

# 20 25



**Santa Margarita  
Water District**

**Rancho Santa Margarita,  
California**

# Annual Comprehensive Financial Report

**For Fiscal Year Ended June 30, 2025**



*Santa Margarita  
Water District*

# Annual Comprehensive Financial Report

For Fiscal Year Ended June 30, 2025

**Prepared by  
the Finance Department**

26111 Antonio Parkway,  
Rancho Santa Margarita, CA 92688  
[www.smwd.com](http://www.smwd.com)

**SANTA MARGARITA WATER DISTRICT**  
**Annual Comprehensive Financial Report**  
**For Fiscal Year Ended June 30, 2025**

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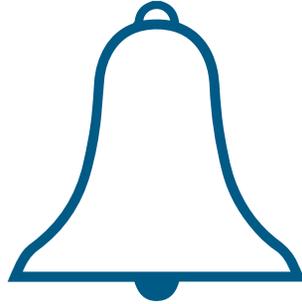
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**Annual Comprehensive Financial Report**  
**For Fiscal Year Ended June 30, 2025**

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# Santa Margarita Water District

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# Introductory Section



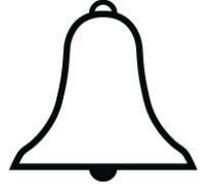
Santa Margarita  
Water District

## SANTA MARGARITA WATER DISTRICT

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### BOARD OF DIRECTORS

LAURA FREESE  
MARGARET NOVAK  
SAUNDRA F. JACOBS  
BETTY H. OLSON, PH.D  
FRANK URY



*Santa Margarita Water District*

ROBERT S. GRANTHAM  
GENERAL MANAGER

November 3, 2025

To: Honorable Board of Directors and Residents

From: Robert Grantham, General Manager  
Paul Pender, Director of Finance  
Erin Schlegel, Controller

Subject: Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2025

We are pleased to present Santa Margarita Water District's (SMWD or District) Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2025 (FY 2025). Our Finance Department has prepared this report following the guidelines recommended by the Governmental Accounting Standards Board (GASB) and Generally Accepted Accounting Principles (GAAP). This report provides financial information, analysis, and supporting notes and disclosures to help the public understand our financial position. The report is organized into four sections:

- **Transmittal Letter:** Provides context for the report by identifying SMWD's public services provided, local economy and customer base, and major initiatives, and financial policies and internal controls.
- **Management's Discussion and Analysis (MD&A):** The MD&A includes a narrative introduction and basic financial statements. It is presented immediately after the report from the independent audit firm. The MD&A complements this transmittal letter and should be read in conjunction with it.
- **Basic Financial Statements:** The basic financial statements, including supporting footnotes, have been audited by SMWD's independent auditors, Davis Farr LLP, a firm of certified public accountants. The independent audit aims to provide reasonable assurance that SMWD's basic financial statements are free of material misstatements.
- **Supplementary and Statistical Information:** Supplemental financial and other statistical data are included to provide additional context and relevant factors impacting SMWD's financial picture.

SMWD's management is responsible for ensuring the accuracy, completeness, and reliability of the information presented in this report, supported by a comprehensive framework of internal

## SANTA MARGARITA WATER DISTRICT

controls. Recognizing that the cost of implementing and maintaining mitigating controls should not outweigh the benefits of reducing the risk, the objective of this framework is to provide reasonable, not absolute, assurance that the financial statements are free from material misstatements.

The District's independent auditors, Davis Farr LLP, have issued an unmodified opinion on the District's financial statements for the fiscal year ended June 30, 2025. The audit process involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles applied, evaluating estimates made by management, and reviewing the overall presentation of the financial statements. The independent auditor's report can be found at the beginning of the financial section of this report.

### Profile of the District



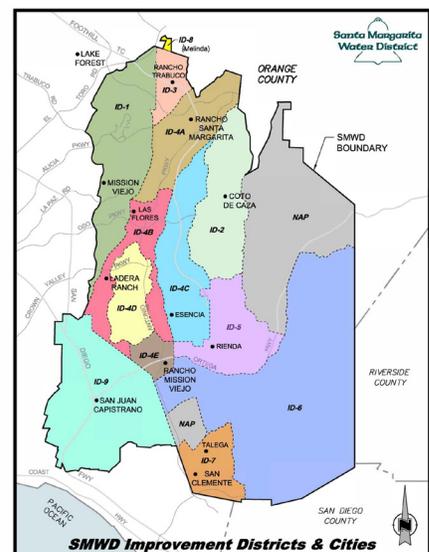
Formed in 1964, the District is the second largest retail water agency in Orange County, providing domestic (potable) water, recycled water, and wastewater services to approximately 220,000 residents. SMWD serves communities across southeastern Orange County, including the eastern half of Mission Viejo, most of Rancho Santa Margarita, San Juan Capistrano (Improvement District 9), the Talega community of San Clemente, and the unincorporated areas of Coto de Giza, Ladera Ranch, Las Flores, and the villages of Rancho Mission Viejo, including its growing Rienda community.

SMWD operates as an independent special district governed by a five-member Board of Directors, elected by division. For more than six decades, the District has emphasized innovative planning, fiscal responsibility, and long-term water resiliency to meet the evolving needs of its communities. In addition to its retail services, SMWD operates key regional facilities in partnership with neighboring water agencies, such as the South County Pipeline, Upper Chiquita Reservoir, and Upper Oso Reservoir. Through regional partnerships and long-range strategic planning, SMWD continues to build a reliable, sustainable water future for its service area.

### 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 Service:** District's domestic (potable) water supply comes primarily from imported sources through the Metropolitan Water District of Southern California (MWD), which conveys water from northern California via the State Water Project and from the Colorado River via the Colorado River Aqueduct. MWD delivers treated water to the District through the Robert B. Diemer Filtration Plant and the Baker Water Treatment Plant (Baker Plant), operated by the Irvine Ranch Water District



## SANTA MARGARITA WATER DISTRICT

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(IRWD). Water purchases represent the District's largest operating cost, accounting for 38% of total operating expenses in FY 2025. In addition, the District produces about 5% of its drinking water supply locally through the San Juan Groundwater Plant. The District's potable water quality consistently meets or exceeds state and federal standards, supported by annual reporting and in-house laboratory testing.

The District has made significant investments to enhance its drinking water storage and reliability. These include constructing a regional emergency storage project, the Upper Chiquita Reservoir, and ensuring system interconnections with all neighboring water agencies. The District's system ensures 30 days of backup supply during planned shutdowns or disruptions in the MWD system.

- **Recycled Water Service:** Recycled Water is a critical component of the District's water supply portfolio, both now and for the future. The District continues to expand efforts to recycle and beneficially use recycled water wherever practical. In FY 2025, recycled water accounted for 10% of total customer demand. The District's recycled water, sourced mainly from highly treated wastewater, is used for irrigation and construction activities. Most of this supply is produced at the Chiquita Water Reclamation Plant and stored in the Upper Oso Seasonal Storage Reservoir and the Trampas Canyon Dam & Recycled Water Seasonal Storage Reservoir (Trampas Reservoir), ensuring a reliable and sustainable non-potable water source for the community.
- **Wastewater Service:** The District operates a comprehensive wastewater collection and treatment system and participates in the South Orange County Wastewater Authority (SOCWA), which manages regional wastewater treatment facilities. The District has made significant investments to its Chiquita Water Reclamation Plant to recycle wastewater, advancing its goal of ultimately reusing 100% of wastewater flows. To ensure reliable operation, the District conducts regular video inspections of pipelines, uses vacuum trucks for cleaning, and operates its sewage lift stations with backup power to move wastewater through the area's varied terrain.

### Local Economy

The District serves communities with above-average median household income and strong housing growth. The District's service area is still growing, adding 474 accounts for potable and recycled water service over the past year. The District receives a share of general County of Orange property taxes, which are utilized to fund capital projects and offset customer rates. This economic base supports stable revenues for water, recycled water, and wastewater services, while regional interagency partnerships provide opportunities to diversify supply reliability and infrastructure investments.

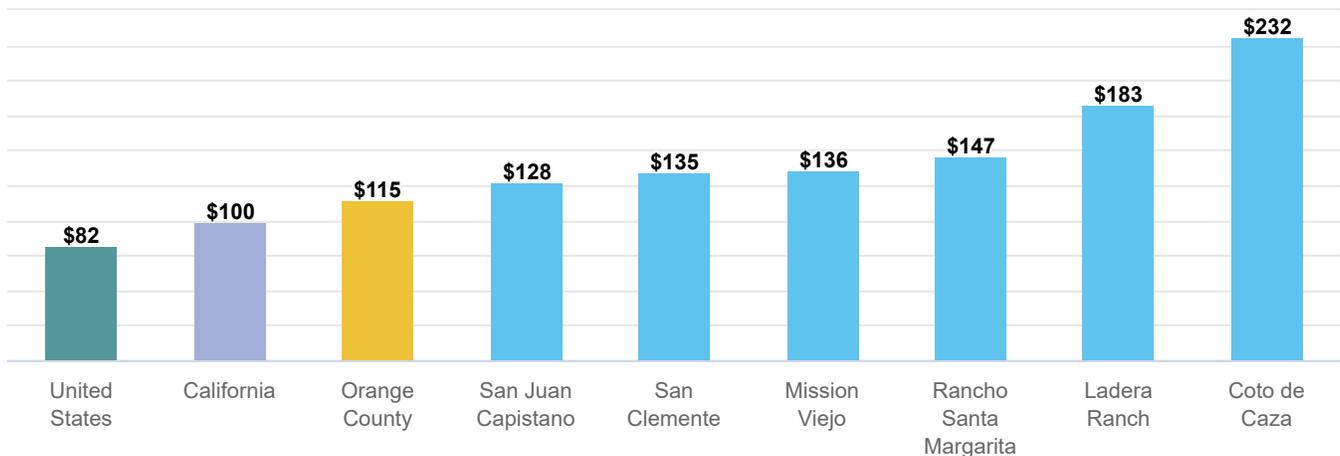
- **Accounts /Account Growth:** The District's service area continues to expand, with a net increase of 474 water and recycled water accounts over the past year. Potable water accounts grew by 0.7% and wastewater accounts by 0.9%, while recycled water accounts declined slightly year-over-year.
- **Property Tax Revenue Growth and or Assessed Value Growth:** The District benefits from strong property tax revenues that support capital investment and help stabilize customer rates. In FY 2025, general base property tax receipts increased from \$10.4 million in FY 2024 to

## SANTA MARGARITA WATER DISTRICT

\$11.2 million, reflecting a 8% year-over-year growth. This steady revenue stream provides a reliable financial foundation for long-term infrastructure and service commitments.

- **Local Economy:** The District’s customer base is also relatively affluent compared to both California and national averages. As indicated in the following table, the Median Household Income for the cities and unincorporated areas within the District, such as Ladera Ranch and Coto de Caza, all exceed the California and Orange County averages.

### Median Household Income (thousands)



Source: US Census Bureau, as of 2023

### Major Initiatives

For more than six decades, the District has provided reliable and cost-effective water and wastewater services through innovation and long-term planning. The District’s major initiatives continue to drive progress toward strategic goals:

- **Maximizing Water Reuse:** Recycle and re-use 100% of wastewater flows to create a sustainable local supply of recycled water.
- **Enhancing Local Water Supply:** Secure 30% of potable water supply from local sources, and up to 50% from sources other than imported water.
- **Planning for Resilience:** Develop and maintain six months of water storage to ensure readiness for emergencies and contingencies.

#### *Developing and Diversifying Water Supplies*

- **Middle San Juan Creek - Groundwater Replenishment and Reuse Program:** The Ranch Water Filtration Plant is being evaluated as part of an indirect potable water replenishment and reuse project, which would provide a source of local drinking water. By infiltrating a combination of storm water, surface water runoff, and recycled water, the Ranch Water Filtration Plant may produce up to about 4,800 acre-feet per year of drinking water, supporting the District’s goal of meeting 30% of drinking water demands with local water supplies.

- **San Juan Groundwater Plant:** Since commencing service to the City of San Juan Capistrano, the District has made significant investments in the San Juan Groundwater Plant (Plant), which produces local drinking water. The aim of these investments has been to restore the Plant to its full operating capacity, increasing local drinking water production. The cost for this locally produced water, at the Plant's full production capacity, is also less expensive than imported water.



- **Alternative Sources:** The District continues to participate in the development of the Cadiz Valley Water Conservation, Recovery, and Storage Project. The Project contemplates providing an alternate source of drinking water to participating agencies in Southern California. On June 5, 2024, the District entered into the Northern Pipeline Delivery Agreement, establishing terms for potential future purchases of drinking water from the project.

### *Wastewater Treatment Plant Optimization*



- **Chiquita Water Reclamation Plant:** The Chiquita Water Reclamation Facility Plan is designed to expand treatment capacity to meet the needs of a growing community while advancing innovative water management solutions. The facility currently operates at 6.5 million gallons per day (MGD) and is planned to ultimately expand to 10 MGD. The project's objectives include accommodating future population growth, incorporating innovative treatment technologies, and providing a sustainable alternate source of local water, including potable reuse.
- **Oso Creek Water Reclamation Plant:** The Oso Creek Water Reclamation Program is advancing with the development of a new membrane bioreactor (MBR) facility, which is designed to expand local water recycling capacity. The facility will provide 3.75 MGD of wastewater treatment and is using an alternative project delivery approach to accelerate implementation and reduce costs. The program's objectives are to maximize recycled water production, establish a strong public-public partnership, and minimize downstream impacts, contributing to a more resilient and sustainable water supply.
- **J.B. Latham Wastewater Treatment Plant:** The J.B. Latham Master Plan (Plan) is a joint project between SMWD and South Coast Water District (SCWD) focused on guiding the future of the J.B. Latham Wastewater Treatment Plant. The Plan will outline strategies for plant modernization to ensure long-term reliability, efficiency, and sufficient capacity for both agencies. Key objectives include addressing future regulatory requirements, upgrading key plant components, and exploring the potential for direct potable reuse as part of a broader effort to expand sustainable local water supplies.

### *San Juan Capistrano System Improvements*

- The District is pursuing a comprehensive program of system upgrades, beginning with critical fire flow improvements to enhance public safety. Additional planned improvements include replacing aging pipelines, improving water quality, and integrating advanced technologies to support more efficient operations. Together these efforts will strengthen system resilience, extend asset life, and ensure the delivery of safe, reliable water to the community for decades to come.

### *New Technologies and Innovation*

- **Enterprise Asset Management:** This program is being undertaken to optimally maintain its \$3 billion water, recycled water, wastewater, and energy system while ensuring long-term sustainability and reliability. The program provides a framework to guide asset maintenance, investment, and renewal in a way that aligns day-to-day operations with organizational goals and evolving regulatory requirements. By leveraging integrated data and enterprise solutions, including Geographic Information System (GIS), Customer Information System (CIS), and other advanced technologies. The District is building a data-driven approach that improves decision-making, enhances efficiency, and ensures resources are directed where they deliver the greatest value for the community.
- **System Master Plans:** This initiative will result in a comprehensive framework for managing projects across water, recycled water, wastewater, and energy systems. These plans are designed to support data-driven decision-making and ensure that regulatory compliance and long-term financial planning are fully integrated into operations. Key elements of the program include advanced hydraulic system modeling to better understand system performance, the development of capital improvement plans to prioritize critical investments, and strategies to guide the sustainable renewal and expansion of infrastructure.
- **Data Warehouse:** The Data Warehouse and workflow platform serves as the central hub for integrating, managing, and analyzing operational data across the organization. By consolidating information from multiple systems, including customer information, geographic information, asset management, and financial platforms, the Data Warehouse enables a single source of truth for decision-making. Automated workflows streamline processes, reduce redundancies, and ensure that staff have timely access to accurate data.

### *Commitment to Water Use Efficiency*

The District is committed to water use efficiency as a cornerstone of its long-term sustainability strategy. By promoting conservation programs, investing in smart technologies, and supporting customer education, the District is working to reduce demand while ensuring reliable service. Efforts include implementing high-efficiency fixture and appliance rebate programs, encouraging drought-tolerant landscaping, expanding



recycled water use, and deploying advanced metering systems to provide real-time data that empowers customers to better manage consumption.

### **Financial Policies and Internal Controls**

SMWD has adopted the following financial policies and implemented the following internal controls:

#### *Investment Policy*

The Investment Policy guides how the District invests funds in compliance with State law. The policy's objectives are to preserve capital, maintain liquidity, and achieve a reasonable return through a balanced portfolio. The District presents its investment statements monthly to its Finance Committee and quarterly to the Board of Directors.

#### *Reserve Policy*

The District's Reserve Policy is a key part of the District's comprehensive financial strategy, ensuring the District's management and governing body consistently adhere to prudent fiscal practices, including to:

- Provide rate stability for customers;
- Fund unanticipated costs and emergency expenses; and
- Ensure long-term capital investments and limit liabilities.

The Reserve Policy sets minimum reserve requirements and funding goals for Operating and Capital needs, including general operating and rate stabilization, and capital repair and replacement, new project, and emergencies. The District maintains separate reserve policies for Improvement Districts 1–8 (IDs 1–8) and Improvement District 9 (ID 9), which serves the San Juan Capistrano system. As of June 30, 2025, the District's unrestricted reserves for both IDs 1–8 and ID 9 fully met all established minimum funding requirements.

#### *Fiscal Policy*

The District's Fiscal Policy is another key element of the District's comprehensive financial strategy, ensuring the District's management and governing body consistently maintain a sound financial position.

The key financial metrics governed by the Policy include: 1) maintaining a minimum target of reserves each year and in financial planning efforts, and 2) sustaining a strong debt service coverage ratio.

The debt service coverage ratio is defined as annual revenues, less operating expenses, divided by annual debt payments. The minimum reserve levels are established based on the number of "days cash" based on budgeted operating expenses. For IDs 1–8, the policy is 270 days (nine months) of operating expenses and requires a minimum debt service coverage ratio of 1.50. For ID 9, the policy goal is 180 days (six months) of operating expenses in reserves and a minimum debt service coverage ratio of 1.25.

## SANTA MARGARITA WATER DISTRICT

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Maintaining these key metrics ensures the District exceeds legal debt requirements, maintains strong credit ratings, and minimizes the interest cost of any future debt issued.

