

**AGENDA  
SANTA MARGARITA/DANA POINT AUTHORITY  
BOARD OF DIRECTORS  
REGULAR MEETING  
NOVEMBER 7, 2023  
12:30 PM**

**SANTA MARGARITA WATER DISTRICT BOARDROOM  
26111 ANOTONIO PARKWAY, RANCHO SANTA MARGARITA, CA 92688**

**This meeting will be held in person. As a convenience for the public, the meeting may also be accessed by Microsoft Teams and will be available by either computer or telephone audio as indicated below. Because this is an in-person meeting and the virtual component is not required, but rather is being offered as a convenience, if there are any technical issues during the meeting, this meeting will continue and will not be suspended.**

**To join the meeting online at Microsoft Teams or Telephone Audio:**

**Telephone Audio: +1-530-414-9890 fees may apply**

**Telephone Audio ID: 101 055 203#**

<https://tinyurl.com/y8crdb46>

*Upon request, this agenda will be made available in appropriate alternative formats to persons with disabilities, as required by 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 Authority, 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 TO ORDER**
- 2. PLEDGE OF ALLEGIANCE**
- 3. ADMINISTRATION OF OATH OF OFFICE**

**4. PUBLIC FORUM**

*Persons wishing to address the Board of Directors on non-agenda items will have three minutes to speak. For items on the agenda, an opportunity to speak during that item will be provided. Those attending the meeting in-person are requested to submit a "Request To Be Heard" form to the Recording Secretary.*

**5. CONSENT CALENDAR**

- 5.1 Consideration and Action on the Minutes of the November 1, 2022 Board of Directors Meeting **Page 3**

**Recommendation:** Approve the Minutes.

**6. ACTION ITEMS**

- 6.1 Consideration and Action on the Santa Margarita/Dana Point Authority's Conflict of Interest Code Designated Positions List; and Resolution No. 2023-11-01 Amending the Conflict of Interest Code Pursuant to the Political Reform Act of 1974 **Page 6**

**Recommendation:** Approve the Authority's Conflict of Interest Code including the revised designated positions list; and adopt Resolution 2023-11-01.

- 6.2 Consideration and Action on the Santa Margarita/Dana Point Authority Preliminary Audited Financial Statements for the Fiscal Year 2022-2023 **Page 16**

**Recommendation:** Approve the finalization of the audited financial statements and submission to the County of Orange Auditor-Controller's Office by December 31, 2023.

**7. GENERAL COUNSEL REPORT**

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

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

**9. ADJOURNMENT**

The next Regular Board of Directors' Meeting is scheduled for January 2, 2024 at 12:30 p.m.

**MINUTES  
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>

**ATTENDEES**

William L. Green	Chairman
Charles T. Gibson	Vice Chairman
Saundra F. Jacobs	Director
Allison Burns	General Counsel/Stradling Yocca Carlson & Rauth
Jennifer Wilt	Secretary of the Authority
Erica Castillo	Authority Treasurer
Rick Shintaku	General Manager/South Coast Water District
Daniel R. Ferons	General Manager/Santa Margarita Water District
Chip Monaco	Chief Administration Officer/Santa Margarita Water District
Peter George	Macias, Gini & O'Connell

**1. CALL MEETING TO ORDER**

*Chairman Green called the meeting to order at 12:30 p.m.*

*The meeting opened in a moment of silence for South Coast Water District Director Wayne Rayfield and Santa Margarita Water District family member, Kathleen Gibson, wife of Director Charles T. Gibson.*

