

**AGENDA**  
**SANTA MARGARITA/DANA POINT AUTHORITY**  
**BOARD OF DIRECTORS**  
**REGULAR MEETING**  
**NOVEMBER 1, 2022**  
**12:30 PM**

**Members of the public may join the meeting telephonically or online at Microsoft Teams:**

**Teleconference: +1-530-414-9890 fees may apply**

**Conference ID: 567 879 517#**

<https://tinyurl.com/2av23h8r>

In an effort to protect the safety of the Authority and our customers, and in compliance with AB 361, members of the public, members of the Board of Directors, and Authority may attend this meeting via telephonically and online. Currently, there is no physical meeting location for in-person meetings. As always, members of the public have the opportunity to provide comments during the meeting and submit comments prior to the meeting in writing via mail to Jennifer Wilt, Secretary of the Board of Directors, at 26111 Antonio Parkway, Rancho Santa Margarita, California 92688 or by email to Jennifer Wilt at [jenniferw@smwd.com](mailto:jenniferw@smwd.com).

*In compliance with Section 202 of the Americans with Disabilities Act of 1990 any person with a disability who requires a modification or accommodation in order to participate in a meeting should direct such request to Jennifer Wilt, Secretary of the Board of Directors, at (949)459-6570 at least 48 hours before the meeting if possible.*

**ITEMS DISTRIBUTED TO THE BOARD LESS THAN 72 HOURS PRIOR TO MEETING**

Pursuant to Government Code section 54957.5, non-exempt public records that relate to open session agenda items and are distributed to a majority of the Board less than seventy-two (72) hours prior to the meeting will be available on the Authority's Internet Website, accessible at <https://www.smdpa.com>.

- 1. CALL MEETING TO ORDER**
- 2. PLEDGE OF ALLEGIANCE**
- 3. PUBLIC FORUM**

*Persons wishing to address the Board of Directors may do so at the time of Public Forum. Comments are limited to three minutes unless further time is granted by the Presiding Officer.*

**4. CONSENT CALENDAR**

- 4.1 Consideration and Action on Reaffirming Findings and Determinations under Assembly Bill 361 and Extending Resolution No. 2021-11-02 for the Continuation of Virtual and Hybrid Meetings **Page 3**

**Recommendation:** Reaffirm the findings and determinations under Assembly Bill 361 and extend Resolution No. 2021-11-02 for the next 30 days.

- 4.2 Consideration and Action on the Minutes of the November 2, 2021 Board of Directors Meeting **Page 9**

**Recommendation:** Approve the Minutes.

**5. ACTION ITEM**

- 5.1 Consideration and Action on the Santa Margarita/Dana Point Authority Preliminary Audited Financial Statements for the Fiscal Year 2021-2022 **Page 13**

**Recommendation:** Approve the finalization of the audited financial statements and submission to the County of Orange Auditor-Controller's Office by December 31, 2022.

**6. INFORMATION ITEM**

- 6.1 Santa Margarita/Dana Point Authority Conflict of Interest Code **Page 37**

**7. DIRECTORS' REPORTS OF OUTSIDE MEETINGS AND EVENTS**

Verbal or written reports may be provided and shall be included in the record/minutes.

**8. ADJOURNMENT**

The next Regular Board of Directors' Meeting is scheduled for January 3, 2023 at 12:30 p.m.

# Santa Margarita/Dana Point Authority

## MEMORANDUM

**TO:** Board of Directors **DATE:** November 1, 2022

**FROM:** Allison Burns, General Counsel

**SUBJECT:** Consideration and Action on Reaffirming Findings and Determinations under Assembly Bill 361 and Extending Resolution No. 2021-11-02 for the Continuation of Virtual and Hybrid Meetings

### SUMMARY

**Issue:** The Governor's Executive Order N-29-20 suspended several of the Brown Act's in-person requirements but expired on September 30, 2021. Assembly Bill 361 extends the Brown Act waiver of in-person attendance requirements, under some additional rules. The rules require an emergency declaration, which is still in place, as well as findings from the State or local officials on social distancing. In Orange County, the current health Order includes a provision for the vulnerable population with the recommendation for social distancing and masking.

The Authority's Board meetings have been held remotely since July 2020. If the Authority desires to continue this ability, the Board will need to extend the subject resolution, reaffirming the need to continue holding meetings remotely per the requirements of Assembly Bill 361 and Government Code.

**Recommendation:** Reaffirm the findings and determinations under Assembly Bill 361 and extend Resolution No. 2021-11-02 for the next 30 days.

**Fiscal Impact:** There is no additional fiscal impact to holding meetings remotely or in-person.

**Previous Related Action:** On November 2, 2021 the Board adopted Resolution No. 2021-11-01 Making Findings and Determinations Under Assembly Bill 361 for Continued Virtual and Hybrid Meetings.

### DISCUSSION

As authorized by Government Code section 54953(e)(3), the Board may continue to hold virtual, hybrid, or remote meetings for a period of 30 days by a majority vote by making the following findings:

- The Board has considered the circumstances of the state of emergency; and

- Any of the following circumstances exists:
  - The state of emergency continues to directly impact the ability of the members to meet safely in person; or
  - State or local officials continue to impose or recommend measures to promote social distancing.

Alternately, if the Board doesn't authorize findings, and thereby permanently returns to fully in-person meetings unless a new state of emergency is declared pursuant to Government Code section 54953.

Furthermore, these provisions will be automatically repealed on January 1, 2024. At that time, unless further changes are made by future legislation, the Brown Act's traditional (pre-pandemic teleconferencing rules will apply).

For reference, Resolution No. 2021-11-02 is attached.

**RESOLUTION NO. 2021-11-01**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF  
THE SANTA MARGARITA/DANA POINT AUTHORITY  
MAKING FINDINGS AND DETERMINATIONS UNDER  
ASSEMBLY BILL 361 FOR CONTINUED VIRTUAL AND  
HYBRID MEETINGS**

**WHEREAS**, the Santa Margarita/Dana Point Authority is committed to preserving and nurturing public access and participation in meetings of the Board of Directors (the “Board”); and

**WHEREAS**, all meetings of Santa Margarita/Dana Point Authority’s legislative bodies are open and public, as required by the Ralph M. Brown Act (Cal. Gov. Code 54950 – 54963), so that any member of the public may attend, participate, and watch the Authority’s legislative bodies conduct their business; and

**WHEREAS**, the Legislature recently enacted Assembly Bill 361, Chapter 165, Statutes of 2021 (“AB 361”), which amended Government Code section 54953 to allow local agencies to meet fully virtually during a proclaimed state of emergency if state or local officials have imposed or recommended measures to promote social distancing; and

**WHEREAS**, a required condition is that a state of emergency is declared by the Governor pursuant to Government Code section 8625, proclaiming the existence of conditions of disaster or of extreme peril to the safety of persons and property within the state caused by conditions as described in Government Code section 8558; and

**WHEREAS**, a proclamation is made when there is an actual incident, threat of disaster, or extreme peril to the safety of persons and property within the jurisdictions that are within the Authority’s boundaries, caused by natural, technological, or human-caused disasters; and

