

**AGENDA  
SANTA MARGARITA/DANA POINT AUTHORITY  
BOARD OF DIRECTORS  
REGULAR MEETING**

**NOVEMBER 5, 2024 12:30 PM**

**SANTA MARGARITA WATER DISTRICT BOARDROOM**

**26111 ANTONIO 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: 715 370 581#**  
<https://tinyurl.com/y982h3bv>

*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 for public inspection in the lobby of the Authority's business office located at 26111 Antonio Parkway, Rancho Santa Margarita, CA 92688, during regular business hours. All documents available for public review are on file with the Authority's Secretary located at 26111 Antonio Parkway, Rancho Santa Margarita, CA 92688. When practical, these public records will also be made available on the Authority's Internet Web Site, accessible at <http://www.smdpa.com>.

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

**4. CONSENT CALENDAR**

- 4.1 Consideration and Action on the Minutes of the November 7, 2023 Board of Directors Meeting **Page 3**

**Recommendation:** Approve the minutes as presented.

**5. ACTION ITEM**

- 5.1 Consideration and Action on the Santa Margarita/Dana Point Authority Audited Financial Statements for the Fiscal Year 2023-2024 **Page 7**

**Recommendation:** Approve the Authority's audited financial statements for the fiscal year ended June 30, 2024, and submission to the County of Orange Auditor-Controller's Office by December 31, 2024.

**6. GENERAL COUNSEL REPORT**

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

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

**8. ADJOURNMENT**

The next Regular Board of Directors' meeting is scheduled for January 7, 2025 at 12:30 p.m.

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

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

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

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

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<https://tinyurl.com/y8crdb46>

**ATTENDEES**

William L. Green	Chairman
Charles T. Gibson	Vice Chairman
Saundra F. Jacobs	Director
Joe Muller	Director
Allison Burns	General Counsel/Stradling Yocca Carlson & Rauth
Kelly Radvansky	Secretary to the Board of Directors/Santa Margarita Water District
Erica Castillo	Authority Treasurer
Jennifer Wilt	Secretary of the Authority
Daniel R. Ferons	General Manager/Santa Margarita Water District
Christine McIlrevey	Controller/Santa Margarita Water District
Brett Robbins	IT Specialist/Santa Margarita Water District
Pamela Arends-King	Assistant General Manager/Chief Financial Officer/South Coast Water District
Linda Hurley	Partner/Macias, Gini & O'Connell

**1. CALL TO ORDER**

*The meeting was called to order at 12:30 p.m. by Chairman William Green.*

**2. PLEDGE OF ALLEGIANCE**

*The Pledge of Allegiance was led by Director Charles T. Gibson.*

**3. ADMINISTRATION OF OATH OF OFFICE**

*Ms. Allison Burns, Legal Counsel, administered the oath of office to Director Joe Muller during Item 6.1.*

4. **PUBLIC FORUM**

*There were no requests to speak.*

5. **CONSENT CALENDAR**

**Motion:** Approve Consent Calendar Item 4.1 as recommended.

**Moved by:** Sandra F. Jacobs

**Seconded by:** Charles T. Gibson

**Ayes:** Jacobs, Gibson, Green

**Absent:** Muller

**Unanimously approved**

*Director Gibson thanked the Board for adjourning the November meeting in memory of his wife, Kathleen Gibson. There was no further discussion on this item.*

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

**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

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

**Motion:** Approve as recommended.

**Moved by:** Sandra F. Jacobs

**Seconded by:** William Green

**Ayes:** Jacobs, Green, Gibson

**Absent:** Muller

**Unanimously approved**

*Director Joe Muller entered the meeting at 12:40 p.m., and General Counsel administered his Oath of Office.*

*The Authority's General Counsel, Ms. Allison Burns, informed the Board that the biennial review of the Authority's Conflict of Interest Code was conducted and recommends removing from reporting the Secretary position.*

*In response to Director Saundra F. Jacobs' question, Ms. Burns noted the scope of the Secretary's role doesn't fall within the scope of the requirements of the Political Reform Act and is not required to file a Form 700. Additionally, removal of this position is consistent with other agencies' practices.*