**2. PLEDGE OF ALLEGIANCE**

*Director Jacobs led the Pledge of Allegiance.*

**3. PUBLIC FORUM**

*There were no requests to speak.*

4. **CONSENT CALENDAR**

**Motion:** Approve Consent Calendar Items 4.1 and 4.2 as recommended.

**Moved by:** Charles T. Gibson

**Seconded by:** Sandra F. Jacobs

**Ayes:** Gibson, Jacobs, Green

**Unanimously approved**

*There was no further discussion on these items.*

- 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

**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

**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

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

**Motion:** Approved as recommended.

**Moved by:** Charles T. Gibson

**Seconded by:** Sandra F. Jacobs

**Ayes:** Gibson, Jacobs, Green

**Unanimously approved**

*The Authority's Treasurer, Erica Castillo, presented the Preliminary Audited Financial Statements for the period ended June 30, 2022, noting there were no findings.*

*The Partner at Macias, Gini & O'Connell (MGO), Mr. Peter George announced that an unmodified opinion would be issued and noted the opinion letter has a new look incorporating new standards improving transparency.*

*Ms. Castillo noted all necessary documentation will be filed with the County of Orange by December 31, 2022 and posted to the Authority's website.*

**6. INFORMATION ITEM**

6.1 Santa Margarita/Dana Point Authority Conflict of Interest Code

*The Authority's General Counsel, Ms. Allison Burns, informed that the biennially review of the Authority's Conflict of Interest Code was conducted and no changes are required.*

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

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

*No Director reports provided.*

*The Directors shared their condolences for the recent passing of Director Rayfield and for Kathleen Gibson.*

**8. ADJOURNMENT**

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

*The meeting adjourned at 12:53 p.m.*

# Santa Margarita/Dana Point Authority

## MEMORANDUM

**TO:** Board of Directors **DATE:** November 7, 2023

**FROM:** Allison Burns, General Counsel

**SUBJECT:** Consideration and Action on the Santa Margarita/Dana Point Authority's Conflict of Interest Code Designated Positions List; and Resolution No. 2023-11-01 Amending the Conflict of Interest Code Pursuant to the Political Reform Act of 1974

### 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.

**Recommendation:** Approve the Authority's Conflict of Interest Code including the revised designated positions list; and adopt Resolution 2023-11-01.

**Fiscal Impact:** There are no fiscal impacts amending the Conflict of Interest Code and adopting the resolution.

**Previous Related Action:** On November 1 2022, 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 Political Reform Act (Act) requires state and local agencies to review its Conflict of Interest Code (Code) biennially and submit a notice to its code reviewing body that specifies if the code is accurate or needs to be amended. The Code adopted by the Authority designates employees or consultant positions that are required to file a Statements of Economic Interests Form (Form 700). 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. The Act further requires that an agency review its Code every two years or when circumstances have changed the designated positions, disclosure categories and/or personnel.

In 2018, the Authority established a new Code, which was reviewed by General Counsel in 2020, 2021, and 2022 with no adjustments required. The Authority's next biennial filing is in 2024, and as General Counsel, I am recommending Secretary be removed from the designated position list. The appointed Secretary does not participate in the Authority's financial interest and is not required to file a Form 700. If the amended Code is approved by the Board, it will be submitted along with the Biennial Review Notice to the County of Orange Clerk of the Board of Supervisors.

*Attachments:*

*A. Resolution No. 2023-11-01*

*B. Redline version of Conflict of Interest Code*

**SANTA MARGARITA/DANA POINT AUTHORITY**

**RESOLUTION NO. 2023-11-01**

**RESOLUTION OF THE BOARD OF DIRECTORS OF  
THE SANTA MARGARITA/DANA POINT AUTHORITY  
AMENDING THE CONFLICT OF INTEREST CODE  
PURSUANT TO THE POLITICAL REFORM ACT OF  
1974**

**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**, 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 7, 2023, 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. **Incorporation of Recitals.** The Board of Directors hereby finds and determines that the Recitals of this Resolution are true and correct and are hereby incorporated into this Resolution as through fully set forth herein.
2. **Adoption.** The Board of Directors hereby adopts the Conflict of Interest Code as set forth in the attached Exhibit “A.”
3. **Effective Date.** This Resolution shall be effective as of the date of its adoption.