### *Section 115 Pension Trust and Investment Policy*

The District established a Section 115 Pension Trust to reduce future pension costs and achieve higher investment returns than permissible under the District's Investment Policy for its operating and capital reserves. The Trust also serves as a contingency funding source to offset annual pension obligations if needed. As of June 30, 2025, the Trust balance was \$7.9 million.

### *Bond and Loan Policy*

The Policy ensures that any future debt is issued in accordance with the District's financial goals and policies and that the requirements of both Federal and California laws are met. The Policy identifies that evaluating and prudently using debt is an important aspect of long-term financial planning. The Policy also contains detailed procedures for managing ongoing compliance and annual disclosure requirements of existing debt.

### *Purchasing Policy*

This policy establishes uniform procedures for procuring services, supplies, equipment, and materials in compliance with California Government Code and federal grant requirements. It ensures purchases are made through fair and transparent bidding practices, providing maximum value at minimum cost to taxpayers and customers. The policy also satisfies state mandates for written, publicly available procurement rules and aligns with federal Uniform Grants Guidance standards for entities using federal funds.

## **Budgetary Process and Controls**

The District's budget is developed annually and uses a zero-based approach that evaluates each activity, assigning costs based on actual estimated needs for the upcoming year. Each of the District's four departments prepares operating budgets reflecting ongoing activities and new programs anticipated for the fiscal year. The budget process spans about four months, allowing staff to assess needs and identify opportunities for greater efficiency.

The budget is refined and evaluated to ensure consistency with the District's established financial planning, policies and capital program. Once adopted, the budget is closely monitored throughout the year. Management tracks performance by department and division, and financial updates are presented monthly to the Finance Committee and quarterly to the Board of Directors.

## **Accounting and Internal Controls**

In designing and evaluating its accounting system, the District emphasizes strong internal controls. These controls are intended to provide reasonable, though not absolute, assurance that objectives are met in four key areas: (1) reliable financial reporting and asset accountability; (2) efficient and effective operations; (3) compliance with laws and regulations; and (4) protection of assets from unauthorized use or loss. The principle of reasonable assurance recognizes that cost of internal controls should not outweigh the benefit derived from reducing risk, and that management must exercise judgment in balancing costs against the expected benefits.

## SANTA MARGARITA WATER DISTRICT

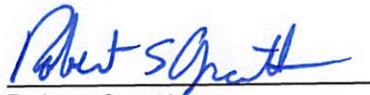
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### Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Santa Margarita Water District a Certificate of Achievement for Excellence in Financial Reporting for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2024. This marks the eleventh consecutive year the District has earned this recognition. To receive the award, a government agency must prepare and publish a report that is clearly written, well-organized, and meets the highest standards of generally accepted accounting principles and all applicable legal requirements.

This report reflects the dedication and year-round efforts of the Finance Department and staff across all divisions, working closely with the District's independent auditors. We are grateful to the Board of Directors for their leadership and continued commitment to responsible financial management, transparency, and stewardship of ratepayer funds.

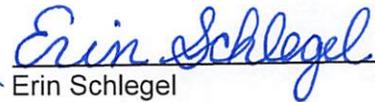
Respectfully submitted,



Robert Grantham  
General Manager



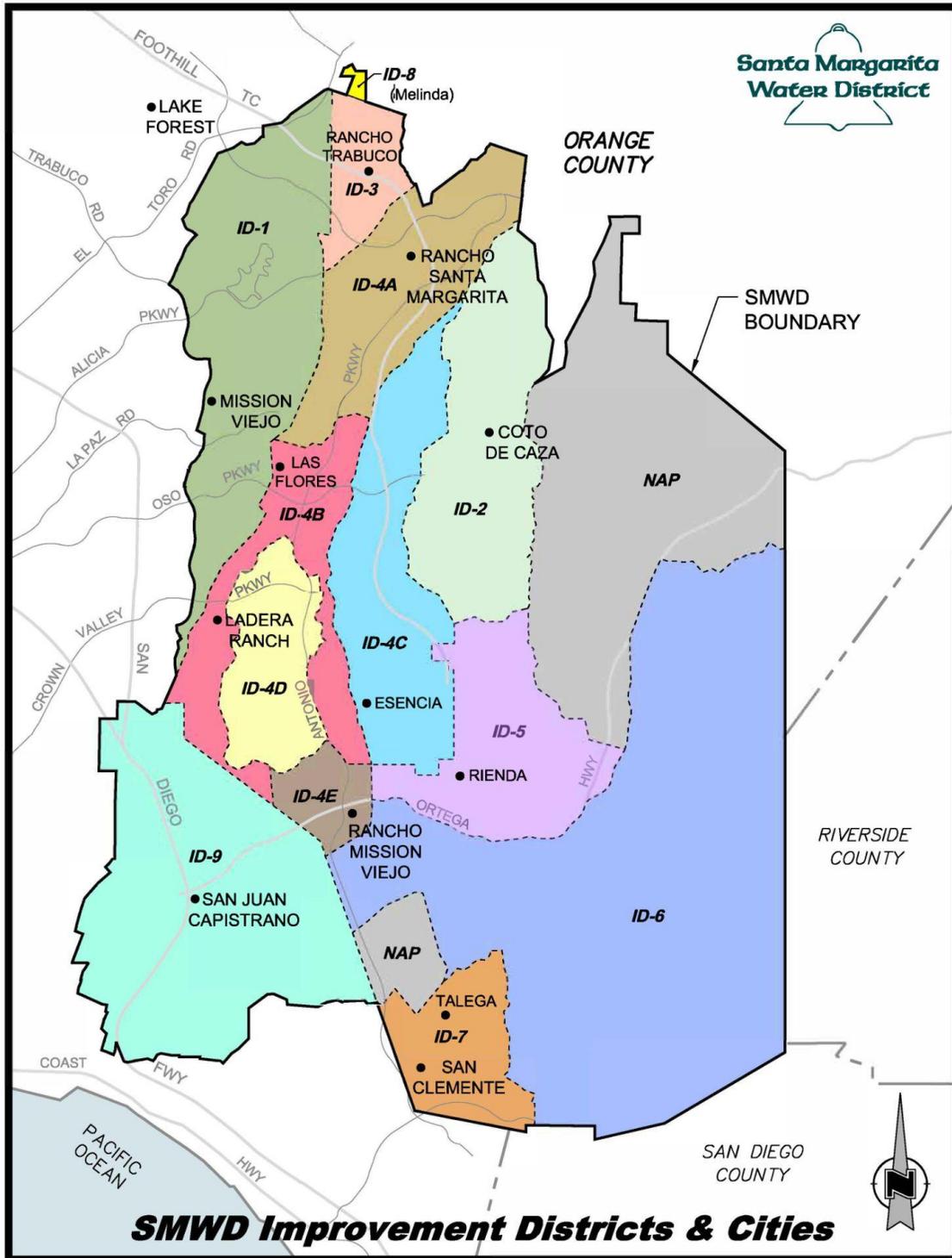
Paul Pender  
Director of Finance



Erin Schlegel  
Controller

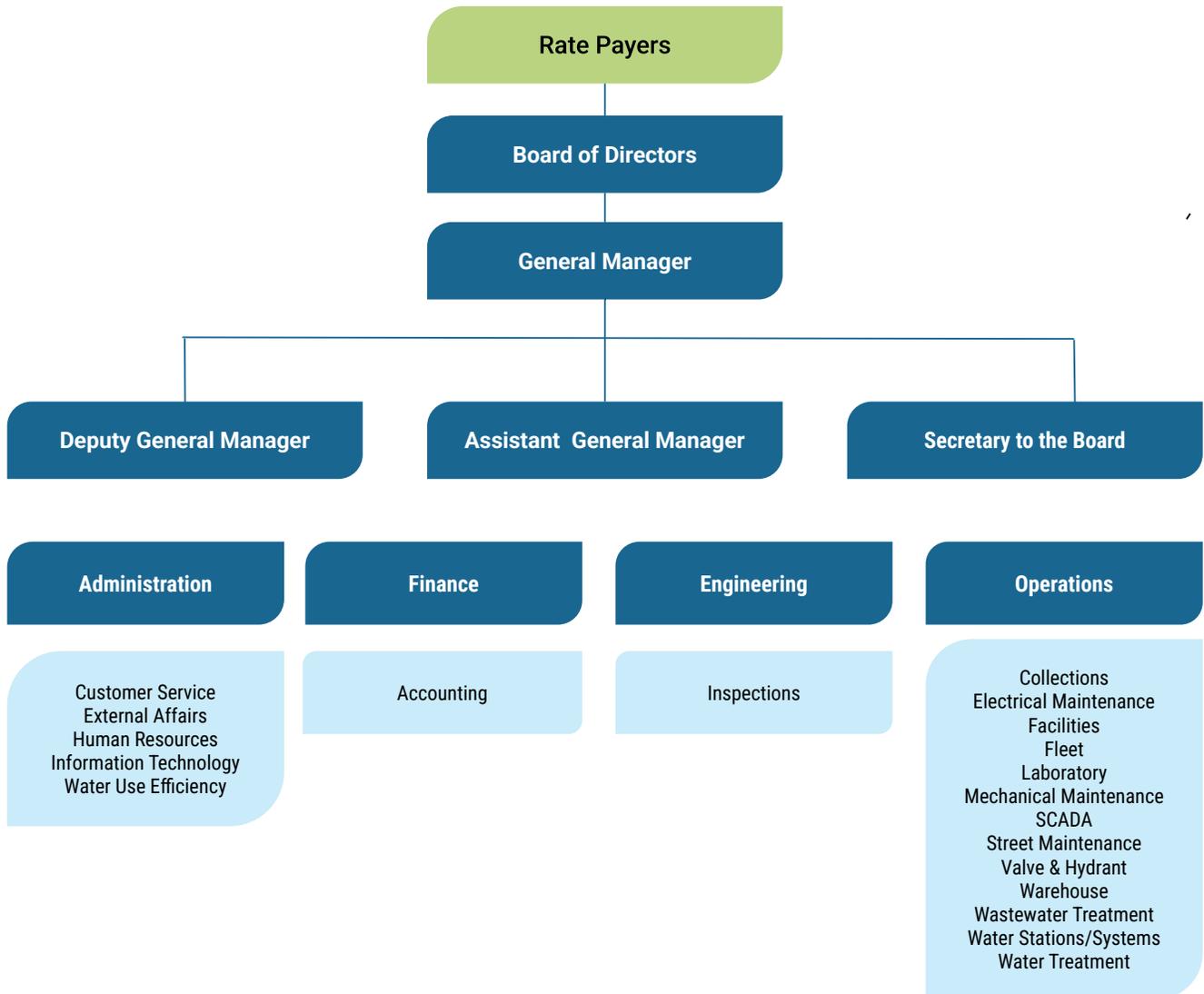
# SANTA MARGARITA WATER DISTRICT

## DISTRICT SERVICE AREA MAP



Note: "NAP" (Gray) areas are "not a part" of any Improvement District.

## District Organizational Structure



## District Officials – as of June 30, 2025

### Elected Board of Directors:

<b>Name</b>	<b>Length of Service</b>	<b>Current Term of Service</b>
Betty H. Olson, Ph.D.	31 Years	2024-2028
Saundra F. Jacobs	29 Years	2022-2026
Frank Ury	6 Years	2024-2028
Laura Freese	3 Year	2022-2026
Margaret Novak	1 Year	2024-2028

### District Management:

<b>Name</b>	<b>Position</b>
Robert Grantham	General Manager
Kristine Day	Assistant General Manager
Lindsay Leahy	Deputy General Manager
Paul Pender	Director of Finance
Tricia Butler	Chief Engineer
Eric Smith	Utilities Manager
Nate Adams	Director of Water Resiliency



Government Finance Officers Association

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Reporting

Presented to

**Santa Margarita Water District  
California**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2024

*Christopher P. Morill*

Executive Director/CEO

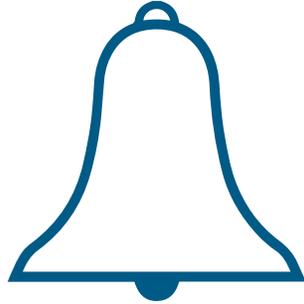
## Glossary Of Terms Used

- **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.
- **Assets** – 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. Capital assets net of 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.
- **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.

## SANTA MARGARITA WATER DISTRICT

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- **Generally Accepted Accounting Principles (GAAP)** – Uniform minimum standards used by state and local governments for accounting and financial 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.
- **Subscription-Based Information Technology Arrangements (SBITAs)** - A SBITA is defined, for the purposes of auditing and accounting for assets and liabilities, as a contract that conveys control of the right to use another party’s information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction.

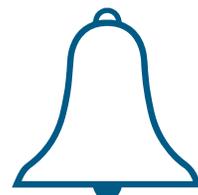


# Santa Margarita Water District

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# Financial Section



Santa Margarita  
Water District



**Davis Farr LLP**  
18201 Von Karman Avenue | Suite 1100 | Irvine, CA 92612  
Main: 949.474.2020 | Fax: 949.263.5520

## **Independent Auditor's Report**

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

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

#### ***Opinions***

We have audited the financial statements of the business-type activities and the aggregate remaining fund information of the Santa Margarita Water District ("District"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Santa Margarita Water District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Emphasis of Matter***

As described further in Note 7 to the financial statements, during the year ended June 30, 2025, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 101. Our opinion is not modified with respect to this matter.

The financial statements for the year ended June 30, 2025 reflect a prior period adjustment as described further in Note 19 to the financial statements. Our opinion is not modified with respect to this matter.

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year after the date that the financial statements are issued.

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

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

In performing an audit in accordance with GAAS, we:

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Schedule of Changes in the Net Pension and Related Ratios, and Schedule of Contributions* be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the

information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The *Combining Area Schedule of Net Position* is presented for purpose of additional analysis and are not a required part of the basic financial statements.

The *Combining Area Schedule of Net Position* is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *Combining Area Schedule of Net Position* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Information**

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the introductory section and statistical section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Santa Margarita Water District's internal control over financial reporting and compliance.



Irvine, California  
October 28, 2025

## **Management's Discussion and Analysis – Required Supplementary Information (Unaudited)**

This section presents the District's Management's Discussion and Analysis (MD&A) of financial performance during the fiscal year ended June 30, 2025 (FY 2025). The MD&A is encouraged to be read and considered in conjunction with the preceding Independent Auditor's Report, letter of transmittal, basic financial statements, and accompanying notes.

### **Santa Margarita Water District**

The District was formed in 1964 under the provisions of the California Water District Law to serve the rapidly developing communities of southern Orange County. Operating under the authority of the California Water Code, SMWD delivers a broad range of services, including the delivery of domestic (potable) and recycled water to residential and commercial customers, as well as the collection, treatment, and disposal of wastewater. The District also manages recycled water for irrigation and sustainability purposes, supporting long-term local water resources for its customers. Today, SMWD is the second-largest retail water agency in Orange County, serving approximately 220,000 residents across a service area of approximately 62,000 square miles.

### **Overview of the Required 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 in conformity with generally accepted accounting principles. As an enterprise fund, the District accounts for its operations in a manner similar to private business enterprises, with the objective of recovering the cost of services primarily through user charges. The financial statements are designed to provide readers with relevant and understandable information regarding the District's financial condition and operating results. They consist of six primary statements: (1) the Statement of Net Position, (2) the Statement of Revenues, Expenses and Changes in Net Position, (3) the Statement of Cash Flows, (4) the Statement of Fiduciary Net Position, (5) the Statement of Changes in Fiduciary Net Position, and (6) the Notes to the Basic Financial Statements.

*The Statement of Net Position* presents information on the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the residual balance reported as net position. Over time, changes in net position can serve as a key indicator of whether the District's financial position is improving or deteriorating. These results, however, should be considered alongside other non-financial factors, such as economic conditions, regional growth, regulatory changes, and legislative developments.

*The Statement of Revenues, Expenses and Changes in Net Position* reports the District's revenues and expenses for the fiscal year. This statement provides insight into operating performance and helps assess the extent to which the District has recovered its costs through user charges, capital contributions, or other revenue sources.

*The Statement of Cash Flows* reports the District's cash receipts and payments for the fiscal year, classified by operating activities, non-capital financing activities, capital and related financing activities, and investing activities. This statement enables readers to evaluate how the District

**SANTA MARGARITA WATER DISTRICT**  
**Management's Discussion and Analysis**  
**For Fiscal Year Ended June 30, 2025**

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generates and uses cash and provides a comparative perspective on the sources and uses of cash flows.

*The Notes to the Basic Financial Statements* provide additional detail and explanations that are essential to a full understanding of the data presented in the financial statements. The notes are an integral component of the District's financial reporting.

In addition, the District reports information for certain Community Facilities Districts as Fiduciary Funds, in which the District holds assets in a trustee capacity for the benefit of others. The Fiduciary Fund Statements consist of the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position.

*The Statement of Fiduciary Net Position* presents information on assets, liabilities, and deferred outflows and inflows of resources of fiduciary activities.

*The Statement of Changes in Fiduciary Net Position* reports additions to and deductions from the Fiduciary Fund's net position.

### **FY 2025 Financial Highlights**

- The District's total operating revenues were \$132.1 million, up an increase of \$18.8 million or 16.6% from the prior fiscal year. This increase was driven by higher potable water usage and rate adjustments, including a 7% rate increase for Improvement District 9 (San Juan Capistrano) customers effective July 1, 2024.
- During FY 2025, the District's service area experienced relatively drier and warmer weather conditions compared to the prior fiscal year. These conditions increased demand for irrigation and other water usage, resulting in a higher commodity charge revenues for both potable and recycled water.
- Operating expenses increased by \$13.0 million or 12.0% to (\$121.5 million from \$108.6 million). Water purchases were the biggest contributor to the increase, at \$10.1 million, reaching \$45.6 million (38% of total annual expenses).
- Non-operating revenues totaled \$25.9 million in FY 2025, an increase of \$12.0 million or 86.5%. The increase was primarily due to a movement of \$5.7 million Contributions from Agencies from Capital Contributions as well as a \$4.9 million reduction in Loss on Disposal of Capital Assets, which decreased to \$1.4 million in FY 2025, compared to a \$6.3 million loss in prior fiscal year. Loss on Disposal of Capital Assets reflect balance sheet adjustments; in the prior fiscal year, the amount primarily reflected the recognition in the change in ownership capacity at the 3A Wastewater Treatment Plant.
- Unrestricted cash and investments decreased to \$129.5 million, or by \$16.2 million or 11.1% compared to the prior fiscal year. The decline was primarily due to an elective \$15.5 million pre-purchase of future water delivery during the year.
- Net capital assets were \$932.1 million as of June 30, 2025, an increase of \$2.1 million or 0.2% from the prior fiscal year. This increase was primarily due to a net increase of \$3.0 million

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in construction in progress related to ongoing District projects, partially offset by a higher depreciation expense during the year.