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

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

**Motion:** Approve as recommended.

**Moved by:** Saundra F. Jacobs

**Seconded by:** Joe Muller

**Ayes:** Jacobs, Muller, Gibson, Green

**Unanimously approved**

*The Authority's Treasurer, Erica Castillo, presented the Preliminary Audited Financial Statements for the period ended June 30, 2023.*

*Partner at Macias, Gini & O'Connell (MGO), Ms. Linda Hurley, announced an unmodified opinion will be issued and noted the required communication letter form has changed from last year but includes the same content.*

*In response to Chairman William Green's question, Ms. Hurley clarified there were no significant or insignificant judgements in the Authority's Fiscal Year 2023 financial statements.*

*In response to Director Jacobs' question, Ms. Castillo noted the outstanding bonds related to J.B. Latham Plant were fully redeemed in 2020 and do not appear in the Authority's or the Santa Margarita Water District's financial statements.*

*In response to Vice Chairman Gibson's question, Ms. Hurley clarified the difference between owning capacity (intangible asset) and owning the asset (physical asset).*

*Ms. Castillo responded to Vice Chairman Gibson's question, that the deferred loss discussed in Footnote 16 is calculated based on accounting measures and not projected cash flow. This is a mathematical calculation but never resulted in a loss to the customers.*

7. **GENERAL COUNSEL REPORT**

*No report.*

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

*No Director reports.*

*Mr. Daniel Ferons, Santa Margarita Water District General Manager, noted Santa Margarita Water District is reviewing with Legal Counsel the opportunity to look at the organization of the Authority and will approach South Coast Water District in the future.*

9. **ADJOURNMENT**

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

*The meeting adjourned at 12:58 p.m.*

# Santa Margarita/Dana Point Authority

## MEMORANDUM

**TO:** Board of Directors **DATE:** November 5, 2024

**FROM:** Robert Grantham, SMWD General Manager

**SUBJECT:** Consideration and Action on the Santa Margarita/Dana Point Authority Audited Financial Statements for the Fiscal Year 2023-2024

### SUMMARY

**Issue:** Annually, the Santa Margarita/Dana Point Authority (Authority) has an external audit performed on the financial statements for the Authority by an independent Certified Public Accounting Firm. Davis Farr LLP was selected through a competitive selection process to perform the Authority and SMWD's annual fiscal year-end financial statements for five years. Fiscal Year 2023-2024 is the first year of the five-year agreement with Davis Farr.

**Recommendation:** Approve the Authority's audited financial statements for the fiscal year ended June 30, 2024, and submission to the County of Orange Auditor-Controller's Office by December 31, 2024.

**Fiscal Impact:** The financial statements provide the Authority's financial position and changes in position for the fiscal year ended June 30, 2024.

**Previous Related Action:** The Board of Directors approved the Fiscal Year 2022-2023 financial statements on November 7, 2023, and the financial statements were submitted to the County of Orange in December 2023.

### 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's financial statements for the fiscal year ended June 30, 2024 (FY 2024) are attached. SMWD, on behalf of the Authority, will submit the necessary documents to the County of Orange by December 31, 2024. The Authority's financial statements are 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 2024 decreased \$3.9 million due to bond principal payments and amortization of deferred gains and losses on debt defeasance.
- Bonds payable had a net decrease of \$4.0 million in FY 2024 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 \$1.3 million and \$1.6 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 pleased 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 the letter to the Board of Directors following this memorandum as Attachment B.

### *Attachments:*

- A. Santa Margarita Dana Point Authority Annual Financial Report for the Fiscal Year Ended June 30, 2024*
- B. Required Communications Letter to the Board of Directors*



# SANTA MARGARITA/DANA POINT AUTHORITY

Annual Financial Report  
For The Year Ended June 30, 2024

**SANTA MARGARITA/DANA POINT AUTHORITY**  
**Annual Financial Report**  
**For the Year Ended June 30, 2024**

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## **Independent Auditor's Report**

Board of Directors  
Santa Margarita Water District/Dana Point Authority  
Rancho Santa Margarita, California

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of the Santa Margarita/Dana Point Authority ("Authority") as of and for the year ended June 30, 2024, 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 present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2024, and the respective changes in financial position and cash flows thereof 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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***

The Authority's 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 one year after the date that the financial statements are issued.

