated to each member agency based on its participation in the various projects.

During the year ended June 30, 2019 the District paid \$2,135,925 to SOCWA for plant operating costs. Copies of SOCWA’s annual financial statements can be obtained by contacting SOCWA at 34156 Del Obispo Street, Dana Point, California 92629.

Fenner Valley Water Authority

The Fenner Valley Water Authority (FVWA) was created on November 14, 2014 between the Santa Margarita Water District and the Fenner Valley Mutual Water Company for the purpose of operating the Cadiz Valley Water Conservation, Recovery and Storage Project and implementing the Project’s Groundwater Monitoring, Mitigation and Management Plan. Once completed, the Authority will lease the Project Facilities from Cadiz, which will be used to extract, treat and transport water.

Currently, Cadiz is funding all activities of the Fenner Valley Water Authority. The District incurred no costs during the year ended June 30, 2019. Copies of FVWA’s annual financial statements can be obtained at the District: Fenner Valley Water Authority c/o Santa Margarita Water District, 26111 Antonio Parkway, Rancho Santa Margarita, California 92688.

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 12 – COMMUNITY FACILITIES DISTRICTS

The District is the lead agency of the Community Facilities District No. 99-1 (Talega) of the Santa Margarita Water District (CFD 99-1) and Community Facilities District No. 2013-1 (Village of Sendero) of the Santa Margarita Water District (CFD 2013-1). These CFDs are considered separate legal entities.

Both Community Facilities Districts are established under and governed by the Mello-Roos Community Facilities Act of 1982, as amended, and resolutions adopted by the Board of Directors of the District, acting as the legislative body of the CFDs. The source of repayment of the bonds issued by the CFDs is special assessment tax revenues for debt service, which is secured by land. Neither the faith and credit nor the taxing power of the District (except to the extent of the special assessment taxes) is pledged to the payment of the CFD bonds. The CFD bonds outstanding as of June 30, 2019 are not obligations of the District, but are limited obligations payable solely from the special assessment taxes.

Community Facilities District No. 99-1 (Talega)

CFD 99-1 was formed to finance the acquisition or construction of various public improvements and facilities located in or serving the CFD as part of the Talega Valley Planned Development. In 1999, the owners of the property within the boundaries of CFD 99-1 authorized the CFD to incur a bonded indebtedness in an amount not to exceed \$109,000,000, to be levied on parcels within the CFD through a special tax assessment. CFD 99-1 has two special tax refunding bonds as of June 30, 2019: Series 2014B and Series 2017A.

Series 2014B Special Tax Refunding Bonds

In August 2014, CFD 99-1 issued \$32,810,000 of Special Tax Refunding Bonds (Serial \$30,295,000 and term \$2,515,000) with interest rates from 2.00% to 5.00% that matures annually on September 1 from (serial) 2015 to 2033 and (term) ending in 2038. The proceeds of the bonds were used to refund the Series 2011A and Series 2011B Special Tax Refunding Bonds, which had an interest rate of 2.00% to 5.875%. The final maturity date remains the same, at September 1, 2038. The previously required debt reserve of approximately \$5.3 million was utilized in the refunding. The outstanding balance (before deferred bond charges) of this bond at June 30, 2019, is \$27,150,000.

Series 2017A Special Tax Refunding Bonds

In August 2017, CFD 99-1 issued \$37,250,000 of Special Tax Refunding Bonds with interest rates from 3.00% to 5.00% that matures annually on September 1 from 2018 to 2030. The bonds were issued to refund the Series 2007 Special Tax Refunding Bonds, which had an interest rate of 4.00% to 4.75%. The final maturity date remains the same, at September 1, 2030. The outstanding balance (before deferred bond charges) of this bond at June 30, 2019, is \$35,510,000.

Community Facilities District No. 2013-1 (Village of Sendero)

CFD 2013-1 was formed to finance certain public facilities to meet the needs of new development within the CFD. In 2013, the owners of the property within the boundaries of CFD 2013-1 authorized the CFD to incur a bonded indebtedness in an amount not to exceed \$70,000,000, to be levied on parcels within the CFD through a special tax assessment. CFD 2013-1 has one special tax bond as of June 30, 2019: Series 2013.

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 12 – COMMUNITY FACILITIES DISTRICTS (continued)

Series 2013 Special Tax Bonds

In 2013, CFD 2013-1 issued \$57,420,000 of Special Tax Bonds (Serial \$8,090,000 and term \$49,330,000) with an interest rate of 2.00% to 5.625% that mature annually on September 1 from (serial) 2014 to 2027 and (term) ending in years 2029, 2032, 2036 and 2043. The bonds were issued to construct water and wastewater facilities for the Village of Sendero development. Additionally, \$14,650,344 of the bond funds were allocated to construct facilities belonging to the County of Orange. The outstanding balance (before deferred bond charges) of this bond at June 30, 2019, was \$56,445,000.

CFD Financial Statement Summary

A summary of the June 30, 2019, Community Facilities Districts' financial statements are as follows:

Community Facilities District 99-1	
Assets	\$ 13,035,047
Deferred outflows of resources	2,885,378
Liabilities	72,206,540
Revenues	6,634,993
Expenses	6,216,410
Net position - beginning	(56,704,698)
Net position - ending	(56,286,115)

Community Facilities District 2013-1	
Assets	\$ 12,973,009
Liabilities	57,161,487
Deferred inflows of resources	2,113,389
Revenues	3,730,509
Expenses	3,158,578
Net position - beginning	(46,873,798)
Net position - ending	(46,301,867)

TOTAL	
Community Facilities Districts	
Assets	\$ 26,008,056
Deferred outflows of resources	2,885,378
Liabilities	129,368,027
Deferred inflows of resources	2,113,389
Revenues	10,365,502
Expenses	9,374,988
Net position - beginning	(103,578,496)
Net position - ending	(102,587,982)

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 12 – COMMUNITY FACILITIES DISTRICTS (continued)

Community Facility District Debt Service Schedule:

Year	Principal	Interest	Total
2019	\$ 3,665,000	\$ 5,973,644	\$ 9,638,644
2020	4,005,000	5,822,444	9,827,444
2021	4,425,000	5,637,694	10,062,694
2022	4,865,000	5,433,544	10,298,544
2023	5,310,000	5,207,119	10,517,119
2024-2028	34,715,000	21,488,144	56,203,144
2029-2033	21,565,000	13,368,944	34,933,944
2034-2038	17,615,000	9,051,141	26,666,141
2039-2043	22,940,000	3,425,344	26,365,344
	<u>\$ 119,105,000</u>	<u>\$ 75,408,018</u>	<u>\$ 194,513,018</u>

The CFDs are required to hold monies in a reserve fund based on bond covenants. At June 30, 2019 the District held monies in a reserve fund for the debt reserve requirement of \$5,678,645 and \$8,017,427 for the 2013 Series and 2014 Series B/2017 Series A CFD bonds, respectively.

NOTE 13 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District is a member of the California Sanitation Risk Management Authority and through the Authority the District participates in several of its programs including liability, property, and worker’s compensation insurance. There were no significant settlements or reductions in insurance coverage from settlements for the past three years. The Authority is responsible for all insurance claims and the District is responsible for the deductibles subject to the types of claims as outlined in its insurance policy. The District’s risk of loss is limited to its deductible amounts, which includes the following:

The District maintains \$15,500,000, per occurrence, combined for bodily injury, property damage, personal injury and/or public entity errors and omissions with a \$50,000 deductible for general liability insurance and a \$2,500 deductible for errors and omissions. The District’s employment related practices insurance and automobile medical payment insurance provides for up to \$15,500,000 and \$25,000 coverage per occurrence, respectively. The District’s deductible for employment related practices insurance is \$25,000 and the deductible for automobile medical payments is \$2,500. The District also maintains insurance with a maximum coverage limit of \$15,500,000 per occurrence for dam failure, with a deductible of \$250,000. In addition, excess liability coverage is maintained for \$10,000,000 per occurrence or wrongful act plus an annual pooled aggregate coverage of \$50,000,000.

The District promotes safety in the workplace through an extensive safety program. The District also maintains 2% of capital assets in an unrestricted net position reserve that is designated for small claims not paid from operating funds that are not covered by insurance. Management believes that the insurance policies and reserve funds are adequate to cover the cost of claims incurred to date. However, such liabilities are, by necessity, based upon estimates and there can be no assurance that the ultimate cost will not exceed such estimates.

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 14 – CONTINGENCIES

The District's contingencies include lawsuits and disputes that may arise in the ordinary course of business. The District believes there are no existing matters that will have a material adverse effect on the District's financial position.

NOTE 15 – COMMITMENT TO PURCHASE WATER

In July 2012, the District Board of Directors approved certain resolutions relating to the commitment to purchase water. Resolution No. 2012-07-02 states the District certification of the Final EIR for the Cadiz Project. Resolution No. 2012-07-03 adopts the CEQA findings, a mitigation monitoring and reporting program, a statement of overriding considerations, approved the water purchases and sale agreements, and approved the updated groundwater management, monitoring and mitigation plan with regard to phase I of the Cadiz Valley Water Conservation, Recovery and Storage Project.

The Cadiz Project is located in Eastern San Bernardino County. Phase 1 of this project would pump an average of 50,000 acre-feet per year of water from the groundwater basin underlying the Cadiz and Fenner Valleys and the adjacent Bristol Valley over a 50-year period and deliver the water to Project participants. Phase II of the Cadiz Project, the Imported Water Storage Component, if considered and approved, would construct spreading basins to recharge surface water in to the groundwater basin and convey stored water back to project participants.

Once the project starts delivering water, the District would be required to purchase on an annual take-or-pay basis 5,000 acre-feet of water from the project (to the extent such quantities are available). Management's estimate of the annual cost for this allocation of water is approximately six million dollars per year. This estimate is based upon projections of uncertain future costs, including the cost to be incurred by Cadiz, Inc. to construct the related facilities and the cost to operate and maintain, the facilities to provide the procured water. An additional optional annual allocation of 10,000 acre-feet of water is available to the District at the District's option. Costs of transporting the water are undeterminable at this time.

Delivery of water is subject to development of agreements and/or permitting by federal, regional, and local agencies. If the project is halted, the District would continue its current practice of purchasing water from MWD, identified sources, or both.

NOTE 16 – SUBSEQUENT EVENTS

The Santa Margarita Water District ("District") has entered into a Memorandum of Understanding with the City of San Juan Capistrano ("City") for the annexation of the City's water and sewer utilities. The District will be forming an additional improvement district (ID 9), which will isolate operating and non-operating revenues and expenditures and loan obligations. The impact to the current District is assumed to be negligible. The District will offer the City's water and sewer utilities efficiencies in operations and will undertake deferred maintenance and needed capital projects.

Required Supplementary Information

Santa Margarita Water District
Schedule of Changes in the District's Net Pension Liability and Related Ratios
For the Year Ended June 30, 2019

(1) Schedule of Changes in Net Pension Liability and Related Ratios

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is completed, the District will only present information for the years for which information is available.

	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015	Measurement Date June 30, 2014
Total Pension Liability					
Service Cost	\$ 2,247,163	\$ 2,163,764	\$ 1,848,648	\$ 1,780,457	\$ 1,781,063
Interest	6,765,594	6,398,444	6,127,743	5,898,709	5,605,583
Changes in Assumptions	(629,452)	5,244,977	-	(1,424,897)	-
Difference Between Expected and Actual Experience	941,393	(527,866)	(1,579,501)	(778,016)	-
Benefit Payments, Including Refunds of Employee Contributions	(3,963,586)	(3,598,196)	(3,328,929)	(2,950,790)	(2,683,647)
Net Change in Total Pension Liability	5,361,112	9,681,123	3,067,961	2,525,463	4,702,999
Total Pension Liability – Beginning	95,169,952	85,488,829	82,420,868	79,895,405	75,192,406
Total Pension Liability – Ending (a)	100,531,064	95,169,952	85,488,829	82,420,868	79,895,405
Plan Fiduciary Net Position					
Net Plan to Plan Resource Movement	(163)	-	-	-	-
Contributions – Employer	2,855,073	2,892,279	2,564,395	2,250,865	1,889,301
Contributions – Employee	954,280	924,284	883,963	921,137	955,416
Net Investment Income	5,565,499	6,530,660	267,084	1,320,631	8,393,984
Benefit Payments, Including Refunds of Employee Contributions	(3,963,586)	(3,598,196)	(3,328,929)	(2,950,790)	(2,683,647)
Administrative Expense	(101,268)	(86,112)	(35,332)	(65,221)	-
Other Miscellaneous Expense	(192,310)	-	-	-	-
Net Change in Fiduciary Net Position	5,117,525	6,662,915	351,181	1,476,622	8,555,054
Plan Fiduciary Net Position – Beginning	64,987,512	58,324,597	57,973,416	56,496,794	47,941,740
Plan Fiduciary Net Position – Ending (b)	\$ 70,105,037	\$ 64,987,512	\$ 58,324,597	\$ 57,973,416	\$ 56,496,794
Plan Net Pension Liability – Ending (a) - (b)	\$ 30,426,027	\$ 30,182,440	\$ 27,164,232	\$ 24,447,452	\$ 23,398,611
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.73%	68.29%	68.22%	70.34%	70.71%
Covered Payroll	\$ 12,205,854	\$ 11,917,733	\$ 11,283,721	\$ 10,499,276	\$ 9,194,758
Plan Net Pension Liability as a Percentage of Covered Payroll	249.27%	253.26%	240.74%	232.85%	254.48%

Notes to Schedule of Changes in the Net Pension Liability and Related Ratio

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2015. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit.