- The District's total liabilities decreased by \$16.5 million to \$249.3 million as of June 30, 2025, primarily attributable to a \$9.9 million in repayment of bonds and loans payable, \$2.2 million decrease in net pension liability, and decreases across other liability categories.

**Statement of Net Position**

Net Position as of June 30, 2025, increased by \$15.5 million or 1.8% to \$885.4 million. The largest portion of the District's net position represents its investment in capital assets, net of accumulated depreciation and amortization, and reduced by related outstanding debt.

**Condensed Statement of Net Position**

	Fiscal Year 2025	Fiscal Year 2024	Increase (Decrease)	Percent Increase (Decrease)
<b>Assets:</b>				
Current Assets	\$ 191,945,722	\$ 192,091,634	\$ (145,912)	(0.1%)
Capital Assets, Net	932,059,964	929,918,882	2,141,082	0.2%
Non-Current Assets	3,099,384	3,374,847	(275,463)	(8.2%)
<b>Total Assets</b>	<b>1,127,105,070</b>	<b>1,125,385,363</b>	<b>1,719,707</b>	0.2%
<b>Deferred Outflows of Resources</b>	<b>10,948,365</b>	<b>14,517,235</b>	<b>(3,568,870)</b>	<b>(24.6%)</b>
<b>Liabilities</b>				
Current Liabilities	28,943,546	34,391,812	(5,448,266)	(15.8%)
Non-Current Liabilities	220,369,249	231,469,013	(11,099,764)	(4.8%)
<b>Total Liabilities</b>	<b>249,312,795</b>	<b>265,860,825</b>	<b>(16,548,030)</b>	<b>(6.2%)</b>
<b>Deferred Inflows of Resources</b>	<b>3,344,303</b>	<b>4,111,069</b>	<b>(766,766)</b>	<b>(18.7%)</b>
<b>Net Position</b>				
Net Investment in Capital Assets	736,553,382	719,941,165	16,612,217	2.3%
Restricted	20,916,342	24,328,109	(3,411,767)	(14.0%)
Unrestricted	127,926,613	125,661,430	2,265,183	1.8%
<b>Total Net Position</b>	<b>\$ 885,396,337</b>	<b>\$ 869,930,704</b>	<b>\$ 15,465,633</b>	<b>1.8%</b>

Net capital assets increased by \$2.1 million, primarily due to ongoing construction of capital projects, such as the Chiquita Water Reclamation Plant influent lift station and bar screening and electrical facility upgrades, replacement of the R6 Reservoir floating cover and liner, and Phase 1 of the City of San Juan Capistrano pressure reducing station rehabilitation. The District's total liabilities decreased by \$16.5 million to \$249.3 million, driven primarily by a \$11.1 million, or 4.8% reduction in non-current liabilities. This decrease is due to repayment of Revenue and General Obligation bonds, loans and amortization of net premium (discount).

Deferred outflows of resources decreased by \$3.6 million compared to the prior fiscal year, primarily due to the differences between projected and actual earnings in the District's defined benefit pension plan. These amounts are reported in the Governmental Accounting Standards

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Board (GASB) Statement No. 68 Accounting Valuation Report prepared by California Public Employees' Retirement System, the District's pension plan administrator. Based on this report, the District recognized a \$10.1 million variance between projected and the actual earnings as of the measurement date of June 30, 2024 (recorded in FY 2025). This variance is recognized over a five-year period. Offsetting this were decreases related to the amortization of deferred losses on defeasance of the District's General Obligation bonds.

Deferred inflows of resources decreased by \$0.8 million, primarily due to pension investment performance. Similar to prior year, the District's pension plan recognized a decrease, which was recorded as a deferred outflow. See Note 10 and Note 4 in the Notes to the Basic Financial Statements for more information.

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

	Fiscal Year 2025	Fiscal Year 2024	Increase (Decrease)	Percent Increase (Decrease)
<b>Operating Revenues:</b>				
Potable Water Charges	\$ 78,046,904	\$ 67,143,206	\$ 10,903,698	16.2%
Recycled Water Charges	13,438,934	9,124,654	4,314,280	47.3%
Wastewater Charges	34,762,282	31,948,258	2,814,024	8.8%
Other Charges or Services	5,808,635	4,996,902	811,733	16.2%
<b>Total Operating Revenues</b>	<b>132,056,755</b>	<b>113,213,020</b>	<b>18,843,735</b>	<b>16.6%</b>
<b>Operating Expenses:</b>				
Source of Supply - Water Purchases	45,645,464	35,590,277	10,055,187	28.3%
Power	7,826,660	8,399,360	(572,700)	(6.8%)
Maintenance and Operations	17,813,035	15,225,601	2,587,434	17.0%
Regional Participation	246,489	899,807	(653,318)	(72.6%)
Wastewater Treatment	8,072,651	8,195,190	(122,539)	(1.5%)
Salaries, Wages and Related Benefits	32,798,131	31,953,433	844,698	2.6%
General and Administrative	8,979,938	8,298,960	680,978	8.2%
Bad Debt	167,283	-	167,283	-%
<b>Total Operating Expenses before Depreciation and Amortization</b>	<b>121,549,651</b>	<b>108,562,628</b>	<b>12,987,023</b>	<b>12.0%</b>
Depreciation and Amortization Expense	(32,343,587)	(30,369,691)	(1,973,896)	6.5%
<b>Operating Loss</b>	<b>(21,836,483)</b>	<b>(25,719,299)</b>	<b>3,882,816</b>	<b>(15.1%)</b>
<b>Non-Operating Revenues (Expenses)</b>				
Special Assessment Tax Revenues for Debt Service	3,151,754	3,157,863	(6,109)	(0.2%)
Property Taxes	11,159,465	10,349,670	809,795	7.8%
Investment Earnings	8,679,463	8,880,958	(201,495)	(2.3%)
Capacity Lease Revenue	445	21	424	2019.0%
Rental Revenue	1,280,730	1,834,712	(553,982)	(30.2%)
Contributions from Agencies	5,654,063	-	5,654,063	-%
Loss on Disposal of Capital Assets	(1,385,489)	(6,311,775)	4,926,286	(78.0%)
Other Non-Operating Revenue	1,449,042	298,020	1,151,022	386.2%
Interest Expense	(4,081,544)	(4,320,363)	238,819	(5.5%)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>25,907,929</b>	<b>13,889,106</b>	<b>12,018,823</b>	<b>86.5%</b>
<b>Income (Loss) before Capital Contributions</b>	<b>4,071,446</b>	<b>(11,830,193)</b>	<b>15,901,639</b>	<b>(134.4%)</b>
Capital Contributions	11,394,187	17,912,553	(6,518,366)	(36.4%)
<b>Change in Net Position</b>	<b>15,465,633</b>	<b>6,082,360</b>	<b>9,383,273</b>	<b>154.3%</b>
Net Position, Beginning of Year	869,930,704	863,848,344	6,082,360	0.7%
<b>Net Position, End of Year</b>	<b>\$ 885,396,337</b>	<b>\$ 869,930,704</b>	<b>\$ 15,465,633</b>	<b>1.8%</b>

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**Management's Discussion and Analysis**  
**For Fiscal Year Ended June 30, 2025**

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

The District's total operating revenues increased by \$18.8 million or 16.6% compared to FY 2024. The primary drivers of this increase were higher potable water charges of \$10.9 million, recycled water charges of \$4.3 million, and wastewater charges of \$2.8 million. These increases reflect a 7% rate adjustment for Improvement District 9 in July 2024, along with higher customer demand resulting from drier weather conditions compared to the prior year.

Total operating expenses, before depreciation and amortization, increased by \$13.0 million or 12.0%. The largest contributor was a \$10.1 million increase in water purchases, reflecting higher imported water costs.

Net non-operating revenues increased by \$12.0 million or 86.5%, primarily due to a \$5.7 million movement of Contributions from Agencies and a \$4.9 million reduction in loss on disposal of assets. This change was largely attributable to the prior year's write-off of the District's \$5.2 million capacity in the 3A Wastewater Reclamation Plant, which has been acquired by Moulton Niguel Water District in December 2024 pursuant to an agreement between the two agencies.

**Capital Assets**

The District's net capital assets totaled \$932.1 million, an increase of \$2.1 million from the prior year. During FY 2025, the District completed \$22.8 million in projects, which were transferred from construction in progress to depreciable assets. In addition, the District purchased \$2.2 million of equipment, which was added to capital assets during the year. As of June 30, 2025, the District had \$15.3 million in capital asset commitments.

**SANTA MARGARITA WATER DISTRICT**  
**Management's Discussion and Analysis**  
**For Fiscal Year Ended June 30, 2025**

	Fiscal Year 2025	Fiscal Year 2024	Increase (Decrease)	Percent Increase (Decrease)
Water Plant	\$ 752,370,211	\$ 737,729,112	\$ 14,641,099	2.0%
Sewer Plant	301,907,305	297,266,483	4,640,822	1.6%
Contributed Facilities	251,826,169	244,264,875	7,561,294	3.1%
Operational Equipment	27,317,530	25,128,676	2,188,854	8.7%
Administration Building	12,010,790	11,937,694	73,096	0.6%
Capacity Rights	67,547,956	67,516,176	31,780	-%
Miscellaneous/Master Plan	15,771,683	15,439,959	331,724	2.1%
<b>Total Depreciable Capital Assets</b>	<b>1,428,751,644</b>	<b>1,399,282,975</b>	<b>29,468,669</b>	<b>2.1%</b>
Less Accumulated Depreciation & Amortization:				
Depreciation and Amortization	(610,093,589)	(579,654,663)	(30,438,926)	5.3%
Net Depreciable Capital Assets	818,658,055	819,628,312	(970,257)	(0.1%)
Intangible Asset - Right to Use Leased Asset, Net	7,063	14,192	(7,129)	(50.2%)
Intangible Asset - Subscription Asset, Net	159,835	36,360	123,475	339.6%
Net Amortized Capital Assets	166,898	50,552	116,346	230.2%
Construction in Progress	45,176,254	42,180,180	2,996,074	7.1%
Land	64,833,594	64,833,594	-	-%
Land - Administration Building	3,226,244	3,226,244	-	-%
Total Non-Depreciable Capital Assets	113,236,092	110,240,018	2,996,074	2.7%
<b>Total Capital Assets, Net</b>	<b>\$ 932,061,045</b>	<b>\$ 929,918,882</b>	<b>\$ 2,142,163</b>	<b>0.2%</b>

Additional information on the District's capital asset activity can be found in Note 5 to the Basic Financial Statements.

### Long Term Debt

Total long-term debt decreased by \$9.9 million or 4.8% to \$193.7 million. The decrease resulted from scheduled repayments of Revenue and General Obligation bonds, loan repayments, and the amortization of net premiums and discounts. The following table summarizes the changes in long-term debt for FY 2025.

	Balance at June 30, 2024	Additions	Transfers/ Deletions	Balance at June 30, 2025	Increase (Decrease)	Percent Increase (Decrease)
Long-Term Debt:						
Bonds Payable	\$ 102,663,662	\$ -	\$ (5,918,333)	\$ 96,745,329	\$ (5,918,333)	(5.8%)
Loans Payable	89,420,964	-	(2,943,771)	86,477,193	(2,943,771)	(3.3%)
	192,084,626	-	(8,862,104)	183,222,522	(8,862,104)	(4.6%)
Net Premium (Discount)	11,498,277	-	(1,003,125)	10,495,152	(1,003,125)	(8.7%)
<b>Total Long-Term Debt</b>	<b>\$ 203,582,903</b>	<b>\$ -</b>	<b>\$ (9,865,229)</b>	<b>\$ 193,717,674</b>	<b>\$ (9,865,229)</b>	<b>(4.8%)</b>

Additional information on the District's long-term liabilities can be found in Note 6 to the Basic Financial Statements.

**SANTA MARGARITA WATER DISTRICT**  
**Management's Discussion and Analysis**  
**For Fiscal Year Ended June 30, 2025**

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### **Defined Benefit Pension Plan**

The District provides employees with a defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Under *Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, public employers participating in a defined benefit pension plans are required to recognize the net pension liability, pension expense, and deferred outflows and inflows of resources in their financial statements.

As of June 30, 2025, the District's net pension liability was \$34.5 million, a decrease of \$2.2 million or 6.0% from the prior fiscal year. The net pension liability represents the plan's total pension liability, calculated using the entry age normal actuarial cost method, less the plan's fiduciary net position. The plan's fiduciary net position increased \$9.2M, resulting in an increase to total pension liability from 72.7% in FY 2024 to 75.6% in FY 2025.

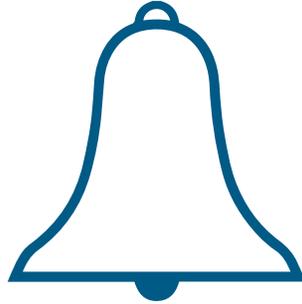
Deferred outflows and inflows of resources related to pensions represent certain changes in total pension liability and fiduciary net position that are recognized systematically in future pension expense. These amounts fluctuate annually due to actuarial methods and assumptions determined by CalPERS, including entry age normal cost, discount rate, mortality, and inflation.

Additional information on the defined benefit pension plan can be found in Note 10 to the Basic Financial Statements.

### **Requests for Information**

This financial report is designed to provide customers, investors, and creditors with a clear overview of the District's financial position and operations. Questions or requests for additional information should be directed to:

Santa Margarita Water District  
26111 Antonio Parkway  
Rancho Santa Margarita, CA 92688



# Santa Margarita Water District

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# Basic Financial Statements



# SANTA MARGARITA WATER DISTRICT

## Statement of Net Position For the Fiscal Year Ended June 30, 2025

### Assets:

#### Current Assets:

Cash and Investments (Note 2)	\$ 129,548,932
Accrued Interest Receivable	515,406
Accounts Receivable - Water and Sanitation Customers, Net of Allowance for Doubtful Accounts	13,860,814
Accounts Receivable - Other (Note 3)	3,293,668
Leases Receivable, Current (Note 4)	222,561
Water and Supplies Inventory	6,638,303
Prepaid Expenses	16,949,696
Restricted - Cash and Investments (Note 2)	20,703,218
Restricted - Property Taxes Receivable	209,391
Restricted - Accrued Interest Receivable	3,733

#### Total Current Assets

**191,945,722**

#### Non-Current Assets:

Leases Receivable, Non-Current (Note 4)	3,099,384
Capital Assets - Not Depreciated (Note 5)	113,236,092
Capital Assets - Net of Accumulated Depreciation and Amortization (Note 4 and 5)	818,823,872

#### Total Non-Current Assets

**935,159,348**

### Total Assets

**1,127,105,070**

### Deferred Outflows of Resources:

Deferred Outflows Related to Pension (Note 10)	10,128,222
Deferred Loss on Debt Defeasance (Note 6)	820,143

#### Total Deferred Outflows of Resources

**10,948,365**

### Liabilities:

#### Current Liabilities:

Accounts Payable and Accrued Expenses	14,608,380
Accrued Wages and Related Payables	771,868
Retentions Payable and Construction Deposits	771,447
Other Deposits Payable	738,173
Unearned Revenue	265,703
Accrued Interest Payable (Note 9)	1,265,205

#### Current Portion of Liabilities - Due Within One Year::

Lease Liabilities (Note 4)	7,483
Subscription Liabilities (Note 6)	56,525
Compensated Absences (Note 7)	1,417,516
Bonds Payable (Note 6)	6,030,642
Loans Payable (Note 6)	3,010,604

#### Total Current Liabilities

**28,943,546**

See accompanying notes to the basic financial statements

## SANTA MARGARITA WATER DISTRICT

### Statement of Net Position (continued) For the Fiscal Year Ended June 30, 2025

Non-Current Liabilities:

Long-Term Liabilities - Due in More Than One Year:

Lease Liabilities (Note 4)	254
Subscription Liabilities (Note 6)	58,683
Compensated Absences (Note 7)	689,063
Bonds Payable (Note 6)	101,209,839
Loans Payable (Note 6)	83,466,589
Reimbursement Agreement Advances (Note 6 and Note 9)	380,037
Accrued Interest Payable on Reimbursement Agreements (Note 6)	60,763
Net Pension Liability (Note 10)	34,504,021

**Total Non-Current Liabilities**

**220,369,249**

**Total Liabilities**

**249,312,795**

**Deferred Inflows of Resources:**

Deferred Inflows Related to Pension (Note 10)	245,053
Deferred Gain on Debt Defeasance (Note 6)	17,738
Deferred Inflows Related to Leases (Note 4)	3,081,512

**Total Deferred Inflows of Resources**

**3,344,303**

**Net Position:**

Net Investment in Capital Assets (Note 8)	736,553,382
Restricted for (Note 9):	
Special Assessment for Debt Service	12,753,890
Other	8,162,452
Unrestricted	127,926,613

**Total Net Position**

**\$ 885,396,337**

See accompanying notes to the basic financial statements

## SANTA MARGARITA WATER DISTRICT

### Statement of Revenues, Expenses and Change in Net Position For the Fiscal Year Ended June 30, 2025

#### Operating Revenues:

Potable Water Charges:	
Potable Water Commodity Charge	\$ 44,690,730
Monthly Service Charge	31,888,440
Transmission Charge	1,467,734
<b>Total Potable Water Charges</b>	<b>78,046,904</b>

#### Recycled Water Charges:

Recycled Water Commodity Charge	10,929,976
Monthly Service Charge	1,998,851
Transmission Charge	510,107
<b>Total Recycled Water Charges</b>	<b>13,438,934</b>

#### Wastewater Charges:

Wastewater Commodity Charge	7,055,831
Monthly Service Charge	27,706,451
<b>Total Wastewater Charges</b>	<b>34,762,282</b>