## ***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 opinions. 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2024 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California  
October 18, 2024

**SANTA MARGARITA/DANA POINT AUTHORITY**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended June 30, 2024**

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, 2024 (FY 2024). The MD&A is to be read and considered in conjunction with the basic financial statements and accompanying notes.

**FY 2024 Financial Highlights**

- Total assets decreased \$3.9 million in FY 2024 due to a reduction in the amount due from Santa Margarita Water District (SMWD). The Authority made revenue and general obligation bond principal payments during FY 2024 totaling \$1.3 million and \$1.6 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, 2024.
- **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, 2024**

**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 \$3.9 million to \$89.0 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 \$4.0 million to \$89.8 million compared with the prior year due to payments made during FY 2024 on the Authority's General Obligation bonds and Revenue bonds.

Deferred outflows of resources decreased by \$101.4 thousand to \$761.4 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 \$5.7 thousand to \$22.8 thousand compared to the prior year due to the amortization of deferred gains on defeasance of the Authority's General Obligation bonds.

	<b>Fiscal Year</b>	<b>Fiscal Year</b>	<b>Increase</b>	<b>Percent</b>
	<b>2024</b>	<b>2023</b>	<b>(Decrease)</b>	<b>Increase</b>
			<b>(Decrease)</b>	<b>(Decrease)</b>
<b>Assets</b>				
Current Assets	\$ 4,786,107	\$ 4,729,942	\$ 56,165	1.2%
Noncurrent Assets	84,246,630	88,204,025	(3,957,395)	(4.5%)
Total Assets	<u>89,032,737</u>	<u>92,933,967</u>	<u>(3,901,230)</u>	<u>(4.2%)</u>
<b>Deferred Outflows of Resources</b>	<u>761,370</u>	<u>862,788</u>	<u>(101,418)</u>	<u>(11.8%)</u>
<b>Liabilities</b>				
Current Liabilities	4,786,107	4,729,942	56,165	1.2%
Noncurrent Liabilities	84,985,152	89,038,277	(4,053,125)	(4.6%)
Total Liabilities	<u>89,771,259</u>	<u>93,768,219</u>	<u>(3,996,960)</u>	<u>(4.3%)</u>
<b>Deferred Inflows of Resources</b>	<u>22,848</u>	<u>28,536</u>	<u>(5,688)</u>	<u>(19.9%)</u>
<b>Net Position</b>				
Unrestricted	-	-	-	0.0%
Total Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>0.0%</u>

**SANTA MARGARITA/DANA POINT AUTHORITY**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended June 30, 2024**

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

The Authority's total operating revenues and total operating expenses decreased by \$111.6 thousand, respectively, due to lower interest expense paid on the Authority's General Obligation bonds and Revenue bonds.

	Fiscal Year 2024	Fiscal Year 2023	Increase (Decrease)	Percent Increase (Decrease)
<b>Operating Revenues:</b>				
Net Revenues from SMWD	\$ 1,353,311	\$ 1,410,704	\$ (57,393)	(4.1%)
Special Assessment Tax Revenues from SMWD	1,055,985	1,110,174	(54,189)	(4.9%)
<b>Total Operating Revenues</b>	<b>2,409,296</b>	<b>2,520,878</b>	<b>(111,582)</b>	<b>(4.4%)</b>
<b>Operating Expenses:</b>				
Interest Expense	2,409,296	2,520,878	(111,582)	(4.4%)
<b>Total Operating Expenses</b>	<b>2,409,296</b>	<b>2,520,878</b>	<b>(111,582)</b>	<b>(4.4%)</b>
<b>Change in Net Position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>
Net Position, Beginning of Year	-	-	-	0.0%
<b>Net Position, End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.0%</b>

**Long-Term Debt**

Total long-term debt decreased by \$4.0 million or 4.3% to \$89 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 2024.