Changes of Assumptions: For the Measurement period ended June 30, 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. In 2017, the discount rate was reduced from 7.65% to 7.15%. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5% discount rate.

**Santa Margarita Water District
Schedule of Contributions
For the Year Ended June 30, 2019**

(2) Schedule of Contributions

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is completed, the District will only present information for the years for which information is available.

	<u>Fiscal Year End June 30, 2019</u>	<u>Fiscal Year End June 30, 2018</u>	<u>Fiscal Year End June 30, 2017</u>	<u>Fiscal Year End June 30, 2016</u>	<u>Fiscal Year End June 30, 2015</u>
Actuarially Determined Contribution	\$ 3,276,868	\$ 2,855,073	\$ 2,892,279	\$ 2,564,395	\$ 2,250,865
Contributions in Relation to the Actuarially Determined Contribution	(3,276,868)	(2,855,073)	(2,892,279)	(2,564,395)	(2,250,865)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

* Represents the District's fiscal year-end date

Covered Payroll	\$ 13,683,339	\$ 12,205,854	\$ 11,917,733	\$ 11,283,721	\$ 10,499,276
Contributions as a Percentage of Covered Payroll	23.95%	23.39%	24.27%	22.73%	21.44%

Notes to Schedule of Contribution:

Valuation date: June 30, 2017

Methods and assumptions used to actuarially determine contributions rates for fiscal year 2019:

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level Percent of Payroll
Asset Valuation Method	15 Year Smoothed Market
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Administrative Expenses
Retirement Age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

Statistical Section

SANTA MARGARITA WATER DISTRICT
Summary of Statistical Section
For the Year Ended June 30, 2019

This section of the Santa Margarita Water District's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Financial Trends Schedules – These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

Net position	page 48
Changes in net position	page 49
Operating revenue by source	page 51
Operating expenses by type	page 52

Revenue Schedules – These schedules contain information to help the reader assess the factors affecting the District's ability to generate its sales and property taxes.

Water sales by customer class	page 53
Water and wastewater rates	page 54
Ten largest water and wastewater customers	page 55
Assessed value and assessment rate by improvement district	page 56

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

Direct and overlapping debt summary	page 57
Debt service coverage ratio	page 64
Outstanding debt by type	page 65
Outstanding debt ratios	page 66

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

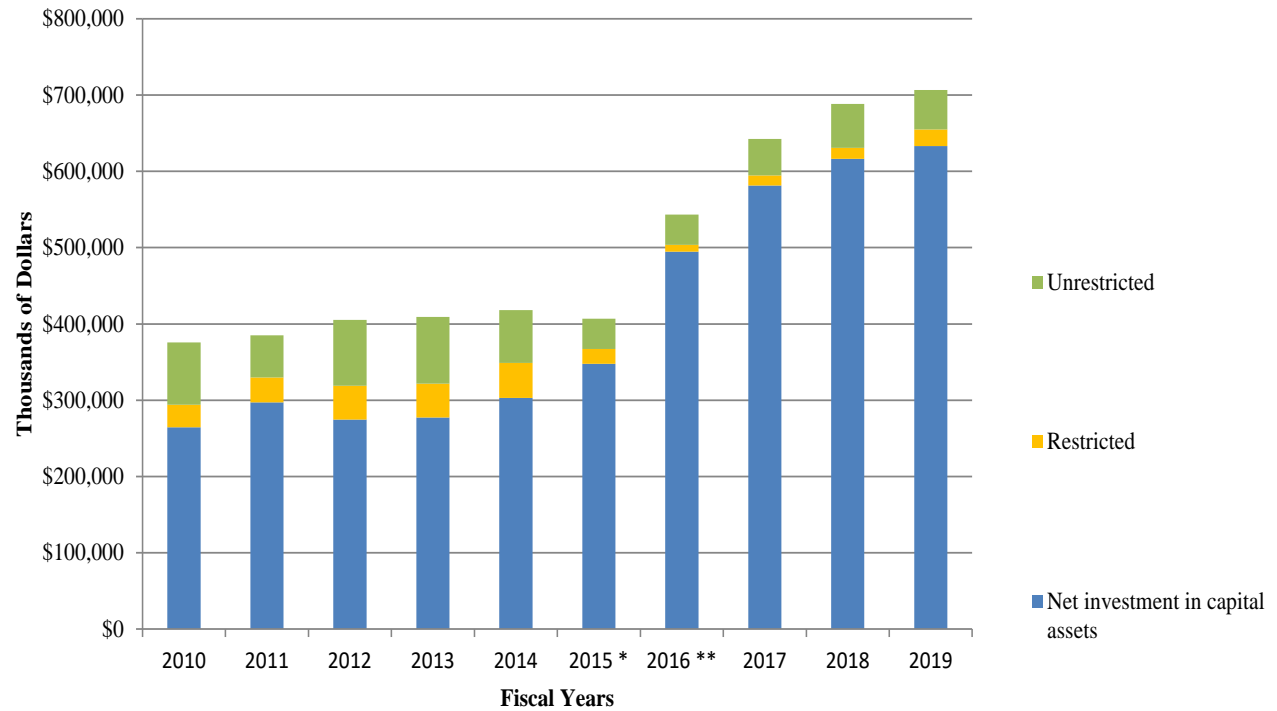
Demographic and economic statistics	page 67
Principal employers	page 68

Operating Information – These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs

Capital asset statistics	page 69
Water and wastewater connections	page 70
Employee information	page 71

SANTA MARGARITA WATER DISTRICT
Net Position
Last Ten Fiscal Years (in thousands)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015 *	2016 **	2017	2018	2019
Net Position										
Net investment in capital assets	\$ 264,455	\$ 297,117	\$ 274,835	\$ 277,328	\$ 302,967	\$ 347,590	\$ 494,624	\$ 581,278	\$ 616,456	\$ 633,048
Restricted	29,739	32,618	44,180	44,250	45,817	19,620	8,931	13,329	14,408	21,955
Unrestricted	81,693	55,518	86,432	87,714	69,321	39,726	39,832	47,951	57,446	51,752
Total net position	\$ 375,887	\$ 385,253	\$ 405,447	\$ 409,292	\$ 418,105	\$ 406,936	\$ 543,387	\$ 642,558	\$ 688,310	\$ 706,755



* Amounts include restatement of previously reported net position related to the implementation of GASB 68 and GASB 71. Also, certain amounts were reclassified for comparison purposes.

** Amounts include restatement of previously reported net position related to the removal of Community Facilities District 99-1 and 2013-1 from the District's financial statements.

Source: SMWD Basic Financial Statements

SANTA MARGARITA WATER DISTRICT
Changes in Net Position
Last Ten Fiscal Years

	Fiscal Year				
	2010	2011	2012	2013	2014
Operating Revenues:					
Potable water charges	\$ 28,653,367	\$ 27,522,866	\$ 29,764,206	\$ 32,981,298	\$ 36,178,908
Recycled and wastewater charges	16,693,371	15,600,334	16,536,155	17,715,923	19,033,220
Utility billing charges	709,257	722,208	681,507	697,052	698,786
Construction charges	11,065	208,086	276,091	806,665	708,874
Other income	3,192,317	4,424,449	1,771,983	1,476,302	2,821,343
Total operating revenues	49,259,377	48,477,943	49,029,942	53,677,240	59,441,131
Operating Expenses:					
Water purchases	21,236,768	21,185,215	23,293,146	26,665,738	28,264,492
Power	4,457,427	4,204,479	4,078,145	4,068,216	4,944,194
Maintenance and operations	400,051	440,267	571,337	524,473	622,498
Regional facilities	917,472	1,257,311	1,205,974	1,191,408	3,076,129
Sewage treatment	3,047,929	3,351,879	2,513,606	2,499,279	2,481,884
Operating general	1,897,521	1,847,191	2,162,963	1,869,340	2,195,665
Repair and maintenance	4,652,062	3,829,607	3,201,117	3,144,083	3,465,764
Employee cost	12,682,205	13,548,863	14,362,327	14,677,928	14,606,120
Customer relations	419,491	431,618	398,792	398,016	448,664
General and administrative	2,351,800	2,273,941	2,587,771	2,728,996	3,035,753
Total operating expenses	52,062,726	52,370,371	54,375,178	57,767,477	63,141,163
Depreciation and amortization	15,920,805	15,920,180	15,608,541	17,101,815	16,985,856
Operating income (loss)	(18,724,154)	(19,812,608)	(20,953,777)	(21,192,052)	(20,685,888)
Non-operating revenues (expenses)					
Property taxes-ad valorem restricted	27,323,161	25,129,283	24,680,109	26,882,700	29,694,891
Property taxes-ad valorem 1% general	5,590,346	5,987,585	5,893,978	5,946,208	6,118,055
Capacity lease income	7,149,921	805,793	807,066	806,955	809,833
Investment income	4,531,146	2,348,104	2,226,758	370,637	1,577,099
Rental income	-	1,116,498	1,174,618	1,188,799	1,199,966
Gain (loss) on sale of capital asset	-	-	-	-	-
Other non-operating income	-	-	1,935,929	2,123,379	5,133,944
Contributions to other agencies	-	-	-	-	(3,137,767)
Other non-operating expenses	-	(890,000)	-	-	(965,681)
Interest revenue (expense)	(14,826,211)	(13,979,495)	(13,192,069)	(14,644,444)	(14,566,035)
Total non-operating revenues (expenses)	29,768,363	20,517,768	23,526,389	22,674,234	25,864,305
Income (loss) before contributed capital	11,044,209	705,160	2,572,612	1,482,182	5,178,417
Contributed capital	349,875	8,648,926	17,184,484	488,881	316,913
Contributions from agencies	-	-	-	-	-
Connection fees	25,500	-	-	25,500	-
Jointly owned facilities capital reimb	-	-	346,862	156,995	83,078
Capital grants	1,895,388	12,994	89,638	1,156,820	3,234,854
Change in Net Position	\$ 13,314,972	\$ 9,367,080	\$ 20,193,596	\$ 3,310,378	\$ 8,813,262

