

*Santa Margarita
Water District*



ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2021

RANCHO SANTA MARGARITA, CALIFORNIA

Santa Margarita Water District

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2021**

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

SANTA MARGARITA WATER DISTRICT
 Annual Comprehensive Financial Report
 For the Year Ended June 30, 2021

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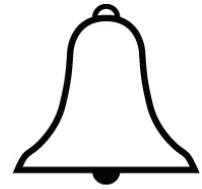
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**INTRODUCTORY SECTION
(UNAUDITED)**

BOARD OF DIRECTORS

CHARLES T. GIBSON
JUSTIN MCCUSKER
FRANK URY
SAUNDRA F. JACOBS
BETTY H. OLSON, PH.D

DANIEL R. FERONS
GENERAL MANAGER



Santa Margarita Water District

November 24, 2021

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

Dear Members of the Board of Directors:

We are pleased to submit the Santa Margarita Water District (District) Annual Comprehensive Financial Report (ACFR) for the fiscal year ended on June 30, 2021. The ACFR was prepared by the District in conformity with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America by a certified public accounting firm.

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

Management Responsibilities

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

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

An audit of the financial records and transactions of the District is conducted annually by independent certified public accountants. The District's Board selected the accounting firm of Macias Gini & O'Connell LLP (MGO), to perform the audit for the fiscal year ended June 30, 2021. The auditor's report on the District's basic financial statements and supplementary information is located on page 1 within the financial section of this report. This report renders an unmodified opinion on the District's basic financial statements for the fiscal year ended June 30, 2021.

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

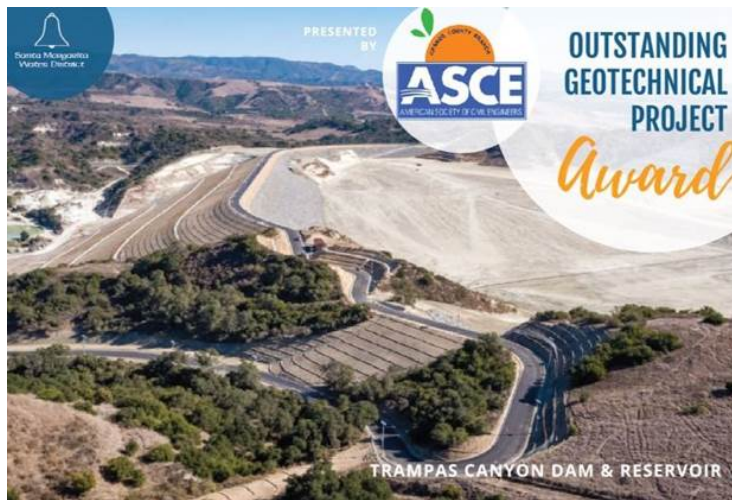
COVID-19 Responses

Beginning in March 2020, COVID-19 began to have a widespread effect on the United States and created significant economic impacts. Each year, the District develops an annual budget that allows us to provide safe and reliable drinking water, wastewater, and recycled water services to our nearly 170,000 residents. Recognizing that a sustained economic downturn could directly and negatively impact our community and customers, the District made every effort to defer spending to the degree possible without impacting water quality or customer service. The Board unanimously approved a revised budget with \$1.8 million in reductions for Fiscal Year 2021.

Amidst the pandemic, the District remains committed to its customers, ensuring measures are in place to ease the economic impact of COVID-19. To this end, the Board approved a Customer Assistance Program to support customers during these difficult economic times. Customers may contact the District to defer paying their bills for up to three months and then repay over a twenty-four-month period for residential customers and twelve-month period for non-residential customers.

Profile of the District

The District was formed in 1964 as a California Water District in the southeast corner of Orange County on a portion of the historic Rancho Mission Viejo (RMV) and other large landholdings. The first Board was composed of major landowners who laid the groundwork for the long-term prosperity of the District and the region. Development began gradually with the first homeowner customers being served in 1973 in what would become the City of Mission Viejo.



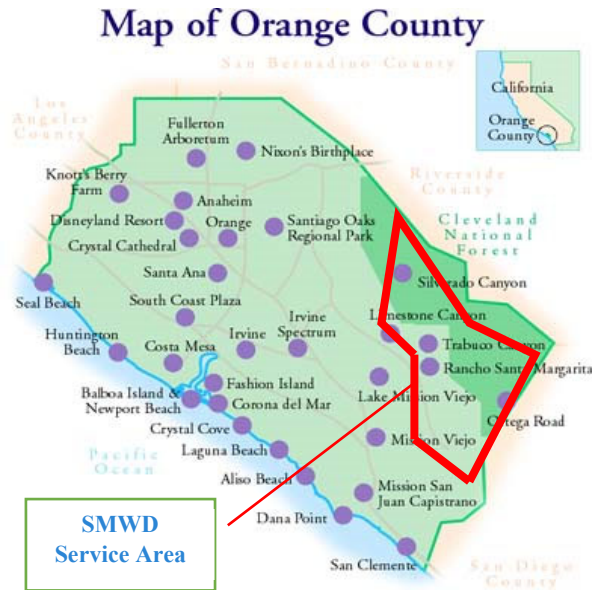
As the District's customer base continues to grow alongside planned growth for the region, balancing the need for a sustainable water supply with water use efficiency continues to be a high priority for the District. This commitment was exemplified in March 2021 when the District was the recipient of the American Society of Civil Engineers Outstanding Geotechnical Project Award for the Trampas Canyon Dam and Reservoir Project. This project is a central component of a sustainable and future water supply for District customers. It will

allow the region to save drinking water supplies by using recycled water to irrigate parks, medians, and common area landscape. Additionally, in 2019, the District received the Association of California Water Agencies (ACWA) Clair A. Hill Agency Award for Excellence, which recognizes exemplary programs developed by ACWA member agencies. The 2019 award recognized the District for its innovative use of recycled water from a new advanced water treatment plant developed in cooperation with the City of Mission Viejo and the Lake Mission Viejo Homeowners' Association participation.

Service Area and Customer Base

The District is the second largest retail water agency in Orange County. Its 62,674 acres of service area includes roughly the easterly half of the City of Mission Viejo, most of the City of Rancho Santa Margarita, the Talega community within the City of San Clemente, the unincorporated communities of Coto de Caza, Ladera Ranch, Las Flores, and the Villages of Sendero and Esencia.

The District’s service area includes the last major residential development areas within South Orange County. The District currently serves approximately 170,000 residents and is projected to add approximately 38,000 new residents by 2035 as part of The Ranch Plan approved by the County of Orange. The County of Orange has been approving the construction of approximately 500 new dwelling units per year in the District’s service area.



In addition, the District, in cooperation with the City of San Juan Capistrano (City), annexed the City’s water and sewer utilities into the District’s service area in Fiscal Year 2022. This acquisition added another 11,000 households and 35,000 people.

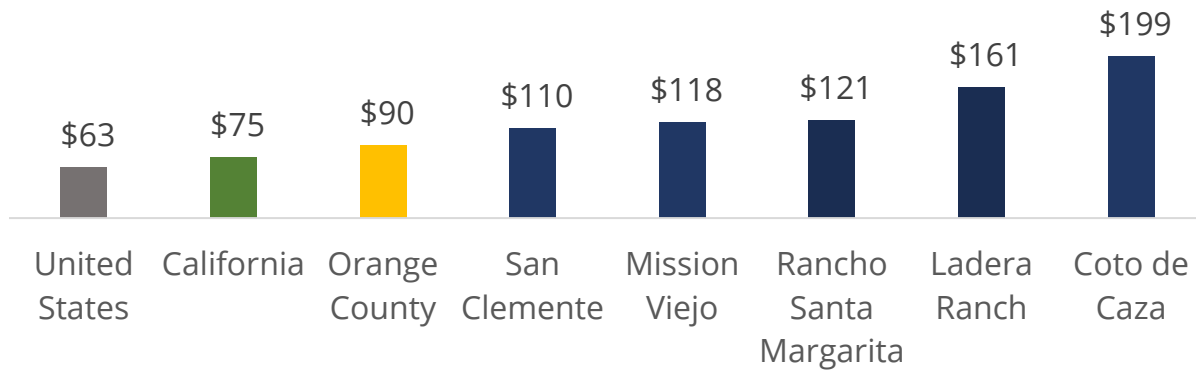
The District is operated as a single entity and charges common rates by customer class to all customers throughout the District. For the purpose of capital planning and project financing, the District has individual improvement districts (further referenced in the Statistical section “Assessed Value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

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

Local Economy

There are roughly 600,000 residents in South Orange County, of which just under one third are served by the District. The communities within the District’s boundaries are relatively affluent. In general, South Orange County enjoys low unemployment, even relative to the California and national average. The household median income (HMI) is strong for the District’s service area, at approximately \$142,000, compared to Orange County’s HMI of approximately \$90,000 and \$75,000 for California.

District Service Area Median Household Income ('000)



Source: Median Household Income Data from US Census Bureau. District service area portion of San Clemente (Talega) is higher than City average.

There are many thriving businesses served by the District, particularly in the Rancho Santa Margarita, Ladera Ranch and Mission Viejo areas. Most businesses within South Orange County are smaller with under 50 employees. However, there are also some larger and significant companies within the District's borders, such as Applied Medical in Rancho Santa Margarita. Future business growth is expected to serve the new areas of the Villages of Esencia and Sendero and the remainder of the Ranch Plan.

Governance

The District is governed by a five-member Board, all of which were elected at-large by registered voters within the District boundaries for four-year terms. The Board is responsible for recruiting, hiring and retaining its General Manager, establishing policy, providing strategic planning oversight, and setting direction and vision to ensure that the District meets its mission, fulfills its obligations, and keeps its commitment to its customers.

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

District Services

The District provides the following three core services to the community: Domestic or “Potable” Water, Recycled Water, and Wastewater.

Domestic or “Potable” Water System

Like most water purveyors in South Orange County, the District’s current domestic water supply is imported from northern California via the State Water Project and from the Colorado River via the Metropolitan Water District of Southern California’s (MET) Colorado River Aqueduct. The State Water Project, also known as the 444-mile-long California Aqueduct, is the longest aqueduct system in the world; and the Colorado River Aqueduct is a 242-mile water conveyance that brings water from the Colorado River to southern California.

The Municipal Water District of Orange County (MWDOC) wholesales water to the District and to other agencies within Orange County. MWDOC is a member of MET, which wholesales water across southern California. Currently, MET provides the District with treated water from the Robert B. Diemer Filtration Plant. In addition, the District receives raw water from MET via MWDOC which is treated at the Baker Plant in Lake Forest, operated by the Irvine Ranch Water District and delivered to the District.

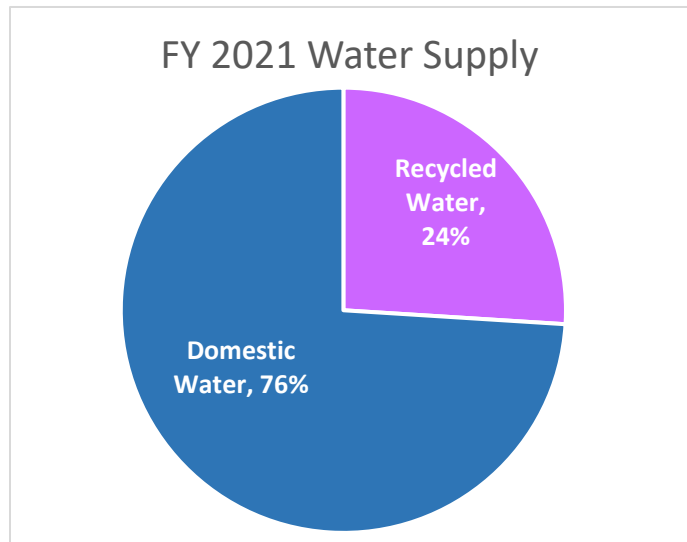


Major improvements have been made over the last two decades to enhance the reliability of the water supply system. These include the construction of the Upper Chiquita Reservoir, interconnections with the Irvine Ranch Water District (IRWD), purchase of capacity in the El Toro R-6 Reservoir, and participation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

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

Recycled Water System

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



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

In 2018, the District broke ground on the construction of the Trampas Reservoir and has had significant construction activity through Fiscal Year 2021, when it was completed and placed in service. The Trampas Reservoir is an open-air reservoir expected to provide 5,000-acre-feet of storage and was dedicated on October 9th, 2020. The Trampas Reservoir began filling in Fiscal Year 2021.

The Lake Mission Viejo Advanced Water Treatment Facility project and the Trampas Reservoir project have both moved the District towards accomplishing goals for recycling all its wastewater and creating supply locally. Projects to convert certain irrigation systems from using imported drinking water to recycled water also help improve the reliability of supply while progressing toward increased use of locally developed water. Meeting the District's strategic goal of recycling 100% of its wastewater and providing approximately 30% of the District's water demands.

Wastewater System

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

- Los Alisos Water Reclamation Plant, (owned and operated by IRWD);
- Jay B. Latham Wastewater Treatment Plant, (operated by SOCWA);
- 3A Water Reclamation Plant, (owned and operated by Moulton Niguel Water District);
 - The District is currently not allocating any flow to the 3A Plant.
- Oso Creek Water Reclamation Plant, (owned and operated by the District);
 - The District expects to take Oso Creek Water Reclamation Plant offline for substantially all of Fiscal Year 2022 to optimize operations and expand recycled water production.
- Chiquita Water Reclamation Plant, (owned and operated by the District); and
- Nichols Water Reclamation Plant, (a specialized small plant operated by the District serving Quest Diagnostics under contract with the District).

Operation of the wastewater collection system is a critical activity. The District's video system regularly inspects its pipelines to check for blockages and problem areas. It also maintains a fleet of vacuum trucks to clean the system. Because the District's service area is in a series of hills and valleys, it requires the operation of 20 sewage lift stations to pump wastewater to the various treatment plants. The lift stations are regularly maintained and tested to ensure continuous operation. Back-up power supplies are also maintained by the District in case of outages. All the treatment plants, except the Nichols Water Reclamation Plant, are connected to the SOCWA Dana Point Ocean Outfall for disposal of secondary effluent if the water is not recycled.

Regional Facilities

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

Major Initiatives & Projects

In its 57-year history, the District has focused on providing reliable, cost-effective water and wastewater service through innovation and the dedication of the Board and the District's team. Each year, the District reviews the Strategic Plan with long-range goals. The plan includes strategic and core objectives to provide focus and direction to move the District from where we are today to where we need to be for our customers.

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

- Continuing to provide excellent water quality to all our customers;
- Continuing an environmentally responsible quality of life for our customers;
- Providing cost effective services and solutions;
- Providing sustainable water supplies; and
- Supporting community development as approved by the County of Orange and various City authorities within the District's service area.

Strategic Plan

The District established a strategic plan based on three key objectives:

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

The District's Strategic Plan, which includes the development of local supplies, is important during these times of changing climate and regulatory conditions, to ensure water supply reliability. The District is comparing the potential benefits of locally controlled projects with possible long-term cost savings to the ongoing increases in imported water costs as part of its resilience portfolio and strategic plan.

Water Supply and Reliability Projects – Overview

As California continues to experience drought conditions and concerns about water availability, the District continues to pursue projects that will strengthen our local reliability and meet our strategic planning goals with the aim of increasing its local water supplies, including recycled water, domestic water, and water in storage.

Each of the programs may have multiple phases or projects and is evaluated for the potential funding sources, cost of the water, and proposed timing.

Trampas Canyon Dam & Recycled Water Seasonal Storage Reservoir

A key element to establishing long-term reliable water supplies is seasonal storage. The District completed construction of the Trampas Canyon Dam & Recycled Water Seasonal Storage Reservoir during the past year. This new reservoir will provide 5,000 AF of water storage and allow the District to produce recycled water year-round and store it during the periods of low demands for use during peak demands.



Funding was provided through a combination of developer funding and a grant and low-interest loan from the State Water Resources Control Board Clean Water State Revolving Fund, supported by federal disbursements to California as well as State funds.

City of San Juan Capistrano Annexation and Groundwater Plant Maximization Project



As part of the District's effort to provide quality customer service and expand local water supplies, the District has continued to work towards the annexation of the City of San Juan Capistrano's water and wastewater utilities. The District has completed the final phases of the transition to integrate the City's current customers in the District's service area, with the final acquisition effective on November 15, 2021.

Groundwater Recovery Plant Maximization Project. Among the City of San Juan Capistrano's water system assets is a groundwater desalter facility known as the Groundwater Recovery Plant (GP). The District expects to undertake certain capital improvements to wells, pumps, and related infrastructure to increase the production capacity of the GP and to deliver the additional groundwater extracted therefrom to customers within the current boundaries of the District. The approximately \$2.1 million project is anticipated to increase GP production by approximately 2,000 AF per year.

Potable Reuse Projects. The annexation expanded the District's service area to include the majority of San Juan Creek watershed. The District continues to study potable reuse opportunities in the watershed, whether direct or indirect. The timing for any such projects is uncertain. Given the State of California is developing water reuse guidelines, it may take several years to implement.

Ranch Water Filtration Plant

The District is in the planning stages to construct a new water treatment plant to treat certain extracted groundwater to potable water standards. There is an existing agreement with the RMV Mutual Water Company that allows the District to purchase up to 2,500 AF per year of groundwater, which is currently being used for irrigation purposes only.

The District is planning to change the ultimate use from irrigation to potable use. It is anticipated that this project would be developed in three phases, including the first phase which would be able to treat up to 1,000 AF per year and produce up to 900 AF per year of potable water. Ultimately the project is intended to produce a total of at least 2,250 AF per year of potable water, depending on long term water usage and availability.

Oso Creek Water Reclamation Plant Optimization

The District is far along in the planning stages of the optimization and expansion of the Oso Creek Water Reclamation Plant (OCWRP). To increase the OCWRP's influent flow and subsequent tertiary treatment capacity, the existing facility will be demolished and fully rebuilt, including a new remote lift station and force main. The project is a critical component of meeting the District's future wastewater treatment and recycled water supply. The project will also help achieve a District strategic goal of recycling 100% of the District's wastewater.

The construction of the expanded OCWRP is expected to add approximately 1,350 AF per year of tertiary effluent for use in the District's recycled water system. This expansion will reduce average daily liquid treatment requirements at SOCWA's Jay B. Latham Wastewater Treatment Plant. The expanded OCWRP demolition and construction is expected to commence in Fiscal Year 2022.

Chiquita Water Reclamation Plant – Final Expansion

The Chiquita Water Reclamation Plant (CWRP), which was most recently expanded in 2005, has a rated capacity of 9 MGD of wastewater and produces up to 6 MGD of tertiary treated water. Based on the expected buildout of District's service area, it has been determined that the treatment capacity of CWRP will need to be expanded to at least 9.5 MGD. The District intends to undertake such an expansion in two phases. The first phase, which consists of the construction of additional aeration basins and a secondary



clarifier to increase the CWRP's secondary process capacity to 9.5 MGD, is expected to be completed in Fiscal Year 2022. The second phase, which consists of the expansion of the pumping capacity in the lift station, the construction of an additional grit removal system, primary clarifier, and tertiary

filter and two chlorine contact basins, as well as the addition of a mechanical thickener and rotary screw press, is expected to be completed over the next several years, contingent upon the pace of new development within the District's service area. In connection with the expansion, the District will also rehabilitate or upgrade portions of the existing facility.

Recycled Water Conversion and Conveyance Projects

The District has recently completed a series of projects which provide recycled water to the Talega community in the City of San Clemente. The District is also working to implement two key projects which will allow certain existing District irrigation customers to convert to recycled water. By expanding the recycled water distribution system, the District will increase recycled water usage and significantly reduce dependence on imported potable water for irrigation. It will also reduce the amount of treated wastewater discharged into the ocean and enhance overall supply reliability.

Las Flores Area. This project is expected to facilitate the delivery of approximately 200 AF per year of recycled water for irrigation customers. The project involves the construction of approximately 3,800 feet of 16-inch pipe, 5,200 feet of 8-inch pipe, the repurposing of 3,600 feet of force main and the conversion of the Las Flores Lift Station to a recycled water booster pump station. The project is expected to be completed and operational in Fiscal Year 2022 and will be funded by a combination of available bond funds and federal grants.

Rancho Santa Margarita and Rancho Trabuco Areas. The project, which is currently in an initial planning and public outreach phase, is expected to include new conveyance pipelines, pump stations and connections to the Upper Oso Reservoir and the OCWRP. Approximately 1,150 AF per year of recycled water would be supplied to irrigation customers upon completion. The project, at an estimated cost of approximately \$43 million, is anticipated to be funded through a combination of District revenue including, available General Obligation bonds and/or subsidized State or Federal loans, which would be repaid through new property tax assessments or recycled water charges on the service area only.

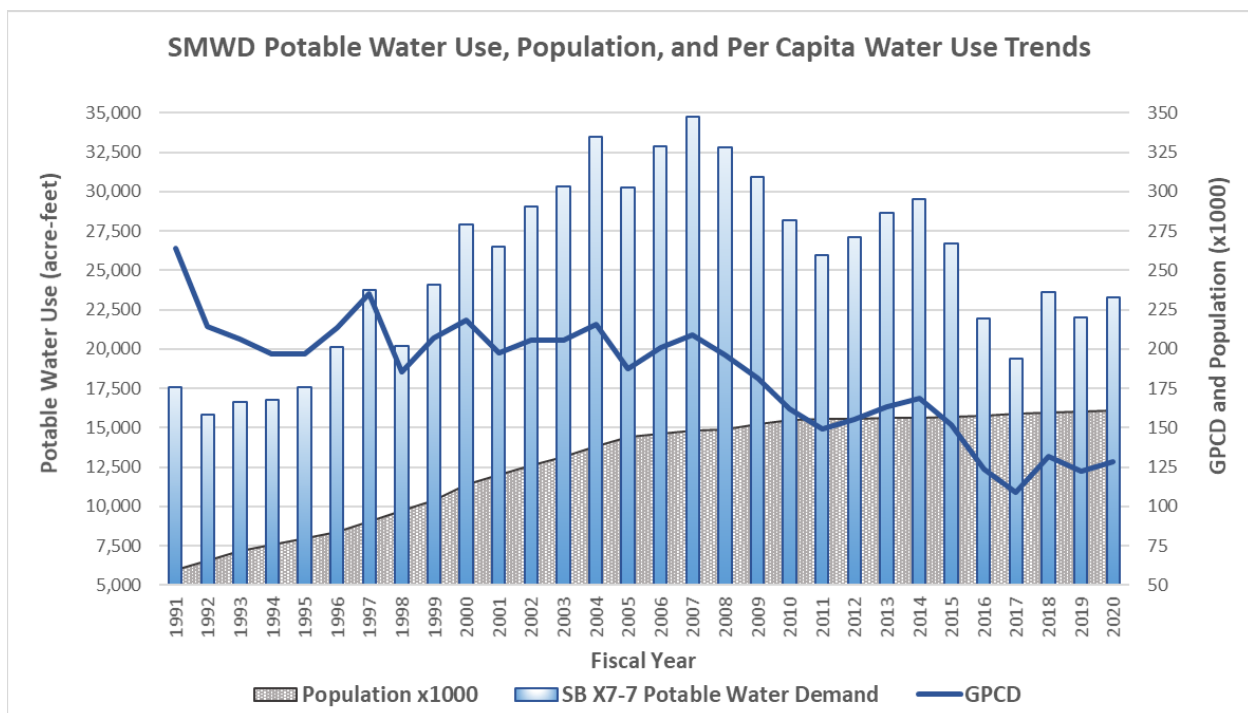
Existing Facility Capital Repair and Replacement Projects (CRP)

In addition to strategic projects to enhance local water supplies and system reliability, the District proactively develops plans for the maintenance, replacement, or rehabilitation of our existing infrastructure. The District's FY 2022 Budget included more than \$20 million of new projects expected to commence in addition to those currently ongoing. For FY 2021, the District expended \$11.8 million on over 50 different such projects.

Commitment to Efficiency

The District has operationalized water efficiency in the various policies, programs, and business practices which contribute to ongoing structural water reliability. The District maintains a progressive Water Conservation Program (Ordinance 2021-05-05) that establishes year-round water conservation best management practices that promote water conservation as a permanent way of life. Additionally, the District’s water budget-based rate structure is designed to operate as an active demand management tool that proportionately recovers the costs of providing water service to District customers. In terms of SBx7-7 compliance (legislative requirement to achieve a 20% per capita reduction in domestic water use by 2020), the District achieved a 40% savings, ending 2020 with a per capita water use of 129 gallons per capita per day (GPCD) compared to its baseline water use of 210 GPCD.

The following chart highlights the efficacy of the measures implemented by the District to promote the efficient use of water by District customers. It shows a twenty-year history of the District and its water demands in relation to population. While the population grew by 60,000, the District is using as much drinking water in 2020 as it did in the late 1990’s.



Financial Planning & Policies

Financial Planning

The District achieves a balanced budget by setting rates and fees to fund ongoing activities and provide reliable water to our customers. As with other utilities throughout the state, the District must address changing State and Federal water policies, laws, and regulations. The District continues to address these issues by investing in local water supplies, maximizing the use of recycled water, and developing local, drought-resilient water resources that will reduce its reliance on imported water. Concurrently, the District also engages State and Federal law makers and regulating authorities through a variety of advocacy programs and direct meetings.

The District maintains a long-range financial plan, which forecasts our operational and capital replacement program needs and accounts for changes to the economy, environment, operational requirements and capital investments. This plan incorporates the District’s other planning documents, including the Integrated Resource Plan, Urban Water Management Plan (UWMP), and Long-Range Water Reliability Plan. As part of its long-range financial planning, in September 2020 the District issued Revenue bonds and anticipates issuing further bonds in the upcoming fiscal years to balance funding for the District’s strategic plan and the impacts to customer rates.