	Balance at June 30, 2023	Additions	Transfers/ Deletions	Balance at June 30, 2024	Increase (Decrease)	Percent Increase (Decrease)
Long-Term Debt:						
Revenue Bonds Payable	\$ 48,840,000	\$ -	\$ (1,345,000)	\$ 47,495,000	\$ (1,345,000)	(2.8%)
General Obligation Bonds Payable	31,605,000	-	(1,560,000)	30,045,000	(1,560,000)	(4.9%)
Net Premium (Discount)	12,552,133	-	(1,053,856)	11,498,277	(1,053,856)	(8.4%)
<b>Total Long-Term Debt</b>	<b>\$ 92,997,133</b>	<b>\$ -</b>	<b>\$ (3,958,856)</b>	<b>\$ 89,038,277</b>	<b>\$ (3,958,856)</b>	<b>(4.3%)</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

**SANTA MARGARITA/DANA POINT AUTHORITY**

Statement of Net Position

June 30, 2024

**ASSETS:**

**Current Assets:**

Accrued interest receivable	\$ 732,982
Due from Santa Margarita Water District - due within one year (Note 2)	4,053,125
<b>Total Current Assets</b>	<b>4,786,107</b>

**Non-current Assets:**

Due from Santa Margarita Water District - due in more than one year (Note 2)	84,246,630
<b>Total Non-current Assets</b>	<b>84,246,630</b>

<b>Total Assets</b>	<b>89,032,737</b>
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**DEFERRED OUTFLOWS OF RESOURCES:**

Deferred loss on debt defeasance (Note 3)	761,370
<b>Total Deferred Outflows of Resources</b>	<b>761,370</b>

**LIABILITIES:**

**Current Liabilities:**

Accrued interest payable	732,982
Bonds payable - due within one year (Note 3)	4,053,125
<b>Total Current Liabilities</b>	<b>4,786,107</b>

**Non-current Liabilities:**

Bonds payable - due in more than one year (Note 3)	84,985,152
<b>Total Non-current Liabilities</b>	<b>84,985,152</b>

<b>Total Liabilities</b>	<b>89,771,259</b>
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**DEFERRED INFLOWS OF RESOURCES:**

Deferred gain on debt defeasance (Note 3)	22,848
<b>Total Deferred Inflows of Resources</b>	<b>22,848</b>

**NET POSITION:**

Unrestricted	-
<b>Total Net Position</b>	<b>\$ -</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, 2024

**OPERATING REVENUES:**

Net revenues from Santa Margarita Water District	\$	1,353,311
Special assessment tax revenues from Santa Margarita Water District		1,055,985
<b>Total Operating Revenues</b>		<b><u>2,409,296</u></b>

**OPERATING EXPENSES:**

Interest Expense		2,409,296
<b>Total Operating Expenses</b>		<b><u>2,409,296</u></b>

<b>Operating Income/Change in Net Position</b>		-
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Net position, beginning of year		-
<b>Net position, end of year</b>	<b>\$</b>	<b><u>-</u></b>

See accompanying notes to the basic financial statements.

**SANTA MARGARITA/DANA POINT AUTHORITY**

Statement of Cash Flows

For the Year Ended June 30, 2024

**Cash flows from operating activities:**

Cash receipts from net revenues for debt and interest payments	\$	3,337,400
Cash receipts from special assessment tax revenues for debt and interest payments		2,973,126
Principal paid for bond debt service		(2,905,000)
Interest paid for debt service		(3,405,526)
Net cash provided by operating activities		<u>-</u>
Net change in cash and cash equivalents		-
Cash and cash equivalents, beginning of year		-
Cash and cash equivalents, end of year	\$	<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	38,104
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(Decrease)/Increase in liabilities:

Accrued interest payable	(38,104)
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Total adjustments	-
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Net cash provided by operating activities	<u>\$</u>	<u>-</u>
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**Supplemental disclosure of non-cash capital and related financing and investing activities:**

Amortization of (premiums) discounts	\$	(1,053,856)
Deferred (gain) loss on debt defeasance		95,730

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, 2024**

**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. There are currently no outstanding bonds related to the Jay B. Latham Wastewater Treatment Plant. Current outstanding bonds are related to financing of SMWD projects.