#### Other Charges or Services:

Jointly Owned Facilities	1,266,783
Construction Related Revenues	1,138,899
Rebates	551,824
Customer Related Revenues	1,172,718
Other Revenues	1,678,411
<b>Total Other Charges or Services</b>	<b>5,808,635</b>

#### Total Operating Revenues

132,056,755

#### Operating Expenses:

Source of Supply - Water Purchases	45,645,464
Power	7,826,660
Maintenance and Operations	17,813,035
Regional Participation	246,489
Wastewater Treatment	8,072,651
Salaries, Wages and Related Benefits	32,798,131
General and Administrative	8,979,938
Bad Debt	167,283
<b>Total Operating Expenses</b>	<b>121,549,651</b>

#### Operating Income before Depreciation and Amortization Expense

10,507,104

Depreciation and Amortization Expense (Note 5)

(32,343,587)

#### Operating Loss

(21,836,483)

See accompanying notes to the basic financial statements

## SANTA MARGARITA WATER DISTRICT

### Statement of Revenues, Expenses and Change in Net Position (continued) For the Fiscal Year Ended June 30, 2025

<b>Non-Operating Revenues (Expenses):</b>	
Special Assessment Tax Revenues for Debt Service	3,151,754
Property Taxes	11,159,465
Investment Earnings	8,679,463
Capacity Lease Revenue	445
Rental Revenue	1,280,730
Contributions from Agencies	5,654,063
Loss on Disposal of Capital Assets	(1,385,489)
Other Non-Operating Revenue	1,449,042
Interest Expense	(4,081,544)
<b>Total Non-Operating Revenues (Expenses)</b>	<u>25,907,929</u>
<b>Income before Capital Contributions</b>	4,071,446
<b>Capital Contributions:</b>	
Capital Grants	909,964
Contributions from Developer	7,561,294
Connection Fees	1,168,805
Jointly Owned Facilities Capital Reimbursements	1,754,124
<b>Total Capital Contributions</b>	<u>11,394,187</u>
<b>Change in Net Position</b>	15,465,633
<b>Net Position, Beginning of Year</b>	869,930,704
<b>Net Position, End of Year</b>	<u>\$ 885,396,337</u>

See accompanying notes to the basic financial statements

## SANTA MARGARITA WATER DISTRICT

### Statement of Cash Flows For the Fiscal Year Ended June 30, 2025

<b>Cash Flows from Operating Activities:</b>	
Cash Receipts from Customers	\$ 125,332,009
Cash Receipts from Others	6,514,545
Cash Paid to Employees for Salaries and Wages	(31,550,199)
Cash Paid to Vendors and Suppliers for Materials and Services	(106,736,460)
Net Cash Provided by (Used in) Operating Activities	<u>(6,440,105)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>	
Property Taxes Received	11,026,129
Capacity Lease Revenue	445
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>11,026,574</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Acquisition and Construction of Capital Assets	(23,141,885)
Capital Grants	909,964
Special Assessment Tax Revenues for Debt Service Received	3,151,754
Proceeds from Connection Fees	1,168,805
Principal Paid for Bond Debt Service and Loans Payable	(8,862,105)
Interest Paid for Debt Service	(5,029,497)
Lease and Subscription Payments	(104,178)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(31,907,142)</u>
<b>Cash Flows from Investing Activities:</b>	
Proceeds from the Sale and Maturity of Investment Securities	115,908,326
Purchase of Investment Securities	(97,514,297)
Investment Earnings	9,591,122
Net Cash Provided by (Used in) Investing Activities	<u>27,985,151</u>
Net Increase in Cash and Cash Equivalents	664,478
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>2,841,685</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 3,506,163</u>
<b>Reconciliation of Cash and Cash Equivalents to Amounts Reported on the Statement of Net Position:</b>	
Reported on the Statement of Net Position:	
Cash and Investments	\$ 129,548,932
Restricted - Cash and Investments	20,703,218
Total Cash and Investments - per Statement of Net Position	<u>150,252,150</u>
Less Investments Not Meeting the Definition of Cash and Cash Equivalents:	
Investments	(146,745,987)
<b>Total Cash and Cash Equivalents</b>	<u>\$ 3,506,163</u>

See accompanying notes to the basic financial statements

## SANTA MARGARITA WATER DISTRICT

### Statement of Cash Flows (continued) For the Fiscal Year Ended June 30, 2025

#### Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:

Operating Income (Loss)	\$ (21,836,483)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation and Amortization Expense	32,343,587
Total Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	<u>32,343,587</u>

#### Change in Assets and Liabilities:

##### (Increase) Decrease in Assets:

Accounts Receivable - Water and Sanitation Customers	(916,113)
Accounts Receivable - Other	671,144
Water and Supplies inventory	134,932
Prepaid Expenses	(15,756,662)

##### Increase (Decrease) in Liabilities:

Accounts Payable and Accrued Expenses	(2,038,611)
Accrued Wages and Related Payables	(68,334)
Retentions Payable and Construction Deposits	(324,598)
Other Deposits Payable	(14,922)
Unearned Revenue	55,861
Net Pension Liability	(2,195,139)
Deferred Outflows/inflows Related to Pensions	3,222,371
Compensated Absences	282,862

Total Change in Assets and Liabilities	<u>(16,947,209)</u>
Total Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	<u>\$ (6,440,105)</u>

#### Supplemental Disclosure of Non-Cash Capital and Related Financing and Investing Activities:

Amortization of Premiums and Discounts	1,003,125
Amortization of Deferred Gain/Loss on Defeasance	(107,689)
Contributed Facilities, Water Plant and Sewer Plant	7,561,294
Unrealized Gain(Loss) on Investments	2,025,601
New Subscription Lease	174,308
Deferred Inflows - Lessor	534,127
Accounts Payable and Accrued Expenses Related to Capital Assets	1,862,460
Retentions Payable and Construction Deposits Related to Capital Assets	605,907

See accompanying notes to the basic financial statements

**SANTA MARGARITA WATER DISTRICT**

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**Statement of Fiduciary Net Position Fiduciary Funds  
For the Year Ended June 30, 2025**

<b>Assets:</b>	
Restricted - Cash and Investments	\$ 10,738,026
Restricted - Property Taxes Receivable	98,920
Restricted - Accrued Interest Receivable	23,341
<b>Total Assets</b>	<u>10,860,287</u>
<b>Liabilities:</b>	
Accounts Payable	17,875
<b>Total Liabilities</b>	<u>17,875</u>
<b>Total Net Position</b>	<u>\$ 10,842,412</u>

See accompanying notes to the basic financial statements

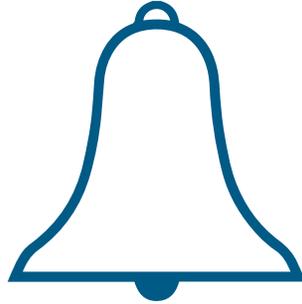
## SANTA MARGARITA WATER DISTRICT

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### Statement of Changes in Fiduciary Net Position Fiduciary Funds For the Fiscal Year Ended June 30, 2025

<b>Additions:</b>	
Special Assessm. Tax Revenues - Debt Service	\$ 10,106,050
Investment Earnings	319,304
<b>Total Additions</b>	<u>10,425,354</u>
<b>Deductions:</b>	
General & Administrative	36,079
Cost Reimbursement	118,576
Debt Service	9,497,612
<b>Total Deductions</b>	<u>9,652,267</u>
<b>Change in Net Position</b>	773,087
<b>Net Position - Beginning of Year, as Previously Reported</b>	8,030,360
<b>Correction of Error (Note 18)</b>	2,038,965
<b>Net Position, Beginning of Year, as Restated</b>	<u>10,069,325</u>
<b>Net Position - End of Year</b>	<u>\$ 10,842,412</u>

See accompanying notes to the basic financial statements



# Santa Margarita Water District

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# Notes to Basic Financial Statements



**SANTA MARGARITA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**For Fiscal Year Ended June 30, 2025**

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## **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 71,250 acres through a series of annexations (and one de-annexation). Individual improvement districts, of which there are presently 9 with sub-districts, function as a basis for operational and capital planning, as well as the authorization and sale of bonds.

The District charges 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 tracking annual assessments by improvement districts.

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.

**SANTA MARGARITA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**For Fiscal Year Ended June 30, 2025**

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**Note 1 – Reporting Entity And Summary of Significant Accounting Policies (Continued)**

Non-exchange transactions are when the District gives (receives) value without directly receiving (giving) value in exchange.

The District reports fiduciary funds on an accrual basis of accounting to account for activities in which it acts solely as an agent, specifically administering special taxes and assessments for the Sendero and Talega Community Facilities Districts (CFDs). These resources are legally restricted and may only be used to repay bonds and related costs for public improvements within the respective development areas, in accordance with applicable bond covenants and legal requirements.

**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. Valuations are obtained by using quotations obtained from independent published sources. The District values its assets 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

**SANTA MARGARITA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**For Fiscal Year Ended June 30, 2025**

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**Note 1 – Reporting Entity And Summary of Significant Accounting Policies (Continued)**

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.

**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 derives most of its potable water from the Metropolitan Water District of Southern California (MET), which is purchased through the Municipal Water District of Orange County (MWDOC). The District also acquired the San Juan Groundwater Plant through the annexation of the City of San Juan Capistrano's water and wastewater system, which provides access to groundwater for the District. Additionally, 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 and groundwater 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 5 to 15 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, intangible right-to-use lease assets and right-to-use subscription assets. Capacity rights are amounts 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

**SANTA MARGARITA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**For Fiscal Year Ended June 30, 2025**

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**Note 1 – Reporting Entity And Summary of Significant Accounting Policies (Continued)**

facilities and storage facilities, and are amortized over the life of the asset or the term of the agreement, whichever is less. Intangible right-to-use assets are based on the underlying leased asset in accordance with GASB Statement No. 87, *Leases*. The intangible right-to-use lease asset is amortized each year for the term of the lease. Intangible right-to-use subscription assets are based on the underlying IT software used by the District in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. Subscription assets are amortized using the straight-line method over the shorter of the subscription term or the useful life of the underlying IT asset, unless the subscription contains a purchase option that the District has determined is reasonably certain of being exercised. In this case, the subscription asset is amortized for the useful life of the underlying IT asset.

**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 35 days and amounts over \$50 are sent first to collections and are written off once no further amounts are recovered.

**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

**SANTA MARGARITA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**For Fiscal Year Ended June 30, 2025**

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**Note 1 – Reporting Entity And Summary of Significant Accounting Policies (Continued)**

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.

**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 basis according to the number of hours worked in a regular workweek divided by 40 hours. The District’s policies provide for payment of accrued and unused general leave to employees upon termination of employment or retirement. The policies also allow employees to earn compensatory time off in lieu of overtime pay, up to a maximum of 80 hours, with any unused balance paid in December of each year. Liabilities for compensated absences are recognized when the leave is attributable to services already rendered and it is more likely than not that the leave will either be used for time off or paid in cash to the employee.

**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 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, 2023
Measurement Date	June 30, 2024
Measurement Period	July 1, 2023 to June 30, 2024

**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 amortization and reduced by any debt outstanding used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and

**SANTA MARGARITA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**For Fiscal Year Ended June 30, 2025**

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**Note 1 – Reporting Entity And Summary of Significant Accounting Policies (Continued)**

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 Basic Financial Statements**  
**For Fiscal Year Ended June 30, 2025**

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**Note 2 – Cash and Investments**

Cash and Investments as of June 30, 2025, are classified in the accompanying financial statements as follows:

Cash and Investments	\$ 129,548,932
Restricted - Cash and Investments	
Special Assessments for Debt Service	12,753,890
Investments for Section 115 Pension Trust	7,949,328
Total Restricted - Cash and Investments	<u>20,703,218</u>
Total Cash and Investments	<u>\$ 150,252,150</u>
Cash and Cash Equivalents	\$ 3,506,163
Money Market Mutual Funds	3,353,873
Investments	143,392,114
Total Investments	<u>146,745,987</u>
Total Cash and Investments	<u>\$ 150,252,150</u>

Cash and Investments for the fiduciary funds as of June 30, 2025, are classified in the accompanying financial statements as follows:

Restricted - Cash and Investments	<u>\$ 10,738,026</u>
Total Cash and Investments	<u>\$ 10,738,026</u>
Investments	\$ 10,738,026
Total Investments	<u>10,738,026</u>
Total Cash and Investments	<u>\$ 10,738,026</u>

**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 Basic Financial Statements**  
**For Fiscal Year Ended June 30, 2025**

**Note 2 – Cash and Investments (Continued)**

The District has the following recurring fair value measurements as of June 30, 2025:

	<b>Total</b>	<b>Fair Value Measurement</b>		
		<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
U.S. Treasury	\$ 22,836,481	\$ 22,836,481	\$ -	\$ -
Federal Agency	528,759	-	528,759	-
Agency CMBS	11,963,617	-	11,963,617	-
Municipal Bonds	667,675	-	667,675	-
Medium-Term Corporate Notes	18,136,638	-	18,136,638	-
Asset-Back Securities	10,722,980	-	10,722,980	-
Mutual Funds - Bonds	4,743,132	4,743,132	-	-
Mutual Funds - Equities	3,188,640	3,188,640	-	-
Mutual Funds - Other	17,556	17,556	-	-
Sub-Total	<u>\$ 72,805,478</u>	<u>\$ 30,785,809</u>	<u>\$ 42,019,669</u>	<u>\$ -</u>
Investments Not Subject to Fair Value Hierarchy*:				
California Asset Management Program	\$ 67,347,107			
Local Agency Investment Fund	1,614			
Money Market Mutual Funds	3,237,915			
Held by Fiscal Agent:				
Money Market Mutual Funds	3,353,873			
Fiduciary Investment Funds	10,738,026			
<b>Total</b>	<u>\$ 157,484,013</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 California Asset Management Program and the Local Agency Investment Fund are 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 Basic Financial Statements**  
**For Fiscal Year Ended June 30, 2025**

**Note 2 – Cash and Investments (Continued)**

<u>Investment Types Authorized by State Law</u>	<u>Authorized By Investment Policy</u>	<u>*Maximum Maturity</u>	<u>*Maximum Percentage of Portfolio</u>	<u>*Maximum Investment in One Issuer</u>
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	Yes	5 years	40% *	40% *
CDoepmomsietrcial 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 (LAIF)	Yes	N/A	100%	Up to \$75 million
JPA Pools (other investment 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 Basic Financial Statements**  
**For Fiscal Year Ended June 30, 2025**

**Note 2 – Cash and Investments (Continued)**

<b>Authorized Investment Type</b>	<b>Maximum Maturity</b>	<b>Maximum Percentage Allowed</b>	<b>Maximum Investment in One Issuer</b>
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.

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

**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:

**SANTA MARGARITA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**For Fiscal Year Ended June 30, 2025**

**Note 2 – Cash and Investments (Continued)**

	Total	Remaining Maturity in Months		
		12 Months or Less	13 to 24 Months	25 to 60 Months
U.S. Treasury	\$ 22,836,481	\$ -	\$ 2,722,664	\$ 20,113,817
Federal Agency	528,759	-	528,759	-
Agency CMBS	11,963,617	547,255	2,554,032	8,862,330
Municipal Bonds	667,675	149,534	361,125	157,016
Medium-Term Corporate Notes	18,136,638	1,091,983	4,456,586	12,588,069
Asset-Backed Securities	10,722,980	-	534,218	10,188,762
California Asset Management Program	67,347,107	67,347,107	-	-
Local Agency Investment Fund	1,614	1,614	-	-
Money Market Mutual Funds	3,237,915	3,237,915	-	-
Section 115 Pension Trust:				
Mutual Funds - Bonds	4,743,132	4,743,132	-	-
Mutual Funds - Equities	3,188,640	3,188,640	-	-
Mutual Funds - Other	17,556	17,556	-	-
Held by Fiscal Agent:				
Money Market Mutual Funds	3,353,873	3,353,873	-	-
Fiduciary Investment Funds	10,738,026	10,738,026	-	-
Total	<u>\$ 157,484,013</u>	<u>\$ 94,416,635</u>	<u>\$ 11,157,384</u>	<u>\$ 51,909,994</u>

**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 Investment Service's rating is used if there is no Standard & Poor's 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.

**SANTA MARGARITA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**For Fiscal Year Ended June 30, 2025**

**Note 2 – Cash and Investments (Continued)**

Investment Type	Total	Minimum Legal Rating*	Rating as of Year Ended June 30, 2025							
			Not Rated	Exempt from Rating	AAA to AAAM	AA+	AA to AA-	A+ to A-	A-1 to A-1+	BBB+ **
U.S. Treasury	\$ 22,836,481	N/A	\$ -	\$ 22,836,481	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Agency	528,759	N/A	-	-	-	528,759	-	-	-	-
Federal Agency CMO	11,963,618	N/A	-	-	-	11,963,618	-	-	-	-
Municipal Bonds	667,675	AA	511,217	-	-	-	156,458	-	-	-
Corporate Notes	18,136,637	A	-	-	96,594	1,445,939	3,762,748	12,255,608	-	575,748
Asset-Backed Securities	10,722,980	AA	-	-	10,722,980	-	-	-	-	-
Joint Powers Authority Pool:										
California Asset Management Program	67,347,107	N/A	-	-	67,347,107	-	-	-	-	-
Local Agency Investment Fund	1,614	N/A	1,614	-	-	-	-	-	-	-
Money Market Mutual Fund	3,237,915	AAA	-	-	3,237,915	-	-	-	-	-
Section 115 Pension Trust:										
Mutual Funds - Bonds	4,743,132	N/A	4,743,132	-	-	-	-	-	-	-
Mutual Funds - Equities	3,188,640	N/A	3,188,640	-	-	-	-	-	-	-
Mutual Funds - Other	17,556	N/A	17,556	-	-	-	-	-	-	-
Held by Fiscal Agent:										
Money Market Mutual Funds	3,353,873	AAA	-	-	3,353,873	-	-	-	-	-
Fiduciary Investment Funds	10,738,026		10,738,026	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 157,484,013</b>		<b>\$ 19,200,185</b>	<b>\$ 22,836,481</b>	<b>\$ 84,758,469</b>	<b>\$ 13,938,316</b>	<b>\$ 3,919,206</b>	<b>\$ 12,255,608</b>	<b>\$ -</b>	<b>\$ 575,748</b>

\* 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.