Source: SMWD Basic Financial Statements

SANTA MARGARITA WATER DISTRICT
Changes in Net Position
Last Ten Fiscal Years

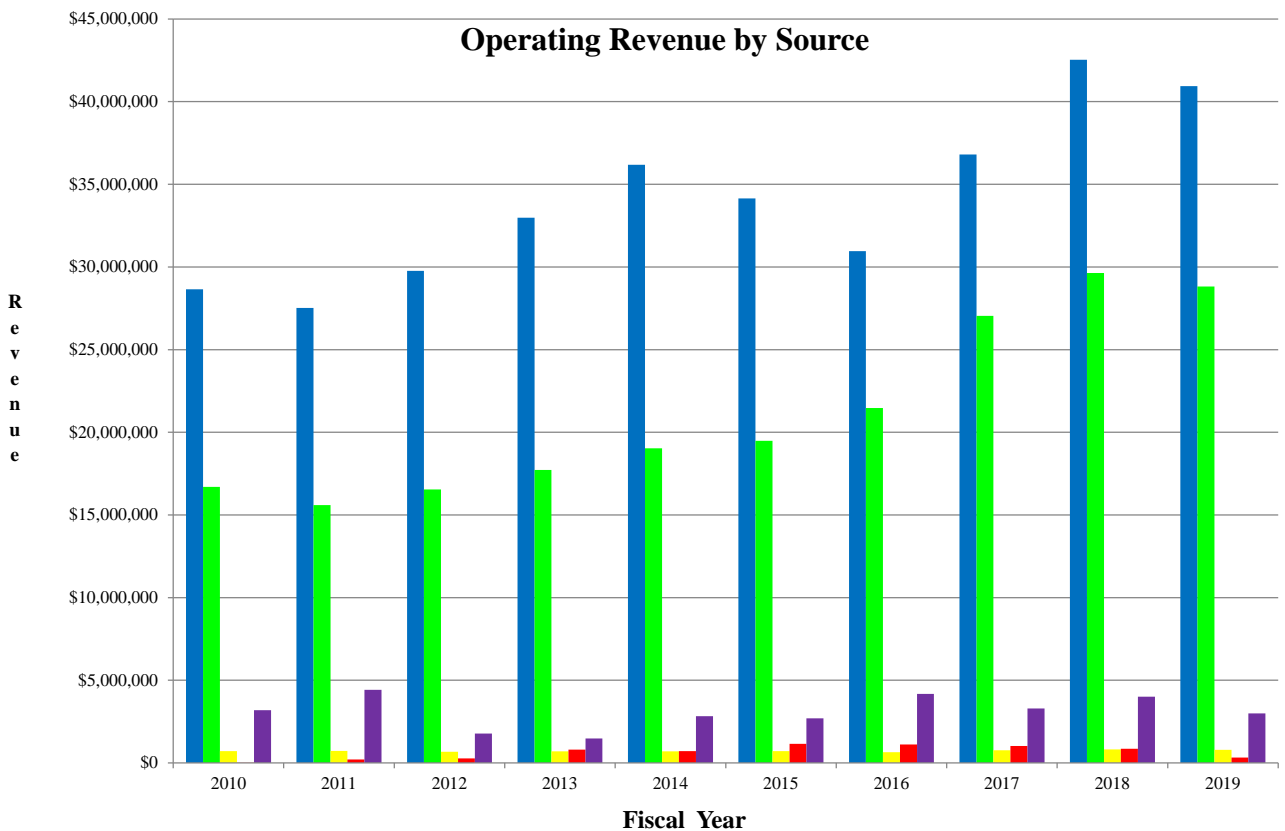
	Fiscal Year				
	2015	2016 *	2017	2018	2019
Operating Revenues:					
Potable water charges	\$ 34,142,144	\$ 30,957,212	\$ 36,801,755	\$ 42,532,641	\$ 40,935,472
Recycled and wastewater charges	19,490,718	21,473,415	27,036,220	29,630,219	28,824,165
Utility billing charges	715,686	647,657	766,205	821,386	789,675
Construction charges	1,150,074	1,121,823	1,030,082	855,453	327,665
Other income	2,702,571	4,178,070	3,298,165	4,003,968	3,001,417
Total operating revenues	58,201,193	58,378,177	68,932,427	77,843,667	73,878,394
Operating Expenses:					
Water purchases	24,212,121	23,677,839	24,333,744	24,823,991	25,874,531
Power	5,460,353	5,189,368	5,371,920	5,698,926	5,184,012
Maintenance and operations	1,138,459	1,184,825	733,064	1,000,939	251,842
Regional facilities	259,134	175,282	253,717	261,819	354,919
Sewage treatment	2,633,777	2,534,102	2,615,119	3,205,993	4,552,922
Operating general	2,535,469	2,944,793	3,306,865	4,452,531	3,290,440
Repair and maintenance	3,489,569	4,060,091	4,522,714	6,190,383	6,118,091
Employee cost	15,655,872	16,022,443	17,139,918	19,338,871	20,191,877
Customer relations	505,067	354,427	1,043,790	1,093,631	909,760
General and administrative	3,696,633	5,210,550	4,348,537	3,791,832	4,343,332
Total operating expenses	59,586,454	61,353,720	63,669,388	69,858,916	71,071,726
Depreciation and amortization	17,081,495	17,177,880	17,884,061	20,546,739	21,337,294
Operating income (loss)	(18,466,756)	(20,153,423)	(12,621,022)	(12,561,988)	(18,530,626)
Non-operating revenues (expenses)					
Property taxes-ad valorem restricted	23,454,537	19,011,576	17,588,204	17,647,908	14,246,710
Property taxes-ad valorem 1% general	6,071,301	7,074,733	7,481,907	7,949,869	8,324,301
Capacity lease income	832,103	824,530	5,434	1,516	1,438
Investment income	1,430,680	2,304,089	87,522	265,970	3,699,167
Rental income	1,107,415	1,087,296	1,204,530	1,204,707	1,242,157
Gain (loss) on sale of capital asset	-	-	-	18,149	(732,355)
Other non-operating income	4,655,928	-	8,664,815	1,073,576	707,881
Contributions to other agencies	(16,387,047)	(944,238)	(2,616)	(1,062)	-
Other non-operating expenses	(623,934)	(798,665)	-	-	-
Interest revenue (expense)	(9,303,180)	(228,423)	(1,021,469)	(333,729)	(2,027,006)
Total non-operating revenues (expenses)	11,237,803	28,330,898	34,008,327	27,826,904	25,462,293
Income (loss) before contributed capital	(7,228,953)	8,177,475	21,387,305	15,264,916	6,931,667
Contributed capital	2,607,632	3,515,481	62,591,102	12,660,109	7,292,210
Contributions from agencies	-	11,227,266	13,345,089	5,622,463	116,472
Connection fees	-	-	-	-	-
Jointly owned facilities capital reimb	9,553,265	2,064,227	646,897	892,811	4,105,174
Capital grants	9,261,561	828,296	1,199,865	11,312,189	-
Change in Net Position	\$ 14,193,505	\$ 25,812,745	\$ 99,170,258	\$ 45,752,488	\$ 18,445,523

* Amounts include restatement of previously reported change in net position related to the removal of Community Facilities District 99-1 and 2013-1 from the District's financial statements.

Source: SMWD Basic Financial Statements

SANTA MARGARITA WATER DISTRICT
Operating Revenue by Source
Last Ten Fiscal Years

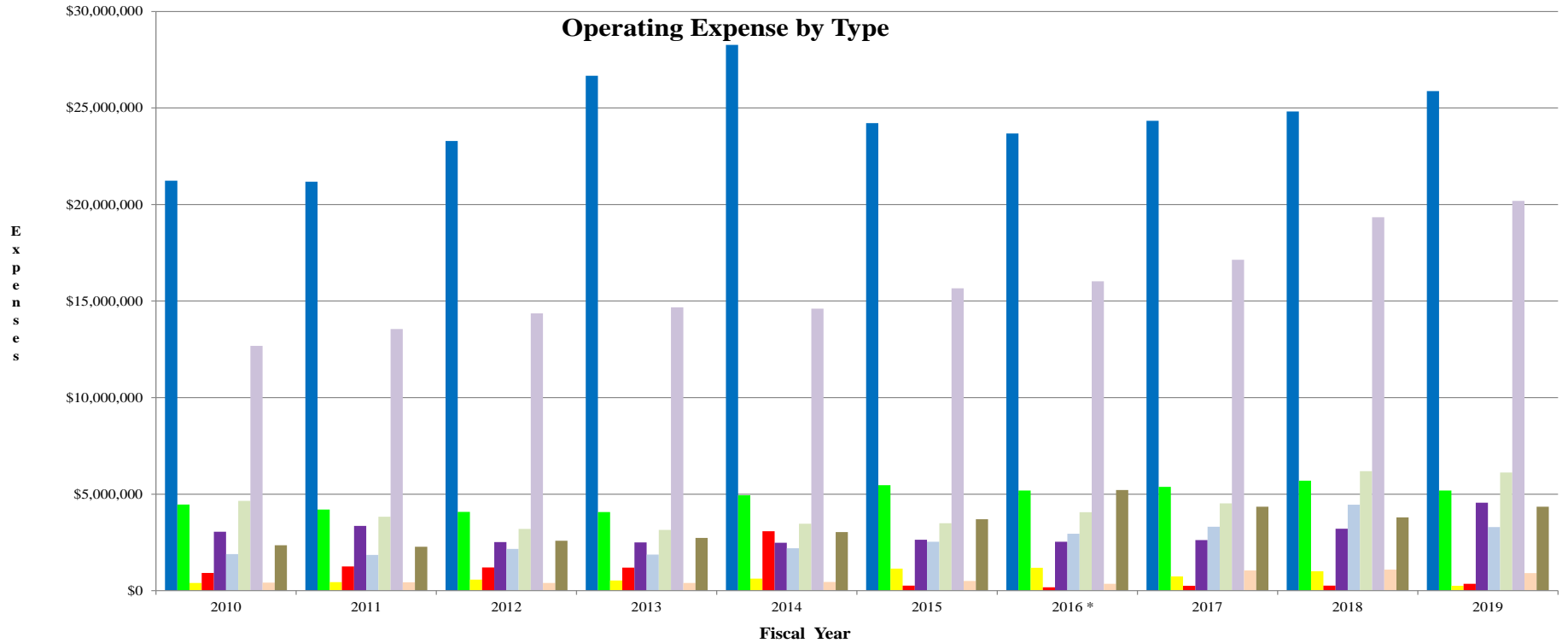
Fiscal Year	Water Sales	Sanitation Sale Service Charge	Utility Billing Charges	Construction Revenue	Other Income	Total Operating Revenue
2010	\$ 28,653,367	\$ 16,693,371	\$ 709,257	\$ 11,065	\$ 3,192,317	\$ 49,259,377
2011	27,522,866	15,600,334	722,208	208,086	4,424,449	48,477,943
2012	29,764,206	16,536,155	681,507	276,091	1,771,983	49,029,942
2013	32,981,298	17,715,923	697,052	806,665	1,476,302	53,677,240
2014	36,178,908	19,033,220	698,786	708,874	2,821,343	59,441,131
2015	34,142,144	19,490,718	715,686	1,150,074	2,702,571	58,201,193
2016	30,957,212	21,473,415	647,657	1,121,823	4,178,070	58,378,177
2017	36,801,755	27,036,220	766,205	1,030,082	3,298,165	68,932,427
2018	42,532,641	29,630,219	821,386	855,453	4,003,968	77,843,667
2019	40,935,472	28,824,165	789,675	327,665	3,001,417	73,878,394



Source: SMWD Finance Department

SANTA MARGARITA WATER DISTRICT
Operating Expenses by Type
Last Ten Fiscal Years

Fiscal Year	Water purchases	Power	Maintenance and operations	Regional facilities	Sewage treatment	Operating general	Repair and maintenance	Employee cost	Customer relations	General and administrative	Total Operating Expense
2010	21,236,768	4,457,427	400,051	917,472	3,047,929	1,897,521	4,652,062	12,682,205	419,491	2,351,800	52,062,726
2011	21,185,215	4,204,479	440,267	1,257,311	3,351,879	1,847,191	3,829,607	13,548,863	431,618	2,273,941	52,370,371
2012	23,293,146	4,078,145	571,337	1,205,974	2,513,606	2,162,963	3,201,117	14,362,327	398,792	2,587,771	54,375,178
2013	26,665,738	4,068,216	524,473	1,191,408	2,499,279	1,869,340	3,144,083	14,677,928	398,016	2,728,996	57,767,477
2014	28,264,492	4,944,194	622,498	3,076,129	2,481,884	2,195,665	3,465,764	14,606,120	448,664	3,035,753	63,141,163
2015	24,212,121	5,460,353	1,138,459	259,134	2,633,777	2,535,469	3,489,569	15,655,872	505,067	3,696,633	59,586,454
2016 *	23,677,839	5,189,368	1,184,825	175,282	2,534,102	2,944,793	4,060,091	16,022,443	354,427	5,210,550	61,353,720
2017	24,333,744	5,371,920	733,064	253,717	2,615,119	3,306,865	4,522,714	17,139,918	1,043,790	4,348,537	63,669,388
2018	24,823,991	5,698,926	1,000,939	261,819	3,205,993	4,452,531	6,190,383	19,338,871	1,093,631	3,791,832	69,858,916
2019	25,874,531	5,184,012	251,842	354,919	4,552,922	3,290,440	6,118,091	20,191,877	909,760	4,343,332	71,071,726



* Amounts include restatement of previously reported operating expenses related to the removal of Community Facilities District 99-1 and 2013-1 from the District's financial statements.