**WHEREAS**, the Governor has, as of March 4, 2020, issued a proclamation declaring a state of emergency due to the COVID-19 pandemic, pursuant to section 8625 of the Government Code, and this proclaimed state of emergency currently remains in effect; and

**WHEREAS**, starting in March 2020, in response to the spread of COVID-19 in the State of California, the Governor issued a number of executive orders aimed at containing the COVID-19 virus; and

**WHEREAS**, among other things, these orders waived certain requirements of the Brown Act to allow legislative bodies to meet virtually; and

**WHEREAS**, pursuant to the Governor’s executive orders, the Board has been holding virtual meetings during the pandemic in the interest of protecting the health and safety of the public, staff, and Board members; and

**WHEREAS**, the Governor’s Executive Order N-29-20 related to the suspension of certain provisions of the Brown Act expired on September 30, 2021; and

**WHEREAS**, AB 361, effective as of October 1, 2021, allows legislative bodies to meet virtually provided there is a state of emergency, and either (1) state or local officials have imposed or recommended measures to promote social distancing; or (2) the legislative body determines by majority vote that meeting in person would present imminent risks to the health and safety of attendees; and

**WHEREAS**, the Board has considered the circumstances of the state of emergency; and

**WHEREAS**, in light of the current state of emergency, the Board finds that meeting in person would present an imminent risk to the health and safety of attendees; and

**WHEREAS**, the Board of Directors does hereby find that the legislative bodies of Santa Margarita/Dana Point Authority shall conduct their meetings without compliance with paragraph (3) of subdivision (b) of Government Code section 54953, as authorized by subdivision (e) of section 54953, and that such legislative bodies shall comply with the requirements to provide the public with access to the meetings as prescribed in paragraph (2) of subdivision (e) of section 54953; and

**WHEREAS**, the Board wishes to establish procedures for continuing to carry out remote meetings of the Authority's legislative bodies.

**NOW, THEREFORE, THE BOARD OF DIRECTORS OF SANTA MARGARITA/DANA POINT AUTHORITY DOES HEREBY RESOLVE AS FOLLOWS:**

**Section 1. Recitals.** The Recitals set forth above are true and correct and are incorporated into this Resolution by this reference.


**Section 2. Proclamation of Local Emergency.** Consistent with the provisions of Government Code Section 54953(e), the Board finds and determines that (1) a state of emergency related to COVID-19 is currently in effect; and (2) due to the COVID-19 emergency, meeting in person would present imminent risks to the health and safety of attendees. Based on such facts, findings and determinations, the Board authorizes staff to conduct remote teleconference meetings of the Board under the provisions of Government Code Section 54953(e).

**Section 3. Remote Teleconference Meetings.** The legislative body of Santa Margarita/Dana Point Authority is hereby authorized and directed to take all actions necessary to carry out the intent and purpose of this Resolution, including conducting open and public virtual meetings in accordance with Government Code section 54953(e) and other applicable provisions of the Brown Act.

**Section 4. Effective Date of Resolution.** This Resolution shall take effect immediately upon its adoption and shall be effective for 30 days unless earlier extended by a majority vote of the Board in accordance with Section 5 of this Resolution.

**Section 5. Extension by Motion.** The Board may extend the application of this Resolution by motion and majority vote by up to 30 days at a time, provided that it makes all necessary findings consistent with and pursuant to the requirements of Section 54953(e)(3).

**PASSED AND ADOPTED** by the Board of Directors of Santa Margarita/Dana Point Authority, this 2<sup>nd</sup> day of November 2021.



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Charles T. Gibson  
Vice Chairman  
Santa Margarita/Dana Point Authority

**ATTEST:**



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Jennifer Wilt  
Secretary of the Board of Directors  
Santa Margarita/Dana Point Authority

STATE OF CALIFORNIA )

COUNTY OF ORANGE )

ss


I, Jennifer Wilt, Secretary of the Board of Directors of the Santa Margarita/Dana Point Authority, do hereby certify that the foregoing Resolution was duly adopted by the Board of Directors at a regular meeting held on the 2<sup>nd</sup> of November 2021.

AYES: 3 DIRECTORS: Gibson, Rayfield, Ferons

NOES: DIRECTORS:


ABSENT: 1 DIRECTORS: Green

ABSTAIN: DIRECTORS:

  
\_\_\_\_\_  
Jennifer Wilt  
Secretary of the Board of Directors  
Santa Margarita/Dana Point Authority

I, Jennifer Wilt, Secretary of the Board of Directors of the Santa Margarita/Dana Point Authority, do hereby certify that the above and forgoing is a full, true, and correct copy of Resolution No. 2021-11-01 of said Board, and that the same has not been amended or repealed.

DATED: November 2, 2021

  
\_\_\_\_\_  
Jennifer Wilt  
Secretary of the Board of Directors  
Santa Margarita/Dana Point Authority



**MINUTES**  
**SANTA MARGARITA/DANA POINT AUTHORITY**  
**BOARD OF DIRECTORS**  
**REGULAR MEETING**  
**NOVEMBER 2, 2021**  
**12:30 PM**

**TELECONFERENCE**

Conference Phone Number: +1-530-414-9890

Audio Conferencing Code: 193 347 094#

**ATTENDEES**

William L. Green	Chairman ( <i>Absent</i> )
Charles T. Gibson	Vice Chairman
Daniel R. Ferons	Director
Wayne Rayfield	Director
Allison Burns	General Counsel/Stradling Yocca Carlson & Rauth
Jennifer Wilt	Secretary of the Authority
Christine McIlrevey	Interim Treasurer
Paul Pender	Financial Analyst/Santa Margarita Water District
Rick Shintaku	General Manager/South Coast Water District
Peter George	Macias, Gini & O'Connell
Chris Parker	Macias, Gini & O'Connell

**1. CALL MEETING TO ORDER**

*The meeting was called to order at 12:30 p.m. by Vice Chairman Charles T. Gibson.*

**2. PLEDGE OF ALLEGIANCE**

*Vice Chairman Charles T. Gibson led the Pledge of Allegiance.*

**3. ADMINISTRATION OF OATH OF OFFICE**

*Preceding the board meeting, General Counsel, Ms. Allison Burns, administered the oath of office to Director Wayne Rayfield.*

**4. PUBLIC FORUM**

*There were no requests to speak.*

**5. CONSENT CALENDAR**

- 5.1 Consideration and Action on the Minutes of the March 24, 2021 Board of Directors Meeting

**Recommendation:** Approve the Minutes.

**Motion:** Approved as recommended.

**Moved by:** Charles T. Gibson

**Seconded by:** Daniel R. Feron

**Ayes:** Gibson, Feron

**Abstain:** Rayfield

**Absent:** Green

**Item Approved**

*There was no further discussion.*

**6. ACTION ITEMS**

- 6.1 Consideration and Action on Resolution No. 2021-11-01; Resolution of the Board of Directors of the Santa Margarita/Dana Point Authority Making Findings and Determinations Under Assembly Bill 361 for Continued Virtual and Hybrid Meetings

**Recommendation:** Adopt Resolution No. 2021-11-01.

**Motion:** Approved as recommended.

**Moved by:** Wayne Rayfield

**Seconded by:** Daniel R. Feron

**Ayes:** Rayfield, Feron, Gibson

**Absent:** Green

**Item Approved**

*The Authority's General Counsel, Ms. Allison Burns, presented an update on Assembly Bill 361 (AB 361). Ms. Burns responded to Director Feron's inquiry noting that if the Authority desired to utilize AB 361, and since the Board does not regularly meet every 30 days, the Board would need to adopt an AB 361 Resolution at each board meeting in order to be compliant with the Brown Act. Furthermore, if the Authority resumed in person or hybrid board meetings during the State of Emergency Order, the Board would require a mask to be worn by all attendees.*

6.2 Consideration and Action on the Santa Margarita/Dana Point Authority Preliminary Audited Financial Statements for the Fiscal Year 2020-2021

**Recommendation:** Approve the finalization of the audited financial statements and submission to the County of Orange Auditor-Controller's Office by December 31, 2021.