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, 2024**

**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. Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on their use, either through Authority resolution or external restrictions imposed by outside parties for use for a specific purpose.

When both the restricted and unrestricted components of net position are available, restricted resources are used first and then unrestricted resources are used to the extent necessary.

**SANTA MARGARITA/DANA POINT AUTHORITY**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2024**

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

New Accounting Pronouncements

**Adopted in the Current Year**

GASB Statement No. 99, *Omnibus 2022* – the requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of GASB Statement No. 53. Effective for the Authority’s fiscal year ended June 30, 2024. There was no impact to the Authority.

GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. Effective for the Authority’s fiscal year ended June 30, 2024. 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. 101, *Compensated Absences*. Effective for the Authority’s fiscal year ending June 30, 2025.

GASB Statement No. 102, *Certain Risk Disclosures*. Effective for the Authority’s fiscal year ending June 30, 2025.

GASB Statement No. 103, *Financial Reporting Model Improvements*. Effective for the Authority’s fiscal year ending June 30, 2026.

**SANTA MARGARITA/DANA POINT AUTHORITY**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2024**

**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, 2024, are as follows:

	Balance at June 30, 2023	Additions	Deletions	Balance at June 30, 2024	Amount Due Within One Year	Amount Due Beyond One Year
Revenue Bonds Payable	\$ 48,840,000	\$ -	\$ (1,345,000)	\$ 47,495,000	\$ 1,410,000	\$ 46,085,000
General Obligation Bonds Payable	31,605,000	-	(1,560,000)	30,045,000	1,640,000	28,405,000
Premium / Discount, Net	12,552,133	-	(1,053,856)	11,498,277	1,003,125	10,495,152
Deferred Gain (Loss) on Debt Defeasance, Net	(834,252)	-	95,730	(738,522)	-	(738,522)
Due from SMWD	<u>\$ 92,162,881</u>	<u>\$ -</u>	<u>\$ (3,863,126)</u>	<u>\$ 88,299,755</u>	<u>\$ 4,053,125</u>	<u>\$ 84,246,630</u>

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

Year	Principal	Interest	Total
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	1,205,000	1,621,150	2,826,150
2030-2034	6,975,000	7,153,900	14,128,900
2035-2039	8,470,000	5,654,300	14,124,300
2040-2044	9,960,000	4,167,050	14,127,050
2045-2049	12,090,000	2,031,400	14,121,400
2050	2,715,000	108,600	2,823,600
Total	<u>47,495,000</u>	<u>\$ 27,999,750</u>	<u>\$ 75,494,750</u>
Current	<u>1,410,000</u>		
Long-Term	<u>\$ 46,085,000</u>		



**SANTA MARGARITA/DANA POINT AUTHORITY**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2024**

**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
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	2,000,000	970,126	2,970,126
2030-2034	10,830,000	3,291,289	14,121,289
2035-2039	10,135,000	1,046,700	11,181,700
Total	<u>\$ 30,045,000</u>	<u>\$ 10,118,369</u>	<u>\$ 40,163,369</u>
Current	<u>1,640,000</u>		
Long-Term	<u>\$ 28,405,000</u>		

**3. Noncurrent Liabilities**

Noncurrent liabilities and changes for the year ended June 30, 2024, are as follows:

	Balance at June 30, 2023	Additions	Deletions	Balance at June 30, 2024	Amount Due Within One year	Amount Due Beyond One Year
Revenue Bonds Payable:						
2020 Series A	\$ 48,840,000	\$ -	\$ (1,345,000)	\$ 47,495,000	\$ 1,410,000	\$ 46,085,000
Total Revenue Bonds						
Bonds Payable	48,840,000	-	(1,345,000)	47,495,000	1,410,000	46,085,000
Premium / Discount, net	9,536,019	-	(633,485)	8,902,534	612,102	8,290,432
Total Revenue Bonds Payable	<u>58,376,019</u>	<u>-</u>	<u>(1,978,485)</u>	<u>56,397,534</u>	<u>2,022,102</u>	<u>54,375,432</u>
General Obligation (GO) Bonds Payable:						
2014 Series A	6,090,000	-	(485,000)	5,605,000	515,000	5,090,000
2017 Series A	25,515,000	-	(1,075,000)	24,440,000	1,125,000	23,315,000
Total General Obligations						
Bonds Payable	31,605,000	-	(1,560,000)	30,045,000	1,640,000	28,405,000
Premium / Discount, net	3,016,114	-	(420,371)	2,595,743	391,023	2,204,720
Total GO Bonds Payable	<u>34,621,114</u>	<u>-</u>	<u>(1,980,371)</u>	<u>32,640,743</u>	<u>2,031,023</u>	<u>30,609,720</u>
Total Bonds Payable	<u>\$ 92,997,133</u>	<u>\$ -</u>	<u>\$ (3,958,856)</u>	<u>\$ 89,038,277</u>	<u>\$ 4,053,125</u>	<u>\$ 84,985,152</u>