**ADOPTED** by the Board of Directors of the Santa Margarita/Dana Point Authority this 7<sup>th</sup> day of November 2023.

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William Green  
Chair of the Board of Directors  
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 said Authority at a regular meeting held on the 7<sup>th</sup> day of November 2023.

AYES: DIRECTORS:

NOES: DIRECTORS:

ABSENT: DIRECTORS:

ABSTAIN: DIRECTORS:

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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. 2023-11-01 of said Board, and that the same has not been amended or repealed.

DATED: November 7, 2023

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

**EXHIBIT “A”**

**“CONFLICT OF INTEREST CODE”**

**[Attached behind this page]**

# Santa Margarita/Dana Point Authority

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## CONFLICT OF INTEREST CODE

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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 Appendixes~~x~~ 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 “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**

Designated Positions' (Title or Function)	Disclosure Categories Assigned
<b>Authority Administrator</b>	OC-01
<b>Board Member</b>	OC-01
<b>Legal Counsel</b>	OC-01
<b>Secretary</b>	<del>OC-01</del>
<b>Treasurer</b>	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).

**APPENDIX “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)

# Santa Margarita/Dana Point Authority

## MEMORANDUM

**TO:** Board of Directors **DATE:** November 7, 2023

**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 2022-2023

### 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) was selected through a competitive selection process in 2020 to perform the Authority and SMWD’s annual fiscal year-end financial statements for five years. Fiscal Year 2022-2023 is the third year of the five-year agreement with MGO.

**Recommendation:** Approve the finalization of the audited financial statements and submission to the County of Orange Auditor-Controller’s Office by December 31, 2023.

**Fiscal Impact:** The Authority’s Fiscal Year 2022-2023 (FY 2023) audit fees are funded by SMWD.

**Previous Related Action:** On November 1, 2022, the Board of Directors received and filed the Authority’s Fiscal Year 2021-2022 financial statements. Submission to the County of Orange of the Authority’s financial statements was completed on December 21, 2022.

### 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, 2023 (FY 2023). The draft financial statements for FY 2023 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, 2023. 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 2023 decreased \$4.2 million due to bond principal payments and amortization of deferred gains and losses on debt defeasance.
- Bonds payable had a net decrease of \$4.3 million in FY 2023 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 \$1.7 million and \$1.5 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 2023.

## **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, 2023*
- B. Draft Required Communications Letter to the Board of Directors*

# SANTA MARGARITA/DANA POINT AUTHORITY

Annual Financial Report  
For The Year Ended June 30, 2023

DRAFT

**SANTA MARGARITA/DANA POINT AUTHORITY**  
**Annual Financial Report**  
**For the Year Ended June 30, 2023**

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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 Santa Margarita/Dana Point Authority (the Authority) as of and for the year ended June 30, 2023, and the related notes to the financial statements.

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, 2023, 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  
November XX, 2023

**SANTA MARGARITA/DANA POINT AUTHORITY**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended June 30, 2023**

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, 2023 (FY 2023). The MD&A is to be read and considered in conjunction with additional information provided with the basic financial statements and accompanying notes.

**FY 2023 Financial Highlights**

- Total assets decreased \$4.3 million in FY 2023 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 2023 totaling \$1.7 million and \$1.5 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, 2023.
- **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, 2023**

**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 \$4.3 million to \$92.9 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 \$4.4 million to \$93.8 million compared with the prior year due to payments made during FY 2023 on the Authority's General Obligation bonds and Revenue bonds.