Budgetary Process and Controls

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

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

Throughout the fiscal year, management monitors the District’s budget by department and division. The District presents its Financial Statements to its Finance and Administration Committee (FAC) monthly and quarterly to the Board for review.

Revenues

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



Financial Policies

The District’s Board adopted and periodically reviews a set of financial policies which includes Reserve and Fiscal Policies, the Purchasing Policy, and the Investment Policy ensuring the District’s management and governing body consistently adhere to prudent fiscal practices.

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

The reserve category requirements and goals are summarized below:

Category	Funding Level – Requirements	Funding Level – Goals	Current Requirement Values* ('000)
Operating Reserve (including dedicated Rate Stabilization Funds)	25% / 3 months of Operating Expenses	42% / 5 months of Operating Expenses	\$19,600
Capital Reserve - Emergency	2% of Net Depreciable Capital Assets	4% of Net Depreciable Capital Assets	\$13,900
Capital Reserve- Repair & Replacement	10% of upcoming 5-Year Total	20% of upcoming 5-Year Total	\$10,200
Capital Reserve - New Projects	\$12.5 million	\$12.5 million	\$12,500
Restricted Loan / Bond Reserves Held by the District	As per Loan / Bond Documents	As per Loan / Bond Documents	\$3,750
		Totals ('000)	\$59,950

Note: Totals above may not sum due to rounding.

The District's current and projected reserve levels meet all the requirements listed above. Calculations and amounts are rounded to the nearest \$100 and are subject to periodic update. The amounts are based on the District's FY 2022 Budget and the District's financial statements as of June 30, 2021

Debt Administration

In Fiscal Year 2021, the District issued \$53,895,000 in Revenue bonds to fund our current and upcoming CRP funding needs. At June 30, 2021, the District had Revenue bonds and General Obligation bonds outstanding of \$52,205,000 and \$34,510,000, respectively. The District also had \$71,842,360 of loans payable as of June 30, 2021. The District will begin making payments on the 2017 State Water Resources Control Board loan for the Trampas Reservoir in Fiscal Year 2022.

Accounting Controls

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

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

Investment Policy

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

Section 115 Pension Trust

The District established and funded its Section 115 Pension Trust (115 Trust) during FY 2021. This included developing a new Investment Policy Statement for the 115 Trust and depositing an initial amount of \$3.5 million at end of February of 2021. Additionally, the District made a planned additional contribution of \$2 million in December of 2020 to reduce its unfunded pension liability, which will result in savings to the District's pension costs in the future.

The 115 Trust allows the District to earn higher investment returns compared to maintaining the funds within the District's general fund. The 115 Trust also provides the District an optional, contingency funding source to cover all or a portion of its annual pension costs. As of June 30, 2021, the 115 Trust had a balance of \$3.7 million and total investment gains of approximately \$185,000 from inception.

In the upcoming Fiscal Year, the District anticipates making an additional deposit of \$500,000 to the 115 Trust and transferring \$2 million from the 115 Trust to reduce its unfunded pension liability. Both actions are consistent with the Pension Funding Strategy the District adopted in January 2020.

Annual Audit

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

Employees

As of June 30, 2021, the District had 146 full time employee equivalents. The employees are highly trained and effectively operate a complex business that delivers a product and service that is vital to the health and safety of the community.

The District, under the direction of the General Manager and executive team, is organized into four primary departments – Administration; Finance; Engineering; and Operations. The General Manager, a thirty-six-year employee of the District and only the sixth general manager, reports directly to the Board. The executive team provides day-to-day management and leadership over the four departments. The District provides cross-training opportunities to its employees to support the work efforts across departmental lines and functional teams. The management philosophy is to provide employees the resources, support, and opportunities necessary to enable performance at a high level, which results in quality services to its customers.

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



The District has recognized one employee bargaining unit: the Santa Margarita Water District Employee Association (SMWDEA). SMWDEA represents the District's hourly and non-confidential employees which makes up roughly two-thirds of the District's employees. The District and SMWDEA have a current memorandum of understanding extending through June 30, 2024.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Report to the District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2021. This was the 7th consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental entity must publish an easily readable and efficiently organized Annual Comprehensive Financial Report (ACFR). This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

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

The GFOA awarded the Distinguished Budget Presentation Award to the District for its FY 2020, FY 2021, and FY 2022 Annual Budget. The award is the highest form of recognition in governmental budgeting. In order to receive the award, the entity had to satisfy nationally recognized guidelines for effective budget presentation. These guidelines are designed to acknowledge how well an entity's budget serves as a policy document, a financial plan, an operations guide, and a communications device.

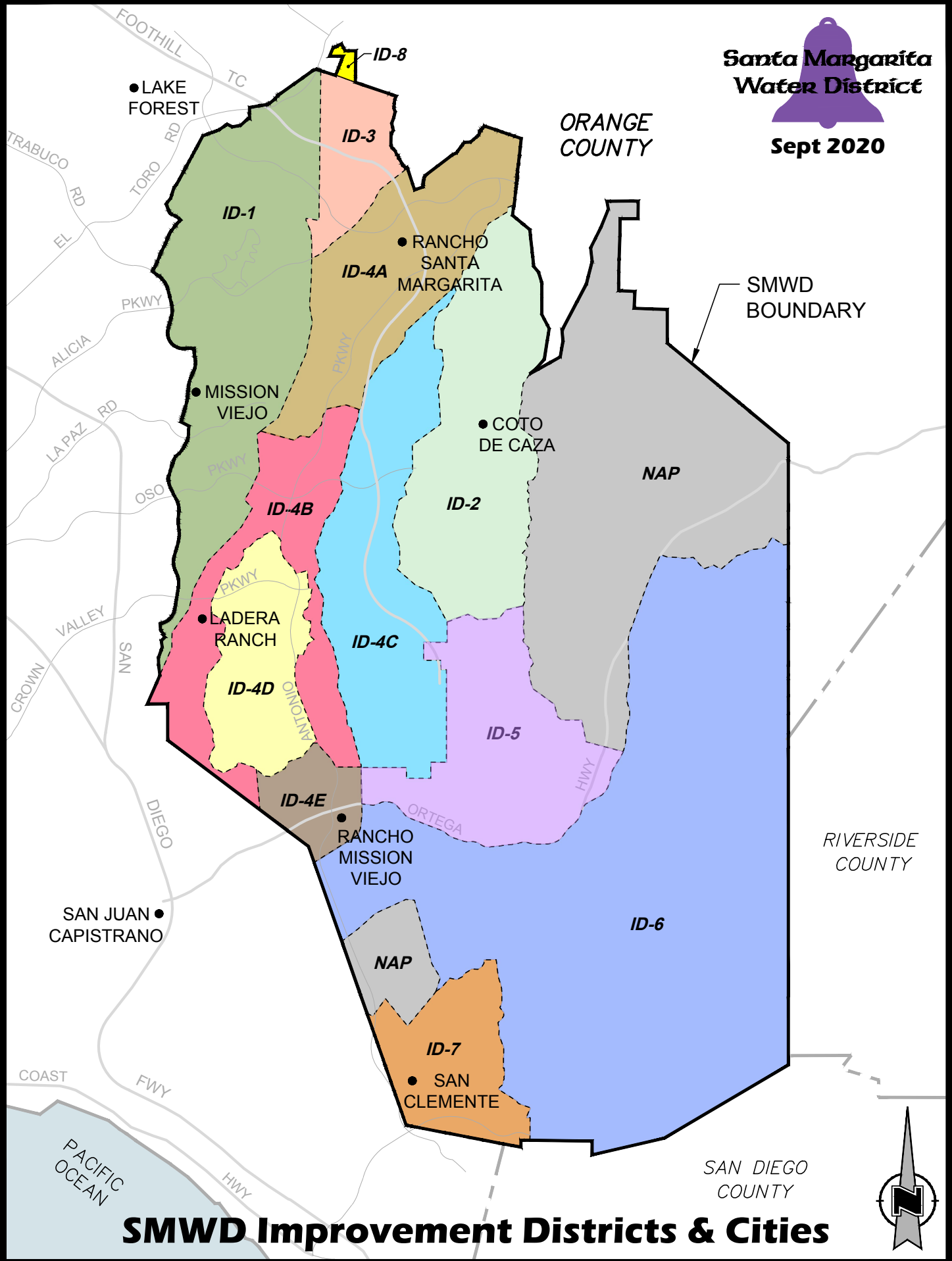
We would like to express our appreciation to management and all members of the District's staff, particularly the members of the Finance Department, who participated in the preparation of this report. We would also like to thank the Board for their continued interest and support in all aspects of the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

Respectfully submitted,

Daniel R. Ferons
General Manager

Erica Castillo
Erica Castillo, CPA
Controller

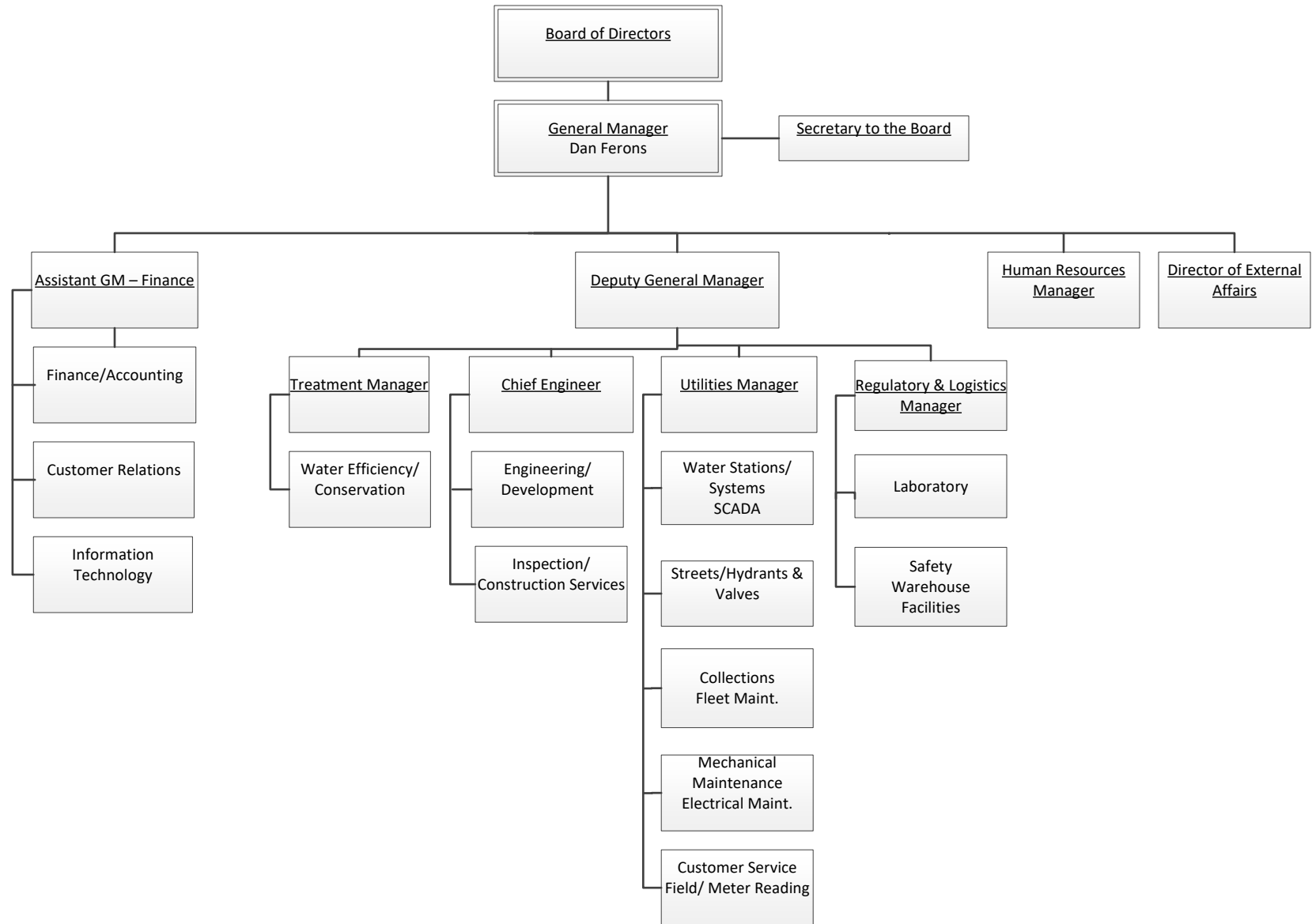
Christine M. McIlrevey
Christine McIlrevey, CPA
Accounting Supervisor



SMWD Improvement Districts & Cities



Santa Margarita Water District



District Officials

Elected/Appointed Board of Directors:

Name	Length of Service	Current Term of Service
Betty H. Olson, Ph.D.	27 Years	2020-2024
Saundra F. Jacobs	25 Years	2018-2022
Charles T. Gibson	9 Years	2020-2024
Justin McCusker	8 Years	2018-2022
Frank Ury	2 Years	2020-2024

District Management:

Name	Position
Daniel R. Feron	General Manager
Don Bunts	Deputy General Manager
Kelly Radvansky	Secretary to the Board
Tricia Butler	Chief Engineer
Erica Castillo	Controller



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Santa Margarita Water District
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrill

Executive Director/CEO

GLOSSARY OF TERMS USED

- **Accrual Basis of Accounting** – The basis of accounting by which revenues are recorded when earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.
- **Accumulated Depreciation** – The amount of a long-term asset’s cost that has been allocated to depreciation expense since the time the asset is placed into service. A contra-asset account to report the accumulation of periodic credits (depreciation expense) made to reflect the expiration of the estimated service life of capital assets.
- **Asset** – Resources with present service capacity that the District presently controls.
- **Capital Assets, net** – Assets including land, operational equipment, infrastructure, and all other tangible or intangible assets that are used in operations with a value of \$5,000 or more and an estimated useful life of more than one year. Net capital assets nets the accumulated depreciation with the asset value.
- **Compensated Absences** – Paid time off from work for active employees. Includes general leave or sick leave during which no services are required to be rendered.
- **Current Assets** – For accounting and financial reporting purposes, the term current assets are used to designate cash and other assets or resources commonly identified as those that are reasonably expected to be realized in cash or sold or consumed within a year.
- **Current Liabilities** – The term current liabilities are used to designate short-term financial obligations that are due within one year or within a normal operating cycle.
- **Debt Service** – Debt Service is defined as the total annual payment required on bonds, loans, or other forms of indebtedness, including both principal and interest.
- **Deferred Inflow(s) of Resources** – An acquisition of net assets by the District that is applicable to a future reporting period. A deferred inflow of resources has a negative effect on net position, similar to liabilities.
- **Deferred Outflow(s) of Resources** – A consumption of net assets by the government that is applicable to a future reporting period. A deferred outflow of resources has a positive effect on net position, similar to assets.
- **Depreciation** – (1) Expiration in the service life of capital assets, attributable to wear and tear, deterioration, the action of the physical elements, inadequacy, and obsolescence. (2) The portion of the cost of a capital asset, charged as an expense during a particular period. In accounting for depreciation, the cost of a capital asset, less any salvage value, is prorated over the estimated service life of such an asset, and each period is charged with a portion of such cost. Through this process, the entire cost of the asset is ultimately charged off as an expense.

GLOSSARY OF TERMS USED (continued)

- **General Obligation Bonds (GO Bonds)** – Bonds previously issued by the District based on geographically distinct Improvement Districts (see definition below). General Obligation Bonds are repaid by separate charges the District places on property tax bills. The District has not issued any General Obligation Bonds to fund new projects since 2009.
- **Generally Accepted Accounting Principles (GAAP)** – Uniform minimum standards used by state and local governments for financial recording and reporting that have been established by the Governmental Accounting Standards Board (GASB).
- **Liabilities** – Present obligation to sacrifice resources that the District has little or no discretion to avoid.
- **Net Investment in Capital Assets** – Capital assets, net of accumulated depreciations, reduced by the outstanding balances of bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Net Position** – This residual of assets plus deferred outflows of resources, less liabilities and less deferred inflows of resources. Net position is displayed in three components: net investment in capital assets, restricted (distinguishing between major categories or restrictions), and unrestricted.
- **Net Revenues** – All District general operating and non-operating revenues, less operating expenditures. Net revenues are pledged to certain District loan obligations and are a measure of operating margin, prior to debt service payments.
- **Non-Current Assets** – The District’s long-term investment for which the full value will not be realized within a year. Assets typically cannot easily be converted into cash.
- **Non-Current Liabilities** – Long-term financial obligations that are not due for more than a year.
- **Non-Operating Revenues** – Non-operating revenues are those not considered integral to operating the District’s facilities or providing services. These revenues include property taxes, rental income and investment income.
- **Operating Expenses** – Operating expenditures are expenses incurred to provide core water and wastewater services of the District. These include expenses such as water purchases, power expenses, salaries and repairs and maintenance.
- **Operating Revenues** – Operating revenues are those received based on providing the core water and wastewater services of the District. Such revenues principally include rates and charges for service, new meter fees, construction plan check fees, and reimbursements by other agencies for operating shared facilities.
- **Revenue Bonds** – Revenue Bonds refer to indebtedness which will be repaid by the Net Revenues of the District’s general operations.

FINANCIAL SECTION



Independent Auditor's Report

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

We have audited the accompanying financial statements of the Santa Margarita Water District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Santa Margarita Water District, as of June 30, 2021, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

Macias Gini & O'Connell LLP

Irvine, California
November 24, 2021

SANTA MARGARITA WATER DISTRICT

Management's Discussion and Analysis

For the Year Ended June 30, 2021

This section of the Santa Margarita Water District's (District) annual comprehensive financial report presents the Management's Discussion and Analysis (MD&A) of the District's financial performance during the fiscal year ended June 30, 2021 (FY 2021). The MD&A is to be read and considered in conjunction with additional information provided with the letter of transmittal, the basic financial statements, and accompanying notes.

FY 2021 Financial Highlights

- Unrestricted cash and investments increased to \$101.7 million at June 30, 2021, or by \$11.2 million (12.4%) compared to the prior year. The increase was primarily due to the higher revenues relative to expenses indicated below, as well as reimbursements from bond and loan funds for prior year capital expenditures. The District's positive net operating position in FY 2021 helped ensure the unrestricted cash position remain sufficient to meet the planned needs for operations, capital projects, and reserve requirements under its financial policies.
- Operating revenues totaled \$88.2 million in FY 2021, an increase of \$8.5 million or 10.7% from the prior fiscal year. The increase was primarily due to higher water demands. The Board of Directors (Board) also approved a customer rate increase effective March 1, 2021. This rate revenue increase is equivalent to 4.5% on an annualized basis. Construction revenues increased as plan check fees were collected related to new development activity.
- Operating expenses increased \$4.5 million or 6.1% from the prior fiscal year (\$77.5 million from \$73.0 million). Water purchases increased \$3.3 million to \$30.5 million, totaling 39.4% of the District's annual expenses. Additionally, power expenses increased by \$0.7 million due to a rise in power demands needed to meet higher water consumption in Fiscal Year 2021. Compensation related expenses also increased \$0.7 million (3.1%) primarily due to a 2.5% cost of living adjustment effective July 1, 2020, and merit increases on November 1, 2020.
- The District's total non-operating revenues decreased \$15.2 million, or 52.3%, primarily due to a \$10.9 million reduction in total special assessments collected for debt service. This reduction was due to the defeasance of 2014A general obligation bonds during the fiscal year. These assessments are used to pay debt service for the year and as the general obligation bonds payable. The overall impact of this decrease was mitigated by a decrease in bonds payable in the fiscal year.
- Net capital assets were \$796.9 million at June 30, 2021, an increase of \$29.8 million (3.9%). Water plant assets increased \$114.9 million and construction in progress decreased \$82.9 million primarily due to the completion of construction on the Trampas Reservoir Project. A dedication ceremony was held, and the project was capitalized in FY 2021, thereby increasing the District's water plant assets and decreasing construction in progress. The District capitalized an additional \$19.8 million, which was offset by \$22.2 million in depreciation expenses.
- The District's long-term liabilities increased by \$67.7 million to \$206.4 million at June 30, 2021 primarily due to the issuance of \$53.9 million of Water and Wastewater Revenue Bonds, Series 2020A (2020A Bonds). Additionally, loans payable to the State Water Resources Control Board for the Trampas Reservoir Project increased \$8.9 million. Increases were primarily offset by a \$20.6 million reduction in long-term liabilities as a result of Revenue Bond, General Obligation Bond, and loan payments.

SANTA MARGARITA WATER DISTRICT
Management's Discussion and Analysis (continued)
For the Year Ended June 30, 2021

Overview of the Financial Statements

The District 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 section consists of two parts – Management's Discussion and Analysis; and the basic financial statements, including notes and required supplementary information. The District's financial statements begin on page 11 of this report. The notes to the basic financial statements can be found on beginning on page 17 and provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The District's financial statements offer key, high-level financial information about the District's activities, comprised of the following main statements:

- **The Statement of Net Position** includes information on the District's assets and liabilities and deferred outflows of resources and deferred inflows of resources. Net Position is defined as the District'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 District's net position based on its operating and non-operating revenues, expenses, and capital contributions during the fiscal year ended June 30, 2021.
- **The Statement of Cash Flows** provides the District's changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides information on the sources and uses of the District's cash.

The Statement of Net Position, and the Statement of Revenues, Expenses and Change in Net Position provide a depiction of the District's financial standing. For example, increases in the District's net position is a positive indicator of the District's financial health.

Statement of Net Position

Net Position as of June 30, 2021, increased by \$20.5 million, or 2.8%, to \$751.5 million, primarily due to an increase in capital activity. The largest portion of the District's net position (88%) reflects the District's investment in capital assets, net of accumulated depreciation and reduced by related outstanding debt.

SANTA MARGARITA WATER DISTRICT
Management's Discussion and Analysis (continued)
For the Year Ended June 30, 2021

Condensed Statement of Net Position

	Fiscal Year 2021	Fiscal Year 2020	Increase (Decrease)	Percent Increase (Decrease)
Assets				
Current Assets	\$ 179,284,331	\$ 125,434,867	\$ 53,849,464	42.9%
Capital Assets, Net	796,889,213	767,076,071	29,813,142	3.9%
Non-Current Assets	-	4,111,139	(4,111,139)	-100.0%
Total Assets	<u>976,173,544</u>	<u>896,622,077</u>	<u>79,551,467</u>	8.9%
Deferred Outflows of Resources	<u>9,463,993</u>	<u>7,401,038</u>	<u>2,062,955</u>	27.9%
Liabilities				
Current Liabilities	28,654,043	33,436,016	(4,781,973)	-14.3%
Non-Current Liabilities	205,278,814	138,747,705	66,531,109	48.0%
Total Liabilities	<u>233,932,857</u>	<u>172,183,721</u>	<u>61,749,136</u>	35.9%
Deferred Inflows of Resources	<u>221,355</u>	<u>883,137</u>	<u>(661,782)</u>	-74.9%
Net Position				
Net Investment in Capital Assets	657,883,403	652,544,947	5,338,456	0.8%
Restricted	15,229,473	18,695,535	(3,466,062)	-18.5%
Unrestricted	78,370,449	59,715,775	18,654,674	31.2%
Total Net Position	<u>\$ 751,483,325</u>	<u>\$ 730,956,257</u>	<u>\$ 20,527,068</u>	2.8%

The District's total assets increased \$79.6 million to \$976.2 million compared with the prior year due to an increase in current assets of \$53.8 million. This consists of restricted unspent bond proceeds from the 2020A Bonds issued in FY 2021. Additionally, capital assets increased \$29.8 million. These capital asset increases are mainly a result from construction of the Trampas Reservoir Project, which was completed in FY 2021, as well as other capital repair and replacement projects. Lastly, there was a decrease of \$4.1 million in non-current assets primarily due to the investment of unspent bond proceeds in the Local Agency Investment Fund (LAIF) and money market mutual funds, which mature within one year and are included in current assets in FY 2021.

The District's total liabilities increased \$61.7 million to \$233.9 million, primarily due to an increase in non-current liabilities of \$66.5 million, or 48.0%. The increase in non-current liabilities is primarily due to the issuance of the 2020A Bonds in September 2020. Secondly, there was an \$8.9 million increase in loans payable due to additional disbursements received for the Trampas Reservoir Project. These increases were offset by scheduled repayments of the District's Revenue and General Obligation bonds of \$14.1 million.

Deferred outflows of resources increased by \$2.1 million, or 27.9%, to \$9.5 million compared to the prior year of \$7.4 million, primarily due to a \$2.0 million prepayment made to CalPERS to pay on the unfunded pension liability.

Deferred inflows of resources decreased by \$0.7 million, or 74.9%, compared to prior year primarily due to the amortization of various valuation changes in the District's defined benefit pension plan (contained in the annual Governmental Accounting Standards Board (GASB) Statement No. 68 Accounting Valuation Report prepared by CalPERS), as well as the amortization of deferred gains on defeasance of the District's General Obligation bonds.