Source: SMWD Finance Department

SANTA MARGARITA WATER DISTRICT
Water Sales by Customer Class
Last Ten Fiscal Years

Water Consumption by Customer Class (ccf)

Fiscal Year	Outdoor Irrigation		Business/ Commercial	Construction	Lakefill	Residential Single Family	Residential Multi Family	Total Sales
	Non-domestic	Domestic						
2010	2,794,862	2,399,442	474,282	8,524	100,891	7,113,397	1,146,014	14,037,412
2011	2,228,114	2,019,882	438,741	22,175	66,879	6,625,628	1,120,028	12,521,447
2012	2,450,876	2,205,524	430,481	8,424	101,622	6,912,508	1,134,031	13,243,466
2013	2,834,162	2,525,388	444,967	23,117	96,428	7,072,765	1,120,178	14,117,005
2014	3,215,513	2,717,103	459,931	48,862	136,794	7,367,772	1,117,415	15,063,390
2015	3,276,908	2,372,798	424,709	181,084	180,804	6,678,883	1,090,957	14,206,143
2016	3,149,572	1,669,895	388,325	22,684	98,920	5,657,044	1,068,891	12,055,331
2017	3,408,993	1,863,834	402,388	35,439	97,430	5,800,009	1,068,959	12,677,052
2018	3,491,384	2,231,231	447,636	113,363	170,412	6,388,983	1,087,560	13,930,569
2019	2,762,126	1,751,581	458,248	50,739	105,276	5,915,133	1,074,163	12,117,266

ccf = 100 cubic feet = 748 gallons

Domestic water is water that is treated to drinking water standards

Non-domestic water is water that is not of drinking water quality, but which may still be used for many other purposes

Source: SMWD utility billing system

SANTA MARGARITA WATER DISTRICT
Water and Wastewater Rates
Last Ten Fiscal Years

Water Basic Monthly Charge - Residential Single and Multi-Family (per account)

	2010	2011	2012	2013	2014	2015 *	2016 **	2017 ***	2018 ****	2019 *****
3/4" Meter Size	\$ 6.03	\$ 6.03	\$ 6.22	\$ 6.32	\$ 6.41	\$ 8.72	\$ 14.89	\$ 21.79	\$ 23.05	\$ 23.05

Water Volumetric Charges - Residential Single Family and Multi-Family (per ccf)

	2010	2011	2012	2013	2014	2015 *	2016 **	2017 ***	2018 ****	2019 *****
Tier 1	\$ 1.61	\$ 1.61	\$ 1.66	\$ 1.69	\$ 1.71	\$ 2.04	\$ 1.86	\$ 1.67	\$ 1.67	\$ 1.67
Tier 2	1.73	1.73	1.78	1.81	1.84	2.29	2.11	1.94	1.94	1.94
Tier 3	2.18	2.18	2.25	2.29	2.32	2.77	2.61	2.44	2.45	2.45
Tier 4	2.67	2.67	2.75	2.79	2.83	3.28	3.12	2.95	2.96	2.96
Tier 5	3.49	3.49	3.60	3.66	3.71	4.50	4.67	4.84	4.85	4.85
MWDOC Surcharge	0.28	0.28	0.39	0.51	0.62	-	0.04	0.10	0.19	0.29

Water Volumetric Charges - Domestic Irrigation (Domestic Water) (per ccf)

	2010	2011	2012	2013	2014	2015 *	2016 **	2017 ***	2018 ****	2019 *****
Tier 1	\$ 1.77	\$ 1.77	\$ 1.83	\$ 1.86	\$ 1.89	\$ 2.51	\$ 2.23	\$ 1.67	\$ 1.67	\$ 1.67
Tier 2	1.77	1.77	1.83	1.86	1.89	2.51	2.32	1.94	1.94	1.94
Tier 3	1.77	1.77	1.83	1.86	1.89	2.51	2.49	2.44	2.45	2.45
Tier 4	1.77	1.77	1.83	1.86	1.89	2.51	2.66	2.95	2.96	2.96
Tier 5	1.77	1.77	1.83	1.86	1.89	2.51	3.29	4.84	4.85	4.85
MWDOC Surcharge	0.28	0.28	0.39	0.51	0.62	-	0.04	0.10	0.19	0.29

Recycled Water Volumetric Charges - Irrigation (Non-Domestic/Blended Water) (per ccf)

	2010	2011	2012	2013	2014	2015 *	2016 **	2017 ***	2018 ****	2019 *****
Tier 1	\$ 1.77	\$ 1.77	\$ 1.79	\$ 1.82	\$ 1.85	\$ 2.47	\$ 2.24	\$ 1.78	\$ 1.82	\$ 1.82
Tier 2	1.77	1.77	1.79	1.82	1.85	2.47	2.43	2.34	2.39	2.39
Tier 3	1.77	1.77	1.79	1.82	1.85	2.47	2.44	2.38	2.44	2.44
Tier 4	1.77	1.77	1.79	1.82	1.85	2.47	2.51	2.60	2.66	2.66
Tier 5	1.77	1.77	1.79	1.82	1.85	2.47	3.38	5.21	5.32	5.32
MWDOC Surcharge	0.28	0.28	0.39	0.51	0.62	-	-	-	-	-

Recycled Water Volumetric Charges - Irrigation (Non-Domestic Water) (per ccf)

	2010	2011	2012	2013	2014	2015 *	2016 **	2017 ***	2018 ****	2019 *****
Tier 1	\$ 1.74	\$ 1.74	\$ 1.79	\$ 1.82	\$ 1.85	\$ 1.85	\$ 1.83	\$ 1.78	\$ 1.82	\$ 1.82
Tier 2	1.74	1.74	1.79	1.82	1.85	1.85	2.01	2.34	2.39	2.39
Tier 3	1.74	1.74	1.79	1.82	1.85	1.85	2.03	2.38	2.44	2.44
Tier 4	1.74	1.74	1.79	1.82	1.85	1.85	2.10	2.60	2.66	2.66
Tier 5	1.74	1.74	1.79	1.82	1.85	1.85	2.97	5.21	5.32	5.32

Wastewater Monthly Charge - Single Family and Multi-Family

	2010	2011	2012	2013	2014	2015 *	2016 **	2017 ***	2018 ****	2019 *****
Fixed Base Charge (per meter)										
Single Family Residential	\$ 8.72	\$ 8.72	\$ 8.99	\$ 9.13	\$ 9.26	\$ 12.92	\$ 20.30	\$ 25.51	\$ 25.51	\$ 29.38
Multi-Family Residential (Single Meter)	8.72	8.72	8.99	9.13	9.26	12.92	20.30	25.51	25.51	29.38
Multi-Family Residential (Common Meter)	42.98	42.98	44.33	45.04	45.67	12.92	20.30	25.51	25.51	29.38
C1-Med-Low Strength	42.98	42.98	44.33	45.04	45.67	12.92	20.30	25.51	25.51	29.38
C2-Med-Low Strength	42.98	42.98	44.33	45.04	45.67	12.92	20.30	25.51	25.51	29.38
C3-Med-High Strength	42.98	42.98	44.33	45.04	45.67	12.92	20.30	25.51	25.51	29.38
C4-High Strength	42.98	42.98	44.33	45.04	45.67	12.92	20.30	25.51	25.51	29.38
Recreational	42.98	42.98	44.33	45.04	45.67	12.92	20.30	25.51	25.51	29.38
Volumetric Charge (per ccf)										
Single Family Residential	\$ 1.00	\$ 1.00	\$ 1.03	\$ 1.05	\$ 1.06	\$ 1.03	\$ 1.03	\$ 1.03	\$ 1.03	\$ 0.95
Multi-Family Residential (Single Meter)	1.00	1.00	1.03	1.05	1.06	1.03	1.03	1.03	1.03	0.95
Multi-Family Residential (Common Meter)	1.00	1.00	1.03	1.05	1.06	1.03	1.03	1.03	1.03	0.95
C1-Med-Low Strength	1.19	1.19	1.23	1.25	1.27	0.87	0.87	0.87	0.87	0.80
C2-Med-Low Strength	1.46	1.46	1.51	1.53	1.55	1.03	1.03	1.03	1.03	0.95
C3-Med-High Strength	1.96	1.96	2.02	2.05	2.08	1.49	1.49	1.49	1.49	1.35
C4-High Strength	3.51	3.51	3.62	3.68	3.73	2.19	2.19	2.19	2.19	2.32
Recreational	1.19	1.19	1.23	1.25	1.27	0.84	0.84	0.84	0.84	0.72

Average Single Family Residential Monthly Potable Water Bill (based on 3/4" meter and 15 units (ccf) of water)

	2010	2011	2012	2013	2014	2015	2016 **	2017 ***	2018 ****	2019 *****
	\$ 35.46	\$ 35.46	\$ 38.05	\$ 40.40	\$ 42.53	\$ 40.82	\$ 44.89	\$ 49.96	\$ 52.57	\$ 54.07

* 2015 Rates effective March 10, 2015
 ** 2016 Rates effective January 1, 2016
 *** 2017 Rates effective January 1, 2017
 **** 2018 Rates effective January 1, 2018
 ***** 2019 Rates effective May 1, 2019

Source: SMWD Water, Recycled Water & Wastewater Service Fees

SANTA MARGARITA WATER DISTRICT
Ten Largest Water and Wastewater Customers

2019
Top Ten Domestic Water Customers

Customer	Annual Revenue	% of Total
1 SAMLARC	\$ 837,070	2.0%
2 CZ MASTER HOA	362,105	0.9%
3 CASTA DEL SOL HOA	336,431	0.8%
4 CAPISTRANO UNIFIED SCHOOL DISTRICT	286,110	0.7%
5 LARMAC	250,737	0.6%
6 CITY OF MISSION VIEJO	220,901	0.5%
7 APPLIED MEDICAL	203,618	0.5%
8 LAS FLORES MAINTENANCE	197,028	0.5%
9 SAMCORP	142,250	0.3%
10 WESTERN NATIONAL PROPERTIES	138,920	0.3%
Total	\$ 2,975,170	7.1%
TOTAL DOMESTIC WATER SALES	\$ 40,935,472	

2009
Top Ten Domestic Water Customers

Customer	Annual Revenue	% of Total
1 SAMLARC	\$ 828,322	3.3%
2 CZ MASTER HOA	348,495	1.4%
3 CITY OF MISSION VIEJO	345,048	1.4%
4 CASTA DEL SOL HOA	338,907	1.3%
5 LAKE MISSION VIEJO	264,506	1.0%
6 LAS FLORES MAINTENANCE	191,941	0.8%
7 LARMAC	186,779	0.7%
8 CAPISTRANO UNIFIED SCHOOL DISTRICT	171,227	0.7%
9 VILLA LA PAZ APARTMENTS	134,894	0.5%
10 CALIFIA HOA	111,642	0.4%
Total	\$ 2,921,761	11.5%
TOTAL DOMESTIC WATER SALES	\$ 25,457,728	

Top Ten Recycled Water Customers

Customer	Annual Revenue	% of Total
1 LARMAC	\$ 1,109,714	15.1%
2 CITY OF MISSION VIEJO	770,091	10.5%
3 TALEGA MAINTENANCE	567,104	7.7%
4 CZ MASTER HOA	536,393	7.3%
5 RANCHO MISSION VIEJO MMC	471,218	6.4%
6 COTO DE CAZA GOLF & RACQUET	374,951	5.1%
7 CASTA DEL SOL HOA	346,388	4.7%
8 MISSION VIEJO ENVIRONMENTAL	268,652	3.7%
9 OSO VALLEY GREENBELT	233,509	3.2%
10 LAKE MISSION VIEJO	39,863	0.5%
Total	\$ 4,717,883	64.2%
TOTAL RECYCLED WATER SALES	\$ 7,358,115	

Top Ten Recycled Water Customers

Customer	Annual Revenue	% of Total
1 LARMAC	\$ 1,296,704	22.8%
2 TALEGA MAINTENANCE	627,258	11.0%
3 CITY OF MISSION VIEJO	604,927	10.6%
4 CZ MASTER HOA	533,299	9.4%
5 COTO DE CAZA GOLF & RACQUET	368,742	6.5%
6 CASTA DEL SOLA HOA	316,906	5.6%
7 OSO VALLEY GREENBELT	181,355	3.2%
8 MISSION VIEJO ENVIRONMENTAL	170,980	3.0%
9 STONERIDGE HOA	146,826	2.6%
10 CANYON ESTATES HOA	130,040	2.3%
Total	\$ 4,377,037	77.0%
TOTAL RECYCLED WATER SALES	\$ 5,690,679	