**Motion:** Approved as recommended.

**Moved by:** Daniel R Ferons

**Seconded by:** Wayne Rayfield

**Ayes:** Ferons, Rayfield, Gibson

**Absent:** Green

**Item Approved**

*SMWD Interim Controller, Christine McIlrevey, presented the Authority with the Preliminary Audited Financial Statements for the period ended June 30, 2021. Ms. McIlrevey noted that SMWD will forward the final financial statements and audit communications to the Board and will file all necessary documentation with the County of Orange by December 31, 2021.*

*The Partner at Macias, Gini & O'Connell (MGO), Mr. Peter George announced that the audit went smoothly, and an unmodified opinion would be issued. Mr. George noted the Authority adopted several new Governmental Accounting Standards Board Statements in Fiscal Year 2021, which had no impact on the Authority's financial statements.*

*Mr. Peter George responded to Vice Chairman Gibson's question, confirming MGO is satisfied with the internal controls and environment in place and following this board meeting MGO is submitting their management letter to staff.*

*Note: Ms. Christine McIlrevey is acting Interim Treasurer for the Authority in Ms. Erica Castillo's absence.*

7. **INFORMATION ITEM**

7.1 Santa Margarita/Dana Point Authority Conflict of Interest Code

*The Authority's General Counsel, Ms. Allison Burns, presented that the Political Reform Act requires the Authority to biennially look at its Conflict of Interest Code (Code). Ms. Burns highlighted that a new Code was established in 2018 and reviewed in 2020 with no changes. Ms. Burns noted that the Code continues to meet all requirements and no changes are necessary at this time.*

**8. DIRECTORS' REPORTS OF OUTSIDE MEETINGS AND EVENTS**

Verbal or written reports may be provided and shall be included in the record/minutes.

*Vice Chairman Gibson reported that the Congressional Appropriation is underway, and Senator Feinstein announced that the Fiscal Year 2022 funding bill will include \$180 million in funding for Southern California projects, none related to Orange County water. There is one project in Riverside County for \$3 million to build the PFAS Treatment Facility at the Western Water Recycled Facility which will help repair the sewer system. PFAS continues to be an important part of the picture for water quality.*

**9. ADJOURNMENT**

The next Regular Board of Directors' Meeting is scheduled for January 4, 2022 at 12:30 p.m.

*Meeting adjourned at 1:01 p.m.*

# Santa Margarita/Dana Point Authority

## MEMORANDUM

**TO:** Board of Directors **DATE:** November 1, 2022

**FROM:** Erica Castillo, Treasurer  
Christine McIlrevey, Santa Margarita Water District Controller

**SUBJECT:** Consideration and Action on the Santa Margarita/Dana Point Authority Preliminary Audited Financial Statements for the Fiscal Year 2021-2022

### SUMMARY

**Issue:** Annually, the Santa Margarita/Dana Point Authority (Authority) has an external audit performed on the financial statements for the Authority as well as the Santa Margarita Water District (SMWD) by an independent Certified Public Accounting Firm. Macias Gini and O’Connell, LLP (MGO) is the Authority and SMWD’s external audit firm who is currently underway with an audit of the Authority’s financial statements for the fiscal year ended June 30, 2022.

**Recommendation:** Approve the finalization of the audited financial statements and submission to the County of Orange Auditor-Controller’s Office by December 31, 2022.

**Fiscal Impact:** The Authority’s Fiscal Year 2021-2022 (FY 2022) audit fees are funded by SMWD.

**Previous Related Action:** On November 2, 2021, the Board of Directors received and filed the Authority’s Fiscal Year 2020-2021 financial statements. Submission to the County of Orange of the Authority’s financial statements was completed on December 17, 2021.

### DISCUSSION

Annually, the Authority has an independent audit performed on its financial statements. The audit serves as a vital resource for financial information and fiscal transparency. The Authority is nearing the end of the audit process for the fiscal year ended June 30, 2022 (FY 2022). The draft financial statements for FY 2022 are attached and have been reviewed by the Authority’s external audit firm, Macias Gini and O’Connell, LLP (MGO). SMWD, on behalf of the Authority, will submit the necessary documents to the County of Orange by December 31, 2022. The Authority’s financial statements will be available to the public upon request.

## **FINANCIAL STATEMENT HIGHLIGHTS**

The Authority's financial statements include a Management Discussion and Analysis section which highlights significant activity during the year as well as noteworthy changes from the prior year and serves an integral part of the financial statements. Some of the financial highlights in this year's audited financial statements include:

- The amount due from SMWD in FY 2022 decreased \$4.1 million due to bond principal payments and amortization of deferred gains and losses on debt defeasance.
- Bonds payable had a net decrease of \$4.2 million in FY 2022 due to payments made during the year on the Authority's General Obligation Bonds and Revenue Bonds and amortization of bond premiums and discounts.
- Principal payments made during the year for the outstanding Revenue Bonds and General Obligation Bonds totaled \$1.6 million and \$1.4 million, respectively.

Additionally, each year the Authority evaluates new accounting pronouncements issued by the Governmental Accounting Standards Board. There was no impact to the Authority for new accounting pronouncements in FY 2022.

## **INTERNAL CONTROL FINDINGS**

The Authority is happy to report that the auditors did not have internal control findings to report to the Board of Directors. The full disclosure of the audit can be found in a draft letter to the Board of Directors following this memorandum as Attachment B.

### *Attachments:*

- A. Santa Margarita Dana Point Authority Draft Annual Financial Report for the Year Ended June 30, 2022*
- B. Draft Required Communications Letter to the Board of Directors*

Attachment "A"

SANTA MARGARITA/DANA POINT AUTHORITY

Annual Financial Report  
For The Year Ended June 30, 2022

DRAFT

**SANTA MARGARITA/DANA POINT AUTHORITY**  
**Annual Financial Report**  
**For the Year Ended June 30, 2022**

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## **Independent Auditor's Report**

To the Board of Directors  
Santa Margarita/Dana Point Authority  
Rancho Santa Margarita, California

### **Opinion**

We have audited the financial statements of the Santa Margarita/Dana Point Authority (the Authority), as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2022, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

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

Irvine, California  
October xx, 2022

**SANTA MARGARITA/DANA POINT AUTHORITY**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended June 30, 2022**

This section of the Santa Margarita/Dana Point Authority's (Authority) annual financial report presents the Management's Discussion and Analysis (MD&A) of the Authority's financial performance during the fiscal year ended June 30, 2022 (FY 2022). The MD&A is to be read and considered in conjunction with additional information provided with the basic financial statements and accompanying notes.