\*\* In compliance at time of purchase.

**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.

**SANTA MARGARITA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**For Fiscal Year Ended June 30, 2025**

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**Note 2 – Cash and Investments (Continued)**

- 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.

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, Computershare, Principal or U.S. 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, 2025, CAMP had a total portfolio of approximately \$22 billion of which all was invested in non-derivative financial products. The average maturity of CAMP investments was 41 days as of June 30, 2025. As of June 30, 2025, the District's total investment in CAMP was \$67,347,107.

**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 and 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. As of June 30, 2025, LAIF had a total portfolio of approximately \$178.1 billion. The average maturity of PMIA investments was 248 days as of June 30, 2025. As of June 20, 2025, the District's total investment in LAIF was \$2,143,976.

**SANTA MARGARITA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**For Fiscal Year Ended June 30, 2025**

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**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:

Department of Water Resources	\$ 1,445,069
L.F. Maintenance	603,493
Moulton Niguel Water District	314,263
Quest Diagnostics/Nichols Institute	284,964
South Coast Water District	269,435
Trabuco Canyon Water District	68,217
Engineering Fees	56,722
SCP	55,866
City of San Clemente	51,166
Rancho Mission Viejo, LLC	36,237
Verizon	32,346
AT&T	15,109
Sales & Use Tax Overpayment	12,468
SJBA	10,724
Fenner Valley Water Authority	4,743
County of Orange	4,216
Other Various	28,630
Total Accounts Receivable - Other, net	<u>\$ 3,293,668</u>

**Note 4 – Leases**

The District has several leasing arrangements, summarized below:

**Lessee:**

The District entered into lease agreements in prior years to lease three digital copier machines. These are non-cancelable for a period of 5 years each. Under the terms of these leases, the District pays an amount between \$101 and \$467 each month over the life of the agreement. The lease terms for the two digital copier machines ended during the fiscal year. At June 30, 2025, the District recognized the right to use assets of \$4,188 and lease liabilities of \$4,538 related to these agreements. During the fiscal year, the District recorded \$4,805 in amortization expense and \$453 in interest expense for the right to use the copier equipment. The District used an incremental discount rate of 0.5281%, based on the implicit interest rate in one of the agreements.

The District has an agreement to lease a postage machine. This is a non-cancelable lease for a period of sixty-three months with an automatic extension on a quarter-by-quarter basis. Under the terms of this lease, the District pays \$255 each month over the life of the agreement. At June 30, 2025, the District has recognized a right to use assets of \$2,875 and a lease liability of \$3,199 related to this agreement. During the fiscal year, the District recorded \$2,625 in amortization expense and \$290 in interest expense for the right to use the postage meter. The District used an incremental discount rate of 0.5281%, based on the interest rate for similar lease agreements.

**SANTA MARGARITA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**For Fiscal Year Ended June 30, 2025**

**Note 4 – Leases (Continued)**

Remaining obligations associated with these leases are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2026	\$ 7,483	\$ 244	\$ 7,727
2027	254	1	255
Total	<u>\$ 7,737</u>	<u>\$ 245</u>	<u>\$ 7,982</u>

The District amortized the right to use lease assets as follows during the fiscal year:

	Balance at June 30, 2024	Additions	Deletions	Balance at June 30, 2025
Digital Copiers	\$ 8,782	\$ 211	\$ (4,805)	\$ 4,188
Mail Postage Machine	5,410	90	(2,625)	2,875
Total, Lease Assets	<u>\$ 14,192</u>	<u>\$ 301</u>	<u>\$ (7,430)</u>	<u>\$ 7,063</u>

**Lessor:**

The District licenses (leases) a portion of its land for cellular tower antenna sites. These cell site leases either have a cancelable or non-cancelable right to use the land. Those that have a cancelable right to use are not subject to GASB 87 and are leases in which either the District or the lessee can cancel the lease within 30 days. These lease payments are recognized as rental revenue when payments are received. Non-cancelable leases are subject to GASB 87 and are those that the District leases the land for a period of between 5 to 10 years, with additional renewal periods of 5 years each. The District believes the licensees of these leases will exercise the renewal options with reasonable certainty. These agreements allow for 3% annual increases to the license payments and, at termination, lessees must remove all equipment and restore the site to its original state. The District recognized \$282,278 in lease revenue and \$129,777 in interest income related to its eight non-cancelable cell site lease agreements. At June 30, 2025, the District recorded \$3,203,767 in lease receivables and deferred inflows of resources for these arrangements. The District used an annual interest rate of between 2.76% and 5.05% based on the rates available to finance real estate or machinery and equipment over the same time periods.

The District leases a portion of its land and facilities at Upper Oso Reservoir for use by the Boy Scouts of America. This lease is non-cancelable for a period of 25 years, with an option to extend an additional 15 years. The District is not reasonably certain that the renewal period will be exercised. The agreement is for an agreed upon fixed annual payment to be paid monthly. During the fiscal year, the District recognized \$12,207 in lease revenue and \$7,293 in interest income related to these agreements. At June 30, 2025, the District recorded \$118,178 in lease receivables and deferred inflows of resources for these arrangements. The District used an annual interest rate of 6.00% based on the rate explicit in the lease agreement.

**SANTA MARGARITA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**For Fiscal Year Ended June 30, 2025**

**Note 4 – Leases (Continued)**

	Balance at June 30, 2024	Additions	Deletions	Balance at June 30, 2025
License Agreements	\$ 3,486,045	\$ -	\$ (282,278)	\$ 3,203,767
Upper Oso Reservoir Lease Agreement	129,594	791	(12,207)	118,178
<b>Total Leases Receivable</b>	<b>\$ 3,615,639</b>	<b>\$ 791</b>	<b>\$ (294,485)</b>	<b>\$ 3,321,945</b>

Remaining amounts to be received associated with these leases are as follows:

Fiscal Year Ended June 30,	Lease Revenue	Interest	Total
2026	\$ 222,561	\$ 122,745	\$ 345,306
2027	195,047	115,622	\$ 310,669
2028	138,619	110,268	\$ 248,887
2029	150,580	105,188	\$ 255,768
2030	163,544	99,313	\$ 262,857
2031-2035	982,877	396,647	\$ 1,379,524
2036-2040	1,213,793	196,946	\$ 1,410,739
2041-2042	254,924	14,968	269,892
<b>Total</b>	<b>\$ 3,321,945</b>	<b>\$ 1,161,697</b>	<b>\$ 4,483,642</b>

**Note 5 – Capital Assets**

For fiscal year ended June 30, 2025, capital assets activity, including lease assets and subscription assets, for the District was as follows:

Description	Balance at June 30, 2024	Additions	Transfers	Dispositions/ Retirements	Balance at June 30, 2025
<b>Depreciable Assets:</b>					
Water Plant	\$ 737,729,112	\$ 43,669	\$ 14,857,198	\$ (259,768)	\$ 752,370,211
Sewer Plant	297,266,483	-	7,567,197	(2,926,375)	301,907,305
Contributed Facilities	244,264,875	7,561,294	-	-	251,826,169
Operational Equipment	25,128,676	2,097,841	365,387	(274,374)	27,317,530
Administration Building	11,937,694	-	91,067	(17,971)	12,010,790
Capacity Rights	67,516,176	-	31,780	-	67,547,956
Miscellaneous/Master Plan	15,439,959	-	331,724	-	15,771,683
Intangible Asset - Right to Use Leased Asset	43,030	302	-	(1,081)	42,251
Intangible Asset - Subscription Asset	145,438	174,308	-	(145,438)	174,308
<b>Total Depreciable Assets</b>	<b>1,399,471,443</b>	<b>9,877,414</b>	<b>23,244,353</b>	<b>(3,625,007)</b>	<b>1,428,968,203</b>
<b>Less Accumulated Depreciation/ Amortization:</b>					
Water Plant	(278,439,208)	(14,624,283)	-	183,242	(292,880,249)
Sewer Plant	(131,259,279)	(7,272,873)	-	1,623,978	(136,908,174)
Contributed Facilities	(126,786,223)	(6,097,940)	-	-	(132,884,163)
Operational Equipment	(15,627,174)	(1,763,639)	-	22,735	(17,368,078)
Administration Building	(9,654,124)	(340,963)	-	17,690	(9,977,397)
Capacity Rights	(13,777,945)	(1,427,848)	-	-	(15,205,793)
Miscellaneous/Master Plan	(4,110,710)	(760,106)	-	-	(4,870,816)

**SANTA MARGARITA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**For Fiscal Year Ended June 30, 2025**

**Note 5 – Capital Assets (Continued)**

Description	Balance at June 30, 2024	Additions	Transfers	Dispositions/ Retirements	Balance at June 30, 2025
Intangible Asset - Right to Use Leased Asset	(28,838)	(6,350)	-	-	(35,188)
Intangible Asset - Subscription Asset	(109,078)	(49,585)	-	144,190	(14,473)
<b>Total Accumulated Depreciation/ Amortization</b>	<b>(579,792,579)</b>	<b>(32,343,587)</b>	<b>-</b>	<b>1,991,835</b>	<b>(610,144,331)</b>
<b>Net Depreciable Assets</b>	<b>819,678,864</b>	<b>(22,466,173)</b>	<b>23,244,353</b>	<b>(1,633,172)</b>	<b>818,823,872</b>
Capital Assets Not Being Depreciated:					
Construction in Progress	42,180,180	26,747,592	(23,244,353)	(507,165)	45,176,254
Land	64,833,594	-	-	-	64,833,594
Land - Administration Building	3,226,244	-	-	-	3,226,244
<b>Total Nondepreciable Assets</b>	<b>110,240,018</b>	<b>26,747,592</b>	<b>(23,244,353)</b>	<b>(507,165)</b>	<b>113,236,092</b>
<b>Total Assets</b>	<b>\$ 929,918,882</b>	<b>\$ 4,281,419</b>	<b>\$ -</b>	<b>\$ (2,140,337)</b>	<b>\$ 932,059,964</b>

Depreciation and amortization expense for the year ended June 30, 2025 was \$32,343,587 based on straight-line depreciation.

**Note 6 – Long Term Liabilities**

Bonds payable and changes for the year ended June 30, 2025, was as follows:

	Balance at June 30, 2024	Additions	Reductions	Balance at June 30, 2025	Amount Due Within One Year	Amount Due Beyond One Year
Revenue Bonds Payable:						
2020 Series A	\$ 47,495,000	\$ -	\$ (1,410,000)	\$ 46,085,000	\$ 1,480,000	\$ 44,605,000
2014A Water Refunding (ID 9)	10,823,969	-	(801,785)	10,022,184	833,266	9,188,918
2014 Lease Revenue (ID 9)	8,364,693	-	(1,606,548)	6,758,145	567,401	6,190,744
2017 Water Refunding (ID 9)	5,935,000	-	(460,000)	5,475,000	475,000	5,000,000
<b>Total Revenue Bonds</b>						
Bonds Payable	72,618,662	-	(4,278,333)	68,340,329	3,355,667	64,984,662
Premium / Discount, net	8,902,533	-	(612,102)	8,290,431	589,687	7,700,744
<b>Total Revenue Bonds Payable</b>	<b>81,521,195</b>	<b>-</b>	<b>(4,890,435)</b>	<b>76,630,760</b>	<b>3,945,354</b>	<b>72,685,406</b>
General Obligation (GO) Bonds Payable:						
2014 Series A	5,605,000	-	(515,000)	5,090,000	535,000	4,555,000
2017 Series A	24,440,000	-	(1,125,000)	23,315,000	1,190,000	22,125,000
<b>Total General Obligations</b>						
Bonds Payable	30,045,000	-	(1,640,000)	28,405,000	1,725,000	26,680,000
Premium / Discount, net	2,595,744	-	(391,023)	2,204,721	360,288	1,844,433
<b>Total GO Bonds Payable</b>	<b>32,640,744</b>	<b>-</b>	<b>(2,031,023)</b>	<b>30,609,721</b>	<b>2,085,288</b>	<b>28,524,433</b>
<b>Total Bonds Payable</b>	<b>\$ 114,161,939</b>	<b>\$ -</b>	<b>\$ (6,921,458)</b>	<b>\$ 107,240,481</b>	<b>\$ 6,030,642</b>	<b>\$ 101,209,839</b>

**SANTA MARGARITA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**For Fiscal Year Ended June 30, 2025**

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**Note 6 – Long Term Liabilities (Continued)**

**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.

**2014A Water Refunding Bonds**

The District annexed the City of San Juan Capistrano's (City) water and wastewater system on November 15, 2021, and assumed the obligation of the 2014A Water Refunding Bonds. On November 14, 2014, the City issued \$19,922,771 of Water Refunding Bonds, Series 2014A (2014A Bonds) through a private placement agreement with GE Government Finance, Inc. Proceeds from the issuance were used to refund the 2002 and 2004 Certificates of Participation and pay the cost of issuing the bonds. The 2014A Bonds bear interest at a fixed rate of 3.68% per year payable on June 1 and December 1 of each year commencing on June 1, 2015. The 2014A Bonds mature annually in installments ranging from \$744,000 and \$1,215,000. The source of repayment of these bonds is from the net revenues of the District's Improvement District 9 (ID 9) water system, which consists of revenues remaining after the payment of operation and maintenance costs of ID 9.

**2014 Lease Revenue Bonds**

The District assumed the obligation of the 2014 Lease Revenue Bonds on November 15, 2021 when it annexed the City's water and wastewater system. In November 2014, the San Juan Basin Authority issued \$20,361,090 in Lease Revenue Bonds (2014 Bonds) with a fixed interest rate of 3.85%. The proceeds of the bonds were used for the refunding of the City's 2002 Lease Revenue Bonds, which had an average interest rate of 5.03%. The final maturity date of the bonds remained the same, at December 2034. The source of repayment of these bonds is from the revenues of the District's ID 9 water system.

**2017 Water Refunding Bonds**

The District assumed the obligation of the 2017 Water Refunding Bonds (2017 Bonds) on November 15, 2021 when it annexed the City's water and wastewater system. On December 1, 2017, the City entered into an installment purchase agreement with City National Bank for \$8,410,000 to defease the remaining \$8,410,000 of the 2009 Certificates of Participation. The 2017 Bonds bear interest at a fixed rate of 3.2% per year payable on June 1 and December 1 of each year commencing on June 1, 2018 and maturing on December 1, 2034. The 2017 Bonds mature annually in installments ranging from \$644,000 to \$653,654. The source of repayment of these bonds is from the net

**SANTA MARGARITA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**For Fiscal Year Ended June 30, 2025**

**Note 6 – Long Term Liabilities (Continued)**

revenues of the District’s ID 9 water system, which consists of revenues remaining after the payment of operation and maintenance costs of ID 9.

**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.

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

Revenue Bonds Debt Service Schedule:

Year	Principal	Interest	Total
2026	\$ 3,355,667	\$ 2,625,000	\$ 5,980,667
2027	3,497,216	2,482,072	5,979,288
2028	3,652,063	2,332,829	5,984,892
2029	3,299,899	2,176,821	5,476,720
2030	3,434,496	2,039,540	5,474,036
2031-2035	19,450,988	7,965,946	27,416,934
2036-2040	8,740,000	5,384,350	14,124,350
2041-2045	10,340,000	3,787,200	14,127,200
2046-2050	12,570,000	1,547,800	14,117,800
Total	<u>\$ 68,340,329</u>	<u>\$ 30,341,558</u>	<u>\$ 98,681,887</u>

**SANTA MARGARITA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**For Fiscal Year Ended June 30, 2025**

**Note 6 – Long Term Liabilities (Continued)**

General Obligation Bonds Debt Service Schedule

Year	Principal	Interest	Total
2026	\$ 1,725,000	\$ 1,249,001	\$ 2,974,001
2027	1,815,000	1,160,501	2,975,501
2028	1,900,000	1,067,626	2,967,626
2029	2,000,000	970,126	2,970,126
2030	2,100,000	867,626	2,967,626
2031-2035	10,595,000	2,791,763	13,386,763
2036-2039	8,270,000	678,600	8,948,600
Total	<u>\$ 28,405,000</u>	<u>\$ 8,785,243</u>	<u>\$ 37,190,243</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.

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.