Top Ten Wastewater Customers

Customer	Annual Revenue	% of Total
1 WESTERN NATIONAL PROPERTIES	\$ 47,453	0.2%
2 GREYSTAR REAL ESTATE MANAGEMENT	40,295	0.2%
3 VILLA LA PAZ	39,446	0.2%
4 IRVINE COMPANY	37,582	0.2%
5 LADERA WNG, LLC	36,501	0.2%
6 AVALON BAY COMMUNITIES	30,716	0.1%
7 EQUITY RESIDENTIAL PROPERTIES	25,340	0.1%
8 ALTA FINNISTERRA	24,579	0.1%
9 APPLIED MEDICAL	24,104	0.1%
10 RANCHO MISSION VIEJO MMC	23,842	0.1%
Total	\$ 329,858	1.5%
TOTAL WASTEWATER SALES	\$ 21,466,050	

Top Ten Wastewater Customers

Customer	Annual Revenue	% of Total
1 SOUTH COUNTY APARTMENTS	\$ 56,682	0.5%
2 VILLA LA PAZ	49,881	0.5%
3 WESTERN NATIONAL PROP.	42,679	0.4%
4 LADERA WNG, LLC	42,016	0.4%
5 EQUITY RESIDENTIAL PROPERTIES	29,715	0.3%
6 VONS GROCERY	27,992	0.3%
7 RALPH GROCERY	27,987	0.3%
8 CAPISTRANO UNIFIED SCHOOL DISTRICT	26,295	0.2%
9 BRE PROPERTIES	26,075	0.2%
10 FINISTERRA ON THE LAKE	25,059	0.2%
Total	\$ 354,381	3.2%
TOTAL WASTEWATER SALES	\$ 10,979,318	

SANTA MARGARITA WATER DISTRICT

Assessed Value and Assessment Rate by Improvement District

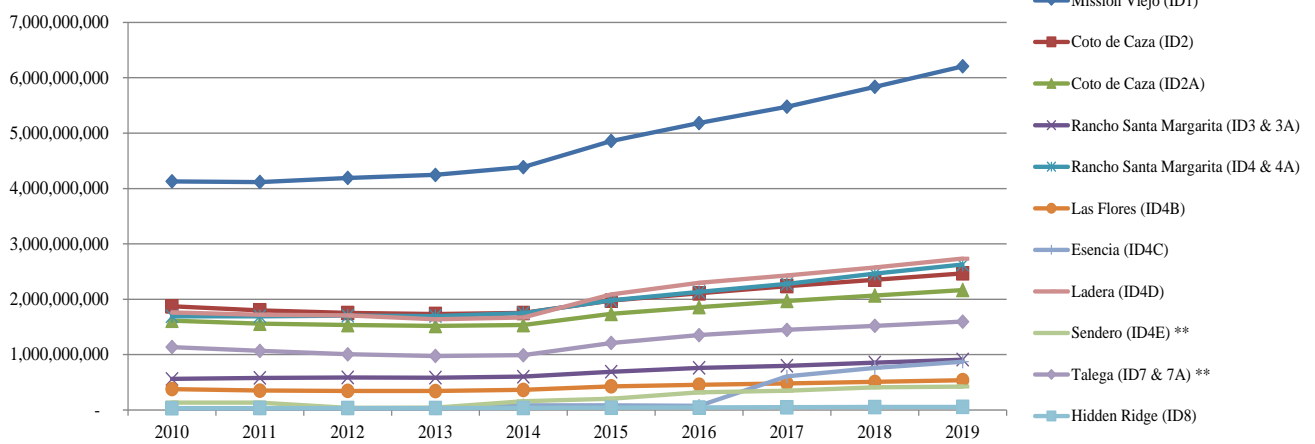
Assessed Value by Improvement District

Fiscal Year	Assessed Value by Improvement District										
	Mission Viejo (ID1)	Coto de Caza (ID2)	Coto de Caza (ID2A)	Rancho Santa Margarita (ID3 & 3A)	Rancho Santa Margarita (ID4 & 4A)	Las Flores (ID4B)	Esencia (ID4C)	Ladera (ID4D)	Sendero (ID4E) **	Talega (ID7 & 7A) **	Hidden Ridge (ID8)
2010	4,128,048,587	1,871,136,170	1,612,607,868	562,407,496	1,693,456,550	379,000,051	29,651,487	1,760,764,375	134,581,258	1,136,688,593	34,066,847
2011	4,116,938,492	1,800,451,601	1,558,144,499	578,962,833	1,693,794,017	351,929,740	29,486,395	1,720,589,112	132,748,143	1,067,513,480	35,376,650
2012	4,190,962,875	1,752,221,733	1,534,074,021	587,661,916	1,702,515,206	345,445,199	29,707,479	1,707,493,549	40,219,243	1,005,822,603	35,353,549
2013	4,246,079,372	1,733,186,576	1,516,823,350	584,731,994	1,697,614,604	342,556,495	30,356,810	1,638,801,486	44,332,116	974,637,526	36,008,090
2014	4,385,604,517	1,753,304,514	1,533,937,230	602,615,493	1,749,594,903	364,559,743	84,468,220	1,671,307,674	158,159,741	990,509,069	37,061,718
2015	4,858,429,328	1,974,367,170	1,736,599,316	690,726,758	1,978,850,692	428,287,773	83,039,022	2,089,347,724	205,352,480	1,209,751,858	42,333,665
2016	5,181,106,961	2,106,488,806	1,857,064,409	760,888,289	2,131,183,735	457,208,660	76,475,832	2,297,357,223	317,526,846	1,352,148,665	45,492,946
2017	5,477,312,584	2,236,076,361	1,968,964,693	799,168,581	2,278,789,469	481,335,895	606,398,602	2,427,571,835	348,663,496	1,447,257,074	50,459,381
2018	5,835,619,000	2,353,363,465	2,068,939,915	855,449,272	2,461,320,493	507,360,592	758,305,815	2,574,216,450	411,061,467	1,520,468,757	54,348,170
2019	6,206,022,832	2,468,385,147	2,166,690,140	909,999,028	2,627,290,567	539,485,697	871,604,033	2,733,192,659	423,486,062	1,597,001,961	56,495,273

Assessment Rate by Improvement District per \$100 of Assessed Value

Fiscal Year	Assessment Rate by Improvement District per \$100 of Assessed Value										
	Mission Viejo (ID1)	Coto de Caza (ID2)	Coto de Caza (ID2A)	Rancho Santa Margarita (ID3 & 3A)	Rancho Santa Margarita (ID4 & 4A)	Las Flores (ID4B)	Esencia (ID4C)	Ladera (ID4D)	Sendero (ID4E) **	Talega (ID7 & 7A) **	Hidden Ridge (ID8)
2010	0.0000	0.1015	0.1293	0.3990	0.4084	0.4654	3.9954	0.1796	0.3556	*	0.3315
2011	0.0000	0.0950	0.0971	0.3501	0.3927	0.4864	3.2696	0.1774	0.4501	*	0.2963
2012	0.0000	0.0952	0.0575	0.3694	0.3900	0.4803	3.2401	0.1765	1.0301	*	0.3067
2013	0.0000	0.0948	0.0578	0.4146	0.4491	0.5519	3.6571	0.1997	1.1554	*	0.3085
2014	0.0000	0.0243	0.0000	0.4076	0.2841	0.3591	1.1457	0.4070	0.1684	*	0.3017
2015	0.0000	0.0211	0.0000	0.3187	0.2193	0.2441	1.1571	0.0299	0.1323	*	0.0000
2016	0.0000	0.0211	0.0000	0.3013	0.3381	0.3369	0.3958	0.1216	0.1575	*	0.0000
2017	0.0000	0.0203	0.0000	0.2963	0.3103	0.3644	0.13036	0.1316	0.1937	*	0.0000
2018	0.0000	0.0110	0.0000	0.2811	0.2979	0.3496	0.13036	0.1225	0.1605	*	0.0000
2019	0.0000	0.0110	0.0000	0.2224	0.2411	0.2110	0.0938	0.0929	0.1157	*	0.0000

Assessed Value by Improvement District



* ID-7 assessment rates are calculated for each individual parcel

** Sendero (ID4E) and Talega (ID7 & 7A) are both Community Facilities Districts, separate legal entities. This is a fiduciary activity for the District.

Source: Benefit Analysis Study Fiscal Year 2018-2019

SANTA MARGARITA WATER DISTRICT
Direct and Overlapping Debt Summary
Improvement District No. 2/2A

Overlapping District	FY 2019-20 Total Levy	Amount of Levy on Parcels in the District	Percent of Levy on Parcels in the District	Total Debt Outstanding [1]	District Share of Total Debt Outstanding
Metropolitan Water District G.O. Bond	\$143,645,604	\$181,489	0.1263%	\$48,050,000	\$60,709
County of Orange CFD No. 87-8	\$0	\$0	0.0000%	\$0	\$0
Capistrano Unified School District SFID No. 1 Series B and 2012 Refunding	\$4,722,398	\$101,110	2.1411%	\$18,925,885	\$405,216
				ESTIMATED SHARE OF OVERLAPPING DEBT	\$465,925
Santa Margarita Water District ID No. 2					\$4,710,000 [2]
Santa Margarita Water District ID No. 2A					\$0 [2,3]
				TOTAL DIRECT AND OVERLAPPING DEBT	\$5,175,925
				TOTAL LAND ASSESSED VALUE [4]	\$2,578,149,407
				VALUE-TO-LIEN RATIO	498.104

Sources: David Taussig & Associates, Inc.; Santa Margarita Water District; Metropolitan Water District; County Of Orange

[1] Based on principal payments as of September 2, 2019. All districts shown make principal payments on September 1 except for MWD which makes principal payments on March 1.

[2] Based on information provided by the Santa Margarita Water District.

[3] Bonds issued by ID 2A were fully paid off in 2017.

[4] Based on FY 2019-2020 land value provided by County of Orange Auditor-Controller.

SANTA MARGARITA WATER DISTRICT
Direct and Overlapping Debt Summary
Improvement District No. 2/2A

Overlapping District	FY 2019-20 Total Levy	Amount of Levy on Parcels in the District	Percent of Levy on Parcels in the District	Total Debt Outstanding [1]	District Share of Total Debt Outstanding
Metropolitan Water District G.O. Bond	\$143,645,604	\$157,571	0.1097%	\$48,050,000	\$52,708
Santa Margarita Water District ID No. 2	\$283,596	\$248,115	87.4887%	\$4,710,000	\$4,120,719
County of Orange CFD No. 87-8	\$0	\$0	0.0000%	\$0	\$0
Capistrano Unified School District SFID No. 1 Series B and 2012 Refunding	\$4,722,398	\$50,198	1.0630%	\$18,925,885	\$201,180
				ESTIMATED SHARE OF OVERLAPPING DEBT	\$4,374,606
Santa Margarita Water District ID No. 2A					\$0 [2,3]
				TOTAL DIRECT AND OVERLAPPING DEBT	\$4,374,606
				TOTAL LAND ASSESSED VALUE [4]	\$2,255,589,923
				VALUE-TO-LIEN RATIO	515.610

Sources: David Taussig & Associates, Inc.; Santa Margarita Water District; Metropolitan Water District; County Of Orange

- [1] Based on principal payments as of September 2, 2019. All districts shown make principal payments on September 1 except for MWD which makes principal payments on March 1.
[2] Based on information provided by the Santa Margarita Water District.
[3] Bonds issued by ID 2A were fully paid off in 2017.
[4] Based on FY 2019-2020 land value provided by County of Orange Auditor-Controller.