**FY 2022 Financial Highlights**

- Total assets decreased \$4.1 million in FY 2022 due to a reduction in the amount due from Santa Margarita Water District (SWMD). The Authority made revenue and general obligation bond principal payments during FY 2022 totaling \$1.6 million and \$1.4 million, respectively.

**Overview of the Financial Statements**

The Authority is a self-supporting entity that follows enterprise fund accounting and presents its financial statements on the full accrual basis of accounting. This annual financial report consists of two parts – MD&A and the basic financial statements, including notes. The Authority's financial statements begin on page 7 of this document. The notes to the basic financial statements can be found beginning on page 11 and provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The Authority's financial statements offer key, high-level financial information about the Authority's activities, comprised of the following main statements:

- **The Statement of Net Position** includes information on the Authority's assets and liabilities and deferred outflows and inflows of resources. Net Position is defined as the Authority's total assets plus deferred outflows of resources, less total liabilities, and deferred inflows of resources.
- **The Statement of Revenues, Expenses and Change in Net Position** shows changes in the Authority's net position based on its operating revenues and expenses during the fiscal year ended June 30, 2022.
- **The Statement of Cash Flows** provides the Authority's changes in cash resulting from operating activities and provides information on the sources and uses of the Authority's cash.

The Statement of Net Position, and the Statement of Revenues, Expenses and Change in Net Position provide a depiction of the Authority's financial standing.

**SANTA MARGARITA/DANA POINT AUTHORITY**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended June 30, 2022**

**Statement of Net Position**

The activity of the Authority consists solely of collection of amounts due from SMWD and payment of debt, which are reported as operating revenues and expenses, resulting in no net position.

The Authority's total assets decreased \$4.1 million to \$97.2 million compared with the prior year due to payment from SMWD on the Authority's General Obligation bonds and Revenue bonds, decreasing the receivable due from SMWD.

The Authority's total liabilities decreased \$4.2 million to \$98.1 million compared with the prior year due to payments made during FY 2022 on the Authority's General Obligation bonds and Revenue bonds.

Deferred outflows of resources decreased by \$0.1 million to \$969 thousand compared to the prior year due to the amortization of deferred loss on defeasance of the Authority's General Obligation bonds.

Deferred inflows of resources decreased by \$6.7 thousand to \$34.8 thousand compared to the prior year due to the amortization of deferred gains on defeasance of the Authority's General Obligation bonds.

	<b>Fiscal Year 2022</b>	<b>Fiscal Year 2021</b>	<b>Increase (Decrease)</b>	<b>Percent Increase (Decrease)</b>
<b>Assets</b>				
Current Assets	\$ 5,133,414	\$ 5,058,166	\$ 75,248	1.5%
Noncurrent Assets	92,062,829	96,282,833	(4,220,004)	(4.4%)
<b>Total Assets</b>	<b>97,196,243</b>	<b>101,340,999</b>	<b>(4,144,756)</b>	<b>(4.1%)</b>
<b>Deferred Outflows of Resources</b>	<b>969,070</b>	<b>1,079,989</b>	<b>(110,919)</b>	<b>(10.3%)</b>
<b>Liabilities</b>				
Current Liabilities	5,133,414	5,058,166	75,248	1.5%
Noncurrent Liabilities	92,997,132	97,321,309	(4,324,177)	(4.4%)
<b>Total Liabilities</b>	<b>98,130,546</b>	<b>102,379,475</b>	<b>(4,248,929)</b>	<b>(4.2%)</b>
<b>Deferred Inflows of Resources</b>	<b>34,767</b>	<b>41,513</b>	<b>(6,746)</b>	<b>(16.3%)</b>
<b>Net Position</b>				
Unrestricted	-	-	-	0.0%
<b>Total Net Position</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.0%</b>

**SANTA MARGARITA/DANA POINT AUTHORITY**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended June 30, 2022**

**Statement of Revenues, Expenses and Change in Net Position**

The Authority's total operating revenues and total operating expenses decreased by \$0.3 million, respectively, due to lower interest expense paid on the Authority's General Obligation bonds and Revenue bonds.

	Fiscal Year 2022	Fiscal Year 2021	Increase (Decrease)	Percent Increase (Decrease)
<b>Operating Revenues:</b>				
Net Revenues from SMWD	\$ 1,466,858	\$ 2,185,689	\$ (718,831)	(32.9%)
Special Assessment Tax Revenues from SMWD	1,161,011	713,726	447,285	62.7%
<b>Total Operating Revenues</b>	<b>2,627,869</b>	<b>2,899,415</b>	<b>(271,546)</b>	<b>(9.4%)</b>
<b>Operating Expenses:</b>				
Interest Expense	2,627,869	2,899,415	(271,546)	(9.4%)
<b>Total Operating Expenses</b>	<b>2,627,869</b>	<b>2,899,415</b>	<b>(271,546)</b>	<b>(9.4%)</b>
<b>Change in Net Position</b>	-	-	-	<b>0.0%</b>
Net Position, Beginning of Year	-	-	-	0.0%
<b>Net Position, End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.0%</b>

**Long Term Debt**

Total long-term debt decreased by \$4.2 million or 4.2% to \$97.3 million primarily due to the repayment of the General Obligation bonds, Revenue Bonds, and amortization of net premium (discount). The following table summarizes the changes in long-term debt amounts for FY 2022.

	Balance at June 30, 2021	Additions	Transfers/ Deletions	Balance at June 30, 2022	Increase (Decrease)	Percent Increase (Decrease)
<b>Long-Term Debt:</b>						
Revenue Bonds Payable	\$ 52,205,000	\$ -	\$ (1,635,000)	\$ 50,570,000	\$ (1,635,000)	100.0%
General Obligation Bonds Payable	34,510,000	-	(1,420,000)	33,090,000	(1,420,000)	(4.1%)
Net Premium (Discount)	14,822,927	-	(1,161,618)	13,661,309	(1,161,618)	(7.8%)
<b>Total Long-Term Debt</b>	<b>\$ 101,537,927</b>	<b>\$ -</b>	<b>\$ (4,216,618)</b>	<b>\$ 97,321,309</b>	<b>\$ (4,216,618)</b>	<b>(4.2%)</b>

Additional information on the Authority's noncurrent liabilities can be found in Note 3 of the basic financial statements.