SANTA MARGARITA WATER DISTRICT
Management's Discussion and Analysis (continued)
For the Year Ended June 30, 2021

Condensed Statement of Revenues, Expenses and Change in Net Position

	Fiscal Year 2021	Fiscal Year 2020	Increase (Decrease)	Percent Increase (Decrease)
Operating Revenues:				
Potable Water Charges	\$ 49,026,077	\$ 43,414,528	\$ 5,611,549	12.9%
Recycled Water Charges	10,846,821	7,989,399	2,857,422	35.8%
Wastewater Charges	24,652,362	23,668,748	983,614	4.2%
Other Charges or Services	3,642,307	4,565,318	(923,011)	-20.2%
Total Operating Revenues	88,167,567	79,637,993	8,529,574	10.7%
Operating Expenses:				
Water Expenses	36,205,720	32,220,612	3,985,108	12.4%
Wastewater Treatment	3,910,239	4,195,526	(285,287)	-6.8%
Maintenance and Operations	9,342,810	8,984,672	358,138	4.0%
Regional Participation	264,610	121,451	143,159	117.9%
Compensation	23,048,950	22,346,607	702,343	3.1%
General and Administrative	4,733,643	5,153,821	(420,178)	-8.2%
Total Operating Expenses before Depreciation and Amortization	77,505,972	73,022,689	4,483,283	6.1%
Depreciation and Amortization	22,215,916	21,652,406	563,510	2.6%
Operating (Loss)	(11,554,321)	(15,037,102)	3,482,781	-23.2%
Non-Operating Revenues (Expenses)				
Special Assessment for Debt Service	3,339,826	14,249,102	(10,909,276)	-76.6%
Property Taxes	9,095,334	8,735,175	360,159	4.1%
Investment Earnings	577,079	4,086,083	(3,509,004)	-85.9%
Other Non-Operating Revenues	4,505,426	4,027,424	478,002	11.9%
Interest Expense	(3,659,245)	(2,050,123)	(1,609,122)	78.5%
Total Non-Operating Revenues(Expenses)	13,858,420	29,047,661	(15,189,241)	-52.3%
Net Income before Capital Contributions	2,304,099	14,010,559	(11,706,460)	-83.6%
Capital Contributions	18,222,969	10,190,332	8,032,637	78.8%
Change in Net Position	20,527,068	24,200,891	(3,673,823)	-15.2%
Net Position Beginning of Year	730,956,257	706,755,366	24,200,891	3.4%
Net Position End of Year	\$ 751,483,325	\$ 730,956,257	\$ 20,527,068	2.8%

Statement of Revenues, Expenses and Change in Net Position

In FY 2021, the District's total operating revenues increased by \$8.5 million, or 10.7%, primarily due to higher customer usage as well as increases in both fixed and commodity rates effective March 1, 2021. This was offset by a decrease in the District's Other Charges or Services primarily due to a prior year use audit refund received from the South Orange County Wastewater Authority (SOCWA) that was not received in FY 2021. SOCWA performs an annual "use audit" to determine if monies are due from or owed to member agencies. For FY 2021, the District did not receive a refund, compared to a \$0.8 million refund in FY 2020.

SANTA MARGARITA WATER DISTRICT
Management's Discussion and Analysis (continued)
For the Year Ended June 30, 2021

In FY 2021, the District's total operating expenses, before depreciation and amortization, increased by \$4.5 million, or 6.1%, primarily due to an increase in water purchases. Water purchases increased \$3.3 million due to higher consumption and increased water rates. Additionally, power expenses increased \$0.7 million due to higher power demands needed to meet the growth in water consumption. Compensation expenses increased \$0.7 million primarily as a result of merit and cost of living adjustments during FY 2021. These increases were partially offset by reductions in other expenses such as General and Administrative and Wastewater Treatment expenses which were a combined \$0.7 million lower than FY 2020.

Net non-operating revenues decreased by \$15.2 million, or 52.3%, primarily due to the defeasance of 2014A general obligation bonds, which reduced special assessment tax revenues for debt service by \$10.9 million in FY 2021. Secondly, investment earnings decreased \$3.5 million in FY 2021 due to lowering interest rates and fair market values of investments resulting from the pandemic. Additionally, interest expense increased \$1.6 million primarily due to payments beginning in FY 2021 on the 2020A Bonds that were issued in September 2020.

Capital Assets

The District's net capital assets amounted to \$796.9 million, an increase of \$29.8 million over the prior year. Depreciable assets increased by \$134.8 million primarily due to \$130.0 million of projects that were completed during the year and transferred from construction in progress to depreciable assets. Some of the projects that were completed during the year include the Trampas Reservoir project, Aufdenkamp Relocation project, Payroll and Human Resources Enterprise Resource Planning project, and Plano Lift Station sewer rerouting project. Additionally, \$3.8 million of contributed facilities were added to the District's depreciable assets during FY 2021 primarily due to in-tract system improvements in new development areas. The District also purchased \$1.0 million of equipment that was added to capital assets during the year.

Construction in progress had a net decrease of \$82.9 million. This was due to \$130.0 million of construction in progress projects that were completed and capitalized. These decreases were offset by additions to construction in progress in FY 2021, primarily due to the remaining construction of the Trampas Reservoir Project, which was completed in FY 2021 and construction on the treatment expansion of the Chiquita Water Reclamation Plant.

As of June 30, 2021, there were \$21.1 million of capital asset commitments outstanding.

Additional information regarding the District's capital assets and remaining commitments on construction projects can be found in Note 4 of this report.

SANTA MARGARITA WATER DISTRICT
Management's Discussion and Analysis (continued)
For the Year Ended June 30, 2021

	Fiscal Year <u>2021</u>	Fiscal Year <u>2020</u>	Increase (Decrease)	Percent Increase (Decrease)
Water Plant	\$ 600,194,486	\$ 485,246,872	\$ 114,947,614	23.7%
Sewer Plant	252,159,598	239,988,971	12,170,627	5.1%
Contributed Facilities	193,548,535	189,795,477	3,753,058	2.0%
Operational Equipment	18,596,616	17,692,618	903,998	5.1%
Administration Building	10,409,728	10,406,977	2,751	0.0%
Capacity Rights	43,311,718	43,311,718	-	0.0%
Miscellaneous/Master Plan	13,396,072	10,387,961	3,008,111	29.0%
Total Depreciable Assets	<u>1,131,616,753</u>	<u>996,830,594</u>	<u>134,786,159</u>	13.5%
Less Accumulated Depreciation & Amortization:				
Depreciation and Amortization	433,327,590	411,266,551	22,061,039	5.4%
Net Depreciable Assets	<u>698,289,163</u>	<u>585,564,043</u>	<u>\$ 112,725,120</u>	19.3%
Construction in Progress	30,691,944	113,603,922	(82,911,978)	-73.0%
Land	64,681,862	64,681,862	-	0.0%
Land - Administration Building	3,226,244	3,226,244	-	0.0%
Total Non-Depreciable Assets	<u>98,600,050</u>	<u>181,512,028</u>	<u>(82,911,978)</u>	-45.7%
Total Capital Assets, Net	<u>\$ 796,889,213</u>	<u>\$ 767,076,071</u>	<u>\$ 29,813,142</u>	3.9%

Long Term Debt

Total long-term debt increased by \$53.6 million or 44.7% to \$173.4 million, which was primarily due to an increase of \$39.8 million in bonds payable. Bonds payable increased due to the issuance of 2020A Bonds in FY 2021. Additionally, bond premium (discount) increased \$10.4 million primarily due to premiums from the 2020A Bonds issuance. Loans payable increased \$3.4 million due to an increase in the State Water Resources Control Board loan of \$8.9 million. Debt was decreased due to repayment of Revenue and General Obligation bonds, loans, and amortization of net premium (discount). The following table summarizes the changes in long-term debt amounts for FY 2021.

	Balance at <u>June 30, 2020</u>	Additions	Transfers/ Deletions	Balance at <u>June 30, 2021</u>	Increase (Decrease)	Percent Increase (Decrease)
Long-Term Debt:						
Bonds Payable	\$ 46,895,000	\$ 53,895,000	\$ (14,075,000)	\$ 86,715,000	\$ 39,820,000	84.9%
Loans Payable	68,456,366	8,873,593	(5,487,599)	71,842,360	3,385,994	4.9%
	<u>115,351,366</u>	<u>62,768,593</u>	<u>(19,562,599)</u>	<u>158,557,360</u>	<u>43,205,994</u>	37.5%
Net Premium (Discount)	4,436,600	11,417,387	(1,031,060)	14,822,927	10,386,327	234.1%
Total Long-Term Debt	<u>\$ 119,787,966</u>	<u>\$ 74,185,980</u>	<u>\$ (20,593,659)</u>	<u>\$ 173,380,287</u>	<u>\$ 53,592,321</u>	44.7%

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

Defined Benefit Pension Plan

The District offers employees a defined benefit pension plan, which is administered by the California Public Employees Retirement System (CalPERS). Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (GASB 68) requires public employers that participate in a defined benefit pension plan to record the net pension liability, pension expense, and deferred outflows/deferred inflows of resources related to pensions in the financial statements.

SANTA MARGARITA WATER DISTRICT
Management's Discussion and Analysis (continued)
For the Year Ended June 30, 2021

The District's net pension liability at June 30, 2021, was \$35.2 million, an increase of \$2.8 million (8.6%) from the prior year. Net pension liability is the plan's total pension liability based on the entry age normal actuarial cost method less the plan's fiduciary net position. The increase was due to an increase in total pension liability of \$6.0 million, netted with an increase in plan fiduciary net position of \$3.2 million. The plan's fiduciary net position as a percentage of the total pension liability decreased from 69.7% in FY 2020 to 68.8% in FY 2021.

Pension expense includes the District's required payments made to CalPERS during the year, plus a recognition of the change in the net pension liability. Pension expense for the District in FY 2021 totaled \$5.9 million, an increase of \$0.2 million (4.1%) from the prior year, primarily due to an increase in the interest expense on the total pension liability of \$0.4 million, offset by an increase in the projected earnings on pension plan investments of \$0.3 million. Pension expense is included in the salaries, wages and related benefits operating expense on the Statement of Revenues, Expenses and Changes in Net Position.

Deferred outflows and deferred inflows of resources related to pensions are certain changes in total pension liability and fiduciary net position that are to be recognized in future pension expense systematically over time. These amounts can fluctuate from year to year due to actuarial methods and assumptions determined by CalPERS, such as normal entry age, discount rate, mortality, and inflation. Deferred outflows of resources related to pensions increased in FY 2021 by \$2.2 million due to an additional \$2.0 million contribution to the District's unfunded liability in FY 2021. Deferred inflows of resources related to pension decreased in FY 2021 by \$0.7 million due to the amortization of the various actuarial methods and assumptions made by CalPERS.

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

Fiduciary Activities

The District is the fiduciary for funds held on behalf of two Community Facilities Districts (CFD), which are related to outstanding bonds of each CFD. The District's fiduciary activities are reported in the Note 12 to the basic financial statements. The District excludes these activities from its financial statements because the District is not liable under any circumstance for the repayment of the outstanding bonds.

Future Events

The District, in cooperation with the City of San Juan Capistrano (City), annexed the City's water and sewer utilities. This annexation was effective on November 15, 2021.

Lastly, in 2021 COVID-19 continued to have an economic impact at the national level and the local level. For the District, the full financial impact of COVID-19 remains relatively low, and the District continues to monitor the impact to our customers.

Please see Note 16 of this report for further disclosure.

Requests for Information

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

**BASIC FINANCIAL STATEMENTS
AND ACCOMPANYING NOTES**

SANTA MARGARITA WATER DISTRICT

Statement of Net Position

June 30, 2021

ASSETS:

Current Assets:

Cash and investments (Note 2)	\$	101,671,432
Accrued interest receivable		244,815
Accounts receivable - water and sanitation customers, net of allowance for doubtful accounts of \$8,000		10,546,228
Accounts receivable - other (Note 3)		1,226,356
Water and supplies inventory		3,786,809
Prepaid expenses		688,997
Restricted - cash and investments (Note 2)		17,002,762
Restricted - unspent bond proceeds (Note 2)		43,841,550
Restricted - property taxes receivable		235,748
Restricted - accrued interest receivable		39,634
Total Current Assets		179,284,331

Non-current Assets:

Capital assets - not depreciated (Note 4)		98,600,050
Capital assets, net of accumulated depreciation and amortization (Note 4)		698,289,163
Total Non-current Assets		796,889,213

Total Assets

976,173,544

DEFERRED OUTFLOWS OF RESOURCES:

Deferred outflows related to pension (Note 9)		8,382,434
Deferred outflows - other		1,570
Deferred loss on debt defeasance (Note 5)		1,079,989
Total Deferred Outflows of Resources		9,463,993

(Continued)

See accompanying notes to the basic financial statements.

SANTA MARGARITA WATER DISTRICT

Statement of Net Position (continued)

June 30, 2021

LIABILITIES:

Current Liabilities:

Accounts payable and accrued expenses	\$	19,147,724
Accrued wages and related payables		815,253
Retentions payable and construction deposits		583,370
Other deposits payable		711,377
Unearned revenue		38,697
Accrued interest payable		1,993,196
Advances from others		150,518
Long-term liabilities - due within one year		
Compensated absences (Note 6)		898,915
Bonds payable (Note 5)		4,216,618
Loans payable (Note 5)		98,375
Total Current Liabilities		28,654,043

Non-current Liabilities:

Long-term liabilities - due in more than one year		
Compensated absences (Note 6)		585,805
Bonds payable (Note 5)		97,321,309
Loans payable (Note 5)		71,743,985
Reimbursement agreement advances (Note 5)		380,037
Accrued interest payable on reimbursement agreements (Note 5)		55,475
Net pension liability (Note 9)		35,192,203
Total Non-current Liabilities		205,278,814
Total Liabilities		233,932,857

DEFERRED INFLOWS OF RESOURCES:

Deferred inflows related to pension (Note 9)		179,842
Deferred gain on debt defeasance (Note 5)		41,513
Total Deferred Inflows of Resources		221,355

NET POSITION:

Net investment in capital assets (Note 7)		614,041,853
Restricted for (Note 8):		
Special assessment for debt service		11,269,298
Other		3,960,175
Unrestricted		122,211,999
TOTAL NET POSITION	\$	751,483,325

See accompanying notes to the basic financial statements.

SANTA MARGARITA WATER DISTRICT
Statement of Revenues, Expenses and Change in Net Position
For the Year Ended June 30, 2021

OPERATING REVENUES:

Potable water charges:

Potable water commodity charge	\$	28,584,186
Monthly service charge		19,356,403
Transmission charge		1,085,488
Total potable water charges		<u>49,026,077</u>

Recycled water charges:

Recycled water commodity charge		8,872,547
Monthly service charge		1,515,940
Transmission charge		458,334
Total recycled water charges		<u>10,846,821</u>

Wastewater charges:

Wastewater commodity charge		5,264,643
Monthly service charge		19,387,719
Total wastewater charges		<u>24,652,362</u>

Other charges or services:

Jointly owned facilities		1,220,652
Construction related revenues		991,250
Rebates		346,573
Customer related revenues		277,823
Other revenues		806,009
Total other charges or services		<u>3,642,307</u>
Total Operating Revenues		<u>88,167,567</u>

OPERATING EXPENSES:

Source of supply - water purchases		30,500,238
Power		5,705,482
Maintenance and operations		9,342,810
Regional participation		264,610
Wastewater treatment		3,910,239
Salaries, wages and related benefits		23,048,950
General and administrative		4,733,643
Total Operating Expenses before depreciation and amortization expense		<u>77,505,972</u>

Operating income before depreciation and amortization expense		10,661,595
Depreciation and amortization expense		(22,215,916)
Operating (loss)	\$	<u>(11,554,321)</u>

(Continued)

See accompanying notes to the basic financial statements.

SANTA MARGARITA WATER DISTRICT
Statement of Revenues, Expenses and Change in Net Position (Continued)
For the Year Ended June 30, 2021

NON-OPERATING REVENUES (EXPENSES):

Special assessment tax revenues for debt service	\$	3,339,826
Property taxes		9,095,334
Investment earnings		577,079
Capacity lease revenue		6,961
Rental revenue		1,303,167
Gain on sale of capital asset		21,516
Other non-operating revenue		78,069
Capital grants		3,095,713
Interest expense		(3,659,245)
Total non-operating, revenues (expenses)		13,858,420
Income before capital contributions		2,304,099

CAPITAL CONTRIBUTIONS:

Contributions from developer		3,753,058
Connection fees		171,061
Contributions from agencies		13,841,205
Jointly owned facilities capital reimbursements		457,645
Total capital contributions		18,222,969
Change in net position		20,527,068
Net position, beginning of year		730,956,257
Net position, end of year	\$	751,483,325

See accompanying notes to the basic financial statements.

SANTA MARGARITA WATER DISTRICT

Statement of Cash Flows For the Year Ended June 30, 2021

Cash flows from operating activities:	
Cash receipts from customers	\$ 82,766,077
Cash receipts from others	3,080,170
Cash paid to employees for salaries and wages	(23,068,802)
Cash paid to vendors and suppliers for materials and services	(49,042,384)
Net cash provided by operating activities	<u>13,735,061</u>
Cash flows from non-capital financing activities:	
Property taxes received	9,186,119
Capacity lease revenue	6,961
Net cash provided by non-capital financing activities	<u>9,193,080</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(45,762,172)
Capital contributions	11,532,129
Capital grants	3,095,713
Special assessment tax revenues for debt service received	3,339,826
Repayments of advances	(48,441)
Proceeds from issuance of bonds	60,000,000
Proceeds from new loans	8,873,593
Proceeds from sale of capital assets	21,050
Principal paid for bond debt service and loans payable	(14,660,637)
Interest paid for debt service	(3,691,018)
Net cash provided by capital and related financing activities	<u>22,700,043</u>
Cash flows from investing activities:	
Proceeds from the sale and maturity of investment securities	53,012,592
Purchase of investment securities	(101,333,090)
Investment earnings	1,443,949
Rental revenues	1,314,135
Net cash (used in) investing activities	<u>(45,562,414)</u>
Net increase in cash and cash equivalents	65,770
Cash and cash equivalents, beginning of year	<u>1,693,256</u>
Cash and cash equivalents, end of year	<u>\$ 1,759,026</u>

(Continued)

See accompanying notes to the basic financial statements.

SANTA MARGARITA WATER DISTRICT

Statement of Cash Flows (Continued)

For the Year Ended June 30, 2021

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

Reported on the Statement of Net Position:

Cash and investments	\$ 101,671,432
Restricted - cash and investments	17,002,762
Restricted - unspent bond proceeds	43,841,550
Total cash and investments - per statement of net position	<u>162,515,744</u>

Less investments not meeting the definition of cash and cash equivalents:

Investments	(160,756,718)
Total cash and cash equivalents	<u>\$ 1,759,026</u>

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

Operating (loss)	\$ (11,554,321)
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Adjustments to reconcile operating (loss) to net cash provided by operating activities:

Depreciation and amortization expense - capital recovery	22,215,916
Other revenue	78,069

Change in assets and liabilities:

(Increase) decrease in assets:

Accounts receivable - water and sanitation customers	(1,759,183)
Accounts receivable - other	(209,803)
Water and supplies inventory	181,442
Prepaid expenses	(97,747)

Increase (decrease) in liabilities:

Accounts payable and accrued expenses	4,997,387
Accrued wages and related payables	(18,448)
Retentions payable and construction deposits	333,556
Other deposits payable	(427,812)
Unearned revenue	(2,591)
Net pension liability	2,786,112
Deferred outflows/inflows related to pensions	(2,842,932)
Compensated absences	55,416
Total adjustments	<u>25,289,382</u>
Net cash provided by operating activities	<u>\$ 13,735,061</u>

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

Amortization of premiums and discounts	\$ 1,031,060
Amortization of deferred gain/loss on defeasance	(107,227)
Contributed facilities, water plant and sewer plant	6,519,779
Gain on disposal of capital assets	466
Loan principal payments from bond issuance	4,901,963
Loan interest payments from bond issuance	73,628
Payment of bond issuance costs	336,796
Unrealized gain (loss) on investments	(787,366)

See accompanying notes to the basic financial statements.

SANTA MARGARITA WATER DISTRICT

Notes to the Basic Financial Statements

For the Year Ended June 30, 2021

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Santa Margarita Water District (District) was established on December 23, 1964, under provisions of the California Water District Law (Section §34000, et seq. of the California Water Code). At the time of its formation, the District encompassed approximately 41,400 acres. Its area has been expanded to approximately 62,700 acres through a series of annexations (and one de-annexation). Individual improvement districts, of which there are presently 8 with sub-districts, function as a basis for operational and capital planning, as well as the authorization and sale of bonds.

The District recovers uniform monthly user rates across all improvement districts. Debt obligations and annual assessments for general obligation bonds vary by improvement district. The District maintains separate internal debt service accounts for the purposes of complying with applicable legal provisions, Board of Directors' resolutions and other requirements, as well as to ensure that the bond proceeds benefit those improvement districts on which the debt is levied.

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

Basis of Accounting and Measurement Focus

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

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

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and liabilities, deferred inflows and outflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts for revenues and expenses for the reporting period. Actual results may differ from those estimates.

Cash Equivalents and Investments

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

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

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

Restricted Section 115 Pension Trust Cash and Investments

All assets in the Section 115 Pension Trust (Trust) are irrevocably dedicated to funding obligations of the District's pension beneficiaries or costs of administering the Trust. The funds are not considered plan assets of the pension plan and are therefore considered restricted assets of the District.

Fair Value

The District measures investments at fair value, or the price that would be received to sell an asset or paid to transfer a liability in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools* and Statement No. 72, *Fair Measurement and Application*. Valuations are obtained by using quotations obtained from independent published sources. The District values its asset by using the market approach, cost approach or income approach, as appropriate. The District values its investments into 3 categories: level 1, quoted prices for identical assets in active markets; level 2, other than quoted prices included in level 1, including quoted prices for similar assets in active markets and quoted prices for identical assets in markets that are not active; and level 3, unobservable inputs for an asset or liability. Note 2 contains additional information on permissible investments per the California Government Code and District Investment Policy.

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Assets

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

Concentration

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

Inventories

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

Capital Assets

Capital assets are stated at historical cost or the estimated historical cost if actual cost is not available. Donated assets which consist of land, tract facilities and other capital assets contributed by developers are recorded as contributed facilities based on acquisition value at date of donation. Depreciation of capital assets is charged as an expense against operations. Depreciation is recorded using the straight-line method based on estimated lives which range from 3 to 100 years, consisting primarily of operational equipment over 4 to 12 years; water plant, power plant and administrative building over 40 years; mains and other conduits over 60 to 75 years; and reservoirs over 100 years. Capital outlays that cost \$5,000 or more and that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

The District also owns intangible assets which include capacity rights for acquiring rights to water in pipelines owned and maintained by other agencies. The value of capacity rights is equal to the amounts spent for the construction of capital assets, such as pipelines, pumping facilities and storage facilities, and are amortized over the life of the asset or the term of the agreement, whichever is less.

Accounts Receivable Uncollectible Accounts

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

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes and Special Assessments

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

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

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

Prepaid Expenses and Other Deposits

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

Deferred Gain or Loss on Debt Defeasance

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

Interest Expense

The District incurs interest charges on bonds and notes payable. Interest incurred during the year ended June 30, 2021, totaled \$3,659,245. Bond premiums and discounts on refunded debt are deferred and amortized over the life of the bonds using the effective interest method.

Compensated Absences

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

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Pension Liability

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

GASB Statement No. 68, *Accounting and Financing Reporting for Pensions – an amendment of GASB Statement No. 27* requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

Net Position

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

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

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

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

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements

Adopted in the Current Year

GASB Statement No. 84, *Fiduciary Activities*. Effective for the District’s fiscal year ended June 30, 2021.

GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*. Effective for the District’s fiscal year ended June 30, 2021.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. Effective for the District’s fiscal year ending June 30, 2022.

The District early implemented GASB Statement No. 98, *The Annual Comprehensive Financial Report*, which establishes the term Annual Comprehensive Financial Report and its acronym ACFR to replace Comprehensive Annual Financial Report and its acronym under GAAP. Implementation of this Standard resulted in the District renaming this document but did not have an impact on the District’s financial statements.

Implementation of Statement Nos. 84, 90 and 97 resulted in no significant impact to the District’s financial statements.

Effective in Future Years

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

GASB Statement No. 87, *Leases*. Effective for the District’s fiscal year ending June 30, 2022. This GASB statement establishes a single model for lease accounting and is to be applied retroactively. The statement requires a lessee to recognize a lease liability and an intangible right-to-use lease asset and requires a lessor to recognize a lease receivable and a deferred inflow of resources.

GASB Statement No. 91, *Conduit Debt Obligations*. Effective for the District’s fiscal year ending June 30, 2022.

GASB Statement No. 92, *Omnibus 2020*. Effective upon issuance for the requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments. The other requirements will be effective for the District’s fiscal year ending June 30, 2022.

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

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

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2021, are classified in the accompanying financial statements as follows:

Cash and investments	\$ 101,671,432
Restricted - cash and investments	
Special assessments for debt service	13,317,969
Investments for Section 115 Pension Trust	3,684,793
Bond proceeds for capital projects in non-current	43,841,550
Total cash and investments	\$ 162,515,744
Cash and cash equivalents	\$ 1,759,026
Money market mutual funds	7,622,135
Investments	153,134,583
Total investments	160,756,718
Total cash and investments	\$ 162,515,744

Fair Value Measurement

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

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 2 – CASH AND INVESTMENTS (Continued)

The District has the following recurring fair value measurements as of June 30, 2021:

	Fair Value Measurement			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasury	\$ 27,388,790	\$ 27,388,790	\$ -	\$ -
Federal Agency	14,334,947	-	14,334,947	-
Supranationals	2,164,036	-	2,164,036	-
Municipal Bonds	5,045,204	-	5,045,204	-
Medium-Term Corporate Notes	11,118,519	-	11,118,519	-
Negotiable Certificates of Deposit	3,488,614	-	3,488,614	-
Asset-Backed Securities	4,353,421	-	4,353,421	-
Section 115 Pension Trust:				
Mutual Funds - Bonds	1,845,034	1,845,034	-	-
Mutual Funds - Equities	1,537,327	1,537,327	-	-
Mutual Funds - Other	290,286	290,286	-	-
Sub-Total	<u>71,566,178</u>	<u>\$ 31,061,437</u>	<u>\$ 40,504,741</u>	<u>\$ -</u>
Investments Not Subject to Fair Value Hierarchy:				
Joint Powers Authority Investment Pool*	1,966			
Local Agency Investment Fund*	81,566,439			
Money Market Mutual Funds*	2,092,750			
Section 115 Pension Trust:				
Money Market Mutual Funds*	12,146			
Held by Fiscal Agent:				
Money Market Mutual Funds*	5,517,239			
Total	<u>\$ 160,756,718</u>			

* Fair value measurement is based on pricing received from the District's third party vendors. Investments in money market mutual funds are priced using amortized cost which approximates fair value, with a net asset value of \$1.00 (in absolute dollar amounts) per share, and per GASB Statement No. 72 are not subject to the fair value hierarchy. Additionally, the Local Agency Investment Fund is not subject to the fair value hierarchy.