SANTA MARGARITA WATER DISTRICT
Direct and Overlapping Debt Summary
Improvement District No. 3/3A

Overlapping District	FY 2019-20 Total Levy	Amount of Levy on Parcels in the District	Percent of Levy on Parcels in the District	Total Debt Outstanding [1]	District Share of Total Debt Outstanding
Metropolitan Water District G.O. Bond	\$143,645,604	\$59,057	0.0411%	\$48,050,000	\$19,755
County of Orange CFD No. 87-5B	\$0	\$0	0.0000%	\$0	\$0
County of Orange CFD No. 87-5C	\$0	\$0	0.0000%	\$0	\$0
County of Orange CFD No. 87-5D	\$0	\$0	0.0000%	\$0	\$0
Capistrano Unified School District SFID No. 1 Series B and 2012 Refunding	\$4,722,398	\$88	0.0019%	\$18,925,885	\$352
Saddleback Valley Unified School District G.O. Bond Series 2016 Refunding	\$2,867,206	\$100,911	3.5195%	\$28,995,000	\$1,020,476
Saddleback Valley Unified School District G.O. Bond Series 2013 Refunding	\$5,654,765	\$199,019	3.5195%	\$56,850,000	\$2,000,826
Saddleback Valley Unified School District G.O. Bond Series 2013A	\$620,390	\$21,834	3.5195%	\$7,060,000	\$248,474
Saddleback Valley Unified School District G.O. Bond Series 2016A	\$477,868	\$16,818	3.5195%	\$8,940,000	\$314,642
Saddleback Valley Unified School District CFD No. 89-2	\$0	\$0	0.0000%	\$672,292 [4]	\$0
Saddleback Valley Unified School District CFD No. 89-3	\$0	\$0	0.0000%	\$367,502 [4]	\$0
CA HERO Program [5]	NA	NA	NA	NA	\$449,633
				ESTIMATED SHARE OF OVERLAPPING DEBT	\$4,054,157
Santa Margarita Water District ID No. 3/3A					\$4,825,000 [2]
				TOTAL DIRECT AND OVERLAPPING DEBT	\$8,879,157
				TOTAL LAND ASSESSED VALUE [3]	\$952,794,717
				VALUE-TO-LIEN RATIO	107.307

Sources: David Taussig & Associates, Inc.; Santa Margarita Water District; Metropolitan Water District; Saddleback Valley USD; County Of Orange

[1] Based on principal payments as of September 2, 2019. All districts shown make principal payments on September 1 except for MWD which makes principal payments on March 1.

[2] Based on information provided by the Santa Margarita Water District.

[3] Based on FY 2019-2020 land value provided by County of Orange Auditor-Controller.

[4] Saddleback Valley Unified School District CFD Nos. 89-2 and 89-3 have funds on hand to pay for remaining bonds and will no longer require a levy moving forward.

[5] A total of 22 property owners are participating in the CA HERO Program as of June 30, 2019. DTA is not aware of any property owners in ID No. 3/3A that are participating in other active PACE programs.

SANTA MARGARITA WATER DISTRICT
Direct and Overlapping Debt Summary
Improvement District No. 4/4A/4B

Overlapping District	FY 2019-20 Total Levy	Amount of Levy on Parcels in the District	Percent of Levy on Parcels in the District	Total Debt Outstanding [1]	District Share of Total Debt Outstanding
Metropolitan Water District G.O. Bond	\$143,645,604	\$505,703	0.3520%	\$48,050,000	\$169,160
County of Orange CFD No. 87-5A	\$0	\$0	0.0000%	\$0	\$0
County of Orange CFD No. 87-5B	\$0	\$0	0.0000%	\$0	\$0
County of Orange CFD No. 99-1	\$1,540,622	\$1,540,622	100.0000%	\$12,180,000	\$12,180,000
County of Orange CFD No. 2000-1	\$1,946,338	\$1,946,338	100.0000%	\$15,890,000	\$15,890,000
County of Orange CFD No. 2001-1	\$2,096,690	\$2,096,690	100.0000%	\$20,140,000	\$20,140,000
County of Orange CFD No. 2002-1	\$4,201,479	\$4,201,479	100.0000%	\$48,950,000	\$48,950,000
County of Orange CFD No. 2003-1	\$3,329,528	\$3,329,528	100.0000%	\$40,630,000	\$40,630,000
County of Orange CFD No. 2004-1	\$4,761,931	\$4,761,931	100.0000%	\$58,070,000	\$58,070,000
County of Orange CFD No. 2015-1	\$5,083,580	\$5,083,580	100.0000%	\$86,385,000	\$86,385,000
County of Orange CFD No. 2016-1	\$5,005,384	\$5,005,384	100.0000%	\$91,125,000	\$91,125,000
County of Orange CFD No. 2017-1, IA No. 1	\$4,182,782	\$4,182,782	100.0000%	\$76,660,000	\$76,660,000
Capistrano Unified School District CFD No. 92-1	\$1,954,639	\$1,954,639	100.0000%	\$5,295,000	\$5,295,000
Capistrano Unified School District CFD No. 98-2	\$7,006,536	\$7,006,536	100.0000%	\$80,724,623 [4]	\$80,724,623
Capistrano Unified School District SFID No. 1 Series B and 2012 Refunding	\$4,722,398	\$217,085	4.5969%	\$18,925,885	\$870,009
Saddleback Valley Unified School District G.O. Bond Series 2016 Refunding	\$2,867,206	\$186,712	6.5120%	\$28,995,000	\$1,888,149
Saddleback Valley Unified School District G.O. Bond Series 2013 Refunding	\$5,654,765	\$368,237	6.5120%	\$56,850,000	\$3,702,063
Saddleback Valley Unified School District G.O. Bond Series 2013A	\$620,390	\$40,400	6.5120%	\$7,060,000	\$459,747
Saddleback Valley Unified School District G.O. Bond Series 2016A	\$477,868	\$31,119	6.5120%	\$8,940,000	\$582,170
Saddleback Valley Unified School District CFD No. 88-1	\$0	\$0	0.0000%	\$1,110,000 [5]	\$0
City of San Juan Capistrano G.O. Bond Series 2017 Refunding	\$1,845,235	\$0 [6]	0.0000%	\$26,270,000	\$0
Santa Margarita Water District CFD No. 2013-1	\$3,477,766	\$3,477,766	100.0000%	\$53,805,000	\$53,805,000
CA HERO Program [7]	NA	NA	NA	NA	\$1,072,453
ESTIMATED SHARE OF OVERLAPPING DEBT					\$598,598,375
Santa Margarita Water District ID No. 4					\$27,065,000 [2]
Santa Margarita Water District ID No. 4A					\$2,865,000 [2]
Santa Margarita Water District ID No. 4B					\$7,430,000 [2]
TOTAL DIRECT AND OVERLAPPING DEBT					\$635,958,375
TOTAL LAND ASSESSED VALUE [3]					\$7,599,328,611
VALUE-TO-LIEN RATIO					11.949

Sources: David Taussig & Associates, Inc.; Santa Margarita Water District; Metropolitan Water District; Saddleback Valley USD; County Of Orange

[1] Based on principal payments as of September 2, 2019. All districts shown make principal payments on September 1 except for MWD which makes principal payments on March 1.

[2] Based on information provided by the Santa Margarita Water District.

[3] Based on FY 2019-2020 land value provided by County of Orange Auditor-Controller.

[4] Principal amount for the outstanding capital appreciation bonds determined by applying accreted value as of September 1, 2019.

[5] Saddleback Valley Unified School District CFD No. 88-1 has funds on hand to pay for remaining bonds and will no longer require a levy moving forward.

[6] For FY 2019-20, no parcels in District are considered taxable.

[7] A total of 67 property owners are participating in the CA HERO Program as of June 30, 2019. DTA is not aware of any property owners in ID No. 4 that are participating in other active PACE programs.

SANTA MARGARITA WATER DISTRICT
Direct and Overlapping Debt Summary
Improvement District No. 4A

Overlapping District	FY 2019-20 Total Levy	Amount of Levy on Parcels in the District	Percent of Levy on Parcels in the District	Total Debt Outstanding [1]	District Share of Total Debt Outstanding
Metropolitan Water District G.O. Bond	\$143,645,604	\$170,454	0.1187%	\$48,050,000	\$57,017
Santa Margarita Water District ID No. 4	\$7,747,502 [4]	\$3,447,621 [5]	44.4998%	\$27,065,000	\$12,043,865
County of Orange CFD No. 87-5A	\$0	\$0	0.0000%	\$0	\$0
County of Orange CFD No. 87-5B	\$0	\$0	0.0000%	\$0	\$0
Capistrano Unified School District SFID No. 1 Series B and 2012 Refunding	\$4,722,398	\$22,080	0.4676%	\$18,925,885	\$88,488
Saddleback Valley Unified School District G.O. Bond Series 2016 Refunding	\$2,867,206	\$186,712	6.5120%	\$28,995,000	\$1,888,149
Saddleback Valley Unified School District G.O. Bond Series 2013 Refunding	\$5,654,765	\$368,237	6.5120%	\$56,850,000	\$3,702,063
Saddleback Valley Unified School District G.O. Bond Series 2013A	\$620,390	\$40,400	6.5120%	\$7,060,000	\$459,747
Saddleback Valley Unified School District G.O. Bond Series 2016A	\$477,868	\$31,119	6.5120%	\$8,940,000	\$582,170
Saddleback Valley Unified School District CFD No. 88-1	\$0	\$0	0.0000%	\$1,110,000 [6]	\$0
CA HERO Program [7]	NA	NA	NA	NA	\$1,072,453
ESTIMATED SHARE OF OVERLAPPING DEBT					\$19,893,953
Santa Margarita Water District ID No. 4A					\$2,865,000 [2]
TOTAL DIRECT AND OVERLAPPING DEBT					\$22,758,953
TOTAL LAND ASSESSED VALUE [3]					\$2,762,516,961
VALUE-TO-LIEN RATIO					121.382

Sources: David Taussig & Associates, Inc.; Santa Margarita Water District; Metropolitan Water District; Saddleback Valley USD; County Of Orange

[1] Based on principal payments as of September 2, 2019. All districts shown make principal payments on September 1 except for MWD which makes principal payments on March 1.

[2] Based on information provided by the Santa Margarita Water District.

[3] Based on FY 2019-2020 land value provided by County of Orange Auditor-Controller.

[4] Includes FY 2019-2020 levy for ID 4, 4A, 4B, 4C, and 4E attributable to ID 4 debt only.

[5] Based on FY 2019-2020 ID 4 rate of \$0.0691/\$100 and ID 4A rate of \$0.0557/\$100 attributable to ID 4 debt only.

[6] Saddleback Valley Unified School District CFD No. 88-1 has funds on hand to pay for remaining bonds and will no longer require a levy moving forward.

[7] A total of 67 property owners are participating in the CA HERO Program as of June 30, 2019. DTA is not aware of any property owners in ID No. 4A that are participating in other active PACE programs.

SANTA MARGARITA WATER DISTRICT
Direct and Overlapping Debt Summary
Improvement District No. 4B

Overlapping District	FY 2019-20 Total Levy	Amount of Levy on Parcels in the District	Percent of Levy on Parcels in the District	Total Debt Outstanding [1]	District Share of Total Debt Outstanding
Metropolitan Water District G.O. Bond	\$143,645,604	\$274,780	0.1913%	\$48,050,000	\$91,915
Santa Margarita Water District ID No. 4	\$7,747,502 [4]	\$3,433,667 [5]	44.3197%	\$27,065,000	\$11,995,119
County of Orange CFD No. 99-1	\$1,540,622	\$1,540,622	100.0000%	\$12,180,000	\$12,180,000
County of Orange CFD No. 2000-1	\$1,946,338	\$1,946,338	100.0000%	\$15,890,000	\$15,890,000
County of Orange CFD No. 2001-1	\$2,096,690	\$2,096,690	100.0000%	\$20,140,000	\$20,140,000
County of Orange CFD No. 2002-1	\$4,201,479	\$4,201,479	100.0000%	\$48,950,000	\$48,950,000
County of Orange CFD No. 2003-1	\$3,329,528	\$3,329,528	100.0000%	\$40,630,000	\$40,630,000
County of Orange CFD No. 2004-1	\$4,761,931	\$4,761,931	100.0000%	\$58,070,000	\$58,070,000
Capistrano Unified School District CFD No. 92-1	\$1,954,639	\$1,954,639	100.0000%	\$5,295,000	\$5,295,000
Capistrano Unified School District CFD No. 98-2	\$7,006,536	\$7,006,536	100.0000%	\$80,724,623 [7]	\$80,724,623
Capistrano Unified School District SFID No. 1 Series B and 2012 Refunding	\$4,722,398	\$66,293	1.4038%	\$18,925,885	\$265,683
City of San Juan Capistrano G.O. Bond Series 2017 Refunding	\$1,845,235	\$0 [8]	0.0000%	\$26,270,000	\$0
Santa Margarita Water District CFD No. 2013-1	\$3,477,766	\$3,477,766	100.0000%	\$53,805,000	\$53,805,000
ESTIMATED SHARE OF OVERLAPPING DEBT					\$348,037,340
Santa Margarita Water District ID No. 4B					\$7,430,000 [2]
TOTAL DIRECT AND OVERLAPPING DEBT					\$355,467,340
TOTAL LAND ASSESSED VALUE [3]					\$3,863,374,237
VALUE-TO-LIEN RATIO					10.868

Sources: David Taussig & Associates, Inc.; Santa Margarita Water District; Metropolitan Water District; County Of Orange

[1] Based on principal payments as of September 2, 2019. All districts shown make principal payments on September 1 except for MWD which makes principal payments on March 1.

