

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.

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.

- 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 2nd day of November 2021.



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

ATTEST:



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 2nd 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

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

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DRAFT

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

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

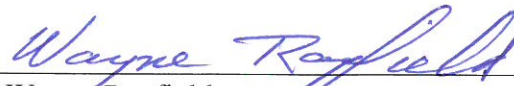
WHEREAS, subsequent changed circumstances within the Authority have made it advisable and necessary to amend and update the Authority's Code; and

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:

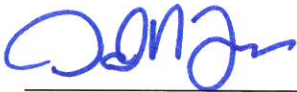
1. **Section 1.** The position Board Member/Authority Administrator/Treasure shall file the Form 700 Statement of Economic Interest pursuant to Government Code Section 87200 and Title 2 of the California Code of Regulations Section 18720.
2. **Section 2.** The Authority's Secretary is hereby directed 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 6th day of November 2018.



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

ATTEST:



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 6th day of November 2018.

AYES: 3 DIRECTORS: Rayfield, Gibson, Feron

NOES: DIRECTORS:

ABSENT: 1 DIRECTORS: Green

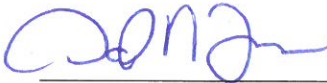
ABSTAIN: DIRECTORS:



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



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

Exhibit “A”
“CONFLICT OF INTEREST CODE”

[Attached behind this page]