Deferred outflows of resources decreased by \$0.1 million to \$863 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 \$6.2 thousand to \$28.5 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 2023</b>	<b>Fiscal Year 2022</b>	<b>Increase (Decrease)</b>	<b>Percent Increase (Decrease)</b>
<b>Assets</b>				
Current Assets	\$ 4,729,942	\$ 5,133,414	\$ (403,472)	(7.9%)
Noncurrent Assets	88,204,025	92,062,829	(3,858,804)	(4.2%)
Total Assets	<u>92,933,967</u>	<u>97,196,243</u>	<u>(4,262,276)</u>	(4.4%)
<b>Deferred Outflows of Resources</b>	<u>862,788</u>	<u>969,070</u>	<u>(106,282)</u>	(11.0%)
<b>Liabilities</b>				
Current Liabilities	4,729,942	5,133,414	(403,472)	(7.9%)
Noncurrent Liabilities	89,038,277	92,997,132	(3,958,855)	(4.3%)
Total Liabilities	<u>93,768,219</u>	<u>98,130,546</u>	<u>(4,362,327)</u>	(4.4%)
<b>Deferred Inflows of Resources</b>	<u>28,536</u>	<u>34,767</u>	<u>(6,231)</u>	(17.9%)
<b>Net Position</b>				
Unrestricted	-	-	-	0.0%
Total Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	0.0%

**SANTA MARGARITA/DANA POINT AUTHORITY**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended June 30, 2023**

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

The Authority's total operating revenues and total operating expenses decreased by \$0.1 million, respectively, due to lower interest expense paid on the Authority's General Obligation bonds and Revenue bonds.

	<u>Fiscal Year 2023</u>	<u>Fiscal Year 2022</u>	<u>Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
<b>Operating Revenues:</b>				
Net Revenues from SMWD	\$ 1,410,704	\$ 1,466,858	\$ (56,154)	(3.8%)
Special Assessment Tax Revenues from SMWI	1,110,174	1,161,011	(50,837)	(4.4%)
<b>Total Operating Revenues</b>	<b><u>2,520,878</u></b>	<b><u>2,627,869</u></b>	<b><u>(106,991)</u></b>	<b><u>(4.1%)</u></b>
<b>Operating Expenses:</b>				
Interest Expense	2,520,878	2,627,869	(106,991)	(4.1%)
<b>Total Operating Expenses</b>	<b><u>2,520,878</u></b>	<b><u>2,627,869</u></b>	<b><u>(106,991)</u></b>	<b><u>(4.1%)</u></b>
<b>Change in Net Position</b>	<u>-</u>	<u>-</u>	<u>-</u>	<b>0.0%</b>
Net Position, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	0.0%
<b>Net Position, End of Year</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b>0.0%</b>

**Long Term Debt**

Total long-term debt decreased by \$4.3 million or 4.4% to \$93 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 2023.

	<u>Balance at June 30, 2022</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance at June 30, 2023</u>	<u>Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
<b>Long-Term Debt:</b>						
Revenue Bonds Payable	\$ 50,570,000	\$ -	\$ (1,730,000)	\$ 48,840,000	\$ (1,730,000)	(3.4%)
General Obligation Bonds Payable	33,090,000	-	(1,485,000)	31,605,000	(1,485,000)	(4.5%)
Net Premium (Discount)	13,661,309	-	(1,109,176)	12,552,133	(1,109,176)	(8.1%)
<b>Total Long-Term Debt</b>	<b><u>\$ 97,321,309</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (4,324,176)</u></b>	<b><u>\$ 92,997,133</u></b>	<b><u>\$ (4,324,176)</u></b>	<b><u>(4.4%)</u></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, 2023

**ASSETS:**

**Current Assets:**

Accrued interest receivable	\$	771,086
Due from Santa Margarita Water District - due within one year (Note 2)		3,958,856
<b>Total Current Assets</b>		<b><u>4,729,942</u></b>

**Non-current Assets:**

Due from Santa Margarita Water District - due in more than one year (Note 2)		88,204,025
<b>Total Non-current Assets</b>		<b><u>88,204,025</u></b>

<b>Total Assets</b>		<b><u>92,933,967</u></b>
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**DEFERRED OUTFLOWS OF RESOURCES:**