[2] Based on information provided by the Santa Margarita Water District.

[3] Based on FY 2019-2020 land value provided by County of Orange Auditor-Controller. Includes land value for property in ID 4B, ID 4D, and ID 4E.

[4] Includes FY 2019-2020 levy for ID 4, 4A, 4B, 4C, and 4E attributable to ID 4 debt only.

[5] Based on FY 2019-2020 ID 4 rate of \$0.0691/\$100 for property in ID 4B, ID 4D, and ID 4E. Also includes ID 4B rate of \$0.1196/\$100, ID 4D rate of \$0.0000/\$100, and ID 4E rate of \$0.0233/\$100 attributable to ID 4 debt only.

[6] Includes property that pays for ID 4B debt (i.e., ID 4B, ID 4D, and ID 4E).

[7] Principal amount for the outstanding capital appreciation bonds determined by applying accreted value as of September 1, 2019.

[8] For FY 2019-20, no parcels in District are considered taxable.

SANTA MARGARITA WATER DISTRICT
Direct and Overlapping Debt Summary
Community Facilities District No. 99-1 (Talega)

Overlapping District	FY 2019-2020 Total Levy	Amount of Levy on Parcels in District	Percent of Levy on Parcels in District	Total Debt Outstanding [1]	District Share of Total Debt Outstanding
Capistrano Unified School District CFD No. 90-2	\$2,475,414	\$2,475,414	100.0000%	\$28,640,000	\$28,640,000
Capistrano Unified School District CFD No. 90-2 IA No. 2002-1	\$3,364,605	\$3,364,605	100.0000%	\$35,035,000	\$35,035,000
Metropolitan Water District	\$143,645,604	\$111,429	0.0776%	\$48,050,000	\$37,273
PACE Programs [3]	NA	NA	NA	NA	\$449,412
				Estimated Share of Overlapping Debt Allocable to the District	\$64,161,685
				Plus CFD No. 99-1 Refunding Bonds Series 2014 [2]	\$25,785,000
				Plus CFD No. 99-1 Refunding Bonds Series 2017 [1]	\$33,595,000
				Estimated Share of Direct and Overlapping Debt Allocable to the District	\$123,541,685

[1] As of September 2, 2019.

[2] As of September 2, 2019. Reflects bond call of \$2,885,000 on September 1, 2015.

[3] A total of 13 property owners are participating in the CA HERO Program as of June 30, 2019. In addition, there are three property owners participating in the CaliforniaFIRST Program as of June 30, 2019. DTA is not aware of any property owners in CFD No. 99-1 that are participating in other active PACE programs.

* CFD Bonds are not direct obligations of Santa Margarita Water District. They are fiduciary activities of the District.

SANTA MARGARITA WATER DISTRICT
Debt Service Coverage Ratio

Fiscal Year	Total Revenues [1]	Operating Expenses [2]	Net Available Revenues	Annual Debt Service			Coverage Ratio
				Principal	Interest	Total	
2010	93,853,951	52,062,726	41,791,225	14,646,674	15,027,533	29,674,207	1.41
2011	83,865,206	52,370,371	31,494,835	16,216,752	14,876,121	31,092,873	1.01
2012	85,748,400	54,375,178	31,373,222	15,601,752	13,555,395	29,157,147	1.08
2013	90,995,918	57,767,477	33,228,441	15,803,677	14,450,735	30,254,412	1.10
2014	103,974,919	63,141,163	40,833,756	17,817,278	13,673,314	31,490,592	1.30
2015	95,753,157	59,586,454	36,166,703	17,461,497	12,820,879	30,282,376	1.19
2016 *	88,680,401	61,353,720	27,326,681	14,006,201	5,538,441	19,544,642	1.40
2017	103,964,839	63,669,388	40,295,451	15,213,214	5,010,779	20,223,993	1.99
2018**	88,154,782	69,858,916	18,295,866	966,203	262,799	1,229,002	14.89
2019**	86,643,647	71,071,726	15,571,921	990,440	240,887	1,231,327	12.65

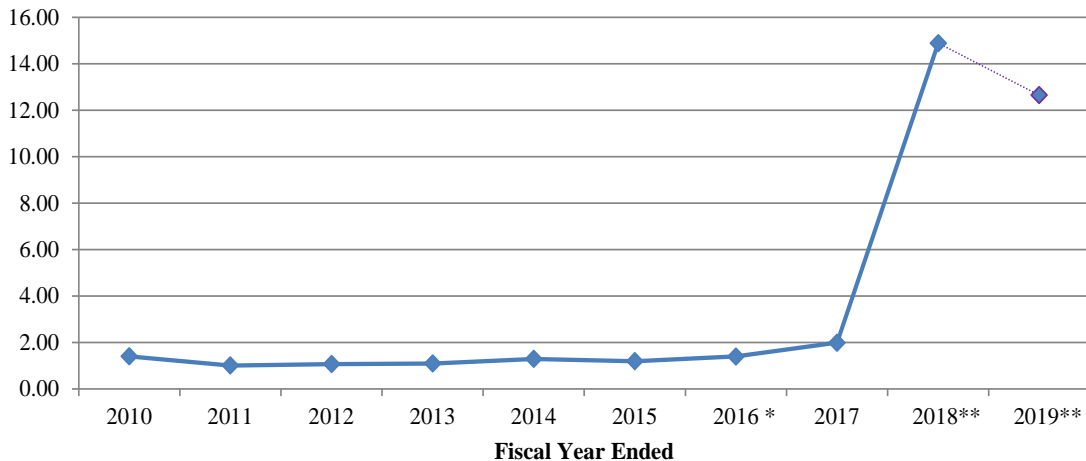
[1] Total Revenues includes total operating revenues, ad-valorem general tax receipts, investment income, investment income (excluding income related to General Obligation Bonds in fiscal year 2018), capacity lease revenue, connection fees, rental income and other non-operating income

[2] Operating expense excludes depreciation and amortization and interest expense

* Amounts include restatement of previously reported revenues, operating expenses and debt service related to the removal of Community Facilities District 99-1 and 2013-1 from the District's financial statements.

** The District entered into a State Revolving Fund (SRF) loan for the construction of the Trampas Reservoir, which began in fiscal year 2018. There is a debt coverage requirement as part of the loan agreement, which the District did not have in prior years. Therefore, beginning in fiscal year 2018 debt service coverage excludes the District's General Obligation Bonds as they are a secondary pledge for the District. This is not applied retroactively. The debt service coverage for fiscal year 2009 through 2017 includes the General Obligation Bonds for presentation purposes only but does not represent a legal requirement.

Debt Service Coverage Ratio



Source: SMWD Finance Department

SANTA MARGARITA WATER DISTRICT
Outstanding Debt by Type

Fiscal Year Ended	General Obligation Bonds	Notes Payable	El Toro R-6 Reservoir Capacity Obligation	Total	CFD Bonds *
2010	193,735,000	13,461,914	2,158,349	209,355,263	100,090,000
2011	181,498,000	12,831,276	1,477,058	195,806,334	98,425,000
2012	168,705,000	11,976,705	758,296	181,440,001	98,400,000
2013	158,521,091	11,150,200	-	169,671,291	96,210,000
2014	144,091,634	10,383,922	-	154,475,556	151,130,000
2015	126,973,190	9,597,425	-	136,570,615	147,827,394
2016	111,822,909	8,791,224	-	120,614,133	141,615,877
2017	97,744,544	12,278,010	-	110,022,554	138,064,068
2018	80,884,125	11,311,807	-	92,195,932	130,327,956
2019	63,738,857	30,390,489	-	94,129,346	126,000,984

* CFD Bonds are not direct obligations of Santa Margarita Water District. This is a fiduciary activity for the District.

Final payment for the El Toro R-6 Reservoir was in Fiscal Year 2012.

Increase in CFD Bonds in 2014 is due to the issuance of the 2013-1 CFD Bonds.

Decrease in General Obligation Bonds in 2015 is due to a bond refinancing and issuance of the 2014 Refunding Bonds Series A and Series B.

Decrease in General Obligation Bonds in 2017 is due to a bond refinancing and issuance of the 2017 Refunding Bonds Series A.

Increase in Notes Payable in 2017 is due to two new loans in 2017:

City of Mission Viejo and State Water Resources Control Board.

Increase in Notes Payable in 2019 is due to additional loan disbursements received from the State Water Resources Control Board.

SANTA MARGARITA WATER DISTRICT
Outstanding Debt Ratios

Fiscal Year	Total Outstanding Debt	Taxable Assessed Valuation	Percentage of Assessed Valuation to Debt	Total Water Connections	Outstanding Debt per Water Connection	Debt Service Per Capita
2010	309,445,263	13,342,409,282	2.32%	52,050	5,945	2,069
2011	294,231,334	13,085,934,962	2.25%	52,072	5,650	1,961
2012	279,840,001	12,931,477,373	2.16%	52,105	5,371	1,856
2013	265,881,291	12,845,128,419	2.07%	52,203	5,093	1,756
2014	305,605,556	13,331,122,822	2.29%	52,834	5,784	2,007
2015	284,398,009	15,297,085,786	1.86%	53,266	5,339	1,854
2016 *	120,614,133	16,582,942,372	0.73%	53,675	2,247	768
2017 *	110,022,554	18,121,997,971	0.61%	54,214	2,029	693
2018 *	92,195,932	19,400,453,396	0.48%	54,922	1,679	574
2019 *	94,129,346	20,599,653,399	0.46%	55,555	1,694	579

Fiscal Year	Amount Levied	Amount Collected [1]	Percent Collected
2010	31,936,614	32,001,185	100.2%
2011	31,409,878	30,277,114	96.4%
2012	31,446,270	31,154,186	99.1%
2013	33,747,352	33,997,213	100.7%
2014	36,436,003	35,845,766	98.4%
2015	34,428,547	33,763,411	98.1%
2016 *	27,049,698	26,168,710	96.7%
2017 *	25,222,843	24,784,692	98.3%
2018 *	25,761,237	25,604,243	99.4%
2019 *	22,707,282	22,378,767	98.6%

Tax receipts are the second largest revenue source

The amounts levied and collected are based on the County tax year which is from August 1 - July 31

[1] Amount collected may include amounts levied in prior years and adjustments for comparison purposes

* Amounts include restatement of previously reported revenues, operating expenses and debt service related to the removal of Community Facilities District (CFD) 99-1 and 2013-1 from the District's financial statements. Fiscal Year 2016 outstanding debt is restated and excludes CFD debt. Fiscal Year 2017 through Fiscal Year 2019 also exclude CFD debt.