**Requests for Information**

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

# Basic Financial Statements

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**SANTA MARGARITA/DANA POINT AUTHORITY**

Statement of Net Position

June 30, 2022

**ASSETS:**

**Current Assets:**

Accrued interest receivable	\$ 809,237
Due from Santa Margarita Water District - due within one year (Note 2)	4,324,177
<b>Total Current Assets</b>	<b><u>5,133,414</u></b>

**Non-current Assets:**

Due from Santa Margarita Water District - due in more than one year (Note 2)	92,062,829
<b>Total Non-current Assets</b>	<b><u>92,062,829</u></b>

<b>Total Assets</b>	<b><u>97,196,243</u></b>
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**DEFERRED OUTFLOWS OF RESOURCES:**

Deferred loss on debt defeasance (Note 3)	969,070
<b>Total Deferred Outflows of Resources</b>	<b><u>969,070</u></b>

**LIABILITIES:**

**Current Liabilities:**

Accrued interest payable	809,237
Bonds payable - due within one year (Note 3)	4,324,177
<b>Total Current Liabilities</b>	<b><u>5,133,414</u></b>

**Non-current Liabilities:**

Bonds payable - due in more than one year (Note 3)	92,997,132
<b>Total Non-current Liabilities</b>	<b><u>92,997,132</u></b>

<b>Total Liabilities</b>	<b><u>98,130,546</u></b>
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**DEFERRED INFLOWS OF RESOURCES:**

Deferred inflows on debt defeasance (Note 3)	34,767
<b>Total Deferred Inflows of Resources</b>	<b><u>34,767</u></b>

**NET POSITION:**

Unrestricted	-
<b>Total Net Position</b>	<b><u>\$ -</u></b>

See accompanying notes to the basic financial statements.

**SANTA MARGARITA/DANA POINT AUTHORITY**  
Statement of Revenues, Expenses and Change in Net Position  
For the Year Ended June 30, 2022

**OPERATING REVENUES:**

Net revenues from Santa Margarita Water District	\$	1,466,858
Special assessment tax revenues from Santa Margarita Water District		1,161,011
<b>Total Operating Revenues</b>		<b><u>2,627,869</u></b>

**OPERATING EXPENSES:**

Interest Expense		2,627,869
<b>Total Operating Expenses</b>		<b><u>2,627,869</u></b>

**Operating Income/Change in Net Position** -

Net position, beginning of year		-
<b>Net position, end of year</b>	<b>\$</b>	<b><u>-</u></b>

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See accompanying notes to the basic financial statements.



**SANTA MARGARITA/DANA POINT AUTHORITY**

Statement of Cash Flows

For the Year Ended June 30, 2022

**Cash flows from operating activities:**

Cash receipts from net revenues for debt and interest payments	\$	3,795,650
Cash receipts from special assessment tax revenues for debt and interest payments		2,976,976
Principal paid for bond debt service		(3,055,000)
Interest paid for debt service		<u>(3,717,626)</u>
Net cash provided by operating activities		<u>-</u>
Net change in cash and cash equivalents		-
Cash and cash equivalents, beginning of year		<u>-</u>
Cash and cash equivalents, end of year	\$	<u><u>-</u></u>

**Reconciliation of operating income to net cash provided by operating activities:**

Operating income	\$	-
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**Adjustments to reconcile operating income to net cash provided by operating activities:**

**Change in assets and liabilities:**

Decrease/(Increase) in assets:		
Accrued Interest Receivable		32,311
(Decrease)/Increase in liabilities:		
Accrued interest payable		<u>(32,311)</u>
Total adjustments		<u>-</u>
Net cash provided by operating activities	\$	<u><u>-</u></u>

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

Amortization of (premiums) discounts	\$	(1,161,618)
Deferred (gain) loss on debt defeasance		104,173

See accompanying notes to the basic financial statements.

**SAN JUAN BASIN AUTHORITY**  
**Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2022**

**1. Organization and Summary of Significant Accounting Policies**

Organization

The Santa Margarita/Dana Point Authority (Authority) is a public entity created for the joint exercise of common powers pursuant to a Joint Exercise of Powers Agreement dated August 25, 1987, by and between the Santa Margarita Water District (SMWD) and the Dana Point Sanitary District (DPSD) (collectively, the Members) under the powers granted to such Members pursuant to Sections §6500 et seq., Title 1, Division 7 Chapter 5, Article 1 of the California Government Code. Effective January 1, 1999, DPSD was dissolved and the South Coast Water District (SCWD) became the successor entity.

The Authority was created for the primary purpose of selling bonds to finance the acquisition of capacity in the Jay B. Latham Wastewater Treatment Plant. Financing for the acquisition of such capacity is provided from the proceeds of the bonds and monies as provided by SCWD.

The powers and functions of the Authority are exercised by the Board of Directors, of which two Directors may be appointed by the Board of Directors of SMWD and three Directors may be appointed by the Board of Directors of SCWD. Currently, each Member appoints two Directors to serve on the Authority's Board of Directors. Each Director holds office until he/she is removed with or without cause, at the sole discretion of such legislative body. When a budget is necessary, a unanimous decision of the Authority's Board of Directors is required to approve the general budget and maintenance and operation budgets. Expenditures in excess of the approved budget must be approved by the Member affected by the requested budget change.

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 Authority is a special purpose government and there are no other activities or component units required to be included in its financial statements.

Basis of Accounting and Measurement Focus

The accounting policies of the Authority'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 Authority 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.

**SANTA MARGARITA/DANA POINT AUTHORITY**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

**1. Organization and Summary of Significant Accounting Policies (Continued)**

The activity of the Authority consists solely of collection of amounts due from SMWD and payment of debt which are reported as operating revenues and expenses.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources, 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.

Due from Santa Margarita Water District

Amounts due are valued at the unpaid outstanding amount to be collected. There is no current allowance deemed necessary, as repayments are estimated to be paid.

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.

Income Taxes

As a governmental entity, the Authority is exempt from income taxation under provisions of the Internal Revenue Code and related state statutes; accordingly, no provision for income taxes has been provided in the financial statements.

Net Position

The financial statements utilize a net position presentation. Unrestricted net position is the net amount of the assets and deferred outflows of resources, less liabilities and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted net position.

**SANTA MARGARITA/DANA POINT AUTHORITY**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

**1. Organization and Summary of Significant Accounting Policies (Continued)**

New Accounting Pronouncements

**Adopted in the Current Year**

GASB Statement No. 87, *Leases*. Effective for the Authority's fiscal year ended June 30, 2022. There was no impact to the Authority.

GASB Statement No. 92, *Omnibus 2020*. Effective for the Authority's fiscal year ended June 30, 2022. There was no impact to the Authority.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*. Effective for the Authority's fiscal year ended June 30, 2022. There was no impact to the Authority.

**Effective in Future Years**

GASB has issued pronouncements that will impact future financial presentations. Management has not currently determined the impact, if any, of the newly issued pronouncements listed below.

GASB Statement No. 91, *Conduit Debt Obligations*. Effective for the Authority's fiscal year ending June 30, 2023.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. Effective for the Authority's fiscal year ending June 30, 2023.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Effective for the Authority's fiscal year ending June 30, 2023.

GASB Statement No. 99, *Omnibus 2022*. Effective for the Authority's fiscal year ending June 30, 2023. Effective for the Authority's fiscal year ending June 30, 2024.

GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. Effective for the Authority's fiscal year ending June 30, 2024.

GASB Statement No. 101, *Compensated Absences*. Effective for the Authority's fiscal year ending June 30, 2025.

**SANTA MARGARITA/DANA POINT AUTHORITY**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

**2. Due from Santa Margarita Water District**

SMWD places a special assessment levy annually on property tax bills for property tax owners in improvement districts to yield an amount equal to the principal and interest on the long-term debt due in the ensuing year. Interest has been imputed on the amount receivable in an amount equal to the interest payable on long-term debt.