**SANTA MARGARITA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**For Fiscal Year Ended June 30, 2025**

**Note 6 – Long Term Liabilities (Continued)**

**Deferred Gain or Loss on Debt Defeasance**

The balance for deferred gain on debt defeasance as of June 30, 2025, is as follows:

	Balance at June 30, 2024	Additions	Amortization	Balance at June 30, 2025
General Obligation Bonds				
2014A Series	\$ 22,847	\$ -	\$ (5,109)	\$ 17,738

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

	Balance at June 30, 2024	Additions	Amortization	Balance at June 30, 2025
General Obligation and Revenue Bonds				
2017A Series	\$ 761,370	\$ -	\$ (96,327)	\$ 665,043
2017 Water Refunding Bonds	171,571	-	(16,471)	155,100
Total	\$ 932,941	\$ -	\$ (112,798)	\$ 820,143

**Loans Payable:**

The District has one outstanding loan with the State Water Resources Control Board and one outstanding loan with the City of Mission Viejo. The outstanding balance of both loans as of June 30, 2025 is as follows:

	Balance at June 30, 2024	Additions	Reductions	Balance at June 30, 2025	Amount Due Within One Year	Amount Due Beyond One Year
2017 City of Mission Viejo Loan	\$ 1,958,702	\$ -	\$ (106,012)	\$ 1,852,690	\$ 144,467	\$ 1,708,223
2017 State Water Resources Control Board Loan	87,462,262	-	(2,837,759)	84,624,503	2,866,137	81,758,366
Total	\$ 89,420,964	\$ -	\$ (2,943,771)	\$ 86,477,193	\$ 3,010,604	\$ 83,466,589

**SANTA MARGARITA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**For Fiscal Year Ended June 30, 2025**

**Note 6 – 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, 2025, are as follows:

Year	Principal	Interest	Total
2026	\$ 144,467	\$ 44,970	\$ 189,437
2027	148,113	41,324	189,437
2028	151,850	37,587	189,437
2029	155,682	33,755	189,437
2030	159,611	29,826	189,437
2031-2035	860,545	86,640	947,185
2036-2037	232,422	4,376	236,798
Total	<u>\$ 1,852,690</u>	<u>\$ 278,478</u>	<u>\$ 2,131,168</u>

**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 is disbursed through installment payments and interest accrues at a rate of 1.0% beginning with each disbursement. The remaining debt service payments as of June 30, 2025, are as follows:

Year	Principal	Interest	Total
2026	\$ 2,866,137	\$ 846,245	\$ 3,712,382
2027	2,894,798	817,584	3,712,382
2028	2,923,746	788,636	3,712,382
2029	2,952,984	759,398	3,712,382
2030	2,982,514	729,868	3,712,382
2031-2035	15,365,955	3,195,955	18,561,910
2036-2040	16,149,773	2,412,137	18,561,910
2041-2045	16,973,574	1,588,336	18,561,910
2046-2050	17,839,397	722,513	18,561,910
2051	3,675,625	36,756	3,712,381
Total	<u>\$ 84,624,503</u>	<u>\$ 11,897,428</u>	<u>\$ 96,521,931</u>

**SANTA MARGARITA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**For Fiscal Year Ended June 30, 2025**

**Note 6 – Long Term Liabilities (Continued)**

**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.

Reimbursable advances by the landowner/developer at June 30, 2025, are as follows:

Landowner/Developer	Balance at June 30, 2024	Additions	Expiration/ Payments	Balance at June 30, 2025	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	<u>\$ 380,037</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 380,037</u>	<u>\$ -</u>	<u>\$ 380,037</u>

Reimbursable accrued interest by the landowner/developer at June 30, 2025, is as follows:

Landowner/Developer	Balance at June 30, 2024	Additions	Expiration/ Payments	Balance at June 30, 2025	Amount Due Within One Year	Amount Due Beyond One Year
Coto de Caza, Ltd.	\$ 59,442	\$ 1,321	\$ -	\$ 60,763	\$ -	\$ 60,763

**Subscription Liability**

The District has entered into a subscription-based information technology arrangement (SBITA) for administrative and operational purposes. This subscription includes a service related to cloud-based software application, data storage, and management services. Under the terms of this arrangement, the District does not take possession of the software at any time and the vendor provides ongoing services for the software’s operation. The subscription period is 3 years, with an initial non-cancellable term of 3 years. The calculated interest rate used was 2.756%, which was the incremental borrowing rate based on market conditions as of the most recent quarter end as compared to the agreement’s commencement date.

As of June 30, 2025, the capitalized right-to-use asset related to SBITA was \$159,835 and the total subscription liability was \$115,208, which is classified as a current liability representing the portion due within the next fiscal year.

**SANTA MARGARITA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**For Fiscal Year Ended June 30, 2025**

**Note 6 – Long Term Liabilities (Continued)**

For the year ended June 30, 2025, the District recognized \$1,344 of interest expense related to this arrangement. Principal and interest payments to maturity are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2026	\$ 56,525	\$ 3,175	\$ 59,700
2027	58,683	1,617	60,300
Total	<u>\$ 115,208</u>	<u>\$ 4,792</u>	<u>\$ 120,000</u>

The District amortized the right to use lease assets as follows during the fiscal year:

	Balance at June 30, 2024	Additions	Deletions	Balance at June 30, 2025
ESRI	\$ 36,360	\$ 173,060	\$ (49,585)	\$ 159,835
Total, Subscription Assets	<u>\$ 36,360</u>	<u>\$ 173,060</u>	<u>\$ (49,585)</u>	<u>\$ 159,835</u>

**Note 7 – Compensated Absences**

Changes to compensated absences balances for June 30, 2025, are as follows:

Balance at June 30, 2024	Earned	Taken	Balance at June 30, 2025	Amount Due Within One Year	Amount Due Beyond One Year
\$ 1,823,718	\$ 2,396,855	\$ (2,113,994)	\$ 2,106,579	\$ 1,417,516	\$ 689,063

**Note 8 – Net Investments in Capital Assets**

Net investment in capital assets as of June 30, 2025, is as follows:

Capital Assets, Net of Accumulated Depreciation	\$ 932,059,964
Less: Outstanding Debt Attributable to Capital Assets:	
Bonds Payable	(107,240,481)
Loans Payable	(86,477,193)
Accounts Payable and Accrued Expenses	(1,862,460)
Retentions Payable	(605,907)
Subscription Liabilities	(115,208)
Lease Liabilities	(7,737)
Add:	
Deferred Gains and Losses on Debt Defeasances, Net	802,405
Total Net Investment in Capital Assets	<u>\$ 736,553,382</u>

**SANTA MARGARITA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**For Fiscal Year Ended June 30, 2025**

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**Note 9 – Restricted Net Position**

Restricted net position as of June 30, 2025, consists of the following:

Special Assessments for Debt Service	\$ 12,753,890
Investments for Section 115 Pension Trust	7,949,328
Property Taxes Receivable	209,391
Restricted Accrued Interest Receivable	3,733
	<u>\$ 20,916,342</u>

**Note 10 – 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](http://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 Basic Financial Statements**  
**For Fiscal Year Ended June 30, 2025**

**Note 10 – Defined Benefit Pension Plan with California Public Employee’s Retirement System (Cont.)**

	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	8.00%	7.50%
Required Employer Contribution Rates	30.96%	30.96%

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

**Employees Covered**

For the measurement period ending June 30, 2024 for the fiscal year ended June 30, 2025, the following employees were covered by the benefit terms for the Plan:

Inactive Employees or Beneficiaries Currently Receiving Benefits	149
Inactive Employees Entitled to but not yet Receiving Benefits	134
Active Employees	183
<b>Total</b>	<b>466</b>

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, 2025, was 30.96%. This rate includes the current employer normal rate of 12.12% and the unfunded rate of 18.84% 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, 2025, the CalPERS district contributions and unfunded accrued liability (UAL) employer contributions were \$2,421,376 and \$2,950,254, respectively.

For the employees in the 2.7% at 55 years of service plan, employees are required to contribute 8.00% of their annual covered salary. During the year ended June 30, 2025, the employees

**SANTA MARGARITA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**For Fiscal Year Ended June 30, 2025**

**Note 10 – Defined Benefit Pension Plan with California Public Employee’s Retirement System (Cont.)**

contributed the full 8.00% 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 7.50% contribution rate.

**Actuarial Methods and Assumptions Used to Determine Total Pension Liability**

The net pension liability of the District at June 30, 2025, is based on the Plan’s measurement date of June 30, 2024, using an actuarial valuation as of June 30, 2023. 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, 2023 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price Inflation	2.3%
Wage Inflation	2.8%
Payroll Growth	2.8%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	6.9%

Mortality rates were based on the 2022 CalPERS Experience Study, which assumed future mortality improvements using Society of Actuaries Scale MP-2020. 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
Public Equities - Cap-Weighted	33.1%	4.54%
Public Equities - Non-Cap-Weighted	12.0%	3.84%
Private Equity	12.9%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.1%	0.50%
Investment Grade Corporates	6.6%	1.56%
High Yield	4.5%	2.27%
Emerging Market Debt	5.1%	2.48%
Private Debt	2.2%	3.57%
Real Assets	15.2%	3.21%
Strategic Financing	(5.0%)	(0.59%)

**SANTA MARGARITA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**For Fiscal Year Ended June 30, 2025**

**Note 10 – Defined Benefit Pension Plan with California Public Employee’s Retirement System (Cont.)**

All other actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from 2000 to 2019, including updates to salary increases, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS’ website under Forms and Publications.

**Discount Rate**

The discount rate used to measure the total pension liability was 6.90%. 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.

**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, 2024*	\$ 134,450,613	\$ 97,751,453	\$ 36,699,160
Increase (Decrease) in Pension Liability:			
Service Cost	3,434,760	-	3,434,760
Interest on the Total Pension Liability	9,231,029	-	9,231,029
Differences between Expected and Actual Experience	907,113	-	907,113
Contributions from Employer	-	5,016,006	(5,016,006)
Contributions from Employees	-	1,528,585	(1,528,585)
Net Investment Income	-	9,302,991	(9,302,991)
Benefit Payments, Including Refunds of Employee Contributions	(6,584,144)	(6,584,144)	-
Administrative Expense	-	(79,541)	79,541
Net Changes:	6,988,758	9,183,897	(2,195,139)
Balance at June 30, 2025*	\$ 141,439,371	\$ 106,935,350	\$ 34,504,021

\*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 6.90% 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 (5.90%) or 1-percentage point higher (7.90%) than the current rate:

**SANTA MARGARITA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**For Fiscal Year Ended June 30, 2025**

**Note 10 – Defined Benefit Pension Plan with California Public Employee’s Retirement System (Cont.)**

	Discount Rate -1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate +1% (7.90%)
Net Pension Liability	\$ 52,882,492	\$ 34,504,021	\$ 19,301,737

**Pension Plan Fiduciary Net Position**

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

**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, 2025 was \$7,949,328. 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 <sup>(1)</sup>	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
6/30/2025	\$ 141,439,371	\$ 106,935,350	\$ 34,504,021	\$ 7,949,328	75.6%	5.6%	81.2%

<sup>(1)</sup> As of the measurement date June 30, 2024.

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

For the year ended June 30, 2025, the District recognized pension expenses of \$6,405,240. At June 30, 2025, 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 <sup>(1)</sup>	\$ 5,371,630	\$ -
Change of Assumptions <sup>(2)</sup>	1,009,579	-
Differences between Expected and Actual Experiences <sup>(2)</sup>	2,220,497	(245,053)
Net Difference between Projected and Actual Earnings on Pension Plan Investments <sup>(3)</sup>	1,526,516	-
Net Changes:	\$ 10,128,222	\$ (245,053)

**SANTA MARGARITA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**For Fiscal Year Ended June 30, 2025**

**Note 10 – Defined Benefit Pension Plan with California Public Employee’s Retirement System (Cont.)**

<sup>(1)</sup> District contributions made after the measurement period but before the end of the District’s financial 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.

<sup>(2)</sup> The expected average remaining service life (EARSL) for the measurement periods ending June 30, 2021, June 30, 2022, June 30, 2023 and June 30, 2024 was 4.1, 4.1, 4.5 and 4.5 years, respectively. This recognition period determines the number of years the deferred outflows and deferred inflows of resources are amortized over.

<sup>(3)</sup> The recognition period of the net difference between projected and actual earnings on pension plan investments for the measurement period ending June 30, 2020, June 30, 2021, June 30, 2022, June 30, 2023 and June 30, 2024 was 5.0 years. This recognition period determines the number of years the deferred outflows and deferred inflows of resources are amortized over.

Contributions made after the measurement date but before the end of the current fiscal year are recognized as deferred outflows of resources in the reporting period, but will be recognized as a reduction of the net pension liability in the subsequent fiscal year to which they apply. Deferred outflows of resources of \$5,371,630 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, 2026. Deferred outflows of resources of \$4,756,592 and deferred inflows of resources of \$245,053 as described above will be recognized as pension expense as follows:

Measurement Period Ended June 30	Deferred Outflows/ (Inflows) of Resources
2025	\$ 1,485,930
2026	3,321,207
2027	116,813
2028	(412,411)

**Note 11 – 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, 2025, to defer up to the lesser of \$23,500 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 \$2,400 per year. Withdrawals can be made upon retirement, disability or termination, but not later than 73. For the year ended June 30, 2025, the employer contributions totaled \$384,280. The maximum contribution rate is included in the MOU and can be amended in the MOU and approved by the Board of Directors.

**SANTA MARGARITA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**For Fiscal Year Ended June 30, 2025**

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**Note 11 – Deferred Compensation Plans (Continued)**

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 an 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 2025 shall not exceed \$70,000, as adjusted for increases allowed in the Code.

**Note 12 – 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 withdrew from SJBA in fiscal year 2023. 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, 2025 the District paid \$195,143 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 (now South Coast Water District) for the purpose of issuing Bonds on behalf of each member agency. In July 2014 the District issued Water and Wastewater 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 6). During 1999, the Dana Point Sanitary District was dissolved, and the South Coast Water District became the successor agency. Copies of SM/DPA’s annual financial statements can be obtained at the District: Santa Margarita/Dana Point Authority c/o Santa Margarita Water District, 26111 Antonio Parkway, Rancho Santa Margarita, California 92688.

**SANTA MARGARITA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**For Fiscal Year Ended June 30, 2025**

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**Note 12 – Joint Powers Agreements (Continued)**

Each member is responsible for the debt service of SM/DPA debt to the extent that the member benefits from the use of the debt proceeds. SM/DPA 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, 2025, the District paid bond principal payments totaling \$3,050,000 and interest payments totaling \$3,258,276 to SM/DPA to service all the District's general obligation bonds and revenue bonds.

**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)
- City of San Clemente (CSC)
- El Toro Water District (ETWD)
- Emerald Bay Services District (EBSD)
- Santa Margarita Water District (SMWD)
- South Coast Water District (SCWD)

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 wastewater 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, 2025, the District paid \$6,083,580 and \$2,044,721 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. 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 Basic Financial Statements**  
**For Fiscal Year Ended June 30, 2025**

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**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 a coverage limit of \$15,750,000, 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 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 \$15,750,000 and \$25,000 coverage per occurrence, respectively. The District's deductible for employment related practices insurance is \$50,000 and the deductible for automobile medical payments is \$2,500. The District also maintains insurance with a maximum coverage limit of \$15,750,000 per occurrence for dam failure, with a deductible of \$250,000. In addition, the District maintains a \$50,000 deductible per occurrence for Sewer Backup.

The District also maintains specialized coverage limits of \$10,750,000 per occurrence for Lead and \$750,000 per occurrence for Communicable Diseases. Excess liability coverage is maintained for \$10,000,000 per occurrence or wrongful act, plus an annual pooled aggregate coverage of \$40,000,000.

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 materially 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 at least 5,000 acre-feet per year of water from the Cadiz Valley Water Conservation, Recovery and Storage Project (Project), which relies on the utilization of a groundwater basin located in eastern San Bernardino County, approximately 200 miles northeast of the District. The land overlying the Cadiz Project area is owned by Cadiz, Inc. and consists of approximately 34,000 acres in the Cadiz and Fenner Valleys of the Mojave Desert.

**SANTA MARGARITA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**For Fiscal Year Ended June 30, 2025**

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**Note 15 – Commitment To Purchase Water (Continued)**

As originally conceived, the Project would deliver water from the groundwater basin underlying the Cadiz and Fenner Valleys and the adjacent Bristol Valley to various Project participants, including the District, via a newly constructed Southern Pipeline. Currently, however, Cadiz, Inc. is pursuing providing delivery of water through via an existing 30-inch diameter, 220-mile, existing steel pipeline originating on Cadiz, Inc. property with a terminus at Wheeler Ridge (Northern Pipeline). On June 5, 2024, the District entered into the Northern Pipeline Delivery Agreement (Agreement) which includes terms and qualifying conditions for the District to purchase its 5,000 acre-feet per year commitment of water through deliveries from the Northern Pipeline. While the Agreement establishes an initial not-to-exceed price of \$1,650 per acre-foot, this price does not include additional drinking water treatment or “wheeling” costs required to move the water to the District’s service area. Factoring in the additional costs, management’s estimates the cost for this Northern Pipeline water could cost as much as \$2,600 per acre-foot, or approximately \$13 million total per year. However, under the Agreement, the District retains full discretion to exit the Agreement and not purchase any such Northern Pipeline water if the ultimate delivery method does not meet its criteria for a number of considerations, including cost.

**Note 16 – 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.

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, 2025, 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, 2025: Series 2014B and Series 2017A.

*Series 2014B Special Tax Refunding Bonds*

**SANTA MARGARITA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**For Fiscal Year Ended June 30, 2025**

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**Note 16 – Community Facilities Districts (Continued)**

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.

*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.

**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, 2025: 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. During the fiscal year ended June 30, 2023, these bonds were refunded with the issuance of the Series 2023A Special Tax Refunding Bonds.

*Series 2023A Special Tax Refunding Bonds*

In June 2023 CFD 2013-1 issued \$41,680,000 of Special Tax Refunding Bonds (Serial \$34,240,000 and term \$7,440,000) with an interest rate of 4.00% to 5.00% that mature annually on September 1 from (serial) 2024 to 2040, (term) 2041 to 2042 and (serial) ending in 2043. The proceeds of the bonds were used to refund the Series 2013 Special Tax Bonds of CFD 2013-1, which had an interest rate of 2.00% to 5.625%. This refunding legally defeased \$52,185,000 of the Series 2013 Special Tax Bonds. In addition, although the refunding resulted in recognition of a deferred loss of \$402,872, the CFD in effect reduced its aggregate debt service payments by \$23.4 million over the next 20 years and obtained net present value savings of \$12.3 million. The final maturity date remains the same, on September 1, 2043.

**SANTA MARGARITA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**For Fiscal Year Ended June 30, 2025**

**Note 17 – Fiduciary Activities**

The District is a fiduciary when it controls assets and has a fiduciary responsibility to beneficiaries that are not part of the District’s own programs. As a result of the implementation of GASB 84, certain custodial funds previously reported as agency funds are now presented as fiduciary funds in the accompanying financial statements. These funds report assets, liabilities, additions, and deductions, rather than only assets and liabilities as under prior standards.

The District has determined that the following fiduciary activity is subject to reporting under GASB 84:

- **Custodial Funds** – Funds held on behalf of third parties, such as developer deposits, performance guarantees, and pass-through collections.

**Fiduciary Long-Term Debt**

	Balance at June 30, 2024	Additions	Reductions	Balance at June 30, 2025	Amount Due Within One Year	Amount Due Beyond One Year
2023A (2013-1) Sendero	\$41,680,000	\$-	\$(610,000)	\$41,070,000	\$720,000	\$40,350,000
2014B (CFD 99-1) Talega	19,025,000	-	(2,060,000)	\$16,965,000	2,275,000	14,690,000
2017A (CFD 99-1) Talega	24,180,000	-	(2,845,000)	21,335,000	3,100,000	18,235,000
<b>Total</b>	<u>\$84,885,000</u>	<u>\$-</u>	<u>\$(5,515,000)</u>	<u>\$79,370,000</u>	<u>\$6,095,000</u>	<u>\$73,275,000</u>

**Note 18 - Prior Period Restatement – Fiduciary Fund**

During the current fiscal year, the District identified an error in the prior year’s financial statements related to the Fiduciary Fund. An investment account with a balance of approximately \$2.0 million was inadvertently removed from the fiduciary fund financial statements.