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

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

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investment Types Authorized by State Law	Authorized By Investment Policy	*Maximum Maturity	*Maximum Percentage of Portfolio	*Maximum Investment in One Issuer
U.S. Treasury	Yes	5 years	80% *	80% *
Federal Agency	Yes	5 years	80% *	80% *
Municipal Bonds	Yes	5 years	30% *	10% *
Medium-Term Corporate Notes***	Yes	5 years	30%	30%
Supranationals	Yes	5 years	30%	30%
Banker's Acceptances***	Yes	180	40%	30% *
Negotiable Certificates of Deposit	Yes	5 years	20%**	20% *
Placement Service Deposits	Yes	5 years	20%**	20% *
Non-negotiable Certificates of Deposit	Yes	5 years	40% *	40% *
Commercial Paper***	Yes	270	25% *	25% *
Collateralized Securities	No	N/A	N/A	N/A
Asset-Backed Securities	Yes	5 years	20%	20%
Repurchase Agreements	Yes	1 year	100%	100%
Reverse Repurchase Agreements	No	N/A	N/A	N/A
Mutual Funds	No	N/A	N/A	N/A
Money Market Mutual Funds	Yes	N/A	20%	10% *
County Pooled Investment Funds	No	N/A	N/A	N/A
Local Agency Investment Fund	Yes	N/A	100%	Up to \$75 million
JPA Pools (other investments pools)	Yes	N/A	20% *	20% *

* Represents restriction in which the District's investment policy is more restrictive than the California Government Code.

** The combined maximum cannot exceed 30%.

*** Only allowed if managed externally.

Investments Authorized by Debt Agreements

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

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 2 – CASH AND INVESTMENTS (Continued)

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

Investments Authorized by Section 115 Pension Trust

The District has established a Section 115 Pension Trust (Trust). The Trust is intended to provide funding for the District's retirement benefits provided by the California Public Employees Retirement System (CalPERS). Investments of the Trust are governed by the provisions of the Trust's investment policy, rather than the general provisions of the California Government Code or the District's investment policy. The following table identifies the investment types that are authorized by the Trust's Investment Policy.

Asset Class	Minimum Percentage Allowed	Maximum Percentage Allowed
<i>Total Growth Assets</i>	<i>20%</i>	<i>60%</i>
Equities – Domestic	6%	46%
Equities – International	0%	34%
Other	0%	10%
<i>Total Income Assets</i>	<i>40%</i>	<i>80%</i>
Fixed Income	40%	80%
Other	0%	10%
<i>Real Return Assets</i>	<i>0%</i>	<i>10%</i>
<i>Cash Equivalents</i>	<i>0%</i>	<i>20%</i>

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 2 – CASH AND INVESTMENTS (Continued)

Disclosures Relating to Interest Rate Risk

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

	Total	Remaining Maturity in Months		
		12 Months or Less	13 to 24 months	25 to 60 months
U.S. Treasury	\$ 27,388,790	\$ -	\$ 10,218,378	\$ 17,170,412
Federal Agency	12,708,728	-	1,847,581	10,861,147
Federal Agency MBS	1,626,219	7,417	674,768	944,034
Supranationals	2,164,036	-	1,181,865	982,171
Municipal Bonds	5,045,204	-	-	5,045,204
Medium-Term Corporate Notes	11,118,519	-	1,107,512	10,011,007
Negotiable Certificates of Deposit	3,488,614	686,133	2,802,481	-
Asset-Backed Securities	4,353,421	-	195,933	4,157,488
JPA Investment Pool	1,966	1,966	-	-
Local Agency Investment Fund	81,566,439	81,566,439	-	-
Money Market Mutual Funds	2,092,750	2,092,750	-	-
Section 115 Pension Trust:				
Mutual Funds - Bonds	1,845,034	1,845,034	-	-
Mutual Funds - Equities	1,537,327	1,537,327	-	-
Mutual Funds - Other	290,286	290,286	-	-
Money Market Mutual Funds	12,146	12,146	-	-
Held by Fiscal Agent:				
Money Market Mutual Funds	5,517,239	5,517,239	-	-
Total	\$ 160,756,718	\$ 93,556,737	\$ 18,028,518	\$ 49,171,463

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 2 – CASH AND INVESTMENTS (Continued)

Disclosures Related to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District uses Standard & Poor's ratings, if available. A Moody's rating is used if there is no Standard & Poor rating available. Presented below is the actual rating as of year-end for each investment type, and the minimum rating required by (where applicable) the California Government Code, the District investment policy, or debt agreements.

Investment Type	Total	Minimum Legal Rating*	Rating as of Year Ended June 30, 2021					
			Not Rated	AAA to AAAm	AA+	AA to AA-	A+ to A-	A-1 to A-1+
U.S. Treasury	\$ 27,388,790	N/A	\$ -	\$ -	\$ 27,388,790	\$ -	\$ -	\$ -
Federal Agency	14,334,947	N/A	-	-	14,334,947	-	-	-
Supranationals	2,164,036	AAA	-	2,164,036	-	-	-	-
Municipal Bonds	5,045,204	N/A	-	1,039,668	2,165,346	1,532,959	307,231	-
Medium-Term Corporate Notes	11,118,519	A	-	-	338,842	1,651,737	9,127,940	-
Negotiable Certificates of Deposit	3,488,614	N/A	-	-	-	1,236,748	1,565,732	686,134
Asset-Backed Securities	4,353,421	AA	-	4,353,421	-	-	-	-
Joint Powers Authority Pool:								
CAMP	1,966	N/A	1,966	-	-	-	-	-
Local Agency Investment Fund	81,566,439	N/A	81,566,439	-	-	-	-	-
Money Market Mutual Fund	2,092,750	AAAm	-	2,092,750	-	-	-	-
Section 115 Pension Trust:								
Mutual Funds - Bonds	1,845,034	N/A	-	1,845,034	-	-	-	-
Mutual Funds - Equities	1,537,327	N/A	-	1,537,327	-	-	-	-
Mutual Funds - Other	290,286	N/A	-	290,286	-	-	-	-
Money Market Mutual Funds	12,146	N/A	-	12,146	-	-	-	-
Held by Fiscal Agent:								
Money Market Mutual Funds	5,517,239	AAAm	-	5,517,239	-	-	-	-
Total	\$ 160,756,718		\$ 81,568,405	\$ 18,851,907	\$ 44,227,925	\$ 4,421,444	\$ 11,000,903	\$ 686,134

* Minimum legal ratings per the California Government Code or the District's investment policy (when the policy is more restrictive) from any rating NRSRO. Amounts held by Fiscal Agent are governed by its corresponding bond indenture.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Custodial credit risk generally applies only to direct investment in marketable securities. Custodial credit risk does not apply to a local government's indirect investment securities through the use of mutual funds or government investment pools (such as LAIF). The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits:

- The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).
- The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.
- California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 2 – CASH AND INVESTMENTS (Continued)

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

Joint Powers Authority Pool

The District is a voluntary participant in a Joint Powers Authority (JPA), the California Asset Management Program (CAMP), which is a permitted investment under California Government Code §53601(p). CAMP is directed by a Board of Trustees, which is made up of experienced local government finance directors and treasurers. CAMP determines fair value on its investment portfolio based on amortized cost. The District measures the value of its CAMP investment at the fair value amount provided by CAMP. At June 30, 2021, CAMP had a total portfolio of approximately \$6.5 billion of which all was invested in non-derivative financial products. The average maturity of CAMP investments was 52 days as of June 30, 2021. As of June 30, 2021, the District's total investment in CAMP was \$1,966.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section §16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF is part of the California Pooled Money Investment Account (PMIA): included in LAIF's investment portfolio are mortgage-backed securities, other asset-backed securities, loans to certain state funds, securities with interest rates that vary according to changes in rates greater than a one-for-one basis, and structured notes. At June 30, 2021, LAIF had a total portfolio of approximately \$193.5 billion. The average maturity of PMIA investments was 291 days as of June 30, 2021. The amounts invested in LAIF are recorded as cash and investments. As of June 30, 2021, the District's total investment in LAIF was \$81,566,439, which included investments of debt proceeds held by bond trustees of \$40,823,845.

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 3 – ACCOUNTS RECEIVABLE, OTHER

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

	2021
City of San Juan Capistrano	\$ 323,388
Trabuco Canyon Water District	238,319
Rancho Mission Viejo, LLC	160,897
Quest Diagnostics/Nichols Institute	117,128
Moulton Niguel Water District	84,108
State of California Department of Transportation	82,151
County of Orange	75,699
Municipal Water District of Orange County	56,203
UCR FEMA Claim	38,504
Fenner Valley Water Authority	9,022
South Coast/JRWSS	8,569
San Juan Basin Authority	7,804
AT&T	5,483
Sprint	5,681
City of San Clemente	5,452
Other Various	7,948
Total Accounts Receivable - Other	\$ 1,226,356

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 4 – CAPITAL ASSETS

Capital assets as of June 30, 2021, consist of the following:

	Balance at June 30, 2020	Additions	Transfers	Dispositions/ Retirements	Balance at June 30, 2021
Water plant	\$ 485,246,872	\$ 97,359	\$ 114,850,255	\$ -	\$ 600,194,486
Sewer plant	239,988,971	49,020	12,121,607		252,159,598
Contributed facilities	189,795,477	3,753,058			193,548,535
Operational equipment	17,692,618	1,045,178	14,231	(155,411)	18,596,616
Administration building	10,406,977		2,751		10,409,728
Capacity Rights	43,311,718				43,311,718
Miscellaneous/Master Plan	10,387,961		3,008,111		13,396,072
Total depreciable capital assets	<u>996,830,594</u>	<u>4,944,615</u>	<u>129,996,955</u>	<u>(155,411)</u>	<u>1,131,616,753</u>
Less accumulated depreciation & amortization:					
Water plant	(171,082,915)	(9,633,828)			(180,716,743)
Sewer plant	(121,279,215)	(5,292,968)			(126,572,183)
Contributed facilities	(93,006,361)	(4,358,201)			(97,364,562)
Administration building	(8,241,653)	(352,713)			(8,594,366)
Operational equipment	(12,212,590)	(1,207,113)		154,877	(13,264,826)
Capacity Rights	(4,002,073)	(881,695)			(4,883,768)
Miscellaneous/Master Plan	(1,441,744)	(489,398)			(1,931,142)
Total depreciation & amortization	<u>(411,266,551)</u>	<u>(22,215,916)</u>	<u>-</u>	<u>154,877</u>	<u>(433,327,590)</u>
Net depreciable capital assets	<u>585,564,043</u>	<u>(17,271,301)</u>	<u>129,996,955</u>	<u>(534)</u>	<u>698,289,163</u>
Capital Assets Not Being Depreciated:					
Construction in progress	113,603,922	47,337,336	(129,996,955)	(252,359)	30,691,944
Land	64,681,862				64,681,862
Land - Administration building	3,226,244				3,226,244
Total capital assets - not depreciated	<u>181,512,028</u>	<u>47,337,336</u>	<u>(129,996,955)</u>	<u>(252,359)</u>	<u>98,600,050</u>
Total Capital Assets	<u>\$ 767,076,071</u>	<u>\$ 30,066,035</u>	<u>\$ -</u>	<u>\$ (252,893)</u>	<u>\$ 796,889,213</u>

Depreciation and amortization expense for the year ended June 30, 2021, was \$22,215,916 based on straight-line depreciation.

The following identifies the District's remaining commitments on construction projects as of June 30, 2021 :

Project Description	Remaining Commitment	Project Expenses to Date
Rienda Lift Station	\$ 6,295,753	\$ 515,240
Coto Lift Station Emergency Storage Basin	5,120,234	348,392
CWRP Second Treatment Expansion	4,101,902	7,128,545
South Ranch Lift Station Emergency Storage Construction	1,197,252	280,614
CWRP Upgrade Bar Screen Facility	1,049,328	621,215
TERP Program - GIS and CMMS	922,693	1,081,301
Headquarters Admin Building Ready Room Upgrade	820,475	209,198
Pico Zone A Pump Station	430,734	2,321,011
San Juan Basin - Water Shed Optimization	385,902	1,789,271
Trampas Reservoir	359,204	112,503,721
Various Other Projects	2,715,231	33,898,545
	<u>\$ 23,398,709</u>	<u>\$ 160,697,053</u>

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

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 5 – LONG TERM LIABILITIES

Long-term liabilities and changes for the year ended June 30, 2021, was as follows:

	Balance at June 30, 2020	Additions	Deletions	Balance at June 30, 2021	Amount Due Within One year	Amount Due Beyond One Year
Revenue Bonds Payable:						
2020 Series A	\$ -	\$ 53,895,000	\$ (1,690,000)	\$ 52,205,000	\$ 1,635,000	\$ 50,570,000
Total Revenue Bonds						
Bonds Payable	-	53,895,000	(1,690,000)	52,205,000	1,635,000	50,570,000
Premium / Discount, net	-	11,417,387	(533,402)	10,883,985	686,980	10,197,005
Total Revenue Bonds Payable	-	65,312,387	(2,223,402)	63,088,985	2,321,980	60,767,005
General Obligation (GO) Bonds Payable:						
2014 Series A	18,430,000	-	(11,440,000)	6,990,000	440,000	6,550,000
2017 Series A	28,465,000	-	(945,000)	27,520,000	980,000	26,540,000
Total General Obligations						
Bonds Payable	46,895,000	-	(12,385,000)	34,510,000	1,420,000	33,090,000
Premium / Discount, net	4,436,600	-	(497,658)	3,938,942	474,638	3,464,304
Total GO Bonds Payable	51,331,600	-	(12,882,658)	38,448,942	1,894,638	36,554,304
Total Bonds Payable	\$ 51,331,600	\$ 65,312,387	\$ (15,106,060)	\$ 101,537,927	\$ 4,216,618	\$ 97,321,309

2020 Revenue Bonds Series A

In September 2020 the District 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 District'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 the net revenues of the District's water and wastewater system, which consist of revenues remaining after the payment of operation and maintenance costs of the District's water and wastewater system. All net revenues are irrevocably pledged to the payment of these bonds.

2014 Refunding General Obligation Bonds Series A

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

2017 Refunding General Obligation Bonds Series A

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

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 5 – LONG TERM LIABILITIES (Continued)

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

Revenue Bonds Debt Service Schedule:

Year	Principal	Interest	Total
2022	\$ 1,635,000	\$ 2,160,650	\$ 3,795,650
2023	1,730,000	2,078,900	3,808,900
2024	1,345,000	1,992,400	3,337,400
2025	1,410,000	1,925,150	3,335,150
2026	1,480,000	1,854,650	3,334,650
2027-2031	6,990,000	8,163,250	15,153,250
2032-2036	7,610,000	6,515,950	14,125,950
2037-2041	9,005,000	5,122,150	14,127,150
2042-2046	10,750,000	3,373,600	14,123,600
2047-2050	10,250,000	1,045,000	11,295,000
Total	<u>\$ 52,205,000</u>	<u>\$ 34,231,700</u>	<u>\$ 86,436,700</u>

General Obligation Bonds Debt Service Schedule:

Year	Principal	Interest	Total
2022	\$ 1,420,000	\$ 1,556,976	\$ 2,976,976
2023	1,485,000	1,489,251	2,974,251
2024	1,560,000	1,413,126	2,973,126
2025	1,640,000	1,333,126	2,973,126
2026	1,725,000	1,249,001	2,974,001
2027-2031	10,030,000	4,829,961	14,859,961
2032-2036	10,320,000	2,319,681	12,639,681
2037-2039	6,330,000	386,600	6,716,600
Total	<u>\$ 34,510,000</u>	<u>\$ 14,577,722</u>	<u>\$ 49,087,722</u>

Source of Repayment

The District's revenue bonds are payable solely from net revenues of the District's water and wastewater system, which consist of revenues remaining after the payment of operation and maintenance costs of the District's water and wastewater system. All revenues and all amounts on deposit in the revenue fund have been irrevocably pledged to the payment of the revenue bonds. The revenues will not be used for any other purpose while revenue bond installment payments remain unpaid, provided that out of the revenues there may be an apportioned sum for purposes such as payment of operation and maintenance costs of the water and wastewater system. Such pledge constitutes a first lien on revenues. The District is not required to advance any moneys derived from any source of income other than the revenues and the revenue fund for the payment of installment amounts due. The obligation of the District is a special limited obligation of the District payable solely from net revenues of the District's water and wastewater system and does not constitute a debt of the District in contravention of any constitutional or statutory debt limitation or restriction.

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 5 – LONG TERM LIABILITIES (Continued)

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

Deferred Gain or Loss on Debt Defeasance

The balance for deferred gain on debt defeasance as of June 30, 2021, is as follows:

General Obligation Bonds	Balance at June 30, 2020	Additions	Deletions	Amortization	Balance at June 30, 2021
2014A Series	\$ 48,754	\$ -	\$ -	\$ (7,241)	\$ 41,513

The balance for deferred loss on debt defeasance as of June 30, 2021, is as follows:

General Obligation Bonds	Balance at June 30, 2020	Additions	Deletions	Amortization	Balance at June 30, 2021
2017A Series	\$ 1,194,457	\$ -	\$ -	\$ (114,468)	\$ 1,079,989

Loans Payable:

The District has four outstanding loans with the State Water Resources Control Board and one outstanding loan with the City of Mission Viejo. The outstanding balance of all loans as of June 30, 2021, is as follows:

	Balance at June 30, 2020	Additions	Deletions	Balance at June 30, 2021	Amount Due Within One Year	Amount Due Beyond One Year
2003 Loan	\$ 1,409,267	\$ -	\$ (1,409,267)	\$ -	\$ -	\$ -
2003 Loan	3,761,877	-	(3,761,877)	-	-	-
2008 Loan	188,116	-	(188,116)	-	-	-
2017 Loan	2,491,817	-	(128,339)	2,363,478	98,375	2,265,103
2017 Loan	60,605,289	8,873,593	-	69,478,882	-	69,478,882
Total	<u>\$ 68,456,366</u>	<u>\$ 8,873,593</u>	<u>\$ (5,487,599)</u>	<u>\$ 71,842,360</u>	<u>\$ 98,375</u>	<u>\$ 71,743,985</u>

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 5 – LONG TERM LIABILITIES (Continued)

2017 City of Mission Viejo

In fiscal year 2016, the District entered into a loan agreement with the City of Mission Viejo to provide \$3,000,000 for the design and construction of the Lake Mission Viejo Advanced Water Treatment Facility. The full loan amount was disbursed in fiscal year 2017. This loan is to be repaid over 20 years, and accrues interest at a rate of 2.5%. The remaining debt service payments as of June 30, 2021, are as follows:

Year	Principal	Interest	Total
2022	\$ 98,375	\$ 43,703	\$ 142,078
2023	134,060	55,377	189,437
2024	137,443	51,994	189,437
2025	140,911	48,526	189,437
2026	144,467	44,970	189,437
2027-2031	778,896	168,289	947,185
2032-2036	882,261	64,924	947,185
2037	47,065	294	47,359
Total	\$ 2,363,478	\$ 478,077	\$ 2,841,555

2017 State Water Resources Control Board Loan

In fiscal year 2017, the District entered into a loan agreement with the State Water Resources Control Board to provide a loan up to \$47,012,000 for the Trampas Canyon Recycled Water Seasonal Storage Reservoir Project under Proposition 1 of the Water Quality, Supply, and Infrastructure Improvement Act of 2014 and the Clean Water State Revolving Fund. In fiscal year 2018, the total loan agreement was increased up to \$96,663,515. This loan will be disbursed through installment payments and interest will accrue at a rate of 1.0% beginning with each disbursement. The outstanding loan balance as of June 30, 2021, is \$69,478,882. Loan payments will begin one year after completion of construction or start of operations, whichever is sooner. Payments are estimated to begin in fiscal year 2022 and will be fully amortized by fiscal year 2051.

Reimbursement Agreement Advances and Accrued Interest

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

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 5 – LONG TERM LIABILITIES (Continued)

Reimbursable advances by the landowner/developer at June 30, 2021, are as follows:

Landowner/Developer	Balance at June 30, 2020	Additions	Expiration/ Payments	Balance at June 30, 2021	Amount Due Within One Year	Amount Due Beyond One Year
Coto de Caza, Ltd.	\$ 22,019	\$ -	\$ -	\$ 22,019	\$ -	\$ 22,019
The San Juan Company	158,018	-	-	158,018	-	158,018
RMV PA3 Development, LLC	200,000	-	-	200,000	-	200,000
Total	\$ 380,037	\$ -	\$ -	\$ 380,037	\$ -	\$ 380,037

Reimbursable accrued interest by the landowner/developer at June 30, 2021, is as follows:

Landowner/Developer	Balance at June 30, 2020	Additions	Expiration/ Payments	Balance at June 30, 2021	Amount Due Within One Year	Amount Due Beyond One Year
Coto de Caza, Ltd.	\$ 54,154	\$ 1,321	\$ -	\$ 55,475	\$ -	\$ 55,475
Total	\$ 54,154	\$ 1,321	\$ -	\$ 55,475	\$ -	\$ 55,475

NOTE 6 – COMPENSATED ABSENCES

Changes to compensated absences balances for June 30, 2021, are as follows:

Balance at June 30, 2020	Earned	Taken	Balance at June 30, 2021	Amount Due Within One Year	Amount Due Beyond One Year
\$ 1,429,304	\$ 1,331,979	\$ (1,276,563)	\$ 1,484,720	\$ 898,915	\$ 585,805

NOTE 7 – NET INVESTMENTS IN CAPITAL ASSETS

Net investment in capital assets as of June 30, 2021, is as follows:

Capital assets, net of accumulated depreciation	\$ 796,889,213
Less: Outstanding debt attributable to capital assets:	
Bonds payable	(101,537,927)
Loans payable	(71,842,360)
Accounts payable and accrued expenses	(9,992,582)
Retentions payable	(512,967)
Add:	
Unspent bond proceeds	43,841,550
Deferred gains and losses on debt defeasances, net	1,038,476
Total net investment in capital assets	\$ 657,883,403

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 8 – RESTRICTED NET POSITION

Restricted net position as of June 30, 2021, consists of the following:

Special assessments for debt service	\$ 13,317,969
Investments for section 115 pension trust	3,684,793
Property taxes receivable	235,748
Restricted accrued interest receivable	39,634
Less:	
Accrued interest payable	(1,993,196)
Accrued interest payable on reimbursement agreements	(55,475)
	\$ 15,229,473

On June 5, 2019, the District adopted Resolution 2019-06-01 which established the funding level requirements for operating reserves equivalent to 3 months of operating expenses (25% of the previous fiscal year’s operating expenses), emergency capital reserves equivalent to 2% of net depreciable capital assets, repair and replacement capital reserves equivalent to 10% of the forecasted 5-year total capital repair and replacement expenditures, new projects capital reserves equivalent to a fixed amount of \$12.5 million and restricted loan/bond reserves as required by bond and loan legal requirements. At June 30, 2021, the District was in compliance with Resolution 2019-06-01.

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

Plan Description

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

Benefits Provided

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

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

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

The Plans’ provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Hire Date	
	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8.0%	6.25%
Required employer contribution rates	30.368%	30.368%

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

Employees Covered

At the June 30, 2020 measurement date for the fiscal year ended June 30, 2021, the following employees were covered by the benefit terms for the Plan:

Inactive employees or beneficiaries currently receiving benefits	130
Inactive employees entitled to but not yet receiving benefits	97
Active employees	151
Total	378

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

Contributions

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

The District’s actuarially required employer contribution rate for the year ended June 30, 2021, was 30.368%. This rate includes the current employer normal rate of 11.081% and the unfunded rate of 19.287% of annual covered payroll. The contribution requirements of employee participants and the District are established by state statute and may be amended by CalPERS. For the year ended June 30, 2021, the normal cost rate and unfunded accrued liability (UAL) employer contributions were \$1,526,032 and \$2,440,760, respectively. Additionally, the District contributed a lump sum amount of \$2,000,000 to reduce the UAL.

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

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

For the employees in the 2.7% at 55 years of service plan, employees are required to contribute 8.0% of their annual covered salary. During the year ended June 30, 2021, the employees contributed the full 8.0% as determined by the memorandum of understanding (MOU) with the employees. For the employees in the 2.0% at 62 years of service the employees paid the full 6.25% contribution rate.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The net pension liability of the District at June 30, 2021, is based on the Plan’s measurement date of June 30, 2020, using an actuarial valuation as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined at the valuation date and rolled forward to the measurement date. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

The actuarially determined contributions for the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.625%
Payroll Growth	2.875%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.250%

Mortality rates were based on the 2017 CalPERS Experience Study, which assumed future mortality improvements using Society of Actuaries Scale MP-2016. The Experience Study can be obtained at the CalPERS website.

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

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

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

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

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

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

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

All other actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increases, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS’ website under Forms and Publications.

Changes of Assumptions

For the June 30, 2020 measurement date, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017.

Discount Rate

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

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

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

Changes in the Net Pension Liability

The following table shows the changes in net pension liability:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2020*	\$ 106,885,459	\$ 74,479,368	\$ 32,406,091
Increase (Decrease) in Pension Liability:			
Service Cost	2,394,472	-	2,394,472
Interest on the Total Pension Liability	7,620,633	-	7,620,633
Differences between Expected and Actual Experience	1,014,632	-	1,014,632
Contributions from Employer	-	3,610,515	(3,610,515)
Contributions from Employees	-	1,034,315	(1,034,315)
Net Investment Income	-	3,703,793	(3,703,793)
Benefit Payments, including Refunds of Employee Contributions	(5,030,069)	(5,030,069)	-
Administrative Expense	-	(104,998)	104,998
Net changes:	5,999,668	3,213,556	2,786,112
Balance at June 30, 2021*	\$ 112,885,127	\$ 77,692,924	\$ 35,192,203

*Represents the District's fiscal year-end date.