Changes in the amount due from SMWD for the year ended June 30, 2022, are as follows:

	Balance at June 30, 2021	Additions	Deletions	Balance at June 30, 2022	Amount Due Within One Year	Amount Due Beyond One Year
Revenue Bonds Payable	\$ 52,205,000	\$ -	\$ (1,635,000)	\$ 50,570,000	\$ 1,730,000	\$ 48,840,000
General Obligation Bonds Payable	34,510,000	-	(1,420,000)	33,090,000	1,485,000	31,605,000
Premium / Discount, Net	14,822,927	-	(1,161,618)	13,661,309	1,109,177	12,552,132
Deferred Gain (Loss) on Debt Defeasance, Net	(1,038,476)	-	104,173	(934,303)	-	(934,303)
Due from SMWD	<u>\$100,499,451</u>	<u>\$ -</u>	<u>\$ (4,112,445)</u>	<u>\$ 96,387,006</u>	<u>\$ 4,324,177</u>	<u>\$ 92,062,829</u>

Anticipated future receipts from SMWD for revenue bond principal and interest payments are as follows:

Year	Principal	Interest	Total
2023	\$ 1,730,000	\$ 2,078,900	\$ 3,808,900
2024	1,345,000	1,992,400	3,337,400
2025	1,410,000	1,925,150	3,335,150
2026	1,480,000	1,854,650	3,334,650
2027	1,555,000	1,780,650	3,335,650
2028-2032	6,830,000	7,813,750	14,643,750
2033-2037	7,910,000	6,214,050	14,124,050
2038-2042	9,295,000	4,832,900	14,127,900
2043-2047	11,180,000	2,943,600	14,123,600
2048-2050	7,835,000	635,000	8,470,000
Total	<u>50,570,000</u>	<u>\$ 32,071,050</u>	<u>\$ 82,641,050</u>
Current	<u>1,730,000</u>		
Long-Term	<u>\$ 48,840,000</u>		

**SANTA MARGARITA/DANA POINT AUTHORITY**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

**2. Due from Santa Margarita Water District (Continued)**

Anticipated future receipts from SMWD for general obligation bond principal and interest payments are as follows:

Year	Principal	Interest	Total
2023	\$ 1,485,000	\$ 1,489,251	\$ 2,974,251
2024	1,560,000	1,413,126	2,973,126
2025	1,640,000	1,333,126	2,973,126
2026	1,725,000	1,249,001	2,974,001
2027	1,815,000	1,160,501	2,975,501
2028-2032	10,530,000	4,329,085	14,859,085
2033-2037	10,030,000	1,872,756	11,902,756
2038-2039	4,305,000	173,900	4,478,900
Total	<u>\$ 33,090,000</u>	<u>\$ 13,020,746</u>	<u>\$ 46,110,746</u>
Current	<u>1,485,000</u>		
Long-Term	<u>\$ 31,605,000</u>		

**3. Noncurrent Liabilities**

Noncurrent liabilities and changes for the year ended June 30, 2022, are as follows:

	Balance at June 30, 2021	Additions	Deletions	Balance at June 30, 2022	Amount Due Within One year	Amount Due Beyond One Year
Revenue Bonds Payable:						
2020 Series A	\$ 52,205,000	\$ -	\$ (1,635,000)	\$ 50,570,000	\$ 1,730,000	\$ 48,840,000
Total Revenue Bonds						
Bonds Payable	52,205,000	-	(1,635,000)	50,570,000	1,730,000	48,840,000
Premium / Discount, net	10,883,985	-	(686,980)	10,197,005	660,987	9,536,018
Total Revenue Bonds Payable	<u>63,088,985</u>	<u>-</u>	<u>(2,321,980)</u>	<u>60,767,005</u>	<u>2,390,987</u>	<u>58,376,018</u>
General Obligation (GO) Bonds Payable:						
2014 Series A	6,990,000	-	(440,000)	6,550,000	460,000	6,090,000
2017 Series A	27,520,000	-	(980,000)	26,540,000	1,025,000	25,515,000
Total General Obligations						
Bonds Payable	34,510,000	-	(1,420,000)	33,090,000	1,485,000	31,605,000
Premium / Discount, net	3,938,942	-	(474,638)	3,464,304	448,190	3,016,114
Total GO Bonds Payable	<u>38,448,942</u>	<u>-</u>	<u>(1,894,638)</u>	<u>36,554,304</u>	<u>1,933,190</u>	<u>34,621,114</u>
Total Bonds Payable	<u>\$ 101,537,927</u>	<u>\$ -</u>	<u>\$ (4,216,618)</u>	<u>\$ 97,321,309</u>	<u>\$ 4,324,177</u>	<u>\$ 92,997,132</u>

**SANTA MARGARITA/DANA POINT AUTHORITY**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

**3. Noncurrent Liabilities (Continued)**

**2020 Revenue Bonds Series A**

In September 2020 the Authority issued \$53,895,000 of Water and Wastewater Revenue Bonds, Series 2020A (2020A Bonds). The proceeds of the bonds were used to finance the acquisition and construction of certain improvements to the SMWD's water and wastewater system, to prepay three State Water Resources Control Board contracts, and to pay costs incurred in connection with the issuance of the bonds. The 2020A Bonds have interest rates from 3.00% to 5.00% that mature annually on June 1 from 2021 to 2050. The final maturity date is June 1, 2050. The source of repayment of these bonds is from net revenues of SMWD's water and wastewater system, which consist of revenues remaining after the payment of operation and maintenance costs of SMWD's water and wastewater system. All net revenues are irrevocably pledged to the payment of these bonds.

Principal and interest payments on the 2020A Bonds are payable from and secured by a pledge of all amounts received from SMWD, in connection with the Authority's issuance of the 2020A Bonds and are discussed in further detail in SMWD's Annual Comprehensive Financial Report. As of June 30, 2022, the outstanding balance was \$50,570,000.

**2014 Refunding General Obligation Bonds Series A**

In July 2014, the Authority issued \$65,340,000 Refunding General Obligation Bonds 2014 Series A (Serial \$63,210,000 and term \$2,130,000) with interest rates from 3.00% to 5.00% that matures annually on August 1 from (serial) 2015 to 2029 and (term) ending in 2032. The proceeds of the bonds were used to refund the 2003 Series A and 2004 Series A bonds. 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.

Principal and interest payments on the 2014 Bonds are payable from and secured by a pledge of all amounts received from SMWD, in connection with the Authority's issuance of the 2014 SMWD Refunding Bonds and are discussed in further detail in the Santa Margarita Water District's Annual Comprehensive Financial Report. As of June 30, 2022, the outstanding balance was \$6,550,000.

**2017 Refunding General Obligation Bonds Series A**

In April 2017, the Authority issued \$29,375,000 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), which had an interest rate of 2.00% to 5.25%. The refunding resulted in the recognition of a deferred loss of \$1,584,493, which will be amortized over the remaining term of the bond. 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.

**SANTA MARGARITA/DANA POINT AUTHORITY**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

**3. Noncurrent Liabilities (Continued)**

Principal and interest payments on the 2017 Bonds are payable from and secured by a pledge of all amounts received from SMWD, in connection with the Authority's issuance of the 2017 SMWD Refunding Bonds and are discussed in further detail in the SMWD's Annual Comprehensive Financial Report. As of June 30, 2022, the outstanding balance was \$26,540,000.