As a result, the beginning net position of the fiduciary fund has been restated to correct this error. The correction increased the previously reported beginning net position of the fiduciary fund by \$2.0 million.

Beginning Net Position, as previously reported	\$8,030,360
Adjustment, Correction of Error	<u>\$2,038,965</u>
Beginning Net Position, as Restated	<u>\$10,069,325</u>

# **Required Supplementary Information (Unaudited)**



## SANTA MARGARITA WATER DISTRICT

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

	Measurement Date June 30, 2024	Measurement Date June 30, 2023	Measurement Date June 30, 2022	Measurement Date June 30, 2021	Measurement Date June 30, 2020
<b>Total Pension Liability</b>					
Service Cost	\$ 3,434,760	\$ 3,228,794	\$ 2,717,411	\$ 2,440,773	\$ 2,394,472
Interest	9,231,029	8,779,055	8,239,772	7,985,089	7,620,633
Changes of Benefit Terms	-	90,503	-	-	-
Changes in Assumptions	-	-	3,762,976	-	-
Difference Between Expected and Actual Experience	907,113	2,717,236	(913,381)	221,029	1,014,632
Benefit Payments, Including Refunds of Employee Contributions	(6,584,144)	(6,351,054)	(6,058,739)	(5,293,978)	(5,030,069)
Net Change in Total Pension Liability	6,988,758	8,464,534	7,748,039	5,352,913	5,999,668
Total Pension Liability – Beginning	134,450,613	125,986,079	118,238,040	112,885,127	106,885,459
Total Pension Liability – Ending (a)	<u>\$ 141,439,371</u>	<u>\$ 134,450,613</u>	<u>\$ 125,986,079</u>	<u>\$ 118,238,040</u>	<u>\$ 112,885,127</u>
<b>Plan Fiduciary Net Position</b>					
Net Plan to Plan Resource Movement	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions – Employer	5,016,006	5,836,875	6,493,115	5,967,303	3,610,515
Contributions – Employee	1,528,585	1,254,348	1,170,069	1,016,170	1,034,315
Net Investment Income	9,302,991	5,693,095	(7,404,381)	17,941,095	3,703,793
Benefit Payments, Including Refunds of Employee Contributions	(6,584,144)	(6,351,054)	(6,058,739)	(5,293,978)	(5,030,069)
Administrative Expense	(79,541)	(67,201)	(60,578)	(77,610)	(104,998)
Other Miscellaneous Expense	-	-	-	-	-
Net Change in Fiduciary Net Position	9,183,897	6,366,063	(5,860,514)	19,552,980	3,213,556
Plan Fiduciary Net Position – Beginning	97,751,453	91,385,390	97,245,904	77,692,924	74,479,368
<b>Plan Fiduciary Net Position – Ending (b)</b>	<u>\$ 106,935,350</u>	<u>\$ 97,751,453</u>	<u>\$ 91,385,390</u>	<u>\$ 97,245,904</u>	<u>\$ 77,692,924</u>
<b>Plan Net Pension Liability – Ending (a) - (b)</b>	<u>\$ 34,504,021</u>	<u>\$ 36,699,160</u>	<u>\$ 34,600,689</u>	<u>\$ 20,992,136</u>	<u>\$ 35,192,203</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.61%	72.70%	72.54%	82.25%	68.82%
Covered Payroll	\$ 19,452,542	\$ 17,618,652	\$ 15,672,119	\$ 13,825,243	\$ 13,517,009
Plan Net Pension Liability as a Percentage of Covered Payroll	177.38%	208.30%	220.78%	151.84%	260.35%

## SANTA MARGARITA WATER DISTRICT

	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
<b>Total Pension Liability</b>					
Service Cost	\$ 2,231,253	\$ 2,247,163	\$ 2,163,764	\$ 1,848,648	\$ 1,780,457
Interest	7,209,736	6,765,594	6,398,444	6,127,743	5,898,709
Changes in Assumptions	-	(629,452)	5,244,977	-	(1,424,897)
Difference Between Expected and Actual Experience	1,464,166	941,393	(527,866)	(1,579,501)	(778,016)
Benefit Payments, Including Refunds of Employee Contributions	(4,550,760)	(3,963,586)	(3,598,196)	(3,328,929)	(2,950,790)
Net Change in Total Pension Liability	6,354,395	5,361,112	9,681,123	3,067,961	2,525,463
Total Pension Liability – Beginning	100,531,064	95,169,952	85,488,829	82,420,868	79,895,405
Total Pension Liability – Ending (a)	<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>
<b>Plan Fiduciary Net Position</b>					
Net Plan to Plan Resource Movement	\$ -	\$ (163)	\$ -	\$ -	\$ -
Contributions – Employer	3,277,051	2,854,890	2,892,279	2,564,395	2,250,865
Contributions – Employee	1,036,211	954,280	924,284	883,963	921,137
Net Investment Income	4,661,877	5,565,499	6,530,660	267,084	1,320,631
Benefit Payments, Including Refunds of Employee Contributions	(4,550,760)	(3,963,586)	(3,598,196)	(3,328,929)	(2,950,790)
Administrative Expense	(50,028)	(101,268)	(86,112)	(35,332)	(65,221)
Other Miscellaneous Expense	163	(192,310)	-	-	-
Net Change in Fiduciary Net Position	4,374,514	5,117,342	6,662,915	351,181	1,476,622
Plan Fiduciary Net Position – Beginning	70,104,854	64,987,512	58,324,597	57,973,416	56,496,794
<b>Plan Fiduciary Net Position – Ending (b)</b>	<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>
<b>Plan Net Pension Liability – Ending (a) - (b)</b>	<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>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.68%	69.73%	68.29%	68.22%	70.34%
Covered Payroll	\$ 13,683,339	\$ 12,205,854	\$ 11,917,733	\$ 11,283,721	\$ 10,499,276
Plan Net Pension Liability as a Percentage of Covered Payroll	236.83%	249.28%	253.26%	240.74%	232.85%

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

**Benefit Changes:** The figures above generally include any liability impact that may have resulted from voluntary benefit changes which occurred on or before the Measurement Date. However, offers of Two Years Additional Service Credit that occurred after the Valuation Date are not included in the figures above, unless the liability impact is deemed material by the plan actuary.

**Changes of Assumptions:** In 2022, the discount rate was reduced from 7.15% to 6.90%. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. No changes of assumptions in 2019, 2020 or 2021. 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

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### 2) Schedule of Contributions

	<u>Fiscal Year End June 30, 2025</u>	<u>Fiscal Year End June 30, 2024</u>	<u>Fiscal Year End June 30, 2023</u>	<u>Fiscal Year End June 30, 2022</u>	<u>Fiscal Year End June 30, 2021</u>
Actuarially Determined Contribution	\$ 5,371,630	\$ 5,015,802	\$ 4,836,875	\$ 4,408,625	\$ 3,966,792
Contributions in Relation to the Actuarially Determined Contribution	(5,371,630)	(5,015,802)	(5,836,875)	(6,493,625)	(5,966,792)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,000,000)</u>	<u>\$ (2,085,000)</u>	<u>\$ (2,000,000)</u>
* Represents the District's fiscal year-end date					
Covered Payroll <sup>(1)</sup>	\$ 20,350,024	\$ 19,452,542	\$ 17,618,652	\$ 15,672,119	\$ 13,825,243
Contributions as a Percentage of Covered Payroll	26.40%	25.78%	33.13%	41.43%	43.16%

## SANTA MARGARITA WATER DISTRICT

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

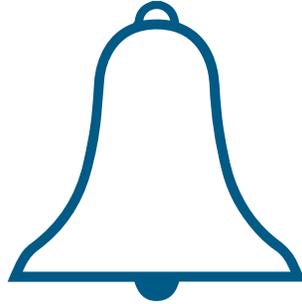
Notes to Schedule of Contribution:

Valuation date: June 30, 2022

Methods and assumptions used to actuarially determine contribution rates for fiscal year 2025:

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level Dollar Amount
Asset Valuation Method	15 Year Smoothed Fair Value
Price Inflation	2.30%
Wage Inflation	2.80%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	2.75%
Investment Rate of Return	6.8% Net of Pension Plan Investment and Administrative Expenses
Retirement Age	The probabilities of retirement are based on the 2021 CalPERS Experience Study for the period from 2000 to 2019.
Mortality	The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2000 to 2019. Pre-retirement and Post-retirement mortality rates are for 2017 and are projected generationally for future years using 80% of Scale MP-2020 published by the Society of Actuaries.

<sup>(1)</sup> 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.



# Santa Margarita Water District

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# **Other Supplementary Information (Unaudited)**



## SANTA MARGARITA WATER DISTRICT

### Combining Area Schedule of Net Position For the Fiscal Year Ended June 30, 2025

	Improvement Districts 1-8	Improvement District 9	Total
<b>Assets:</b>			
Current Assets:			
Cash and Investments	\$ 111,560,454	\$ 17,988,478	\$ 129,548,932
Accrued Interest Receivable	515,406	-	515,406
Accounts Receivable - Water and Sanitation Customers, Net of Allowance for Doubtful Accounts	11,112,684	2,748,130	13,860,814
Accounts Receivable - Other	3,205,008	88,660	3,293,668
Leases Receivable, Current	222,561	-	222,561
Water and Supplies Inventory	6,136,201	502,102	6,638,303
Prepaid Expenses	12,298,970	4,650,726	16,949,696
Restricted - Cash and Investments	20,120,284	582,934	20,703,218
Restricted - Property Taxes Receivable	171,318	38,073	209,391
Restricted - Accrued Interest Receivable	3,733	-	3,733
<b>Total Current Assets</b>	<b>165,346,619</b>	<b>26,599,103</b>	<b>191,945,722</b>
Non-Current Assets:			
Leases Receivable, Non-Current	3,099,384	-	3,099,384
Capital Assets - Not Depreciated	106,694,532	6,541,560	113,236,092
Capital Assets - Net of Accumulated Depreciation and Amortization	743,083,474	75,740,398	818,823,872
<b>Total Non-Current Assets</b>	<b>852,877,390</b>	<b>82,281,958</b>	<b>935,159,348</b>
<b>Total Assets</b>	<b>1,018,224,009</b>	<b>108,881,061</b>	<b>1,127,105,070</b>
<b>Deferred Outflows of Resources:</b>			
Deferred Outflows Related to Pension	10,128,222	-	10,128,222
Deferred Loss on Debt Defeasance	665,042	155,101	820,143
<b>Total Deferred Outflows of Resources</b>	<b>10,793,264</b>	<b>155,101</b>	<b>10,948,365</b>

**SANTA MARGARITA WATER DISTRICT**

**Combining Area Schedule of Net Position (continued)  
For the Fiscal Year Ended June 30, 2025**

	<b>Improvement Districts 1-8</b>	<b>Improvement District 9</b>	<b>Total</b>
<b>Liabilities:</b>			
Current Liabilities:			
Accounts Payable and Accrued Expenses	12,136,615	2,471,765	14,608,380
Accrued Wages and Related Payables	768,190	3,678	771,868
Retentions Payable and Construction Deposits	623,689	147,758	771,447
Other Deposits Payable	565,953	172,220	738,173
Unearned Revenue	265,703	-	265,703
Accrued Interest Payable (Note 9)	1,198,188	67,017	1,265,205
Long-Term Liabilities - Due Within One Year:			
Lease Liabilities	7,483	-	7,483
Subscription Liabilities	42,765	13,760	56,525
Compensated Absences	1,383,409	34,107	1,417,516
Bonds Payable	4,154,975	1,875,667	6,030,642
Loans Payable	3,010,604	-	3,010,604
<b>Total Current Liabilities</b>	<b>24,157,574</b>	<b>4,785,972</b>	<b>28,943,546</b>
Non-Current Liabilities:			
Long-Term Liabilities - Due in More Than One Year:			
Lease Liabilities	254	-	254
Subscription Liabilities	49,294	9,389	58,683
Compensated Absences	644,762	44,301	689,063
Bonds Payable	80,830,177	20,379,662	101,209,839
Loans Payable	83,466,589	-	83,466,589
Reimbursement Agreement Advances (Note 6 and Note 9)	380,037	-	380,037
Accrued Interest Payable on Reimbursement Agreements	60,763	-	60,763
Net Pension Liability	34,504,021	-	34,504,021
<b>Total Non-Current Liabilities</b>	<b>199,935,897</b>	<b>20,433,352</b>	<b>220,369,249</b>
<b>Total Liabilities</b>	<b>224,093,471</b>	<b>25,219,324</b>	<b>249,312,795</b>
<b>Deferred Inflows of Resources:</b>			
Deferred Inflows Related to Pension	245,053	-	245,053
Deferred Gain on Debt Defeasance	17,738	-	17,738
Deferred Inflows Related to Leases	3,081,512	-	3,081,512
<b>Total Deferred Inflows of Resources</b>	<b>3,344,303</b>	<b>-</b>	<b>3,344,303</b>
<b>Net Position:</b>			
Net Investment in Capital Assets	677,292,028	59,261,354	736,553,382
Restricted for:			
Special Assessment for Debt Service	12,170,956	582,934	12,753,890
Other	8,162,452	-	8,162,452
Unrestricted	108,691,551	19,235,062	127,926,613
<b>Total Net Position</b>	<b>\$ 806,316,987</b>	<b>\$ 79,079,350</b>	<b>\$ 885,396,337</b>

## SANTA MARGARITA WATER DISTRICT

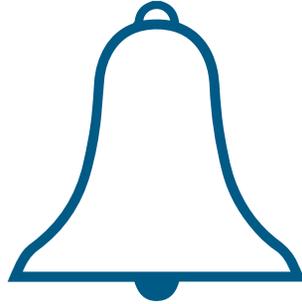
### Combining Area Schedule of Revenues, Expenses and Change in Net Position For the Fiscal Year Ended June 30, 2025

	Improvement Districts 1-8	Improvement District 9	Total
<b>Operating Revenues:</b>			
Potable Water Charges:			
Potable Water Commodity Charge	\$ 34,158,804	\$ 10,531,926	\$ 44,690,730
Monthly Service Charge	22,779,792	9,108,648	31,888,440
Transmission Charge	1,467,734	-	1,467,734
Total Potable Water Charges	58,406,330	19,640,574	78,046,904
Recycled Water Charges:			
Recycled Water Commodity Charge	10,083,855	846,121	10,929,976
Monthly Service Charge	1,801,056	197,795	1,998,851
Transmission Charge	510,107	-	510,107
Total Recycled Water Charges	12,395,018	1,043,916	13,438,934
Wastewater Charges:			
Wastewater Commodity Charge	6,233,869	821,962	7,055,831
Monthly Service Charge	21,820,315	5,886,136	27,706,451
Total Wastewater Charges	28,054,184	6,708,098	34,762,282
Other Charges or Services:			
Jointly Owned Facilities	1,266,783	-	1,266,783
Construction Related Revenues	1,097,923	40,976	1,138,899
Rebates	511,142	40,682	551,824
Customer Related Revenues	962,760	209,958	1,172,718
Other Revenues	478,258	1,200,153	1,678,411
Total Other Charges or Services	4,316,866	1,491,769	5,808,635
<b>Total Operating Revenues</b>	<b>103,172,398</b>	<b>28,884,357</b>	<b>132,056,755</b>
<b>Operating Expenses:</b>			
Source of Supply - Water Purchases	34,852,117	10,793,347	45,645,464
Power	7,245,863	580,797	7,826,660
Maintenance and Operations	14,169,760	3,643,275	17,813,035
Regional Participation	220,769	25,720	246,489
Wastewater Treatment	5,616,558	2,456,093	8,072,651
Salaries, Wages and Related Benefits	28,562,551	4,235,580	32,798,131
General and Administrative	7,705,808	1,274,130	8,979,938
Bad Debt	135,850	31,433	167,283
<b>Total Operating Expenses</b>	<b>98,509,276</b>	<b>23,040,375</b>	<b>121,549,651</b>
<b>Operating Income before Depreciation and Amortization Expense</b>	<b>4,663,122</b>	<b>5,843,982</b>	<b>10,507,104</b>
Depreciation and Amortization Expense (Note 5)	(27,874,774)	(4,468,813)	(32,343,587)
<b>Operating Income (Loss)</b>	<b>(23,211,652)</b>	<b>1,375,169</b>	<b>(21,836,483)</b>

**SANTA MARGARITA WATER DISTRICT**

**Combining Area Schedule of Revenues, Expenses and Change in Net Position (continued)  
For the Fiscal Year Ended June 30, 2025**

	<b>Improvement Districts 1-8</b>	<b>Improvement District 9</b>	<b>Total</b>
<b>Non-Operating Revenues (Expenses):</b>			
Special Assessment Tax Revenues for Debt Service	3,151,754	-	3,151,754
Property Taxes	11,159,465	-	11,159,465
Investment Earnings	7,537,051	1,142,412	8,679,463
Capacity Lease Revenue	445	-	445
Rental Revenue	1,280,730	-	1,280,730
Contributions from Agencies	5,671,713	(17,650)	5,654,063
Loss on Disposal of Capital Assets	(1,328,654)	(56,835)	(1,385,489)
Other Non-Operating Revenue	(2,140,067)	3,589,109	1,449,042
Interest Expense	(3,216,454)	(865,090)	(4,081,544)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>22,115,983</b>	<b>3,791,946</b>	<b>25,907,929</b>
<b>Income (Loss) before Capital Contributions</b>	<b>(1,095,669)</b>	<b>5,167,115</b>	<b>4,071,446</b>
<b>Capital Contributions:</b>			
Capital Grants	909,964	-	909,964
Contributions from Developer	3,699,043	3,862,251	7,561,294
Connection Fees	917,248	251,557	1,168,805
Jointly Owned Facilities Capital Reimbursements	1,729,502	24,622	1,754,124
<b>Total Capital Contributions</b>	<b>7,255,757</b>	<b>4,138,430</b>	<b>11,394,187</b>
<b>Change in Net Position</b>	<b>6,160,088</b>	<b>9,305,545</b>	<b>15,465,633</b>
<b>Net Position, Beginning of Year</b>	<b>800,156,899</b>	<b>69,773,805</b>	<b>869,930,704</b>
<b>Net Position, End of Year</b>	<b>\$ 806,316,987</b>	<b>\$ 79,079,350</b>	<b>\$ 885,396,337</b>