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

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

	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Net Pension Liability	\$ 49,859,376	\$ 35,192,203	\$ 23,033,119

Pension Plan Fiduciary Net Position

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

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

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

Funding of CalPERS Plan and Section 115 Pension Trust

The District established a Section 115 Pension Trust (Trust) in 2021 to provide funding of the District’s retirement benefits provided by CalPERS for eligible employees. The Trust provides the District with an alternative to CalPERS that allows for investments in accordance with the Trust’s investment policy. The Trust holds the funding contributions for the District pending future remittance to CalPERS pension trust fund which will pay all retiree benefit payments to employees associated with the plan. Future contributions will be transferred from the Trust to CalPERS at the District’s discretion.

The total value of the assets in the Trust as of June 30, 2021 was \$3,684,793. The following schedule shows the District’s total pension liability, CalPERS assets, Trust assets, and the relationship of the total pension liability (in thousands):

Fiscal Year ⁽¹⁾	Total Pension Liability	CalPERS Assets	Net Pension Liability / (Asset)	Section 115 Pension Trust (Trust)	CalPERS Assets as a Percentage of the Total Pension Liability	Trust Assets as a Percentage of the Total Pension Liability	Total Pension Assets as a Percentage of the Total Pension Liability
6/30/2021	\$ 112,885,127	\$ 77,692,924	\$ 35,192,203	\$ 3,684,793	68.8%	3.3%	72.1%

⁽¹⁾ As of the measurement date June 30, 2020.

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

For the year ended June 30, 2021, the District recognized pension expenses of \$5,909,973. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District Contributions made Subsequent to the Measurement Period ⁽¹⁾	\$ 5,966,792	\$ -
Change of Assumptions ⁽²⁾	-	(179,842)
Differences between Expected and Actual Experiences*	1,779,723	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	635,919	-
Net changes:	\$ 8,382,434	\$ (179,842)

⁽¹⁾ District contributions made after the measurement period but before the end of the District’s reporting period will be recognized as a reduction of the net pension liability in the subsequent fiscal period rather than in the current fiscal period.

⁽²⁾ The expected average remaining service life (EARSL) for the measurement periods ending June 30, 2016, June 30, 2017, June 30, 2018, June 30, 2019, and June 30, 2020 is 3.8, 3.7, 4.2, 4.0, and 4.3 years, respectively. This recognition period determines the number of years the deferred outflows and deferred inflows of resources are amortized over.

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

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

Deferred outflows of resources of \$5,966,792 reported as employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022. Deferred outflows of resources of \$2,415,642 and deferred inflows of resources of \$179,842 as described above will be recognized as pension expense as follows:

Measurement Period Ended June 30	Deferred Outflows/ (Inflows) of Resources
2021	\$ 404,028
2022	816,950
2023	623,783
2024	391,039

NOTE 10 – DEFERRED COMPENSATION PLANS

Employees of the District may participate in the District’s deferred compensation plan organized under Section §457 of the Internal Revenue Code (457 Plan). The plan is administered by Voya as of September 2019. The plan had previously been administered by Mass Mutual. The plan allows the employees to defer or postpone receipt of income. Such income deferral provides tax advantages and a savings plan for the employees. The plan, available to all District employees, permits employees, as of January 1, 2020, to defer up to the lesser of \$19,500 or 100% of includible compensation, as defined until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

In 2001, the District adopted a deferred compensation plan organized under Section §401(a) of the Internal Revenue Code (401(a) Plan). The 401(a) Plan, in conjunction with the 457 Plan allows employees to shelter matching contributions by the District from income taxes. All employees are eligible to participate up to the maximum employer contribution of \$1,740 per year. Withdrawals can be made upon retirement, disability or termination, but not later than 70 ½. For the year ended June 30, 2021, the employer contributions totaled \$201,456. The maximum contribution rate is included in the MOU and can be amended in the MOU and approved by the Board of Directors.

In 2003, the District adopted a deferred compensation plan organized under Section §414(h) of the Internal Revenue Code. Contract “at will” employee(s) may contribute one-time bonus money stipulated by the Board of Directors. Regular earned compensation may not be deferred into the 414(h) account and Contract “at will” employees will not have the option of receiving such amount directly instead of having the District contribute it to the Plan. The annual addition that may be contributed or allocated to the participant’s individual account under the plan for 2021 shall not exceed \$58,000, as adjusted for increases allowed in the Code.

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 11 – JOINT POWERS AGREEMENTS

San Juan Basin Authority

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

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

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

During the year ended June 30, 2021, the District paid \$224,096 to the SJBA for various costs of which the majority related to the development and maintenance of the facilities as well as operating costs. Copies of SJBA annual financial statements can be obtained at the District: San Juan Basin Authority c/o Santa Margarita Water District, 26111 Antonio Parkway, Rancho Santa Margarita, CA 92688.

Santa Margarita/Dana Point Authority

The Santa Margarita/Dana Point Authority (SM/DPA) was created on August 25, 1987, between the Santa Margarita Water District and the Dana Point Sanitary District for the purpose of selling bonds to finance the acquisition of capacity in the Jay B. Latham treatment plant. In addition, SM/DPA issued revenue bonds, Series A and Series B dated July 15, 1994, and Series 1997A dated October 1, 1997 for the purpose of acquiring the 1994 and 1997 refunding Bonds, respectively, issued by the District. In July 2014 the District issued Refunding General Obligation Bonds 2014 Series A for the purpose of refunding the 2003 Series A and 2004 Series A Bonds. In April 2017 the District issued Refunding General Obligation Bonds 2017 Series A for the purpose of refunding the 2009 Series A Bonds. In September 2020 the District issued Revenue Bonds for the purpose of financing the acquisition and construction of certain improvements to the District's water and wastewater system and to prepay three State Water Resources Control Board contracts (Note 5). During 1999, the Dana Point Sanitary District was dissolved and the South Coast Water District became the successor agency. The financial statements can be obtained at the Orange County Auditor-Controller website: <https://acdcweb01.ocgov.com/>.

Each member is responsible for the debt service of Authority debt to the extent that the member benefits from the use of the debt proceeds. Authority issuances for which the District is responsible for debt service have been accounted for as a bond payable liability in the financial statements. During the year ended June 30, 2021, the District paid bond principal payments totaling \$14,075,000 and interest payments totaling \$3,565,102 to SM/DPA to service all the District's general obligation debt.

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 11 – JOINT POWERS AGREEMENTS (Continued)

South Orange County Wastewater Authority

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

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

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

During the year ended June 30, 2021, the District paid \$1,961,221 and \$2,302,061 to SOCWA for plant operating costs and capital costs, respectively. Copies of SOCWA's annual financial statements can be obtained by contacting SOCWA at 34156 Del Obispo Street, Dana Point, California 92629.

Fenner Valley Water Authority

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

Currently, Cadiz is funding all activities of the Fenner Valley Water Authority. The District incurred no costs during the year ended June 30, 2021. Copies of FVWA's annual financial statements can be obtained at the District: Fenner Valley Water Authority c/o Santa Margarita Water District, 26111 Antonio Parkway, Rancho Santa Margarita, California 92688.

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 12 – COMMUNITY FACILITIES DISTRICTS

The District is the lead agency of the Community Facilities District No. 99-1 (Talega) of the Santa Margarita Water District (CFD 99-1) and Community Facilities District No. 2013-1 (Village of Sendero) of the Santa Margarita Water District (CFD 2013-1). These Community Facilities Districts (CFDs) are considered separate legal entities. The CFDs assets, including the unspent bond proceeds, are held by the Bank of New York Mellon Trust Company, N.A. (BNYM) as the Trustee, and are not reported in the District's basic financial statements as of June 30, 2021.

Both CFDs are established under and governed by the Mello-Roos Community Facilities Act of 1982, as amended, and resolutions adopted by the Board of Directors of the District, acting as the legislative body of the CFDs. The source of repayment of the bonds issued by the CFDs is special assessment tax revenues for debt service, which is secured by land. Neither the faith and credit nor the taxing power of the District (except to the extent of the special assessment taxes) is pledged to the payment of the CFD bonds. The CFD bonds outstanding as of June 30, 2021, are not obligations of the District, but are limited obligations payable solely from the special assessment taxes.

Community Facilities District No. 99-1 (Talega)

CFD 99-1 was formed to finance the acquisition or construction of various public improvements and facilities located in or serving the CFD as part of the Talega Valley Planned Development. In 1999, the owners of the property within the boundaries of CFD 99-1 authorized the CFD to incur a bonded indebtedness in an amount not to exceed \$109,000,000, to be levied on parcels within the CFD through a special tax assessment. CFD 99-1 has two special tax refunding bonds as of June 30, 2021: Series 2014B and Series 2017A.

Series 2014B Special Tax Refunding Bonds

In August 2014, CFD 99-1 issued \$32,810,000 of Special Tax Refunding Bonds (Serial \$30,295,000 and term \$2,515,000) with interest rates from 2.00% to 5.00% that matures annually on September 1 from (serial) 2015 to 2033 and (term) ending in 2038. The proceeds of the bonds were used to refund the Series 2011A and Series 2011B Special Tax Refunding Bonds, which had an interest rate of 2.00% to 5.875%. The final maturity date remains the same, at September 1, 2038. The previously required debt reserve of approximately \$5.3 million was utilized in the refunding. The outstanding balance (before deferred bond charges) of this bond at June 30, 2021, is \$24,300,000.

Series 2017A Special Tax Refunding Bonds

In August 2017, CFD 99-1 issued \$37,250,000 of Special Tax Refunding Bonds with interest rates from 3.00% to 5.00% that matures annually on September 1 from 2018 to 2030. The bonds were issued to refund the Series 2007 Special Tax Refunding Bonds, which had an interest rate of 4.00% to 4.75%. The final maturity date remains the same, at September 1, 2030. The outstanding balance (before deferred bond charges) of this bond at June 30, 2021, is \$31,520,000.

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 12 – COMMUNITY FACILITIES DISTRICTS (Continued)

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

CFD 2013-1 was formed to finance certain public facilities to meet the needs of new development within the CFD. In 2013, the owners of the property within the boundaries of CFD 2013-1 authorized the CFD to incur a bonded indebtedness in an amount not to exceed \$70,000,000, to be levied on parcels within the CFD through a special tax assessment. CFD 2013-1 has one special tax bond as of June 30, 2021: Series 2013.

Series 2013 Special Tax Bonds

In 2013, CFD 2013-1 issued \$57,420,000 of Special Tax Bonds (Serial \$8,090,000 and term \$49,330,000) with an interest rate of 2.00% to 5.625% that mature annually on September 1 from (serial) 2014 to 2027 and (term) ending in years 2029, 2032, 2036 and 2043. The bonds were issued to construct water and wastewater facilities for the Village of Sendero development. Additionally, \$14,650,344 of the bond funds were allocated to construct facilities belonging to the County of Orange. The outstanding balance (before deferred bond charges) of this bond at June 30, 2021, was \$53,355,000.

CFD Financial Statement Summary

A summary of the June 30, 2021, Community Facilities Districts' financial statements are as follows:

Community Facilities District 99-1		
Assets	\$	7,708,906
Deferred outflows of resources		2,220,199
Liabilities		61,986,875
Revenues		6,788,377
Expenses		4,956,051
Net position - beginning		(53,890,097)
Net position - ending		(52,057,771)

Community Facilities District 2013-1		
Assets	\$	8,651,981
Liabilities		54,071,486
Revenues		3,684,757
Expenses		3,130,404
Net position - beginning		(45,973,858)
Net position - ending		(45,419,505)

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 12 – COMMUNITY FACILITIES DISTRICTS (Continued)

TOTAL
Community Facilities District

Assets	\$	16,360,887
Deferred outflows of resources		2,220,199
Liabilities		116,058,361
Revenues		10,473,134
Expenses		8,086,455
Net position - beginning		(99,863,955)
Net position - ending		(97,477,276)

Community Facility District Debt Service Schedule:

Year	Principal	Interest	Total
2022	\$ 4,400,000	\$ 5,513,550	\$ 9,913,550
2023	4,840,000	5,310,556	10,150,556
2024	5,275,000	5,085,631	10,360,631
2025	5,750,000	4,823,206	10,573,206
2026	6,340,000	4,535,556	10,875,556
2027-2031	36,255,000	17,287,406	53,542,406
2032-2036	13,290,000	11,174,763	24,464,763
2037-2041	18,805,000	6,711,141	25,516,141
2042-2044	14,220,000	1,240,594	15,460,594
	\$ 109,175,000	\$ 61,682,403	\$ 170,857,403

The CFDs are required to hold monies in a reserve fund based on bond covenants. At June 30, 2021, the BNYM held monies in a reserve fund for the debt reserve requirement of \$5,399,710 and \$2,252,224 for the 2013 Series and 2014 Series B/2017 Series A CFD bonds, respectively.

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 13 – RISK MANAGEMENT

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

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

The District promotes safety in the workplace through an extensive safety program. Management believes that the insurance policies and reserve funds are adequate to cover the cost of claims incurred to date. However, such liabilities are, by necessity, based upon estimates and there can be no assurance that the ultimate cost will not exceed such estimates.

NOTE 14 – CONTINGENCIES

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

NOTE 15 – COMMITMENT TO PURCHASE WATER

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

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

SANTA MARGARITA WATER DISTRICT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 15 – COMMITMENT TO PURCHASE WATER (Continued)

Once the project starts delivering water, the District would be required to purchase on an annual take-or-pay basis 5,000 acre-feet of water from the project (to the extent such quantities are available). Management's estimate of the annual cost for this allocation of water is approximately \$6 million per year. This estimate is based upon projections of uncertain future costs, including the cost to be incurred by Cadiz, Inc. to construct the related facilities and the cost to operate and maintain, the facilities to provide the procured water. An additional optional annual allocation of 10,000 acre-feet of water is available to the District at the District's option. Costs of transporting the water are undeterminable at this time.

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

NOTE 16 – SUBSEQUENT EVENTS

The District continued to work towards the annexation of the City of San Juan Capistrano's (City) water and wastewater utilities. The District completed the final phases of the transition to integrate the City's current customers in the District's service area, with final acquisition effective on November 15, 2021. The District formed an additional improvement district (ID 9), which will isolate operating and non-operating revenues and expenditures and loan obligations. The District will offer the City's water and sewer utilities efficiencies in operations and will undertake deferred maintenance and needed capital projects. The anticipated capital projects include expected capital improvements to the City's Groundwater Recovery Plant, which is projected to increase the plant's production by approximately 2,000 acre-feet per year. Additionally, the annexation expands the District's service area to include the majority of San Juan Creek watershed, in which the District continues to study potable reuse opportunities.

In March 2020, the World Health Organization (WHO) declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, customers, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible to predict the duration or magnitude of the adverse results of the outbreak and its effects on the District at this time. The District continues to monitor customer payments and has not experienced a material change. It is not possible to predict whether the District will experience an increase in doubtful accounts due to an extended economic downturn.

REQUIRED SUPPLEMENTARY INFORMATION

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SANTA MARGARITA WATER DISTRICT
Schedule of Changes in the Net Pension Liability and Related Ratios
For the Year Ended June 30, 2021

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

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

	Measurement Date June 30, 2020	Measurement Date June 30, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015	Measurement Date June 30, 2014
Total Pension Liability							
Service Cost	\$ 2,394,472	\$ 2,231,253	\$ 2,247,163	\$ 2,163,764	\$ 1,848,648	\$ 1,780,457	\$ 1,781,063
Interest	7,620,633	7,209,736	6,765,594	6,398,444	6,127,743	5,898,709	5,605,583
Changes in Assumptions	-	-	(629,452)	5,244,977	-	(1,424,897)	-
Difference Between Expected and Actual Experience	1,014,632	1,464,166	941,393	(527,866)	(1,579,501)	(778,016)	-
Benefit Payments, Including Refunds of Employee Contributions	(5,030,069)	(4,550,760)	(3,963,586)	(3,598,196)	(3,328,929)	(2,950,790)	(2,683,647)
Net Change in Total Pension Liability	5,999,668	6,354,395	5,361,112	9,681,123	3,067,961	2,525,463	4,702,999
Total Pension Liability – Beginning	106,885,459	100,531,064	95,169,952	85,488,829	82,420,868	79,895,405	75,192,406
Total Pension Liability – Ending (a)	<u>\$ 112,885,127</u>	<u>\$ 106,885,459</u>	<u>\$ 100,531,064</u>	<u>\$ 95,169,952</u>	<u>\$ 85,488,829</u>	<u>\$ 82,420,868</u>	<u>\$ 79,895,405</u>
Plan Fiduciary Net Position							
Net Plan to Plan Resource Movement	\$ -	\$ -	\$ (163)	\$ -	\$ -	\$ -	\$ -
Contributions – Employer	3,610,515	3,277,051	2,854,890	2,892,279	2,564,395	2,250,865	1,889,301
Contributions – Employee	1,034,315	1,036,211	954,280	924,284	883,963	921,137	955,416
Net Investment Income	3,703,793	4,661,877	5,565,499	6,530,660	267,084	1,320,631	8,393,984
Benefit Payments, Including Refunds of Employee Contributions	(5,030,069)	(4,550,760)	(3,963,586)	(3,598,196)	(3,328,929)	(2,950,790)	(2,683,647)
Administrative Expense	(104,998)	(50,028)	(101,268)	(86,112)	(35,332)	(65,221)	-
Other Miscellaneous Expense	-	163	(192,310)	-	-	-	-
Net Change in Fiduciary Net Position	3,213,556	4,374,514	5,117,342	6,662,915	351,181	1,476,622	8,555,054
Plan Fiduciary Net Position – Beginning	74,479,368	70,104,854	64,987,512	58,324,597	57,973,416	56,496,794	47,941,740
Plan Fiduciary Net Position – Ending (b)	<u>\$ 77,692,924</u>	<u>\$ 74,479,368</u>	<u>\$ 70,104,854</u>	<u>\$ 64,987,512</u>	<u>\$ 58,324,597</u>	<u>\$ 57,973,416</u>	<u>\$ 56,496,794</u>
Plan Net Pension Liability – Ending (a) - (b)	<u>\$ 35,192,203</u>	<u>\$ 32,406,091</u>	<u>\$ 30,426,210</u>	<u>\$ 30,182,440</u>	<u>\$ 27,164,232</u>	<u>\$ 24,447,452</u>	<u>\$ 23,398,611</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.82%	69.68%	69.73%	68.29%	68.22%	70.34%	70.71%
Covered Payroll	\$ 13,517,009	\$ 13,683,339	\$ 12,205,854	\$ 11,917,733	\$ 11,283,721	\$ 10,499,276	\$ 9,194,758
Plan Net Pension Liability as a Percentage of Covered Payroll	260.35%	236.83%	249.28%	253.26%	240.74%	232.85%	254.48%

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

Benefit Changes: The figures above include any liability impact that may have resulted from voluntary benefit changes which occurred after June 30, 2019. However, offers of Two Years Additional Service Credit that occurred after June 30, 2019 are not included in the figures above, unless the liability impact is deemed material by the plan actuary.

Changes of Assumptions: For the June 30, 2020 measurement date, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. None in 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Assumptions December 2017. There were no changes in the discount rate. In 2017, the discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

SANTA MARGARITA WATER DISTRICT
 Schedule of Contributions
 For the Year Ended June 30, 2021

(2) Schedule of Contributions

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

	<u>Fiscal Year End June 30, 2021</u>	<u>Fiscal Year End June 30, 2020</u>	<u>Fiscal Year End June 30, 2019</u>	<u>Fiscal Year End June 30, 2018</u>	<u>Fiscal Year End June 30, 2017</u>	<u>Fiscal Year End June 30, 2016</u>	<u>Fiscal Year End June 30, 2015</u>
Actuarially Determined Contribution	\$ 5,966,792	\$ 3,610,515	\$ 3,277,051	\$ 2,855,073	\$ 2,892,279	\$ 2,564,395	\$ 2,250,865
Contributions in Relation to the Actuarially Determined Contribution	(3,966,792)	(3,610,515)	(3,277,051)	(2,855,073)	(2,892,279)	(2,564,395)	(2,250,865)
Contribution Deficiency (Excess)	<u>\$ 2,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
* Represents the District's fiscal year-end date							
Covered Payroll [1]	\$ 13,825,243	\$ 13,517,009	\$ 13,683,339	\$ 12,205,854	\$ 11,917,733	\$ 11,283,721	\$ 10,499,276
Contributions as a Percentage of Covered Payroll	43.16%	26.71%	23.95%	23.39%	24.27%	22.73%	21.44%

Notes to Schedule of Contribution:

Valuation date: June 30, 2019

Methods and assumptions used to actuarially determine contribution rates for fiscal year 2021:

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level Percent of Payroll
Asset Valuation Method	15 Year Smoothed Market
Inflation	2.625%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	2.875%
Investment Rate of Return	7.25% Net of Pension Plan Investment and Administrative Expenses
Retirement Age	The probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

[1] In accordance with GASB Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*, we have restated to show covered payroll based on pensionable earnings.

**STATISTICAL SECTION
(UNAUDITED)**

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SANTA MARGARITA WATER DISTRICT
Summary of Statistical Section
For the Year Ended June 30, 2021

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

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

Net position	page 58
Changes in net position	page 59
Operating revenue by source	page 61
Operating expenses by type	page 62

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

Water sales by customer class	page 63
Water and wastewater rates	page 65
Ten largest water and wastewater customers	page 66
Assessed value and assessment rate by improvement district	page 67

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

Direct and overlapping property tax rates	page 68
Debt service coverage ratio	page 75
Outstanding debt by type	page 76
Outstanding debt ratios	page 77

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

Demographic and economic statistics	page 78
Principal employers	page 79

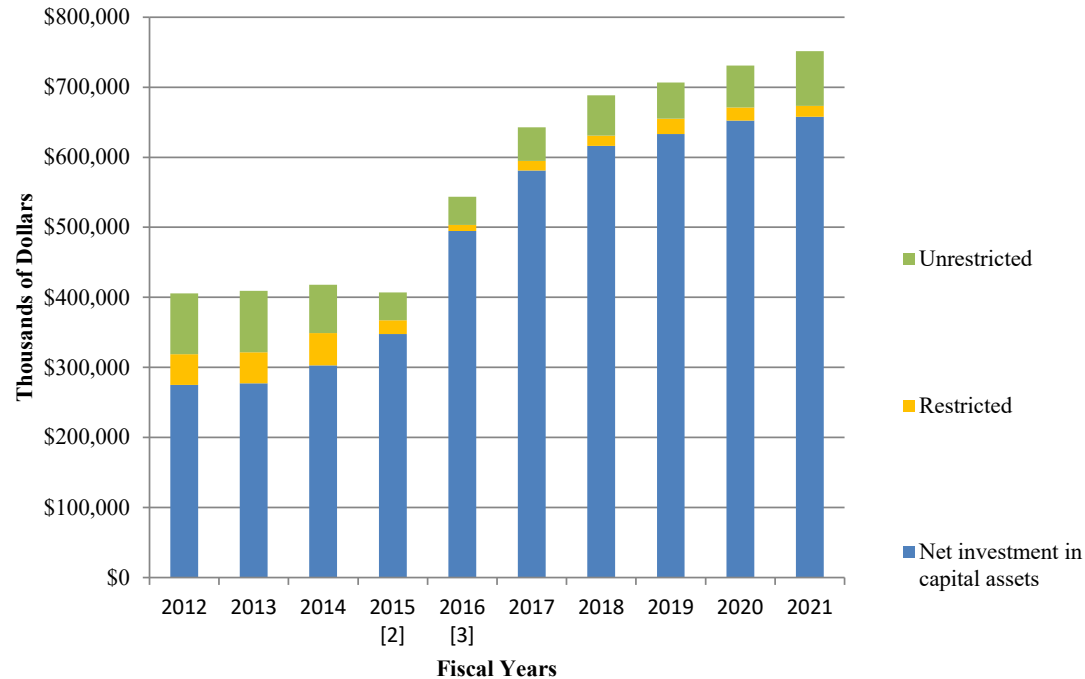
Operating Information – These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs

Capital asset statistics	page 80
Water and wastewater connections	page 81
Employee information	page 82

SANTA MARGARITA WATER DISTRICT

Net Position
(Thousands of Dollars)
Last Ten Fiscal Years

	Fiscal Year									
	2012	2013	2014	2015 ^[2]	2016 ^[3]	2017	2018	2019	2020	2021
Net Position ^[1]										
Net investment in capital assets	\$ 274,835	\$ 277,328	\$ 302,967	\$ 347,590	\$ 494,624	\$ 581,278	\$ 616,456	\$ 633,048	\$ 652,545	\$ 657,883
Restricted	44,180	44,250	45,817	19,620	8,931	13,329	14,408	21,955	18,695	15,229
Unrestricted	86,432	87,714	69,321	39,726	39,832	47,951	57,446	51,752	59,716	78,371
Total net position	\$ 405,447	\$ 409,292	\$ 418,105	\$ 406,936	\$ 543,387	\$ 642,558	\$ 688,310	\$ 706,755	\$ 730,956	\$ 751,483



[1] Current year net position is calculated in note 7 of the financial statements.