Future maturities of Revenue bonds payable are as follows at June 30, 2022:

Year	Principal	Interest	Total
2023	\$ 1,730,000	\$ 2,078,900	\$ 3,808,900
2024	1,345,000	1,992,400	3,337,400
2025	1,410,000	1,925,150	3,335,150
2026	1,480,000	1,854,650	3,334,650
2027	1,555,000	1,780,650	3,335,650
2028-2032	6,830,000	7,813,750	14,643,750
2033-2037	7,910,000	6,214,050	14,124,050
2038-2042	9,295,000	4,832,900	14,127,900
2043-2047	11,180,000	2,943,600	14,123,600
2048-2050	7,835,000	635,000	8,470,000
Total	<u>50,570,000</u>	<u>\$ 32,071,050</u>	<u>\$ 82,641,050</u>
Current	<u>1,730,000</u>		
Long-Term	<u>\$ 48,840,000</u>		

Future maturities of General Obligation bonds payable are as follows at June 30, 2022:

Year	Principal	Interest	Total
2023	\$ 1,485,000	\$ 1,489,251	\$ 2,974,251
2024	1,560,000	1,413,126	2,973,126
2025	1,640,000	1,333,126	2,973,126
2026	1,725,000	1,249,001	2,974,001
2027	1,815,000	1,160,501	2,975,501
2028-2032	10,530,000	4,329,085	14,859,085
2033-2037	10,030,000	1,872,756	11,902,756
2038-2039	4,305,000	173,900	4,478,900
Total	<u>\$ 33,090,000</u>	<u>\$ 13,020,746</u>	<u>\$ 46,110,746</u>
Current	<u>1,485,000</u>		
Long-Term	<u>\$ 31,605,000</u>		



**SANTA MARGARITA/DANA POINT AUTHORITY**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

**3. Noncurrent Liabilities (Continued)**

Deferred Gain or Loss on Debt Defeasance

The balance for deferred gain on debt defeasance as of June 30, 2022, is as follows:

General Obligation Bonds	Balance at June 30, 2021	Additions	Deletions	Amortization	Balance at June 30, 2022
2014A Series	\$ 41,513	\$ -	\$ -	\$ (6,746)	\$ 34,767

The balance for deferred loss on debt defeasance as of June 30, 2022, is as follows:

General Obligation Bonds	Balance at June 30, 2021	Additions	Deletions	Amortization	Balance at June 30, 2022
2017A Series	\$ 1,079,989	\$ -	\$ -	\$ (110,919)	\$ 969,070

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# Attachment "B"

October xx, 2022

To the Board of Directors  
Santa Margarita/Dana Point Authority  
Rancho Santa Margarita, California

We have audited the financial statements of the Santa Margarita/Dana Point Authority (the Authority) as of and for the year ended June 30, 2022, and have issued our report thereon dated October xx, 2022. Professional standards require that we advise you of the following matters relating to our audit.

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

As communicated in our letter dated May 20, 2022, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Authority solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

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

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

We conducted our audit consistent with the planned scope and timing we previously communicated to you in our planning communication letter dated May 20, 2022.

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

The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.

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

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of significant accounting policies adopted by the Authority is included in Note 1 to the basic financial statements. The Authority implemented Governmental Accounting Standard Board (GASB) Statement No. 87, *Leases*; No. 92, *Omnibus 2020* and No. 93, *Replacement of Interbank Offered Rates* for the year ended June 30, 2022, as described in Note 1. There is no significant impact to the Authority's basic financial statements due to the implementation of those new pronouncements. There have been no changes in other significant accounting policies or their application during for the year ended June 30, 2022. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. We found that the Authority financial statements for the year ended June 30, 2022, did not contain particularly sensitive accounting estimates that required us to conclude on the reasonableness of those estimates.

### *Financial Statement Disclosures*

The financial statement disclosures are neutral, consistent and clear.

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

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

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. There were no misstatements detected as a result of audit procedures and corrected by management which were material, either individually or in the aggregate, to the financial statements taken as a whole. In addition, there were no uncorrected misstatements noted as a result of the audit procedures.

### **Disagreements with Management**

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

### **Representations Requested from Management**

We have requested certain written representations from management which are dated October xx, 2022.

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

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

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

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

We applied certain limited procedures to the management's discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

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

Very truly yours,

Irvine, California

# Santa Margarita/Dana Point Authority

## MEMORANDUM

**TO:** Board of Directors **DATE:** November 1, 2022

**FROM:** Allison Burns, General Counsel

**SUBJECT:** Santa Margarita/Dana Point Authority Conflict of Interest Code

### SUMMARY

**Issue:** The Political Reform Act requires state and local government agencies to biennially review its Conflict of Interest Code which establishes the rules for disclosure of personal assets and for disqualification from making or participating in any decisions that may affect personal assets. It is appropriate for the Authority to regularly review its Conflict of Interest Code to ensure conformance with current regulations.

**Fiscal Impact:** The Conflict of Interest Code itself does not have any budget or fiscal impacts.

**Previous Related Action:** On November 2, 2021, General Counsel reported the Policy was reviewed and there were no changes necessary. November 2018, the Board of Directors adopted Resolution No. 2018-11-01 establishing a completely new Conflict of Interest Code document.

### DISCUSSION

The Conflict of Interest Code adopted by the Authority designates employees or consultant positions that require Statements of Economic Interests (Form 700) filings. Form 700 is a public document intended to alert public officials and members of the public to the types of financial interests that may create conflicts of interests.

In 2018, the Authority established a new Conflict of Interest Code, which was reviewed by General Counsel in 2020, with no adjustments required. As General Counsel for the Authority, I have reviewed the Conflict of Interest Code and determined it meets all the requirements of the Political Reform Act (Government Code Section § 81000, et. seq.) and no changes are necessary. I am glad to report that the Authority completed its 2022 Biennial filing with the County of Orange Clerk of the Board of Supervisors.

Resolution No. 2018-11-01 Amending the Authority's Conflict of Interest Code is attached for reference.

**SANTA MARGARITA/DANA POINT AUTHORITY**

**RESOLUTION NO. 2018-11-01**

**RESOLUTION OF THE BOARD OF DIRECTORS OF  
THE SANTA MARGARITA/DANA POINT AUTHORITY  
AMENDING THE AUTHORITY'S CONFLICT OF  
INTEREST CODE**

**WHEREAS**, the State of California enacted the Political Reform Act of 1974, Government Code Section 81000 et seq. (the "Act"), which contains provisions relating to conflicts of interest which potentially affect all officers, employees and consultants of the Santa Margarita/Dana Point Authority (the "Authority") and requires all public agencies to adopt and promulgate a Conflict of Interest Code (the "Code"); and

**WHEREAS**, the potential penalties for violation of the provisions of the Act are substantial and may include criminal and civil liability, as well as equitable relief which could result in the Authority being restrained or prevented from acting in cases where the provisions of the Act may have been violated; and

**WHEREAS**, pursuant to Section 87200 of the Government Code and Section 18720 of Title 2 of the California Code of Regulations which was adopted by the Fair Political Practices Authority and which became effective June 24, 1994, public officials who manage public investments are required to file the Form 700 State of Economic Interest; and

**WHEREAS**, the Authority has previously adopted and, thereafter, amended its Code; and

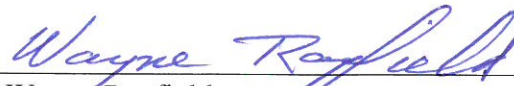
**WHEREAS**, subsequent changed circumstances within the Authority have made it advisable and necessary to amend and update the Authority's Code; and

**WHEREAS**, a public meeting was held upon the proposed amended Code at a regular meeting of the Board of Directors on November 6, 2018, at which all present were given an opportunity to be heard on the proposed amended Code.