Deferred loss on debt defeasance (Note 3)		862,788
<b>Total Deferred Outflows of Resources</b>		<b><u>862,788</u></b>

**LIABILITIES:**

**Current Liabilities:**

Accrued interest payable		771,086
Bonds payable - due within one year (Note 3)		3,958,856
<b>Total Current Liabilities</b>		<b><u>4,729,942</u></b>

**Non-current Liabilities:**

Bonds payable - due in more than one year (Note 3)		89,038,277
<b>Total Non-current Liabilities</b>		<b><u>89,038,277</u></b>

<b>Total Liabilities</b>		<b><u>93,768,219</u></b>
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**DEFERRED INFLOWS OF RESOURCES:**

Deferred inflows on debt defeasance (Note 3)		28,536
<b>Total Deferred Inflows of Resources</b>		<b><u>28,536</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, 2023

**OPERATING REVENUES:**

Net revenues from Santa Margarita Water District	\$	1,410,704
Special assessment tax revenues from Santa Margarita Water District		1,110,174
<b>Total Operating Revenues</b>		<b><u>2,520,878</u></b>

**OPERATING EXPENSES:**

Interest Expense		2,520,878
<b>Total Operating Expenses</b>		<b><u>2,520,878</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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**SANTA MARGARITA/DANA POINT AUTHORITY**

Statement of Cash Flows

For the Year Ended June 30, 2023

**Cash flows from operating activities:**

Cash receipts from net revenues for debt and interest payments	\$	3,808,900
Cash receipts from special assessment tax revenues for debt and interest payments		2,974,251
Principal paid for bond debt service		(3,215,000)
Interest paid for debt service		<u>(3,568,151)</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		38,151
(Decrease)/Increase in liabilities:		
Accrued interest payable		<u>(38,151)</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	\$	(1,109,177)
Deferred (gain) loss on debt defeasance		100,051

See accompanying notes to the basic financial statements.

**SANTA MARGARITA/DANA POINT AUTHORITY**  
**Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2023**

**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, 2023**

**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, 2023**

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

New Accounting Pronouncements

**Adopted in the Current Year**

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

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. There was no impact to the Authority.

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

**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, 2023, are as follows:

	Balance at June 30, 2022	Additions	Deletions	Balance at June 30, 2023	Amount Due Within One Year	Amount Due Beyond One Year
Revenue Bonds Payable	\$ 50,570,000	\$ -	\$ (1,730,000)	\$ 48,840,000	\$ 1,345,000	\$ 47,495,000
General Obligation Bonds Payable	33,090,000	-	(1,485,000)	31,605,000	1,560,000	30,045,000
Premium / Discount, Net	13,661,309	-	(1,109,176)	12,552,133	1,053,856	11,498,277
Deferred Gain (Loss) on Debt Defeasance, Net	(934,303)	-	100,051	(834,252)	-	(834,252)
Due from SMWD	<u>\$ 96,387,006</u>	<u>\$ -</u>	<u>\$ (4,224,125)</u>	<u>\$ 92,162,881</u>	<u>\$ 3,958,856</u>	<u>\$ 88,204,025</u>

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

Year	Principal	Interest	Total
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	1,635,000	1,702,900	3,337,900
2029-2033	6,660,000	7,472,250	14,132,250
2034-2038	8,190,000	5,931,050	14,121,050
2039-2043	9,615,000	4,515,100	14,130,100
2044-2048	11,625,000	2,496,400	14,121,400
2049-2050	5,325,000	321,600	5,646,600
Total	<u>48,840,000</u>	<u>\$ 29,992,150</u>	<u>\$ 78,832,150</u>
Current	<u>1,345,000</u>		
Long-Term	<u>\$ 47,495,000</u>		