[2] Amounts include restatement of previously reported net position related to the implementation of GASB 68 and GASB 71. Also, certain amounts were reclassified for comparison purpose:

[3] Amounts include restatement of previously reported net position related to the removal of Community Facilities District 99-1 and 2013-1 from the District's financial statement:

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

	Fiscal Year				
	2012	2013	2014	2015	2016 ^[1]
Operating Revenues:					
Potable water charges	\$ 29,764,206	\$ 32,981,298	\$ 36,178,908	\$ 34,142,144	\$ 30,957,212
Recycled water charges	5,068,688	6,023,082	6,929,490	7,219,456	6,766,438
Wastewater charges	11,467,467	11,692,841	12,103,730	12,271,262	14,706,977
Customer related revenues	681,507	697,052	698,786	715,686	647,657
Construction charges	276,091	806,665	708,874	1,150,074	1,121,823
Other income	1,771,983	1,476,302	2,821,343	2,702,571	4,178,070
Total operating revenues	49,029,942	53,677,240	59,441,131	58,201,193	58,378,177
Operating Expenses:					
Water purchases	23,293,146	26,665,738	28,264,492	24,212,121	23,677,839
Power	4,078,145	4,068,216	4,944,194	5,460,353	5,189,368
Maintenance and operations	571,337	524,473	622,498	1,138,459	1,184,825
Regional participation	1,205,974	1,191,408	3,076,129	259,134	175,282
Wastewater treatment	2,513,606	2,499,279	2,481,884	2,633,777	2,534,102
Operating general	2,162,963	1,869,340	2,195,665	2,535,469	2,944,793
Repair and maintenance	3,201,117	3,144,083	3,465,764	3,489,569	4,060,091
Employee cost	14,362,327	14,677,928	14,606,120	15,655,872	16,022,443
Customer relations	398,792	398,016	448,664	505,067	354,427
General and administrative	2,587,771	2,728,996	3,035,753	3,696,633	5,210,550
Total operating expenses	54,375,178	57,767,477	63,141,163	59,586,454	61,353,720
Depreciation and amortization	15,608,541	17,101,815	16,985,856	17,081,495	17,177,880
Operating income (loss)	(20,953,777)	(21,192,052)	(20,685,888)	(18,466,756)	(20,153,423)
Non-operating revenues (expenses)					
Property taxes-ad valorem restricted	24,680,109	26,882,700	29,694,891	23,454,537	19,011,576
Property taxes-ad valorem 1% general	5,893,978	5,946,208	6,118,055	6,071,301	7,074,733
Capacity lease income	807,066	806,955	809,833	832,103	824,530
Investment income	2,226,758	370,637	1,577,099	1,430,680	2,304,089
Rental income	1,174,618	1,188,799	1,199,966	1,107,415	1,087,296
Gain (loss) on sale of capital asset	-	-	-	-	-
Other non-operating income	1,935,929	2,123,379	5,133,944	4,655,928	-
Contributions to other agencies	-	-	(3,137,767)	(16,387,047)	(944,238)
Other non-operating expenses	-	-	(965,681)	(623,934)	(798,665)
Interest revenue (expense)	(13,192,069)	(14,644,444)	(14,566,035)	(9,303,180)	(228,423)
Total non-operating revenues (expenses)	23,526,389	22,674,234	25,864,305	11,237,803	28,330,898
Income (loss) before contributed capital	2,572,612	1,482,182	5,178,417	(7,228,953)	8,177,475
Contributed capital	17,184,484	488,881	316,913	2,607,632	3,515,481
Contributions from agencies	-	-	-	-	11,227,266
Connection fees	-	25,500	-	-	-
Jointly owned facilities capital reimb	346,862	156,995	83,078	9,553,265	2,064,227
Capital grants	89,638	1,156,820	3,234,854	9,261,561	828,296
Change in Net Position	\$ 20,193,596	\$ 3,310,378	\$ 8,813,262	\$ 14,193,505	\$ 25,812,745

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

Source: SMWD Basic Financial Statements

SANTA MARGARITA WATER DISTRICT

Changes in Net Position (continued)

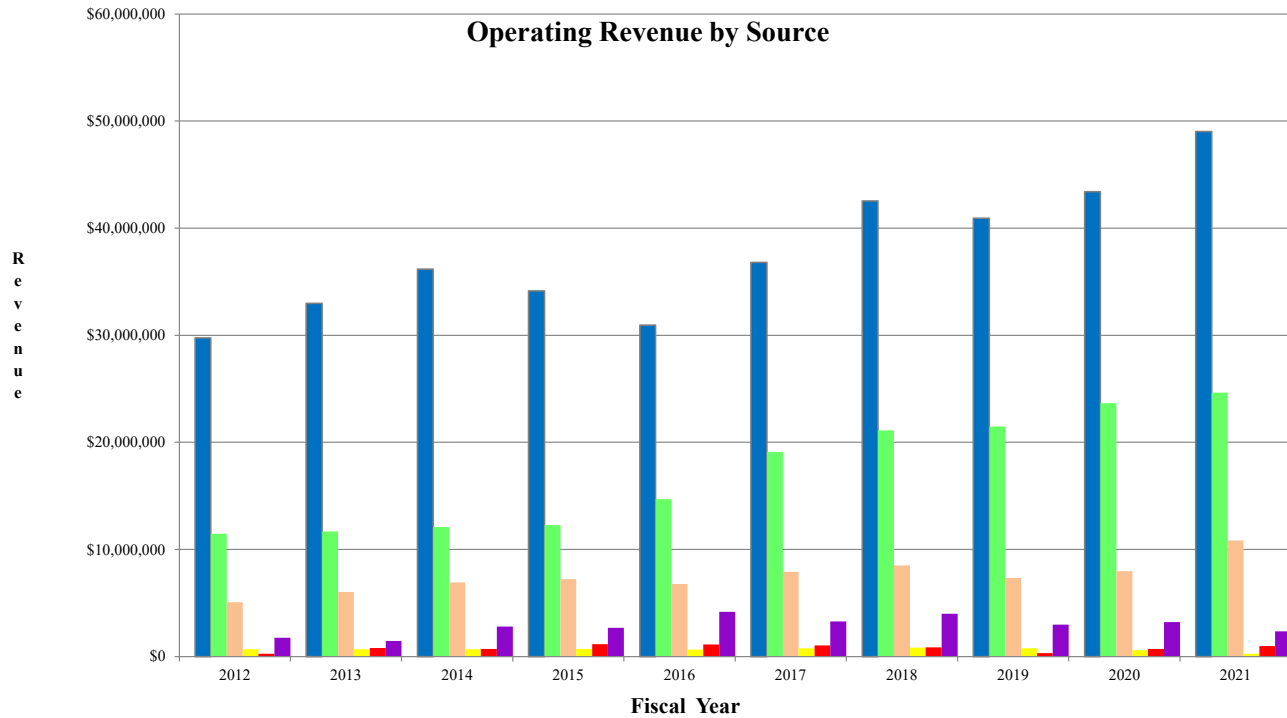
Last Ten Fiscal Years

	Fiscal Year				
	2017	2018	2019	2020	2021
Operating Revenues:					
Potable water charges	\$ 36,801,755	\$ 42,532,641	\$ 40,935,472	\$ 43,414,528	\$ 49,026,077
Recycled water charges	7,917,181	8,518,568	7,358,115	7,989,399	10,846,821
Wastewater charges	19,119,039	21,111,651	21,466,050	23,668,748	24,652,362
Customer related revenues	766,205	821,386	789,675	606,985	277,823
Construction charges	1,030,082	855,453	327,665	730,549	991,250
Other income	3,298,165	4,003,968	3,001,417	3,227,784	2,373,234
Total operating revenues	68,932,427	77,843,667	73,878,394	79,637,993	88,167,567
Operating Expenses:					
Water purchases	24,333,744	24,823,991	25,874,531	27,224,323	30,500,238
Power	5,371,920	5,698,926	5,184,012	4,996,289	5,705,482
Maintenance and operations	733,064	1,000,939	251,842	412,129	9,342,810
Regional participation	253,717	261,819	354,919	121,451	264,610
Wastewater treatment	2,615,119	3,205,993	4,552,922	4,195,526	3,910,239
Operating general	3,306,865	4,452,531	3,290,440	4,153,245	-
Repair and maintenance	4,522,714	6,190,383	6,118,091	4,419,298	-
Employee cost	17,139,918	19,338,871	20,191,877	22,346,607	23,048,950
Customer relations	1,043,790	1,093,631	909,760	-	-
General and administrative	4,348,537	3,791,832	4,343,332	5,153,821	4,733,643
Total operating expenses	63,669,388	69,858,916	71,071,726	73,022,689	77,505,972
Depreciation and amortization	17,884,061	20,546,739	21,337,294	21,652,406	22,215,916
Operating income (loss)	(12,621,022)	(12,561,988)	(18,530,626)	(15,037,102)	(11,554,321)
Non-operating revenues (expenses)					
Property taxes-ad valorem restricted	17,588,204	17,647,908	14,246,710	14,249,102	3,339,826
Property taxes-ad valorem 1% general	7,481,907	7,949,869	8,324,301	8,735,175	9,095,334
Capacity lease income	5,434	1,516	1,438	618	6,961
Investment income	87,522	265,970	3,699,167	4,086,083	577,079
Rental income	1,204,530	1,204,707	1,242,157	1,243,965	1,303,167
Gain (loss) on sale of capital asset	-	18,149	(732,355)	88,147	21,516
Other non-operating income	8,664,815	1,073,576	707,881	2,694,694	3,173,782
Contributions to other agencies	(2,616)	(1,062)	-	-	-
Other non-operating expenses	-	-	-	-	-
Interest revenue (expense)	(1,021,469)	(333,729)	(2,027,006)	(2,050,123)	(3,659,245)
Total non-operating revenues (expenses)	34,008,327	27,826,904	25,462,293	29,047,661	13,858,420
Income (loss) before contributed capital	21,387,305	15,264,916	6,931,667	14,010,559	2,304,099
Contributed capital	62,591,102	12,660,109	7,292,210	4,924,149	3,753,058
Contributions from agencies	13,345,089	5,622,463	116,472	2,278,209	13,841,205
Connection fees	-	-	-	-	171,061
Jointly owned facilities capital reimb	646,897	892,811	4,105,174	2,987,974	457,645
Capital grants	1,199,865	11,312,189	-	-	-
Change in Net Position	\$ 99,170,258	\$ 45,752,488	\$ 18,445,523	\$ 24,200,891	\$ 20,527,068

Source: SMWD Basic Financial Statements

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

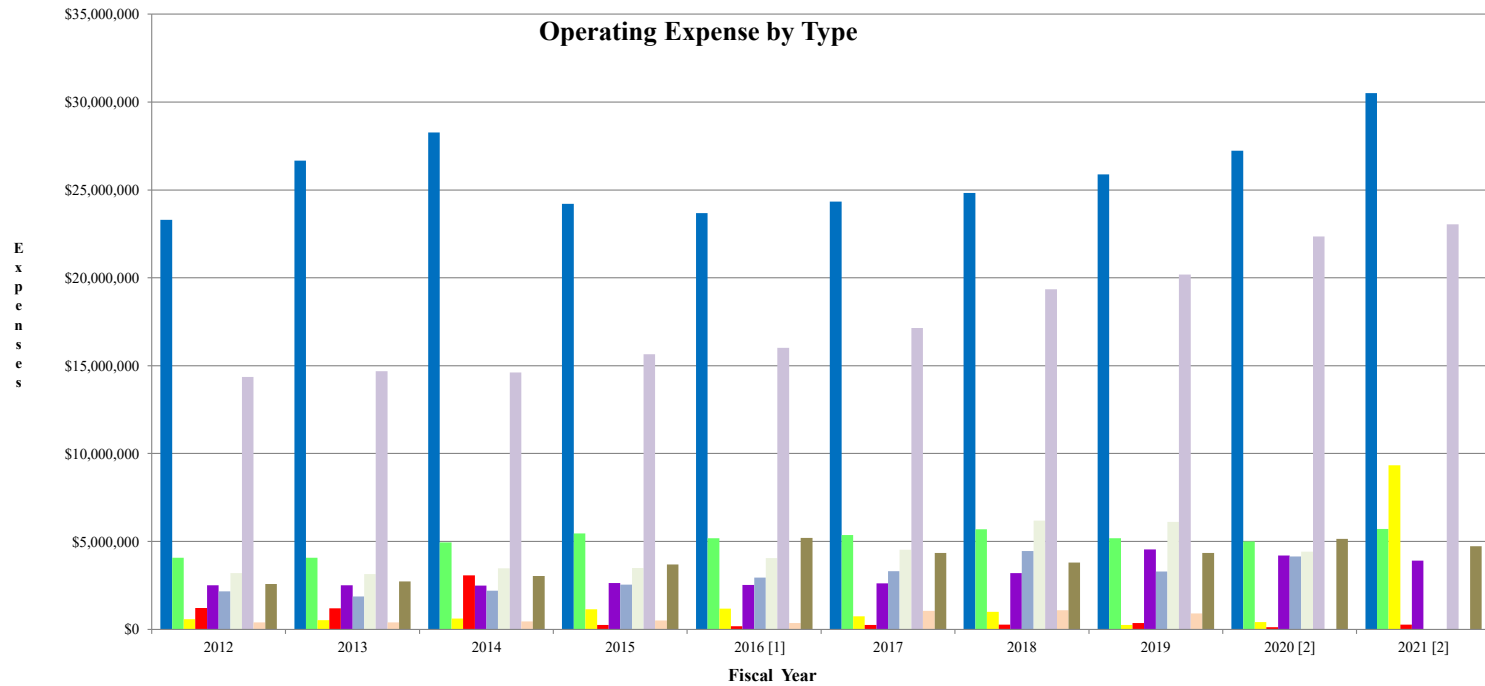
Fiscal Year	Potable Water Charges	Wastewater Charges	Recycled Water Charges	Customer Related Revenues	Construction Charges	Other Income	Total Operating Revenues
2012	29,764,206	11,467,467	5,068,688	681,507	276,091	1,771,983	49,029,942
2013	32,981,298	11,692,841	6,023,082	697,052	806,665	1,476,302	53,677,240
2014	36,178,908	12,103,730	6,929,490	698,786	708,874	2,821,343	59,441,131
2015	34,142,144	12,271,262	7,219,456	715,686	1,150,074	2,702,571	58,201,193
2016	30,957,212	14,706,977	6,766,438	647,657	1,121,823	4,178,070	58,378,177
2017	36,801,755	19,119,039	7,917,181	766,205	1,030,082	3,298,165	68,932,427
2018	42,532,641	21,111,651	8,518,568	821,386	855,453	4,003,968	77,843,667
2019	40,935,472	21,466,050	7,358,115	789,675	327,665	3,001,417	73,878,394
2020	43,414,528	23,668,748	7,989,399	606,985	730,549	3,227,784	79,637,993
2021	49,026,077	24,652,362	10,846,821	277,823	991,250	2,373,234	88,167,567



Source: SMWD Finance Department

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

Fiscal Year	Water purchases	Power	Maintenance and operations	Regional participation	Wastewater treatment	Operating general	Repair and maintenance	Employee cost	Customer relations	General and administrative	Total Operating Expense
2012	23,293,146	4,078,145	571,337	1,205,974	2,513,606	2,162,963	3,201,117	14,362,327	398,792	2,587,771	54,375,178
2013	26,665,738	4,068,216	524,473	1,191,408	2,499,279	1,869,340	3,144,083	14,677,928	398,016	2,728,996	57,767,477
2014	28,264,492	4,944,194	622,498	3,076,129	2,481,884	2,195,665	3,465,764	14,606,120	448,664	3,035,753	63,141,163
2015	24,212,121	5,460,353	1,138,459	259,134	2,633,777	2,535,469	3,489,569	15,655,872	505,067	3,696,633	59,586,454
2016 ^[1]	23,677,839	5,189,368	1,184,825	175,282	2,534,102	2,944,793	4,060,091	16,022,443	354,427	5,210,550	61,353,720
2017	24,333,744	5,371,920	733,064	253,717	2,615,119	3,306,865	4,522,714	17,139,918	1,043,790	4,348,537	63,669,388
2018	24,823,991	5,698,926	1,000,939	261,819	3,205,993	4,452,531	6,190,383	19,338,871	1,093,631	3,791,832	69,858,916
2019	25,874,531	5,184,012	251,842	354,919	4,552,922	3,290,440	6,118,091	20,191,877	909,760	4,343,332	71,071,726
2020 ^[2]	27,224,323	4,996,289	412,129	121,451	4,195,526	4,153,245	4,419,298	22,346,607	-	5,153,821	73,022,689
2021 ^[2]	30,500,238	5,705,482	9,342,810	264,610	3,910,239	-	-	23,048,950	-	4,733,643	77,505,972



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

[2] Certain amounts, such as customer relations and repairs and maintenance, were reclassified in FY 2020 and FY 2021.

Source: SMWD Finance Department

SANTA MARGARITA WATER DISTRICT

Water Sales by Customer Class

Last Ten Fiscal Years

Water Consumption by Customer Class by Acre Feet (AF)

Fiscal Year	Outdoor Irrigation		Business/ Commercial	Construction	Lakefill	Residential Single Family	Residential Multi Family	Total Sales
	Recycled Water	Potable Water						
2012	5,626	5,063	988	19	233	15,869	2,603	30,403
2013	6,506	5,797	1,022	53	221	16,237	2,572	32,408
2014	7,382	6,238	1,056	112	314	16,914	2,565	34,581
2015	7,523	5,447	975	416	415	15,333	2,504	32,613
2016	7,230	3,834	891	52	227	12,987	2,454	27,675
2017	7,826	4,279	924	81	224	13,315	2,454	29,103
2018	8,015	5,122	1,028	260	391	14,667	2,497	31,980
2019	6,341	4,021	1,052	116	242	13,579	2,466	27,817
2020	6,324	4,162	1,002	188	292	14,106	2,595	28,668
2021	7,706	5,415	1,437	96	517	15,483	2,681	33,335

1 AF = 325,851 gallons

Potable is water that is treated to drinking water standards

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

Source: SMWD utility billing system

SANTA MARGARITA WATER DISTRICT
 Historical Water System Sales Revenues
 Last Ten Fiscal Years

Fiscal Year	Residential	Irrigation (Domestic)	Commercial/ Construction/ Fire Service	Recycled	Total	% Increase / Decrease
2012	22,231,843	5,376,214	2,156,149	5,068,688	34,832,894	2.22%
2013	24,132,217	6,580,983	2,334,636	6,023,082	39,070,918	12.17%
2014	26,195,274	7,396,809	2,654,246	6,929,490	43,175,818	10.51%
2015	24,632,082	6,533,805	3,049,011	7,219,456	41,434,354	-4.03%
2016	22,904,340	4,922,383	3,130,489	6,766,438	37,723,650	-8.96%
2017	27,197,173	5,475,203	4,129,379	7,917,181	44,718,936	18.54%
2018	31,283,866	6,425,895	4,822,880	8,518,568	51,051,209	14.16%
2019	30,531,822	5,287,438	5,116,212	7,358,115	48,293,587	-5.40%
2020	33,016,704	6,081,224	4,316,601	7,989,399	51,403,927	6.44%
2021	36,233,706	8,651,496	4,140,875	10,846,821	59,872,898	16.48%

Source: SMWD utility billing system

SANTA MARGARITA WATER DISTRICT

Water and Wastewater Rates

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

	2012	2013	2014	2015 ^[1]	2016 ^[2]	2017 ^[2]	2018 ^[2]	2019 ^[3]	2020 ^[2]	2021 ^[4]
3/4" Meter Size	\$ 6.22	\$ 6.32	\$ 6.41	\$ 8.72	\$ 14.89	\$ 21.79	\$ 23.05	\$ 23.05	\$ 23.13	\$ 23.46

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

	2012	2013	2014	2015 ^[1]	2016 ^[2]	2017 ^[2]	2018 ^[2]	2019 ^[3]	2020 ^[2]	2021 ^[4]
Tier 1	\$ 1.66	\$ 1.69	\$ 1.71	\$ 2.04	\$ 1.86	\$ 1.67	\$ 1.67	\$ 1.67	\$ 2.20	\$ 2.38
Tier 2	1.78	1.81	1.84	2.29	2.11	1.94	1.94	1.94	2.57	2.79
Tier 3	2.25	2.29	2.32	2.77	2.61	2.44	2.45	2.45	3.36	3.64
Tier 4	2.75	2.79	2.83	3.28	3.12	2.95	2.96	2.96	5.53	6.06
Tier 5	3.60	3.66	3.71	4.50	4.67	4.84	4.85	4.85	-	-
MWDOC Surcharge	0.39	0.51	0.62	-	0.04	0.10	0.19	0.29	-	-

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

	2012	2013	2014	2015 ^[1]	2016 ^[2]	2017 ^[2]	2018 ^[2]	2019 ^[3]	2020 ^[2]	2021 ^[4]
Tier 1	\$ 1.83	\$ 1.86	\$ 1.89	\$ 2.51	\$ 2.23	\$ 1.67	\$ 1.67	\$ 1.67	\$ 2.57	\$ 2.87
Tier 2	1.83	1.86	1.89	2.51	2.32	1.94	1.94	1.94	3.56	3.86
Tier 3	1.83	1.86	1.89	2.51	2.49	2.44	2.45	2.45	5.64	6.18
Tier 4	1.83	1.86	1.89	2.51	2.66	2.95	2.96	2.96	-	-
Tier 5	1.83	1.86	1.89	2.51	3.29	4.84	4.85	4.85	-	-
MWDOC Surcharge	0.39	0.51	0.62	-	0.04	0.10	0.19	0.29	-	-

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

	2012	2013	2014	2015 ^[1]	2016 ^[2]	2017 ^[2]	2018 ^[2]	2019 ^[3]	2020 ^[2]	2021 ^[4]
Tier 1	\$ 1.79	\$ 1.82	\$ 1.85	\$ 2.47	\$ 2.24	\$ 1.78	\$ 1.82	\$ 1.82	\$ 2.21	\$ 2.41
Tier 2	1.79	1.82	1.85	2.47	2.43	2.34	2.39	2.39	2.62	2.87
Tier 3	1.79	1.82	1.85	2.47	2.44	2.38	2.44	2.44	4.90	5.22
Tier 4	1.79	1.82	1.85	2.47	2.51	2.60	2.66	2.66	-	-
Tier 5	1.79	1.82	1.85	2.47	3.38	5.21	5.32	5.32	-	-
MWDOC Surcharge	0.39	0.51	0.62	-	-	-	-	-	-	-

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

	2012	2013	2014	2015 ^[1]	2016 ^[2]	2017 ^[2]	2018 ^[2]	2019 ^[3]	2020 ^[2]	2021 ^[4]
Tier 1	\$ 1.79	\$ 1.82	\$ 1.85	\$ 1.85	\$ 1.83	\$ 1.78	\$ 1.82	\$ 1.82	\$ 2.21	\$ 2.41
Tier 2	1.79	1.82	1.85	1.85	2.01	2.34	2.39	2.39	2.62	2.87
Tier 3	1.79	1.82	1.85	1.85	2.03	2.38	2.44	2.44	4.90	5.22
Tier 4	1.79	1.82	1.85	1.85	2.10	2.60	2.66	2.66	-	-
Tier 5	1.79	1.82	1.85	1.85	2.97	5.21	5.32	5.32	-	-

Wastewater Monthly Charge - Single Family and Multi-Family

	2012	2013	2014	2015 ^[1]	2016 ^[2]	2017 ^[2]	2018 ^[2]	2019 ^[3]	2020 ^[2]	2021 ^[4]
Fixed Base Charge (per meter)										
Single Family Residential	\$ 8.99	\$ 9.13	\$ 9.26	\$ 12.92	\$ 20.30	\$ 25.51	\$ 25.51	\$ 29.38	\$ 29.10	\$ 29.18
Multi-Family Residential (Single Meter)	8.99	9.13	9.26	12.92	20.30	25.51	25.51	29.38	25.96	26.01
Multi-Family Residential (Common Meter)	44.33	45.04	45.67	12.92	20.30	25.51	25.51	29.38	11.43	11.33
Multi-Family Residential (Dwelling Unit)	-	-	-	-	-	-	-	-	14.53	14.68
C1-Med-Low Strength	44.33	45.04	45.67	12.92	20.30	25.51	25.51	29.38	27.79	27.86
C2-Med-Low Strength	44.33	45.04	45.67	12.92	20.30	25.51	25.51	29.38	85.62	86.30
C3-Med-High Strength	44.33	45.04	45.67	12.92	20.30	25.51	25.51	29.38	88.15	88.85
C4-High Strength	44.33	45.04	45.67	12.92	20.30	25.51	25.51	29.38	92.07	92.81
Recreational	44.33	45.04	45.67	12.92	20.30	25.51	25.51	29.38	27.77	27.84
Volumetric Charge (per ccf)										
Single Family Residential	\$ 1.03	\$ 1.05	\$ 1.06	\$ 1.03	\$ 1.03	\$ 1.03	\$ 1.03	\$ 0.95	\$ 1.05	\$ 1.08
Multi-Family Residential (Single Meter)	1.03	1.05	1.06	1.03	1.03	1.03	1.03	0.95	1.05	1.08
Multi-Family Residential (Common Meter)	1.03	1.05	1.06	1.03	1.03	1.03	1.03	0.95	1.05	1.08
C1-Med-Low Strength	1.23	1.25	1.27	0.87	0.87	0.87	0.87	0.80	0.88	0.90
C2-Med-Low Strength	1.51	1.53	1.55	1.03	1.03	1.03	1.03	0.95	1.05	1.08
C3-Med-High Strength	2.02	2.05	2.08	1.49	1.49	1.49	1.49	1.35	1.47	1.51
C4-High Strength	3.62	3.68	3.73	2.19	2.19	2.19	2.19	2.32	2.34	2.41
Recreational	1.23	1.25	1.27	0.84	0.84	0.84	0.84	0.72	0.82	0.84