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of the Santa Margarita/Dana Point Authority as follows:

1. **Section 1.** The position Board Member/Authority Administrator/Treasure shall file the Form 700 Statement of Economic Interest pursuant to Government Code Section 87200 and Title 2 of the California Code of Regulations Section 18720.
2. **Section 2.** The Authority's Secretary is hereby directed to file a certified Copy of this Resolution with the Board of Supervisors of the County of Orange.

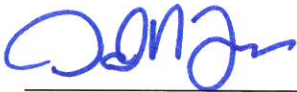
**ADOPTED** by the Board of Directors of the Santa Margarita/Dana Point Authority this 6<sup>th</sup> day of November 2018.



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Wayne Rayfield  
Chair of the Board of Directors  
Santa Margarita/Dana Point Authority

**ATTEST:**



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Daniel R. Ferons  
Secretary of the Board of Directors  
Santa Margarita/Dana Point Authority

STATE OF CALIFORNIA )

COUNTY OF ORANGE )

ss

I, Daniel R. Feron, Secretary of the Board of Directors of the Santa Margarita/Dana Point Authority, do hereby certify that the foregoing Resolution was duly adopted by the Board of Directors said Authority at a regular meeting held on the 6<sup>th</sup> day of November 2018.

AYES: 3 DIRECTORS: Rayfield, Gibson, Feron

NOES: DIRECTORS:

ABSENT: 1 DIRECTORS: Green

ABSTAIN: DIRECTORS:

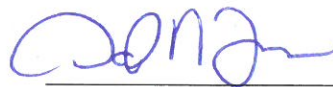


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Daniel R. Feron  
Secretary of the Board of Directors  
Santa Margarita/Dana Point Authority

I, Daniel R. Feron, Secretary of the Board of Directors of the Santa Margarita/Dana Point Authority, do hereby certify that the above and forgoing is a full, true, and correct copy of Resolution No. 2018-11-01 of said Board, and that the same has not been amended or repealed.

DATED: November 6, 2018



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Daniel R. Feron  
Secretary of the Board of Directors  
Santa Margarita/Dana Point Authority



**Exhibit “A”**  
**“CONFLICT OF INTEREST CODE”**

**[Attached behind this page]**

**CONFLICT OF INTEREST CODE**

**OF THE**

**SANTA MARGARITA/DANA POINT**

**AUTHORITY**

**CONFLICT OF INTEREST CODE FOR THE**  
**SANTA MARGARITA/DANA POINT AUTHORITY**

**(Adopted November 6, 2018)**

The Political Reform Act (Gov. Code § 81000, et seq.) requires state and local government agencies to adopt and promulgate conflict of interest codes. The Fair Political Practices Commission has adopted a regulation (2 Cal. Code of Regs. § 18730) that contains the terms of a standard conflict of interest code, which can be incorporated by reference in an agency's code. After public notice and hearing Regulation 18730 may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act. Therefore, the terms of 2 California Code of Regulations section 18730 and any amendments to it duly adopted by the Fair Political Practices Commission are hereby incorporated by reference. This incorporation page, Regulation 18730 and the attached Appendix designating positions and establishing disclosure categories, shall constitute the conflict of interest code of the **Santa Margarita/Dana Point Authority** (the "**Authority**").

All officials and designated positions required to submit a statement of economic interests shall file their statements with the **Authority's General Counsel** as the Authority's Filing Officer. The **Authority's General Counsel** shall make and retain a copy of all statements filed by Members of the Board of Directors and the General Counsel and forward the originals of such statements to the Clerk of the Board of Supervisors of the County of Orange. The **Authority's General Counsel** shall retain the originals of the statements filed by all other officials and designated positions and make all statements available for public inspection and reproduction during regular business hours. (Gov. Code § 81008.)

# APPENDIX

## CONFLICT OF INTEREST CODE

### OF THE

## SANTA MARGARITA/DANA POINT AUTHORITY

(Adopted November 6, 2018)

### PART "A"

#### OFFICIALS WHO MANAGE PUBLIC INVESTMENTS

Authority Officials who manage public investments, as defined by 2 Cal. Code of Regs. § 18701(b), are NOT subject to the Authority's Code, but must file disclosure statements under Government Code section 87200 et seq. (Regs. § 18730(b) (3)) These positions are listed here for informational purposes only.

It has been determined that the positions listed below are officials who manage public investments<sup>1</sup>:

Board Member

Authority Administrator

Treasurer

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<sup>1</sup> Individuals holding one of the above-listed positions may contact the Fair Political Practices Commission for assistance or written advice regarding their filing obligations if they believe that their position has been categorized incorrectly. The Fair Political Practices Commission makes the final determination whether a position is covered by § 87200.

## DESIGNATED POSITIONS

### GOVERNED BY THE CONFLICT OF INTEREST CODE

<u>DESIGNATED POSITIONS'</u> <u>TITLE OR FUNCTION</u>	<u>DISCLOSURE CATEGORIES</u> <u>ASSIGNED</u>
Authority Administrator	OC-01
Board Member	OC-01
Legal Counsel	OC-01
Secretary	OC-01
Treasurer	OC-01

Consultants and New Positions<sup>2</sup>

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<sup>2</sup> Individuals providing services as a Consultant defined in Regulation 18701, or in a new position created since this Code was last approved that makes or participates in making decisions shall disclose pursuant to the broadest disclosure category in this Code subject to the following limitation:

The Administrator may determine that, due to the range of duties or contractual obligations, it is more appropriate to assign a limited disclosure requirement. A clear explanation of the duties and a statement of the extent of the disclosure requirements must be in a written document. (Gov. Code Sec. 82019; FPPC Regulations 18219 and 18734.). The Administrator's determination is a public record and shall be retained for public inspection in the same manner and location as this Conflict of Interest Code. (Gov. Code Sec. 81008.)

## PART “B”

### DISCLOSURE CATEGORIES

The disclosure categories listed below identify the types of economic interests that the designated position must disclose for each disclosure category to which he or she is assigned.<sup>3</sup> Such economic interests are reportable if they are either located in or doing business in the jurisdiction, are planning to do business in the jurisdiction, or have done business during the previous two years in the jurisdiction of the Authority.

Category OC-01: All interests in real property in Orange County, the Authority or the District as applicable, as well as investments, business positions and source of income (including gifts, loans and travel payments).

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<sup>3</sup> This Conflict of Interest Code does not require the reporting of gifts from outside this agency's jurisdiction if the source does not have some connection with or bearing upon the functions or duties of the position. (Reg. 18730.1)