*Source: County of Orange Tax Ledger Summary
SMWD utility billing system
SMWD Finance Department*

SANTA MARGARITA WATER DISTRICT
Demographic and Economic Statistics

Fiscal Year Ended	SMWD Population	City of Rancho Santa Margarita		City of Mission Viejo		City of San Clemente		County of Orange		
		Population	Median Age	Population	Median Age	Population	Median Age	Personal Income (thousands of dollars) [1]	Per Capita Personal Income [1]	Unemployment Rate
2009	149,533	49,643	31.9	100,122	40.5	68,234	40.0	148,372,600	47,267	9.6%
2010	150,043	49,945	32.7	93,297	40.8	68,763	39.0	153,098,600	48,350	9.6%
2011	150,762	48,278	33.5	93,483	41.5	63,743	39.0	159,007,100	52,822	8.6%
2012	151,411	48,079	34.1	94,196	41.6	64,208	39.0	166,345,500	54,436	8.1%
2013	152,245	48,550	34.6	94,824	42.0	64,542	40.0	168,966,400	54,827	6.7%
2014	153,385	48,834	34.7	95,334	43.0	64,874	40.0	177,412,900	56,973	5.4%
2015	156,949	48,823	35.2	96,652	43.6	65,399	40.0	185,500,000	58,933	4.0%
2016	158,747	48,516	35.8	96,701	43.7	66,245	41.0	190,978,000	59,999	4.4%
2017	160,601	48,602	36.7	95,985	44.2	65,975	38.0	199,492,000	62,458	4.2%
2018	162,454	48,602	36.8	95,987	44.2	65,543	42.0	215,479,000	66,896	3.1%

SMWD service area also includes unincorporated portions of the County of Orange

* Data is not available

2019 data was not available at the time the report was prepared

[1] Personal income information is not available by city

Sources:

County of Orange CAFR

City of Rancho Santa Margarita CAFR

City of Mission Viejo CAFR

City of San Clemente CAFR

SANTA MARGARITA WATER DISTRICT
Principle Employers

Employer	2018		2009	
	Number of Employees	Percentage of Employment	Number of Employees	Percentage of Employment
City of Rancho Santa Margarita				
Applied Medical	2,700	8.62%	1,249	4.28%
O'Connell Landscape	1,000	3.19%	1,090	3.73%
Saddleback Valley School District	288	0.92%	550	1.88%
Target Corporation	255	0.81%	240	0.82%
Lucas & Mercier Construction	250	0.80%	567	1.94%
Capistrano Unified School District	215	0.69%	200	0.68%
Control Components Inc.	200	0.64%	370	1.27%
PADI	180	0.57%	170	0.58%
Santa Margarita Catholic H.S.	175	0.56%	200	0.68%
Car Sound Exhaust System Inc.	150	0.48%	210	0.72%
	5,413	17.28%	4,846	16.58%
City of Mission Viejo				
Saddleback College*	2,752	5.49%	2,196	3.95%
Mission Hospital Regional Medical Center*	2,600	5.19%	1,349	2.43%
Saddleback Valley Unified School District	914	1.82%	400	0.72%
Coldwell Banker	740	1.48%	410	0.74%
Capistrano Unified School District	690	1.38%	n/a	n/a
James Hardie Building Products	400	0.80%	n/a	n/a
Target Corporation	320	0.64%	n/a	n/a
South Coast Children's Society	315	0.63%	n/a	n/a
Nordstrom	300	0.60%	300	0.54%
Franchise Services	300	0.60%	n/a	n/a
Unisys Corporation	n/a	n/a	1,000	1.80%
Quest Diagnostics	n/a	n/a	500	0.90%
Macy's	n/a	n/a	275	0.49%
City of Mission Viejo	n/a	n/a	260	0.47%
Bristol Farms	n/a	n/a	250	0.45%
	9,331	18.63%	6,940	12.49%
City of San Clemente				
Capistrano Unified School District	861	2.67%	n/a	n/a
Fisherman's Restaurants	265	0.82%	197	0.72%
Ralphs	243	0.75%	206	0.75%
ICU Medical	225	0.70%	108	0.40%
Glaukos Corp	210	0.65%	n/a	n/a
City of San Clemente	203	0.63%	208	0.76%
Target Retail Store	200	0.62%	n/a	n/a
Walmart	195	0.61%	225	0.82%
Albertsons	177	0.55%	205	0.75%
Lowe's Home Improvement	175	0.54%	130	0.48%
Saddleback Memorial Medical Center	n/a	n/a	339	1.24%
San Clemente High School	n/a	n/a	169	0.62%
Bunker Energy Suspension	n/a	n/a	120	0.44%
	2,754	8.54%	1,907	6.98%

Sources: City of Rancho Santa Margarita CAFR, City of Mission Viejo CAFR, City of San Clemente CAFR
FY 2018 was the most recent data available at the time this report was prepared
SMWD service area also includes unincorporated portions of the County of Orange
Data from 2019 was not available at time of preparation of this report
* These organizations do not reside within the District's service area.

SANTA MARGARITA WATER DISTRICT
Capital Assets Statistics

Fiscal Years Ended

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2018
Domestic System										
Miles of Water Mains	595	595	595	595	595	615	615	626	626	634
Maximum Storage Capacity (Acre-feet)	927	1,197	1,197	1,197	1,197	1,210	1,210	1,222	1,222	1,222
Number of Storage Tanks	31	32	32	32	32	33	33	34	34	34
Number of Pump Stations	20	21	21	21	21	21	21	21	21	21
Non-Domestic System										
Miles of Water Mains	116	116	116	116	116	125	125	129	129	133
Number of Storage Tanks	6	6	6	6	6	7	7	8	8	8
Number of Open Reservoirs	2	2	2	2	2	2	2	2	2	2
Maximum Storage Capacity (Acre-feet)	4,535	4,535	4,535	4,535	4,535	4,547	4,547	4,566	4,566	4,566
Number of Pump Stations	12	12	12	12	12	13	14	14	14	14
Sewer System										
Miles of Sewer Line	605	605	605	605	605	620	620	630	624	632
Number of Lift Stations	17	17	17	17	17	19	19	21	21	21
Treatment Plants	2	2	2	2	2	2	2	2	2	2
Treatment Capacity (MGD)	9	9	9	9	9	9	9	9	9	9
Average Flows (MGD)	8	8	8	8	8	8	8	9	9	9

MGD = million gallons per day

An Acre-foot of water is enough to cover 1 acre of land 1 foot deep and is equivalent to 325,851 gallons

Source: SMWD Engineering and Operations Departments

SANTA MARGARITA WATER DISTRICT
Water and Wastewater Connections

Water Connections by Customer Class

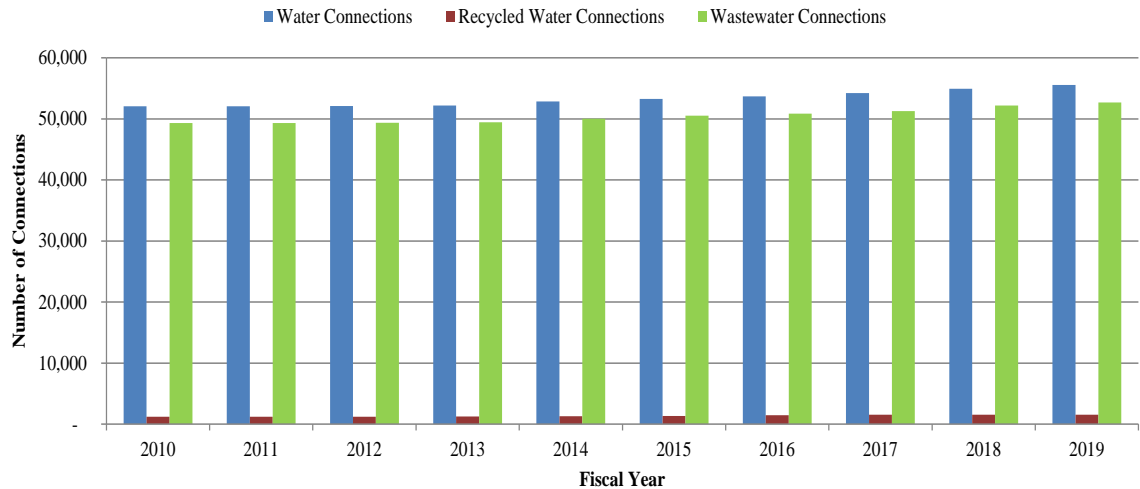
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Commercial	2,157	2,157	2,162	2,169	2,205	2,212	2,225	2,244	2,301	2,306
Domestic Irrigation	1,488	1,483	1,484	1,486	1,495	1,498	1,435	1,396	1,390	1,380
Construction	21	26	35	42	46	39	44	49	45	31
Lakefill	2	2	2	2	2	2	2	2	1	1
Residential Single Family	35,637	35,659	35,676	35,715	36,022	36,138	36,299	36,626	37,068	37,497
Residential Multi Family	12,745	12,745	12,746	12,789	13,064	13,377	13,670	13,897	14,117	14,340
Total Water Connections	52,050	52,072	52,105	52,203	52,834	53,266	53,675	54,214	54,922	55,555

Recycled Water Connections by Customer Class

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Non-domestic Irrigation	1,214	1,219	1,218	1,257	1,283	1,318	1,416	1,479	1,524	1,522
Commercial	5	5	5	5	7	8	9	9	9	10
Construction					5	27	37	46	25	14
Total Recycled Water Connections	1,219	1,224	1,223	1,262	1,295	1,353	1,462	1,534	1,558	1,546

Wastewater Connections by Customer Class

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Commercial	930	934	939	938	948	993	903	912	1,024	957
Residential Single Family	35,627	35,653	35,670	35,709	36,016	36,132	36,292	36,544	37,060	37,439
Residential Multi Family	12,745	12,745	12,746	12,789	13,064	13,377	13,670	13,813	14,117	14,304
Total Wastewater Connections	49,302	49,332	49,355	49,436	50,028	50,502	50,865	51,269	52,201	52,700



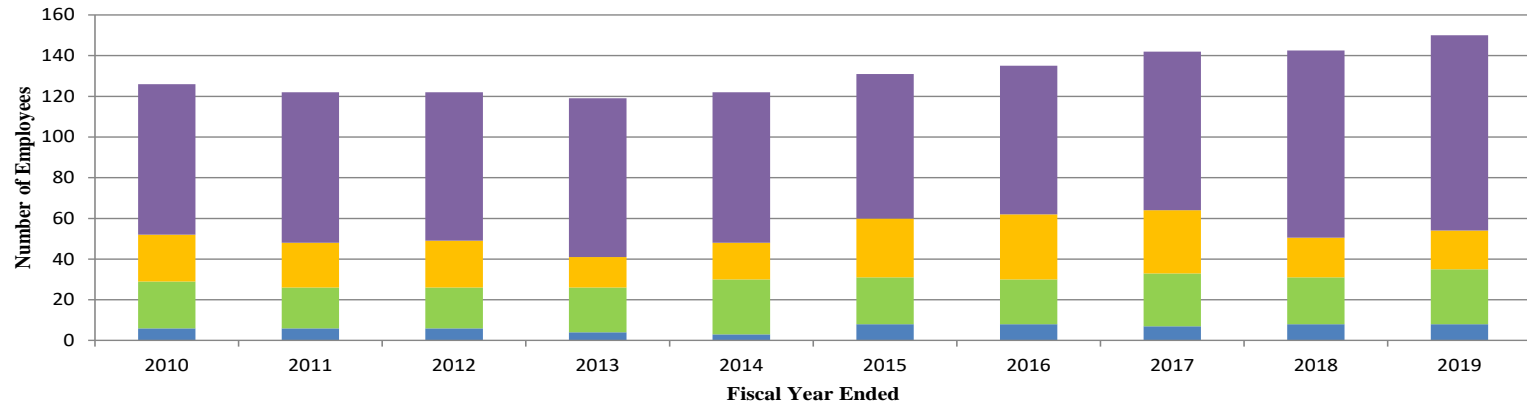
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Water Revenue per										
Water Connection	\$ 550	\$ 529	\$ 571	\$ 633	\$ 686	\$ 642	\$ 577	\$ 679	\$ 774	\$ 737
Recycled Revenue per										
Recycled Connection	\$ 4,450	\$ 3,652	\$ 4,144	\$ 4,773	\$ 5,351	\$ 5,336	\$ 4,938	\$ 4,706	\$ 5,820	\$ 4,759
Wastewater Revenue per										
Wastewater Connection	\$ 229	\$ 226	\$ 232	\$ 237	\$ 242	\$ 243	\$ 223	\$ 364	\$ 394	\$ 407

Source: SMWD utility billing system

SANTA MARGARITA WATER DISTRICT
Employee Information

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Administration	6	6	6	4	3	8	8	7	8	8
Finance	23	20	20	22	27	23	22	26	23	27
Engineering	23	22	23	15	18	29	32	31	19.5	19
Operations	74	74	73	78	74	71	73	78	92	96
Total	126	122	122	119	122	131	135	142	142.5	150

Number of Employees by Department



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Water Connections per Employee	413	427	427	239	433	407	395	378	385	370
Recycled Water Connections per Employee	10	10	10	11	11	10	10	10	11	10
Wastewater Connections per Employee	391	404	405	415	410	386	374	358	366	351
Total Revenues per Employee	\$ 680,543	\$ 745,868	\$ 852,253	\$ 804,648	\$ 710,194	\$ 730,940	\$ 656,892	\$ 732,147	\$ 618,630	\$ 577,624

Excludes the elected Board of Directors

Source: SMWD payroll records

BOARD OF DIRECTORS

Saundra F. Jacobs

President

Betty H. Olson, Ph.D.

Vice President and Water Quality and Innovation Committee Chair

Charles T. Gibson

Director and Finance and Administration Committee Chair

Justin McCusker

Director and Engineering and Operations Committee Chair

Frank Ury

Director

GENERAL MANAGER

Daniel R. Feron



Santa Margarita
Water District

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