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

	2012	2013	2014	2015 ^[1]	2016 ^[2]	2017 ^[2]	2018 ^[2]	2019 ^[3]	2020 ^[2]	2021 ^[4]
	\$ 38.05	\$ 40.40	\$ 42.53	\$ 40.82	\$ 44.89	\$ 49.96	\$ 52.57	\$ 54.07	\$ 58.35	\$ 61.62

[1] 2015 Rates effective March 10, 2015

[2] Rates effective January 1st of the Fiscal Year indicated

[3] 2019 Rates effective May 1, 2019

[4] 2021 Rates effective March 1, 2021

Source: SMWD Water, Recycled Water & Wastewater Service Fees, Prop 218 Notice

SANTA MARGARITA WATER DISTRICT
Ten Largest Water and Wastewater Customers

2021 Top Ten Domestic Water Customers		
Customer	Annual Revenue	% of Total
1 SAMLARC	\$ 1,571,046	3.2%
2 CZ MASTER ASSOCIATION	545,278	1.1%
3 CASTA DEL SOL	516,292	1.1%
4 LADERA RANCH MAINTENANCE	348,952	0.7%
5 CITY OF MISSION VIEJO	308,541	0.6%
6 CAPISTRANO UNIFIED SCHOOL DISTRICT	297,336	0.6%
7 LAS FLORES MAINT.	289,999	0.6%
8 APPLIED MEDICAL	191,086	0.4%
9 RANCHO MISSION VIEJO	185,537	0.4%
10 SAMCORP	183,852	0.4%
Total	\$ 4,437,919	9.1%
TOTAL DOMESTIC WATER SALES	\$ 49,026,077	

2012 Top Ten Domestic Water Customers		
Customer	Annual Revenue	% of Total
1 SAMLARC	\$ 902,880	3.0%
2 CASTA DEL SOL HOA	343,286	1.2%
3 CZ MASTER HOA	319,582	1.1%
4 CITY OF MISSION VIEJO	291,275	1.0%
5 LAKE MISSION VIEJO	228,026	0.8%
6 LADERA RANCH MAINTENANCE	194,762	0.7%
7 CAPISTRANO UNIFIED SCHOOL DIST	176,323	0.6%
8 LAS FLORES MAINTENANCE	150,447	0.5%
9 VILLA LA PAZ APARTMENTS	148,473	0.5%
10 SOUTH COUNTY APARTMENTS	115,516	0.4%
Total	\$ 2,870,570	9.8%
TOTAL DOMESTIC WATER SALES	\$ 29,764,206	

Top Ten Recycled Water Customers		
Customer	Annual Revenue	% of Total
1 LADERA RANCH MAINTENANCE	\$ 1,479,343	13.6%
2 CITY OF MISSION VIEJO	1,147,295	10.6%
3 LAKE MISSION VIEJO ASSOC.	919,957	8.5%
4 TALEGA MAINTENANCE CORP.	887,464	8.2%
5 RANCHO MISSION VIEJO	801,263	7.4%
6 CZ MASTER ASSOCIATION	617,342	5.7%
7 CASTA DEL SOL HOA	505,027	4.7%
8 COTO DE CAZA GOLF & RACQUET	492,177	4.5%
9 M.V. ENVIRONMENTAL ASSN	384,299	3.5%
10 CITY OF SAN JUAN CAPISTRANO	380,386	3.5%
Total	\$ 7,614,553	70.2%
TOTAL RECYCLED WATER SALES	\$ 10,846,821	

Top Ten Recycled Water Customers		
Customer	Annual Revenue	% of Total
1 LADERA RANCH MAINTENANCE	\$ 1,085,360	21.4%
2 CZ MASTER HOA	532,015	10.5%
3 CITY OF MISSION VIEJO	530,715	10.5%
4 TALEGA MAINTENANCE	485,559	9.6%
5 COTO DE CAZA GOLF & RACQUET	309,513	6.1%
6 CASTA DEL SOL HOA	306,281	6.0%
7 TALEGA GOLF COURSE	265,517	5.2%
8 MISSION VIEJO ENVIRONMENTAL HOA	158,491	3.1%
9 OSO VALLEY GREENBELT HOA	142,638	2.8%
10 STONERIDGE @ MISSION VIEJO HOA	116,205	2.3%
Total	\$ 3,932,293	77.5%
TOTAL RECYCLED WATER SALES	\$ 5,068,688	

Top Ten Wastewater Customers		
Customer	Annual Revenue	% of Total
1 WESTERN NATIONAL PROP.	\$ 150,782	0.6%
2 GREYSTAR REAL ESTATE MGMT	121,982	0.5%
3 IRVINE COMPANY	120,395	0.5%
4 VILLA LA PAZ	119,389	0.5%
5 LADERA WING	110,141	0.4%
6 AVALON BAY COMMUNITES	76,504	0.3%
7 BRE PROPERTIES	74,119	0.3%
8 UDR/PACIFIC LOS ALISOS, L.P.	73,936	0.3%
9 SENDERO GATEWEAY	70,518	0.3%
10 EQUITY RESIDENTIAL PROP	67,813	0.3%
Total	\$ 985,579	4.0%
TOTAL WASTEWATER SALES	\$ 24,652,362	

Top Ten Wastewater Customers		
Customer	Annual Revenue	% of Total
1 SOUTH COUNTY APARTMENTS	\$ 65,271	0.6%
2 22751 EL PRADO, LLC	52,764	0.5%
3 VILLA LA PAZ APARTMENTS	52,222	0.5%
4 LADERA WNG, LLC	48,961	0.4%
5 WESTERN NATIONAL APARTMENTS	45,031	0.4%
6 RALPH GROCERY STORES	35,498	0.3%
7 EQUITY RESIDENTIAL PROPERTIES	34,641	0.3%
8 VONS GROCERY STORES	32,970	0.3%
9 CAPISTRANO UNIFIED SCHOOL DIST	29,196	0.3%
10 BRE PROPERTIES	28,683	0.3%
Total	\$ 425,238	3.9%
TOTAL WASTEWATER SALES	\$ 11,467,467	

Source: SMWD utility billing system

SANTA MARGARITA WATER DISTRICT

Assessed Value and Assessment Rate by Improvement District

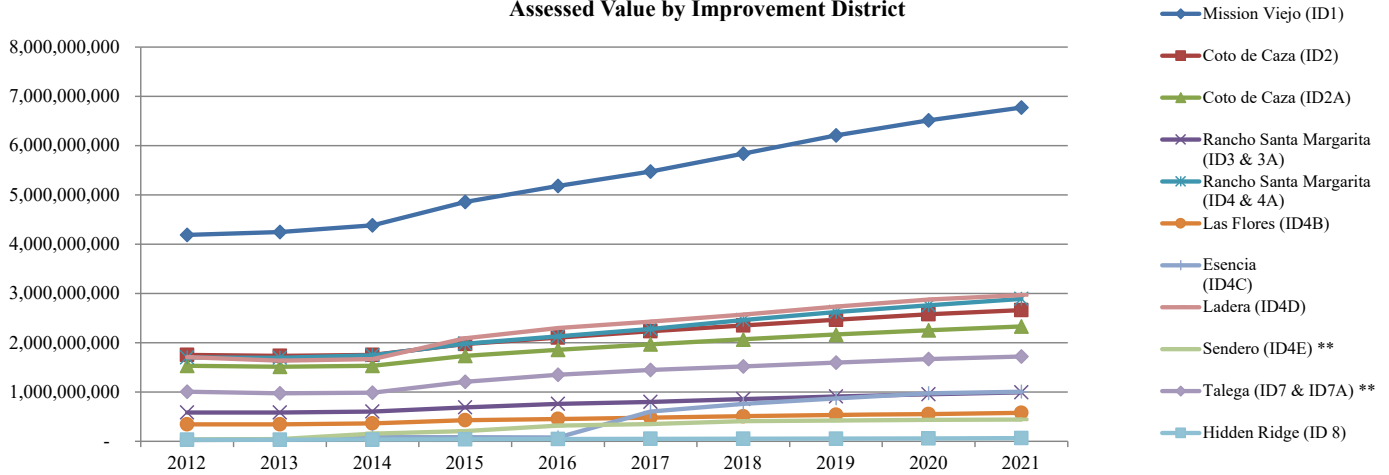
Assessed Value by Improvement District

Fiscal Year	Mission Viejo (ID1)	Coto de Caza (ID2)	Coto de Caza (ID2A)	Rancho Santa Margarita		Las Flores (ID4B)	Esencia (ID4C)	Ladera (ID4D)	Sendero (ID4E) ^[1]	Talega (ID7 & 7A) ^[1]	Hidden Ridge (ID8)
				(ID3 & 3A)	(ID4 & 4A)						
2012	4,190,962,875	1,752,221,733	1,534,074,021	587,661,916	1,702,515,206	345,445,199	29,707,479	1,707,493,549	40,219,243	1,005,822,603	35,353,549
2013	4,246,079,372	1,733,186,576	1,516,823,350	584,731,994	1,697,614,604	342,556,495	30,356,810	1,638,801,486	44,332,116	974,637,526	36,008,090
2014	4,385,604,517	1,753,304,514	1,533,937,230	602,615,493	1,749,594,903	364,559,743	84,468,220	1,671,307,674	158,159,741	990,509,069	37,061,718
2015	4,858,429,328	1,974,367,170	1,736,599,316	690,726,758	1,978,850,692	428,287,773	83,039,022	2,089,347,724	205,352,480	1,209,751,858	42,333,665
2016	5,181,106,961	2,106,488,806	1,857,064,409	760,888,289	2,131,183,735	457,208,660	76,475,832	2,297,357,223	317,526,846	1,352,148,665	45,492,946
2017	5,477,312,584	2,236,076,361	1,968,964,693	799,168,581	2,278,789,469	481,335,895	606,398,602	2,427,571,835	348,663,496	1,447,257,074	50,459,381
2018	5,835,619,000	2,353,363,465	2,068,939,915	855,449,272	2,461,320,493	507,360,592	758,305,815	2,574,216,450	411,061,467	1,520,468,757	54,348,170
2019	6,206,022,832	2,468,385,147	2,166,690,140	909,999,028	2,627,290,567	539,485,697	871,604,033	2,733,192,659	423,486,062	1,597,001,961	56,495,273
2020	6,513,755,308	2,578,149,407	2,255,589,923	952,794,717	2,762,516,961	554,200,175	973,371,722	2,874,614,434	434,559,628	1,668,988,719	60,549,330
2021	6,772,455,877	2,661,681,436	2,333,145,112	996,508,563	2,891,858,883	577,659,884	1,007,596,801	2,967,874,629	439,940,980	1,719,994,947	63,350,181

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

Fiscal Year	Mission Viejo (ID1)	Coto de Caza (ID2)	Coto de Caza (ID2A)	Rancho Santa Margarita		Las Flores (ID4B)	Esencia (ID4C)	Ladera (ID4D)	Sendero (ID4E) ^[1]	Talega (ID7 & 7A) ^{[1][2]}	Hidden Ridge (ID8)
				(ID3 & 3A)	(ID4 & 4A)						
2012	0.0000	0.0952	0.0575	0.3694	0.3900	0.4803	3.2401	0.1765	1.0301	N/A	0.3067
2013	0.0000	0.0948	0.0578	0.4146	0.4491	0.5519	3.6571	0.1997	1.1554	N/A	0.3085
2014	0.0000	0.0243	0.0000	0.4076	0.2841	0.3591	1.1457	0.4070	0.1684	N/A	0.3017
2015	0.0000	0.0211	0.0000	0.3187	0.2193	0.2441	1.1571	0.0299	0.1323	N/A	0.0000
2016	0.0000	0.0211	0.0000	0.3013	0.3381	0.3369	0.3958	0.1216	0.1575	N/A	0.0000
2017	0.0000	0.0203	0.0000	0.2963	0.3103	0.3644	0.13036	0.1316	0.1937	N/A	0.0000
2018	0.0000	0.0110	0.0000	0.2811	0.2979	0.3496	0.13036	0.1225	0.1605	N/A	0.0000
2019	0.0000	0.0110	0.0000	0.2224	0.2411	0.2110	0.0938	0.0929	0.1157	N/A	0.0000
2020	0.0000	0.0110	0.0000	0.217	0.2336	0.2090	0.0889	0.0894	0.1127	N/A	0.0000
2021	0.0000	0.0110	0.0000	0.0244	0.0255	0.0198	0.0174	0.0378	0.0406	N/A	0.0000

Assessed Value by Improvement District



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

[2] ID-7 assessment rates are calculated for each individual parcel

Source: Benefit Analysis Study Fiscal Year 2020-2021

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

Overlapping District	FY 2021-22 Total Levy	Amount of Levy on Parcels in the District	Percent of Levy on Parcels in the District	Total Debt Outstanding [1]	District Share of Total Debt Outstanding
Metropolitan Water District G.O. Bond	\$164,714,077	\$191,979	0.1166%	\$26,830,000	\$31,271
County of Orange CFD No. 87-8	\$0	\$0	0.0000%	\$0	\$0
Capistrano Unified School District SFID No. 1 Series B and 2012 Refunding	\$5,013,006	\$103,664	2.0679%	\$13,015,244	\$269,142
				ESTIMATED SHARE OF OVERLAPPING DEBT	\$300,413
Santa Margarita Water District ID No. 2					\$4,395,000 [2]
Santa Margarita Water District ID No. 2A					\$0 [2,3]
				TOTAL DIRECT AND OVERLAPPING DEBT	\$4,695,413
				TOTAL LAND ASSESSED VALUE [4]	\$2,760,800,111
				VALUE-TO-LIEN RATIO	587.978

Sources: DTA; Santa Margarita Water District; Metropolitan Water District; County Of Orange

[1] Based on principal payments as of September 2, 2021. All districts shown make principal payments on September 1 except for MWD which makes principal payments on March 1.

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

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

[4] Based on FY 2021-2022 land value provided by County of Orange Auditor-Controller.

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

Overlapping District	FY 2021-22 Total Levy	Amount of Levy on Parcels in the District	Percent of Levy on Parcels in the District	Total Debt Outstanding [1]	District Share of Total Debt Outstanding
Metropolitan Water District G.O. Bond	\$164,714,077	\$167,006	0.1014%	\$26,830,000	\$27,203
Santa Margarita Water District ID No. 2	\$303,688	\$266,354	87.7065%	\$4,395,000	\$3,854,700
County of Orange CFD No. 87-8	\$0	\$0	0.0000%	\$0	\$0
Capistrano Unified School District SFID No. 1 Series B and 2012 Refunding	\$5,013,006	\$51,792	1.0331%	\$13,015,244	\$134,467
			ESTIMATED SHARE OF OVERLAPPING DEBT		\$4,016,370
Santa Margarita Water District ID No. 2A					\$0 [2,3]
			TOTAL DIRECT AND OVERLAPPING DEBT		\$4,016,370
			TOTAL LAND ASSESSED VALUE [4]		\$2,421,400,455
			VALUE-TO-LIEN RATIO		602.883

Sources: DTA; Santa Margarita Water District; Metropolitan Water District; County Of Orange

- [1] Based on principal payments as of September 2, 2021. All districts shown make principal payments on September 1 except for MWD which makes principal payments on March 1.
[2] Based on information provided by the Santa Margarita Water District.
[3] Bonds issued by ID 2A were fully paid off in 2017.
[4] Based on FY 2021-2022 land value provided by County of Orange Auditor-Controller.

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

Overlapping District	FY 2021-22 Total Levy	Amount of Levy on Parcels in the District	Percent of Levy on Parcels in the District	Total Debt Outstanding [1]	District Share of Total Debt Outstanding
Metropolitan Water District G.O. Bond	\$164,714,077	\$63,074	0.0383%	\$26,830,000	\$10,274
County of Orange CFD No. 87-5B	\$0	\$0	0.0000%	\$0	\$0
County of Orange CFD No. 87-5C	\$0	\$0	0.0000%	\$0	\$0
County of Orange CFD No. 87-5D	\$0	\$0	0.0000%	\$0	\$0
Capistrano Unified School District SFID No. 1 Series B and 2012 Refunding	\$5,013,006	\$88	0.0018%	\$13,015,244	\$229
Saddleback Valley Unified School District G.O. Bond Series 2016 Refunding	\$2,915,081	\$99,656	3.4186%	\$24,605,000	\$841,151
Saddleback Valley Unified School District G.O. Bond Series 2013 Refunding	\$4,978,202	\$170,186	3.4186%	\$14,520,000	\$496,384
Saddleback Valley Unified School District G.O. Bond Series 2013A / 2019 Refunding	\$1,648,656	\$56,361	3.4186%	\$44,660,000	\$1,526,757
Saddleback Valley Unified School District G.O. Bond Series 2016A	\$589,463	\$20,152	3.4187%	\$8,255,000	\$282,211
Saddleback Valley Unified School District CFD No. 89-2	\$0	\$0	0.0000%	\$0	\$0
Saddleback Valley Unified School District CFD No. 89-3	\$0	\$0	0.0000%	\$0	\$0
CA HERO Program [4]	NA	NA	NA	NA	\$176,724
				ESTIMATED SHARE OF OVERLAPPING DEBT	\$3,333,731
Santa Margarita Water District ID No. 3/3A					\$2,915,000 [2]
				TOTAL DIRECT AND OVERLAPPING DEBT	\$6,248,731
				TOTAL LAND ASSESSED VALUE [3]	\$1,045,190,121
				VALUE-TO-LIEN RATIO	167.264

Sources: DTA; Santa Margarita Water District; Metropolitan Water District; Saddleback Valley USD; County Of Orange

[1] Based on principal payments as of September 2, 2021. All districts shown make principal payments on September 1 except for MWD which makes principal payments on March 1.

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

[3] Based on FY 2021-2022 land value provided by County of Orange Auditor-Controller.

[4] A total of 10 property owners are participating in the CA HERO Program as of June 30, 2021. DTA is not aware of any property owners in ID No. 3/3A that are participating in other active PACE programs.

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

Overlapping District	FY 2021-22 Total Levy	Amount of Levy on Parcels in the District	Percent of Levy on Parcels in the District	Total Debt Outstanding [1]	District Share of Total Debt Outstanding
Metropolitan Water District G.O. Bond	\$164,714,077	\$545,960	0.3315%	\$26,830,000	\$88,931
County of Orange CFD No. 87-5A	\$0	\$0	0.0000%	\$0	\$0
County of Orange CFD No. 87-5B	\$0	\$0	0.0000%	\$0	\$0
County of Orange CFD No. 99-1	\$1,542,678	\$1,542,678	100.0000%	\$10,425,000	\$10,425,000
County of Orange CFD No. 2000-1	\$1,949,850	\$1,949,850	100.0000%	\$13,700,000	\$13,700,000
County of Orange CFD No. 2001-1	\$2,084,654	\$2,084,654	100.0000%	\$18,040,000	\$18,040,000
County of Orange CFD No. 2002-1	\$4,444,223	\$4,444,223	100.0000%	\$44,720,000	\$44,720,000
County of Orange CFD No. 2003-1	\$3,491,389	\$3,491,389	100.0000%	\$37,530,000	\$37,530,000
County of Orange CFD No. 2004-1	\$4,936,891	\$4,936,891	100.0000%	\$53,340,000	\$53,340,000
County of Orange CFD No. 2015-1	\$5,009,955	\$5,009,955	100.0000%	\$85,025,000	\$85,025,000
County of Orange CFD No. 2016-1	\$5,267,166	\$5,267,166	100.0000%	\$89,925,000	\$89,925,000
County of Orange CFD No. 2017-1, IA No. 1	\$4,321,748	\$4,321,748	100.0000%	\$75,820,000	\$75,820,000
County of Orange CFD No. 2017-1, IA No. 2	\$975,627	\$975,627	100.0000%	\$21,565,000	\$21,565,000
Capistrano Unified School District CFD No. 92-1	\$1,734,437	\$1,734,437	100.0000%	\$1,835,000	\$1,835,000
Capistrano Unified School District CFD No. 98-2	\$7,621,474	\$7,621,474	100.0000%	\$74,450,779 [5]	\$74,450,779
Capistrano Unified School District SFID No. 1 Series B and 2012 Refunding	\$5,013,006	\$243,661	4.8606%	\$13,015,244	\$632,617
Saddleback Valley Unified School District G.O. Bond Series 2016 Refunding	\$2,915,081	\$183,859	6.3072%	\$24,605,000	\$1,551,877
Saddleback Valley Unified School District G.O. Bond Series 2013 Refunding	\$4,978,202	\$313,984	6.3072%	\$14,520,000	\$915,801
Saddleback Valley Unified School District G.O. Bond Series 2013A / 2019 Refunding	\$1,648,656	\$103,984	6.3072%	\$44,660,000	\$2,816,785
Saddleback Valley Unified School District G.O. Bond Series 2016A	\$589,463	\$37,179	6.3072%	\$8,255,000	\$520,659
Saddleback Valley Unified School District CFD No. 88-1	\$0	\$0	0.0000%	\$0	\$0
City of San Juan Capistrano G.O. Bond Series 2017 Refunding	\$1,823,688	\$0 [6]	0.0000%	\$24,440,000	\$0
Santa Margarita Water District CFD No. 2013-1	\$3,670,761	\$3,670,761	100.0000%	\$52,820,000	\$52,820,000
CA HERO Program [7]	NA	NA	NA	NA	\$369,010
				ESTIMATED SHARE OF OVERLAPPING DEBT	\$586,091,457
Santa Margarita Water District ID No. 4					\$19,230,000 [2]
Santa Margarita Water District ID No. 4A					\$0 [2,3]
Santa Margarita Water District ID No. 4B					\$6,550,000 [2]
				TOTAL DIRECT AND OVERLAPPING DEBT	\$611,871,457
				TOTAL LAND ASSESSED VALUE [4]	\$8,247,687,197
				VALUE-TO-LIEN RATIO	13.479

Sources: DTA; Santa Margarita Water District; Metropolitan Water District; Saddleback Valley USD; County Of Orange

[1] Based on principal payments as of September 2, 2021. All districts shown make principal payments on September 1 except for MWD which makes principal payments on March 1.

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

[3] Bonds issued by ID 4A were fully paid off in 2020.

[4] Based on FY 2021-2022 land value provided by County of Orange Auditor-Controller.

[5] Principal amount for the outstanding capital appreciation bonds determined by applying accreted value as of September 1, 2021.

[6] For FY 2021-2022, no parcels in District are considered taxable.

[7] A total of 29 property owners are participating in the CA HERO Program as of June 30, 2021. DTA is not aware of any property owners in ID No. 4 that are participating in other active PACE programs.

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

Overlapping District	FY 2021-22 Total Levy	Amount of Levy on Parcels in the District	Percent of Levy on Parcels in the District	Total Debt Outstanding [1]	District Share of Total Debt Outstanding
Metropolitan Water District G.O. Bond	\$164,714,077	\$180,834	0.1098%	\$26,830,000	\$29,456
Santa Margarita Water District ID No. 4	\$1,677,797 [5]	\$766,032 [6]	45.6570%	\$19,230,000	\$8,779,845
County of Orange CFD No. 87-5A	\$0	\$0	0.0000%	\$0	\$0
County of Orange CFD No. 87-5B	\$0	\$0	0.0000%	\$0	\$0
Capistrano Unified School District SFID No. 1 Series B and 2012 Refunding	\$5,013,006	\$22,073	0.4403%	\$13,015,244	\$57,309
Saddleback Valley Unified School District G.O. Bond Series 2016 Refunding	\$2,915,081	\$183,859	6.3072%	\$24,605,000	\$1,551,875
Saddleback Valley Unified School District G.O. Bond Series 2013 Refunding	\$4,978,202	\$313,984	6.3072%	\$14,520,000	\$915,801
Saddleback Valley Unified School District G.O. Bond Series 2013A / 2019 Refunding	\$1,648,656	\$103,984	6.3072%	\$44,660,000	\$2,816,785
Saddleback Valley Unified School District G.O. Bond Series 2016A	\$589,463	\$37,179	6.3072%	\$8,255,000	\$520,659
Saddleback Valley Unified School District CFD No. 88-1	\$0	\$0	0.0000%	\$0	\$0
CA HERO Program [7]	NA	NA	NA	NA	\$369,010
ESTIMATED SHARE OF OVERLAPPING DEBT					\$15,040,739
Santa Margarita Water District ID No. 4A					\$0 [2,3]
TOTAL DIRECT AND OVERLAPPING DEBT					\$15,040,739
TOTAL LAND ASSESSED VALUE [4]					\$3,004,048,103
VALUE-TO-LIEN RATIO					199.727

Sources: DTA; Santa Margarita Water District; Metropolitan Water District; Saddleback Valley USD; County Of Orange

- [1] Based on principal payments as of September 2, 2021. All districts shown make principal payments on September 1 except for MWD which makes principal payments on March 1.
- [2] Based on information provided by the Santa Margarita Water District.
- [3] Bonds issued by ID 4A were fully paid off in 2020.
- [4] Based on FY 2021-2022 land value provided by County of Orange Auditor-Controller.
- [5] Includes FY 2021-2022 levy for ID 4A, 4B, 4C, 4D, and 4E attributable to ID 4 debt only.
- [6] Based on FY 2021-2022 ID 4 rate of \$0.0000/\$100 and ID 4A rate of \$0.0255/\$100 attributable to ID 4 debt only.
- [7] A total of 29 property owners are participating in the CA HERO Program as of June 30, 2021. DTA is not aware of any property owners in ID No. 4A that are participating in other active PACE programs.