**SANTA MARGARITA/DANA POINT AUTHORITY**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

**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
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	1,900,000	1,067,626	2,967,626
2029-2033	11,055,000	3,811,640	14,866,640
2034-2038	9,715,000	1,452,575	11,167,575
2039	2,195,000	43,900	2,238,900
Total	<u>\$ 31,605,000</u>	<u>\$ 11,531,495</u>	<u>\$ 43,136,495</u>
Current	<u>1,560,000</u>		
Long-Term	<u>\$ 30,045,000</u>		

**3. Noncurrent Liabilities**

Noncurrent liabilities and changes for the year ended June 30, 2023, are as follows:

	Balance at June 30, 2022	Additions	Deletions	Balance at June 30, 2023	Amount Due Within One year	Amount Due Beyond One Year
Revenue Bonds Payable:						
2020 Series A	\$ 50,570,000	\$ -	\$ (1,730,000)	\$ 48,840,000	\$ 1,345,000	\$ 47,495,000
Total Revenue Bonds						
Bonds Payable	50,570,000	-	(1,730,000)	48,840,000	1,345,000	47,495,000
Premium / Discount, net	10,197,005	-	(660,986)	9,536,019	633,485	8,902,534
Total Revenue Bonds Payable	<u>60,767,005</u>	<u>-</u>	<u>(2,390,986)</u>	<u>58,376,019</u>	<u>1,978,485</u>	<u>56,397,534</u>
General Obligation (GO) Bonds Payable:						
2014 Series A	6,550,000	-	(460,000)	6,090,000	485,000	5,605,000
2017 Series A	26,540,000	-	(1,025,000)	25,515,000	1,075,000	24,440,000
Total General Obligations						
Bonds Payable	33,090,000	-	(1,485,000)	31,605,000	1,560,000	30,045,000
Premium / Discount, net	3,464,304	-	(448,190)	3,016,114	420,371	2,595,743
Total GO Bonds Payable	<u>36,554,304</u>	<u>-</u>	<u>(1,933,190)</u>	<u>34,621,114</u>	<u>1,980,371</u>	<u>32,640,743</u>
Total Bonds Payable	<u>\$ 97,321,309</u>	<u>\$ -</u>	<u>\$ (4,324,176)</u>	<u>\$ 92,997,133</u>	<u>\$ 3,958,856</u>	<u>\$ 89,038,277</u>

**SANTA MARGARITA/DANA POINT AUTHORITY**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

**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, 2023, the outstanding balance was \$48,840,000.

**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, 2023, the outstanding balance was \$6,090,000.

**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, 2023**

**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, 2023, the outstanding balance was \$25,515,000.

Future maturities of Revenue bonds payable are as follows at June 30, 2023:

Year	Principal	Interest	Total
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	1,635,000	1,702,900	3,337,900
2029-2033	6,660,000	7,472,250	14,132,250
2034-2038	8,190,000	5,931,050	14,121,050
2039-2043	9,615,000	4,515,100	14,130,100
2044-2048	11,625,000	2,496,400	14,121,400
2049-2050	5,325,000	321,600	5,646,600
Total	<u>48,840,000</u>	<u>\$ 29,992,150</u>	<u>\$ 78,832,150</u>
Current	<u>1,345,000</u>		
Long-Term	<u>\$ 47,495,000</u>		

Future maturities of General Obligation bonds payable are as follows at June 30, 2023:

Year	Principal	Interest	Total
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	1,900,000	1,067,626	2,967,626
2029-2033	11,055,000	3,811,640	14,866,640
2034-2038	9,715,000	1,452,575	11,167,575
2039	2,195,000	43,900	2,238,900
Total	<u>\$ 31,605,000</u>	<u>\$ 11,531,495</u>	<u>\$ 43,136,495</u>
Current	<u>1,560,000</u>		
Long-Term	<u>\$ 30,045,000</u>		

**SANTA MARGARITA/DANA POINT AUTHORITY**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

**3. Noncurrent Liabilities (Continued)**

Deferred Gain or Loss on Debt Defeasance

The balance for deferred gain on debt defeasance as of June 30, 2023, is as follows:

<u>General Obligation Bonds</u>	<u>Balance at June 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Amortization</u>	<u>Balance at June 30, 2023</u>
2014A Series	\$ 34,767	\$ -	\$ -	\$ (6,231)	\$ 28,536

The balance for deferred loss on debt defeasance as of June 30, 2023, is as follows:

<u>General Obligation Bonds</u>	<u>Balance at June 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Amortization</u>	<u>Balance at June 30, 2023</u>
2017A Series	\$ 969,070	\$ -	\$ -	\$ (106,282)	\$ 862,788

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November XX, 2023

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

We are pleased to present this report related to our audit of the basic financial statements of Santa Margarita/Dana Point Authority (the Authority) as of and for the year ended June 30, 2023. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Authority's financial reporting process.

This report is intended solely for the information and use of the Authority's Board of Directors and management, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the Authority.

[Firm Signature]  
Irvine, California

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## REQUIRED COMMUNICATIONS

Auditing standards generally accepted in the United States of America require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

### **Our Responsibilities With Regard to the Financial Statement Audit**

Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our communication letter dated May 22, 2023. Our audit of the basic financial statements of the Santa Margarita/Dana Point Authority (Authority) as of and for the year ended June 30, 2023, does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

### **Overview of the Planned Scope and Timing of the Financial Statement Audit**

We informed you of the planned scope and timing of our audit and identified risks in our communication letter to you dated issued a separate communication letter dated May 22, 2023.

### **Accounting Policies and Practices**

#### **Preferability of Accounting Policies and Practices**

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Company. The Company did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.

#### **Significant Accounting Policies**

We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### **Significant Unusual Transactions**

We did not identify any significant unusual transactions.

#### **Management's Judgments and Accounting Estimates**

Accounting estimates are an integral part of the preparation of the basic financial statements and are based upon management's current judgment. 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, 2023, did not contain particularly sensitive accounting estimates that required us to conclude on the reasonableness of those estimates.

## **Audit Adjustments and Uncorrected Misstatements**

There were no audit adjustments made to the original trial balance presented to us to begin our audit. We are not aware of any uncorrected misstatements.

## **Other Information Included in Annual Reports**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information 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.

## **Observations About the Audit Process**

### **Disagreements With Management**

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the basic financial statements.

### **Consultations With Other Accountants**

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

### **Significant Issues Discussed With Management**

No significant issues arising from the audit were discussed or were the subject of correspondence with management.

### **Significant Difficulties Encountered in Performing the Audit**

We did not encounter any significant difficulties in dealing with management during the audit.

### **Difficult or Contentious Matters That Required Consultation**

We did not encounter any significant and difficult or contentious matters that required consultation outside the engagement team.

## Shared Responsibilities: AICPA Independence

The American Institute of Certified Public Accountants (AICPA) regularly emphasizes that auditor independence is a **joint responsibility** and is managed most effectively when management, audit committees (or their equivalents), and audit firms work together in considering compliance with AICPA independence rules. For MGO to fulfill its professional responsibility to maintain and monitor independence, management, the Authority's Board of Directors, and MGO each play an important role.

### Our Responsibilities

- AICPA rules require independence both of mind and in appearance when providing audit and other attestation services. MGO is to ensure that the AICPA's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
- Maintain a system of quality management over compliance with independence rules and firm policies.

### The Authority's Responsibilities

- Timely inform MGO, before the effective date of transactions or other business changes, of the following:
  - New affiliates, directors, or officers.
  - New members of the joint powers agreement.
  - Changes in organization structure and oversight responsibilities affecting the Authority.
- Provide necessary affiliate information including financial information required to perform materiality calculations needed for making affiliate determinations.
- Understand and conclude on the permissibility, prior to the Authority and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with MGO.
- Not entering into relationships resulting in close family members of MGO covered persons, temporarily or permanently acting as an officer, director, or person in an accounting or financial reporting oversight role at the Authority.