**SANTA MARGARITA/DANA POINT AUTHORITY**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2024**

**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, 2024, the outstanding balance was \$47,495,000.

**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, 2024, the outstanding balance was \$5,605,000.

**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, 2024**

**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, 2024, the outstanding balance was \$24,440,000.

Future maturities of Revenue bonds payable are as follows at June 30, 2024:

Year	Principal	Interest	Total
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	1,205,000	1,621,150	2,826,150
2030-2034	6,975,000	7,153,900	14,128,900
2035-2039	8,470,000	5,654,300	14,124,300
2040-2044	9,960,000	4,167,050	14,127,050
2045-2049	12,090,000	2,031,400	14,121,400
2050	2,715,000	108,600	2,823,600
Total	<u>47,495,000</u>	<u>\$ 27,999,750</u>	<u>\$ 75,494,750</u>
Current	<u>1,410,000</u>		
Long-Term	<u>\$ 46,085,000</u>		

Future maturities of General Obligation bonds payable are as follows at June 30, 2024:

Year	Principal	Interest	Total
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	2,000,000	970,126	2,970,126
2030-2034	10,830,000	3,291,289	14,121,289
2035-2039	10,135,000	1,046,700	11,181,700
Total	<u>\$ 30,045,000</u>	<u>\$ 10,118,369</u>	<u>\$ 40,163,369</u>
Current	<u>1,640,000</u>		
Long-Term	<u>\$ 28,405,000</u>		

**SANTA MARGARITA/DANA POINT AUTHORITY**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2024**

**3. Noncurrent Liabilities (Continued)**

Deferred Gain or Loss on Debt Defeasance

The balance for deferred gain on debt defeasance as of June 30, 2024, is as follows:

<u>General Obligation Bonds</u>	<u>Balance at June 30, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Amortization</u>	<u>Balance at June 30, 2024</u>
2014A Series	\$ 28,536	\$ -	\$ -	\$ (5,688)	\$ 22,848

The balance for deferred loss on debt defeasance as of June 30, 2024, is as follows:

<u>General Obligation Bonds</u>	<u>Balance at June 30, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Amortization</u>	<u>Balance at June 30, 2024</u>
2017A Series	\$ 862,788	\$ -	\$ -	\$ (101,418)	\$ 761,370

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

We have audited the financial statements of Santa Margarita/Dana Point Authority ("Authority") as of and for the year ended June 30, 2024, and have issued our report thereon dated October 18, 2024. 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 engagement letter dated July 30, 2024, 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.

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

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence under the American Institute of Certified Public Accountants ("AICPA") independence standards, contained in the Code of Professional Conduct.

## **Significant Risks Identified**

We identified debt compliance as a significant audit risk area for the Authority. We performed tests of compliance with certain debt requirements to determine if any noncompliance existed.

## **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 the significant accounting policies adopted by the Authority is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended June 30, 2024. 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.

There were no significant accounting estimates affecting the financial statements during the year ended June 30, 2024.

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

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

## **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards also 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 and each applicable opinion unit. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit. There were no uncorrected misstatements detected during the audit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. There were no material misstatements noted as a result of our 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 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 included in the attached letter dated October 18, 2024.

### **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, significant events or transactions that occurred during the year, 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 Authority's auditors.

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.

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California  
October 18, 2024