SANTA MARGARITA WATER DISTRICT
Improvement District NO. 4B [6]
Direct and Overlapping Debt Summary

Overlapping District	FY 2021-22 Total Levy	Amount of Levy on Parcels in the District	Percent of Levy on Parcels in the District	Total Debt Outstanding [1]	District Share of Total Debt Outstanding
Metropolitan Water District G.O. Bond	\$164,714,077	\$294,180	0.1786%	\$26,830,000	\$47,918
Santa Margarita Water District ID No. 4	\$1,677,797 [4]	\$726,609 [5]	43.3073%	\$19,230,000	\$8,327,993
County of Orange CFD No. 99-1	\$1,542,678	\$1,542,678	100.0000%	\$10,425,000	\$10,425,000
County of Orange CFD No. 2000-1	\$1,949,850	\$1,949,850	100.0000%	\$13,700,000	\$13,700,000
County of Orange CFD No. 2001-1	\$2,084,654	\$2,084,654	100.0000%	\$18,040,000	\$18,040,000
County of Orange CFD No. 2002-1	\$4,444,223	\$4,444,223	100.0000%	\$44,720,000	\$44,720,000
County of Orange CFD No. 2003-1	\$3,491,389	\$3,491,389	100.0000%	\$37,530,000	\$37,530,000
County of Orange CFD No. 2004-1	\$4,936,891	\$4,936,891	100.0000%	\$53,340,000	\$53,340,000
Capistrano Unified School District CFD No. 92-1	\$1,734,437	\$1,734,437	100.0000%	\$1,835,000	\$1,835,000
Capistrano Unified School District CFD No. 98-2	\$7,621,474	\$7,621,474	100.0000%	\$74,450,779 [7]	\$74,450,779
Capistrano Unified School District SFID No. 1 Series B and 2012 Refunding	\$5,013,006	\$74,224	1.4806%	\$13,015,244	\$192,708
City of San Juan Capistrano G.O. Bond Series 2017 Refunding	\$1,823,688	\$0 [8]	0.0000%	\$24,440,000	\$0
Santa Margarita Water District CFD No. 2013-1	\$3,670,761	\$3,670,761	100.0000%	\$52,820,000	\$52,820,000
				ESTIMATED SHARE OF OVERLAPPING DEBT	\$315,429,398
Santa Margarita Water District ID No. 4B					\$6,550,000 [2]
				TOTAL DIRECT AND OVERLAPPING DEBT	\$321,979,398
				TOTAL LAND ASSESSED VALUE [3]	\$4,187,623,873
				VALUE-TO-LIEN RATIO	13.006

Sources: DTA; Santa Margarita Water District; Metropolitan Water District; County Of Orange

- [1] Based on principal payments as of September 2, 2021. All districts shown make principal payments on September 1 except for MWD which makes principal payments on March 1.
[2] Based on information provided by the Santa Margarita Water District.
[3] Based on FY 2021-2022 land value provided by County of Orange Auditor-Controller. Includes land value for property in ID 4B, ID 4D, and ID 4E.
[4] Includes FY 2021-2022 levy for ID 4A, 4B, 4C, 4D, and 4E attributable to ID 4 debt only.
[5] Based on FY 2021-2022 ID 4 rate of \$0.0000/\$100 for property in ID 4B, ID 4D, and ID 4E. Also includes ID 4B rate of \$0.0016/\$100, ID 4D rate of \$0.0196/\$100, and ID 4E rate of \$0.0224/\$100
[6] Includes property that pays for ID 4B debt (i.e., ID 4B, ID 4D, and ID 4E).
[7] Principal amount for the outstanding capital appreciation bonds determined by applying accreted value as of September 1, 2021.
[8] For FY 2021-2022, no parcels in District are considered taxable.

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

Overlapping District	FY 2021-2022 Total Levy	Amount of Levy on Parcels in District	Percent of Levy on Parcels in District	Total Debt Outstanding [1]	District Share of Total Debt Outstanding
Capistrano Unified School District CFD No. 90-2	\$2,600,741	\$2,599,447	99.9503% [4]	\$25,270,000	\$25,257,429
Capistrano Unified School District CFD No. 90-2 IA No. 2002-1	\$3,520,481	\$3,517,519	99.9159% [4]	\$31,445,000	\$31,418,547
Metropolitan Water District	\$164,714,077	\$117,949	0.0716%	\$26,830,000	\$19,212
PACE Programs [3]	NA	NA	NA	NA	\$279,170
				Estimated Share of Overlapping Debt Allocable to the District	\$56,974,358
				Plus CFD No. 99-1 Refunding Bonds Series 2014 [2]	\$22,685,000
				Plus CFD No. 99-1 Refunding Bonds Series 2017 [2]	\$29,270,000
				Estimated Share of Direct and Overlapping Debt Allocable to the District	\$108,929,358

[1] As of September 2, 2021.

[2] As of September 2, 2021. Reflects bond call of \$25,000 on September 1, 2020.

[3] A total of 6 property owners are participating in the CA HERO Program as of June 30, 2021. In addition, there are two property owners participating in the CaliforniaFirst and PACEFunding Programs as of June 30, 2021. DTA is not aware of any property owners in CFD No. 99-1 that are participating in other active

[4] Reflects one parcel that prepaid the Santa Margarita Water District CFD No. 99-1 special tax in full. Such parcel is still subject to the Capistrano Unified School District CFD special taxes.

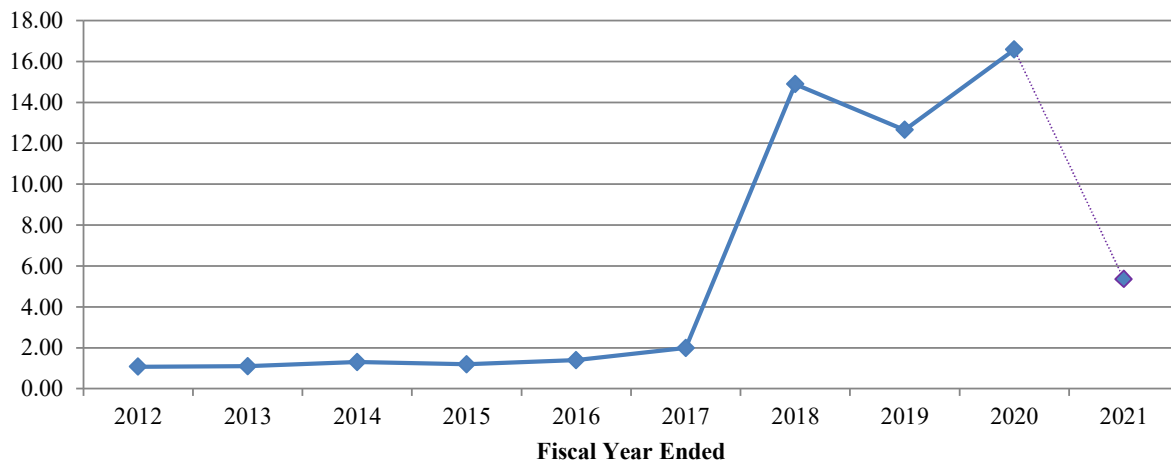
SANTA MARGARITA WATER DISTRICT
Debt Service Coverage Ratio

Fiscal Year	Total Revenues [1]	Operating Expenses [2]	Net Available Revenues	Annual Debt Service*			Coverage Ratio
				Principal	Interest	Total	
2012	\$ 85,748,400	\$ 54,375,178	\$ 31,373,222	\$ 15,601,752	\$ 13,555,395	\$ 29,157,147	1.08
2013	90,995,918	57,767,477	33,228,441	15,803,677	14,450,735	30,254,412	1.10
2014	103,974,919	63,141,163	40,833,756	17,817,278	13,673,314	31,490,592	1.30
2015	95,753,157	59,586,454	36,166,703	17,461,497	12,820,879	30,282,376	1.19
2016	88,680,401	61,353,720	27,326,681	14,006,201	5,538,441	19,544,642	1.40
2017	103,964,839	63,669,388	40,295,451	15,213,214	5,010,779	20,223,993	1.99
2018	88,154,782	69,858,916	18,295,866	966,203	262,799	1,229,002	14.89
2019	86,643,647	71,071,726	15,571,921	990,440	240,887	1,231,327	12.65
2020	91,365,187	70,955,119	20,410,068	1,015,290	216,038	1,231,328	16.58
2021	100,050,093	75,562,791	24,487,302	2,698,378	1,874,671	4,573,049	5.35

* Fiscal Years 2012 - 2015 includes Community Facilities District No. 99-1 and No. 2013-1 Bonds.
(Community Facility Districts were removed from the District's consolidated financial statements in 2016).
Fiscal Years 2012 - 2017 includes District General Obligation Bonds.
(General Obligation Bonds were removed from the table in 2018 so reported coverage would conform with external loan
Fiscal Years 2012 - present includes State Revolving Fund Loans.
Fiscal Year 2021 includes State Revolving Fund Loans and Revenue Bonds.

- [1] Total Revenues include total operating revenues, ad-valorem general tax receipts, investment income (excluding income related to General Obligation Bonds), connection fees, rental income and other non-operating income.
[2] Operating expenses exclude depreciation and amortization and interest expense.

Debt Service Coverage Ratio



Source: SMWD Finance Department

SANTA MARGARITA WATER DISTRICT
Outstanding Debt by Type

Fiscal Year Ended	Revenue Bonds	General Obligation Bonds	Notes Payable	El Toro R-6 Reservoir Capacity Obligation	Total	CFD Bonds *
2012 ^[1]	\$ -	\$ 168,705,000	\$ 11,976,705	\$ 758,296	\$ 181,440,001	\$ 98,400,000
2013	-	158,521,091	11,150,200	-	169,671,291	96,210,000
2014 ^[2]	-	144,091,634	10,383,922	-	154,475,556	151,130,000
2015 ^[3]	-	126,973,190	9,597,425	-	136,570,615	147,827,394
2016	-	111,822,909	8,791,224	-	120,614,133	141,615,877
2017 ^{[4][5]}	-	97,744,544	12,278,010	-	110,022,554	138,064,068
2018	-	80,884,125	11,311,807	-	92,195,932	130,327,956
2019 ^[6]	-	63,738,857	30,390,489	-	94,129,346	126,000,984
2020 ^[6]	-	51,331,600	68,456,366	-	119,787,966	119,080,410
2021 ^{[6][7]}	63,088,985	38,448,942	71,842,360	-	173,380,287	114,123,020

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

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

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

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

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

[5] Increase in Notes Payable in 2017 is due to two new loans in 2017: City of Mission Viejo and State Water Resources Control Board.

[6] Increase in Notes Payable in 2019, 2020 & 2021 is due to additional loan disbursements received from the State Water Resources Control Board.

[7] The District issued 2020A Revenue Bonds in Fiscal Year 2021.

Source: SMWD financial statements

SANTA MARGARITA WATER DISTRICT
Outstanding Debt Ratios

Fiscal Year	Total Outstanding Debt	Taxable Assessed Valuation	Percentage of Assessed Valuation to Debt	Total Water Connections	Outstanding Debt per Water Connection	Debt Service Per Capita
2012	\$ 279,840,001	\$ 12,931,477,373	2.16%	52,105	\$ 5,371	\$ 1,856
2013	265,881,291	12,845,128,419	2.07%	52,203	5,093	1,756
2014	305,605,556	13,331,122,822	2.29%	52,834	5,784	2,007
2015	284,398,009	15,297,085,786	1.86%	53,266	5,339	1,854
2016 *	120,614,133	16,582,942,372	0.73%	53,675	2,247	768
2017 *	110,022,554	18,121,997,971	0.61%	54,214	2,029	693
2018 *	92,195,932	19,400,453,396	0.48%	54,922	1,679	574
2019 *	94,129,346	20,599,653,399	0.46%	55,555	1,694	579
2020 *	119,787,966	21,629,090,324	0.55%	57,132	2,097	731
2021 *	173,380,287	22,432,067,293	0.77%	56,464	3,071	1,056

Fiscal Year	Amount Levied	Amount Collected ^[1]	Percent Collected
2012	\$ 31,446,270	\$ 31,154,186	99.1%
2013	33,747,352	33,997,213	100.7%
2014	36,436,003	35,845,766	98.4%
2015	34,428,547	33,763,411	98.1%
2016 *	27,049,698	26,168,710	96.7%
2017 *	25,222,843	24,784,692	98.3%
2018 *	25,761,237	25,604,243	99.4%
2019 *	22,707,282	22,378,767	98.6%
2020 *	23,199,407	22,988,944	99.1%
2021 *	12,432,517	12,420,009	99.9%

Tax receipts are the second largest revenue source

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

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

* Amounts include restatement of previously reported revenues, operating expenses and debt service related to the removal of Community Facilities District (CFD) 99-1 and 2013-1 from the District's financial statements. Fiscal Year 2016 outstanding debt is restated and excludes CFD debt. Fiscal Year 2017 through Fiscal Year 2021 also exclude CFD debt.

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

Santa Margarita Water District
Demographic and Economic Information

Fiscal Year Ended	SMWD Population	City of Rancho Santa Margarita		City of Mission Viejo		City of San Clemente		County of Orange		
		Population	Median Age	Population	Median Age	Population	Median Age	Personal Income (thousands of dollars)	Per Capita Personal Income	Unemployment Rate
2011	150,762	48,278	33.5	93,483	41.5	63,743	39.0	\$ 159,007,100	\$ 52,822	8.6%
2012	151,411	48,079	34.1	94,196	41.6	64,208	39.0	166,345,500	54,436	8.1%
2013	152,245	48,550	34.6	94,824	42.0	64,542	40.0	168,966,400	54,827	6.7%
2014	153,385	48,834	34.7	95,334	43.0	64,874	40.0	177,412,900	56,973	5.4%
2015	156,949	48,823	35.2	96,652	43.6	65,399	40.0	185,500,000	58,933	4.0%
2016	158,747	48,516	35.8	96,701	43.7	66,245	41.0	190,978,000	59,999	4.4%
2017	160,601	48,602	36.7	95,985	44.2	65,975	38.0	199,492,000	62,458	4.2%
2018	162,454	48,602	36.8	95,987	44.8	65,543	42.0	215,479,000	66,896	3.1%
2019	163,927	48,960	37.0	96,434	45.0	65,405	43.0	230,180,000	71,429	3.0%
2020	164,205	48,793	37.6	94,267	45.0	64,581	44.0	226,531,000	70,917	12.3%

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

2021 data was not available at the time the report was prepared

Sources:

County of Orange ACFR

City of Rancho Santa Margarita ACFR

City of Mission Viejo ACFR

City of San Clemente ACFR

SANTA MARGARITA WATER DISTRICT

**Principal Employers
(Current and Nine Years Ago)**

Employer	2020		2011	
	Number of Employees	Percentage of Employment	Number of Employees	Percentage of Employment
City of Rancho Santa Margarita				
Applied Medical	2,700	8.62%	1,249	4.28%
O'Connell Landscape	1,000	3.19%	1,090	3.73%
Saddleback Valley School District	288	0.92%	550	1.88%
Lucas & Mercier Construction	250	0.80%	567	1.94%
Control Components Inc. (CCI)	200	0.64%	370	1.27%
Target Corporation	255	0.81%	240	0.82%
Car Sound Exhaust System Inc.	150	0.48%	210	0.72%
Capistrano Unified School District	215	0.69%	200	0.68%
PADI	180	0.57%	170	0.58%
Santa Margarita Catholic H.S.	175	0.56%	200	0.68%
	5,413	17.28%	4,846	16.58%
City of Mission Viejo				
Mission Hospital Regional Medical Center	2,600	5.52%	1,349	2.70%
Saddleback College	1,210	2.57%	2,196	4.40%
Saddleback Valley Unified School District	914	1.94%	400	0.80%
Coldwell Banker	740	1.57%	410	0.82%
Capistrano Unified School District	690	1.46%	320	0.64%
James Hardie Building Products	400	0.85%	n/a	n/a
Target	320	0.68%	377	0.76%
South Coast Children's Society	315	0.67%	n/a	n/a
Nordstrom	300	0.64%	300	0.60%
Franchise Services	300	0.64%	n/a	n/a
Quest Diagnostics	n/a	n/a	500	1.00%
Rmw Paleo Associates Inc	n/a	n/a	400	0.80%
Macy's	n/a	n/a	275	0.55%
	7,789	16.54%	6,527	13.07%
City of San Clemente				
Capistrano Unified School District (CUSD)	610	2.03%	n/a	n/a
Glaukos Corp	278	0.92%	n/a	n/a
ICU Medical	250	0.83%	2,216	7.02%
Fisherman's Restaurants	225	0.75%	195	0.62%
Ralphs	223	0.74%	n/a	n/a
Target Retail Store	205	0.68%	n/a	n/a
City of San Clemente	196	0.65%	306	0.97%
Walmart	195	0.65%	190	0.60%
Albertsons	183	0.61%	n/a	n/a
Metro One Development Inc.	155	0.51%	n/a	n/a
First Team San Clemente Real Estate	n/a	n/a	4,060	12.86%
Don Roberto Jewelers, Inc.	n/a	n/a	550	1.74%
Cross Section Ventures	n/a	n/a	300	0.95%
Saddleback Memorial Medical Center	n/a	n/a	200	0.63%
Quest Diagnostics	n/a	n/a	200	0.63%
Cameron Health, Inc.	n/a	n/a	150	0.48%
	2,520	8.37%	7,817	24.76%

*Sources: City of Rancho Santa Margarita ACFR, City of Mission Viejo ACFR, City of San Clemente ACFR
SMWD service area also includes unincorporated portions of the County of Orange
Certain Businesses in Mission Viejo are not within the District's boundaries.*

SANTA MARGARITA WATER DISTRICT
Capital Asset Statistics

	Fiscal Years Ended									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Domestic System										
Miles of Water Mains	595	595	595	615	615	626	626	634	638	642
Maximum Storage Capacity (Acre-feet)	1,197	1,197	1,197	1,210	1,210	1,222	1,222	1,222	1,222	1,222
Number of Storage Tanks	32	32	32	33	33	34	34	34	34	34
Number of Pump Stations	21	21	21	21	21	21	21	21	21	21
Non-Domestic System										
Miles of Water Mains	116	116	116	125	125	129	129	133	133	133
Number of Storage Tanks	6	6	6	7	7	8	8	8	8	8
Number of Open Reservoirs	2	2	2	2	2	2	2	2	2	3
Maximum Storage Capacity (Acre-feet)	3,535	3,535	3,535	3,547	3,547	3,566	3,566	3,566	3,566	8,566
Number of Pump Stations	12	12	12	13	14	14	14	14	14	15
Sewer System										
Miles of Sewer Line	605	605	605	620	620	630	624	632	637	643
Number of Lift Stations	17	17	17	19	19	21	21	21	20	20
Treatment Plants	2	2	2	2	2	2	2	2	2	2
Treatment Capacity (MGD)	9	9	9	9	9	9	9	9	9	9
Average Flows (MGD)	8	8	8	8	8	9	9	9	9	9

MGD = million gallons per day

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

Source: SMWD Engineering and Operations Departments

SANTA MARGARITA WATER DISTRICT

Water and Wastewater Connections

Water Connections by Customer Class

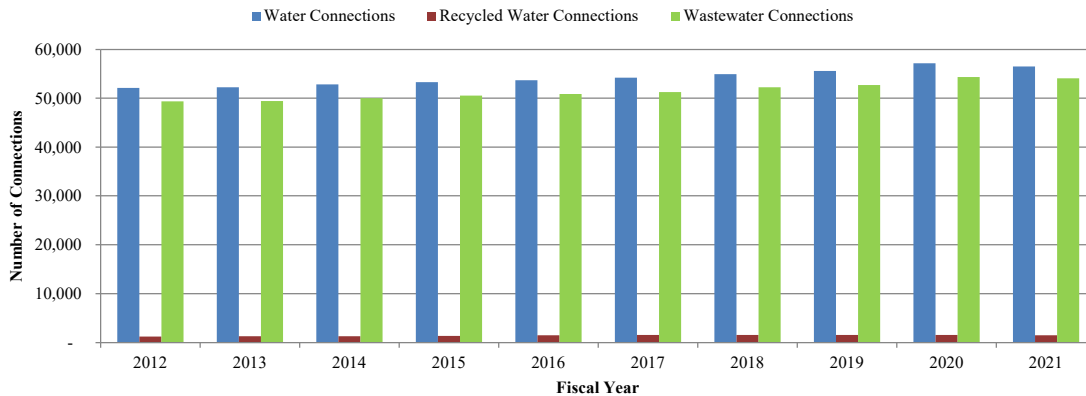
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Commercial	2,162	2,169	2,205	2,212	2,225	2,244	2,301	2,306	2,291	2,278
Domestic Irrigation	1,484	1,486	1,495	1,498	1,435	1,396	1,390	1,380	1,449	1,445
Construction	35	42	46	39	44	49	45	31	32	27
Lakefill	2	2	2	2	2	2	1	1	1	1
Residential Single Family	35,676	35,715	36,022	36,138	36,299	36,626	37,068	37,497	38,535	38,056
Residential Multi Family	12,746	12,789	13,064	13,377	13,670	13,897	14,117	14,340	14,824	14,657
Total Water Connections	52,105	52,203	52,834	53,266	53,675	54,214	54,922	55,555	57,132	56,464

Recycled Water Connections by Customer Class

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Non-domestic Irrigation	1,218	1,257	1,283	1,318	1,416	1,479	1,524	1,522	1,536	1,458
Commercial	5	5	7	8	9	9	9	10	2	3
Construction	-	-	5	27	37	46	25	14	14	13
Total Recycled Water Connections	1,223	1,262	1,295	1,353	1,462	1,534	1,558	1,546	1,552	1,474

Wastewater Connections by Customer Class

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Commercial	939	938	948	993	903	912	1,024	957	926	921
Residential Single Family	35,670	35,709	36,016	36,132	36,292	36,544	37,060	37,439	38,378	37,953
Residential Multi Family	12,746	12,789	13,064	13,377	13,670	13,813	14,117	14,304	15,039	15,214
Total Wastewater Connections	49,355	49,436	50,028	50,502	50,865	51,269	52,201	52,700	54,343	54,088

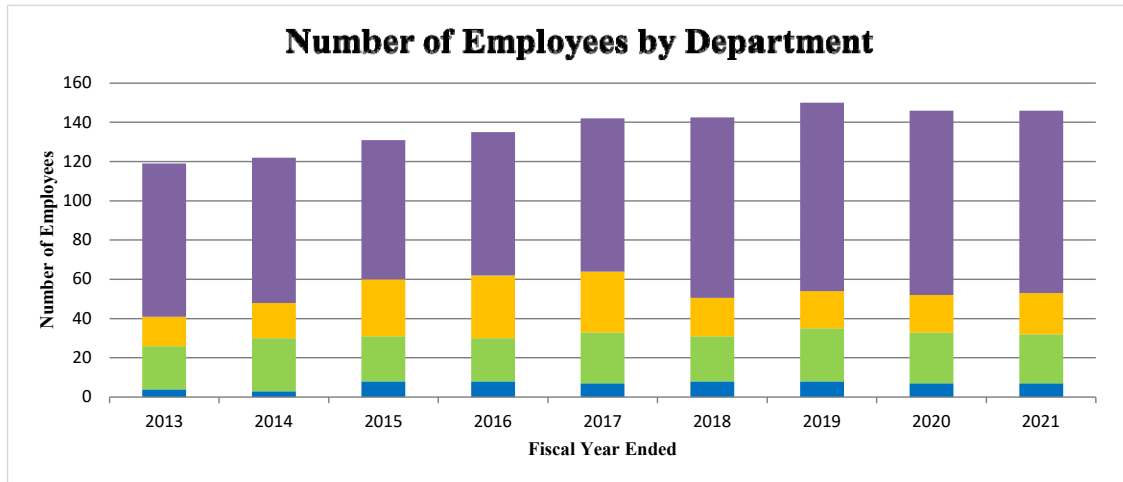


	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Water Revenue per Water Connection	\$ 571	\$ 633	\$ 686	\$ 642	\$ 577	\$ 679	\$ 774	\$ 737	\$ 760	\$ 868
Recycled Revenue per Recycled Connection	\$ 4,144	\$ 4,773	\$ 5,351	\$ 5,336	\$ 4,628	\$ 5,161	\$ 5,468	\$ 4,759	\$ 5,148	\$ 7,359
Wastewater Revenue per Wastewater Connection	\$ 232	\$ 237	\$ 242	\$ 243	\$ 289	\$ 373	\$ 404	\$ 407	\$ 436	\$ 456

Source: SMWD utility billing system

SANTA MARGARITA WATER DISTRICT
Employee Information

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Administration	6	4	3	8	8	7	8	8	7	7
Finance	20	22	27	23	22	26	23	27	26	25
Engineering	23	15	18	29	32	31	19.5	19	19	21
Operations	73	78	74	71	73	78	92	96	94	93
Total	122	119	122	131	135	142	142.5	150	146	146



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Water Connections per Employee	427	439	433	407	398	382	385	370	391	387
Recycled Water Connections per Employee	10	11	11	10	11	11	11	10	11	10
Wastewater Connections per Employee	405	415	410	386	377	361	366	351	372	370
Total Revenues per Employee \$	\$ 702,856	\$ 764,672	\$ 852,253	\$ 730,940	\$ 656,892	\$ 732,147	\$ 618,630	\$ 577,624	\$ 625,789	\$ 685,275

Excludes the elected Board of Directors

Source: SMWD payroll records



*Santa Margarita
Water District*

BOARD OF DIRECTORS

CHARLES T. GIBSON

PRESIDENT, FINANCE AND ADMINISTRATION COMMITTEE,
EXTERNAL AND LEGISLATIVE AFFAIRS COMMITTEE

JUSTIN MCCUSKER

VICE PRESIDENT, ENGINEERING AND OPERATIONS COMMITTEE,
EXTERNAL AND LEGISLATIVE AFFAIRS COMMITTEE

FRANK URY

DIRECTOR AND ENGINEERING AND OPERATIONS COMMITTEE

SAUNDRA F. JACOBS

DIRECTOR AND WATER QUALITY AND TREATMENT COMMITTEE

BETTY H. OLSON, PH. D.

DIRECTOR, WATER QUALITY AND TREATMENT COMMITTEE,
FINANCE AND ADMINISTRATION COMMITTEE

GENERAL MANAGER

DANIEL R. FERONS

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