# Santa Margarita Water District

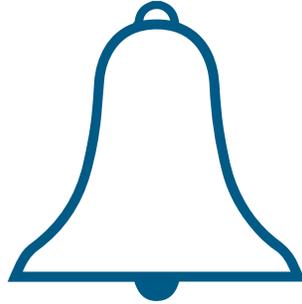
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# Statistical Section (Unaudited)



Santa Margarita  
Water District



# Santa Margarita Water District

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## Summary of Statistical Section

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 75
Changes in Net Position . . . . .	page 77
Operating Revenue by Source. . . . .	page 79
Operating Expenses by Type. . . . .	page 80

**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 81
Historical Water System Sales Revenues . . . . .	page 82
Water and Wastewater Rates . . . . .	page 83
Ten Largest Water and Wastewater Customers. . . . .	page 85
Assessed Value and Assessment Rate by Improvement District . . . . .	page 87

**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 88
Debt Service Coverage Ratio . . . . .	page 95
Outstanding Debt by Type. . . . .	page 97
Outstanding Debt Ratios . . . . .	page 98

**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 99
Principal Employers . . . . .	page 100

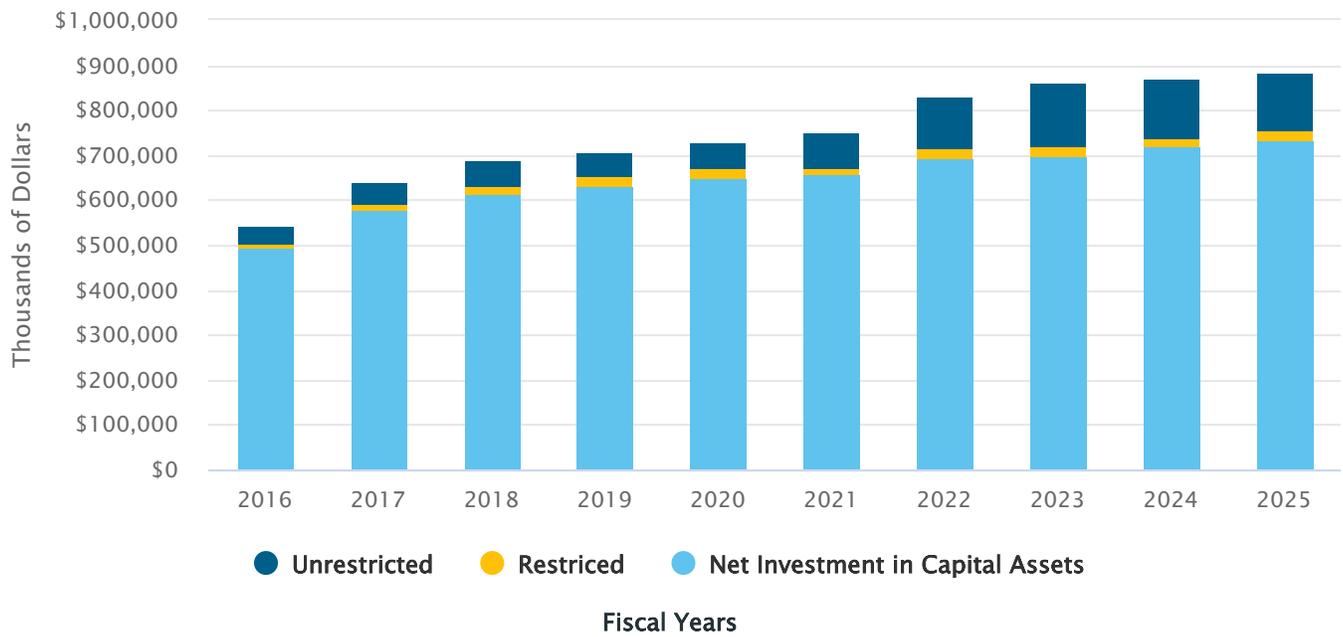
**Operating Information** – These schedules contain information about the District’s operations and resources to help the reader understand how the District’s financial information relates to the services the District provides and the activities it performs.

Capital Asset Statistics . . . . .	page 101
Water and Wastewater Connections . . . . .	page 102
Employee Information . . . . .	page 104

# SANTA MARGARITA WATER DISTRICT

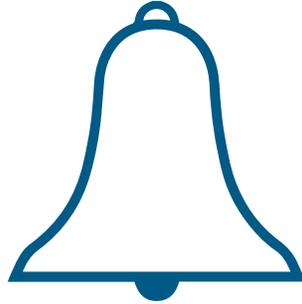
## Net Position (Thousands of Dollars) Last Ten Fiscal Years

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Net Position<sup>(1)</sup></b>										
Net Investment in Capital Assets	\$ 494,624	\$ 581,278	\$ 616,456	\$ 633,048	\$ 652,545	\$ 657,883	\$ 695,693	\$ 699,880	\$ 720,223	\$ 736,553
Restricted	8,931	13,329	14,408	21,955	18,695	15,229	20,407	19,653	20,909	20,916
Unrestricted	39,832	47,951	57,446	51,752	59,716	78,371	117,399	144,315	129,911	127,927
<b>Total Net Position</b>	<b>\$ 543,387</b>	<b>\$ 642,558</b>	<b>\$ 688,310</b>	<b>\$ 706,755</b>	<b>\$ 730,956</b>	<b>\$ 751,483</b>	<b>\$ 833,499</b>	<b>\$ 863,848</b>	<b>\$ 871,043</b>	<b>\$ 885,396</b>



<sup>(1)</sup> Current year net position is calculated in notes 8 and 9 to the basic financial statements.

Source: SMWD Basic Financial Statements



# Santa Margarita Water District

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## SANTA MARGARITA WATER DISTRICT

### Changes in Net Position Last Ten Fiscal Years

	Fiscal Year				
	2016	2017	2018	2019	2020
<b>Operating Revenues:</b>					
Potable Water Charges	\$ 30,957,212	\$ 36,801,755	\$ 42,532,641	\$ 40,935,472	\$ 43,414,528
Recycled Water Charges	6,766,438	7,917,181	8,518,568	7,358,115	7,989,399
Wastewater Charges	14,706,977	19,119,039	21,111,651	21,466,050	23,668,748
Customer Related Revenues	647,657	766,205	821,386	789,675	606,985
Construction Charges	1,121,823	1,030,082	855,453	327,665	730,549
Other Income	4,178,070	3,298,165	4,003,968	3,001,417	3,227,784
<b>Total Operating Revenues</b>	<b>58,378,177</b>	<b>68,932,427</b>	<b>77,843,667</b>	<b>73,878,394</b>	<b>79,637,993</b>
<b>Operating Expenses:</b>					
Water Purchases	23,677,839	24,333,744	24,823,991	25,874,531	27,224,323
Power	5,189,368	5,371,920	5,698,926	5,184,012	4,996,289
Maintenance and Operations	1,184,825	733,064	1,000,939	251,842	412,129
Regional Participation	175,282	253,717	261,819	354,919	121,451
Wastewater Treatment	2,534,102	2,615,119	3,205,993	4,552,922	4,195,526
Operating General	2,944,793	3,306,865	4,452,531	3,290,440	4,153,245
Repair and Maintenance	4,060,091	4,522,714	6,190,383	6,118,091	4,419,298
Employee Cost	16,022,443	17,139,918	19,338,871	20,191,877	22,346,607
Customer Relations	354,427	1,043,790	1,093,631	909,760	-
General and Administrative	5,210,550	4,348,537	3,791,832	4,343,332	5,153,821
Bad Debt	-	-	-	-	-
<b>Total Operating Expenses before Depreciation and Amortization Expenses</b>	<b>61,353,720</b>	<b>63,669,388</b>	<b>69,858,916</b>	<b>71,071,726</b>	<b>73,022,689</b>
Depreciation and Amortization	17,177,880	17,884,061	20,546,739	21,337,294	21,652,406
<b>Operating Income (Loss)</b>	<b>(20,153,423)</b>	<b>(12,621,022)</b>	<b>(12,561,988)</b>	<b>(18,530,626)</b>	<b>(15,037,102)</b>
<b>Non-Operating Revenues (Expenses)</b>					
Property Taxes-Ad Valorem Restricted	19,011,576	17,588,204	17,647,908	14,246,710	14,249,102
Property Taxes-Ad Valorem 1% General	7,074,733	7,481,907	7,949,869	8,324,301	8,735,175
Investment Income (Loss)	2,304,089	87,522	265,970	3,699,167	4,086,083
Capacity Lease Income	824,530	5,434	1,516	1,438	618
Rental Income	1,087,296	1,204,530	1,204,707	1,242,157	1,243,965
Gain (Loss) on Sale of Capital Asset	-	-	18,149	(732,355)	88,147
Other Non-Operating Income	-	8,664,815	1,073,576	707,881	79,118
Contributions to Other Agencies	10,283,028	13,342,473	5,621,401	116,472	2,278,209
Other Non-Operating Expenses	(798,665)	-	-	-	-
Interest Revenue (Expense)	(228,423)	(1,021,469)	(333,729)	(2,027,006)	(2,050,123)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>39,558,164</b>	<b>47,353,416</b>	<b>33,449,367</b>	<b>25,578,765</b>	<b>28,710,294</b>
<b>Income (Loss) before Contributed Capital</b>	<b>19,404,741</b>	<b>34,732,394</b>	<b>20,887,379</b>	<b>7,048,139</b>	<b>13,673,192</b>
<b>Capital Contributions</b>					
Capital Grants	828,296	1,199,865	11,312,189	-	2,615,576
Contributions from Developer	3,515,481	62,591,102	12,660,109	7,292,210	4,924,149
Connection Fees	-	-	-	-	-
Jointly Owned Facilities Capital Reimbursements	2,064,227	646,897	892,811	4,105,174	2,987,974
<b>Special Item</b>					
Annexed Operations from the City of San Juan Capistrano's Water System	-	-	-	-	-
<b>Change in Net Position</b>	<b>\$ 25,812,745</b>	<b>\$ 99,170,258</b>	<b>\$ 45,752,488</b>	<b>\$ 18,445,523</b>	<b>\$ 24,200,891</b>

Contributions from Agencies previous years (2016 - 2024) reclassified from Capital Contributions to Non-Operating Revenues (Expenses).

Source: SMWD Basic Financial Statements

## SANTA MARGARITA WATER DISTRICT

### Changes in Net Position (Continued) Last Ten Fiscal Years

	2021	2022	2023	2024	2025
<b>Operating Revenues:</b>					
Potable Water Charges	\$ 49,026,077	\$ 61,422,930	\$ 64,353,558	\$ 67,143,206	\$ 78,046,904
Recycled Water Charges	10,846,821	12,015,309	9,811,495	9,124,654	13,438,934
Wastewater Charges	24,652,362	27,251,110	30,164,880	31,948,258	34,762,282
Customer Related Revenues	277,823	812,916	1,061,622	974,072	1,172,718
Construction Charges	991,250	895,192	716,621	957,473	1,138,899
Other Income	2,373,234	2,770,441	2,813,620	3,065,357	3,497,018
<b>Total Operating Revenues</b>	<b>88,167,567</b>	<b>105,167,898</b>	<b>108,921,796</b>	<b>113,213,020</b>	<b>132,056,755</b>
<b>Operating Expenses:</b>					
Water Purchases	30,500,238	34,894,204	35,356,741	35,590,274	45,645,464
Power	5,705,482	6,931,811	7,122,446	8,399,363	7,826,660
Maintenance and Operations	9,342,810	11,684,776	13,420,015	15,225,601	17,813,035
Regional Participation	264,610	287,340	612,175	899,807	246,489
Wastewater Treatment	3,910,239	6,339,515	8,012,438	8,195,190	8,072,651
Operating General	-	-	-	-	-
Repair and Maintenance	-	-	-	-	-
Employee Cost	23,048,950	21,916,600	26,834,568	31,953,433	32,798,131
Customer Relations	-	-	-	-	-
General and Administrative	4,733,643	7,214,289	5,883,697	8,298,960	8,979,938
Bad Debt	-	-	-	-	167,283
<b>Total Operating Expenses before Depreciation and Amortization Expenses</b>	<b>77,505,972</b>	<b>89,268,535</b>	<b>97,242,080</b>	<b>108,562,628</b>	<b>121,549,651</b>
Depreciation and Amortization	22,215,916	26,873,410	28,615,527	30,369,691	(32,343,587)
<b>Operating Income (Loss)</b>	<b>(11,554,321)</b>	<b>(10,974,047)</b>	<b>(16,935,811)</b>	<b>(25,719,299)</b>	<b>(21,836,483)</b>
<b>Non-Operating Revenues (Expenses)</b>					
Property Taxes-Ad Valorem Restricted	3,339,826	3,100,584	3,223,643	3,157,863	3,151,754
Property Taxes-Ad Valorem 1% General	9,095,334	9,387,515	10,098,029	10,349,670	11,159,465
Investment Income (Loss)	577,079	(3,922,058)	4,821,962	8,880,958	8,679,463
Capacity Lease Income	6,961	209	163	21	445
Rental Income	1,303,167	1,280,134	1,376,798	1,834,712	1,280,730
Gain (Loss) on Sale of Capital Asset	21,516	(521,438)	(3,185,799)	(6,311,775)	(1,385,489)
Other Non-Operating Income	78,069	106,662	62,713	298,020	1,449,042
Contributions to Other Agencies	13,841,205	13,654,484	12,794,287	2,246,049	5,654,063
Other Non-Operating Expenses	-	-	-	-	-
Interest Revenue (Expense)	(3,659,245)	(4,488,560)	(4,563,786)	(4,320,363)	(4,081,544)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>2,463,912</b>	<b>18,597,532</b>	<b>24,628,010</b>	<b>16,135,155</b>	<b>25,907,929</b>
<b>Income (Loss) before Contributed Capital</b>	<b>13,049,591</b>	<b>7,623,485</b>	<b>7,692,199</b>	<b>(9,584,144)</b>	<b>4,071,446</b>
<b>Capital Contributions</b>					
Capital Grants	3,095,713	1,356,906	3,941,758	2,511,145	909,964
Contributions from Developer	3,753,058	10,772,002	11,137,310	9,885,610	7,561,294
Connection Fees	171,061	1,794,663	6,666,537	2,793,597	1,168,805
Jointly Owned Facilities Capital Reimbursements	457,645	275,097	911,514	476,152	1,754,124
<b>Special Item</b>					
Annexed Operations from the City of San Juan Capistrano's Water System	-	60,193,880	-	-	-
<b>Change in Net Position</b>	<b>\$ 20,527,068</b>	<b>\$ 82,016,033</b>	<b>\$ 30,349,318</b>	<b>\$ 6,082,360</b>	<b>\$ 15,465,633</b>

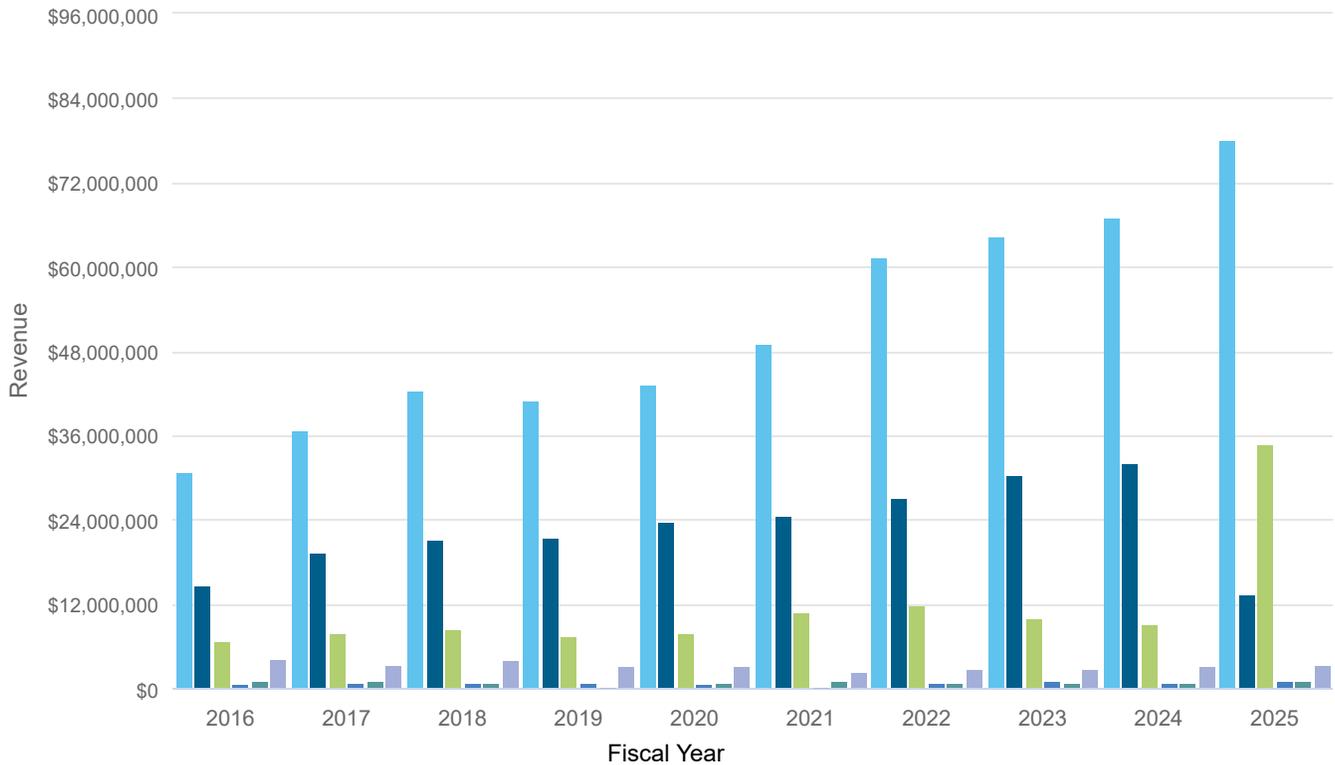
Source: SMWD Basic Financial Statements

## 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
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
2022	61,422,930	27,251,110	12,015,309	812,916	895,192	2,770,441	105,167,898
2023	64,353,558	30,164,880	9,811,495	1,061,622	716,621	2,813,620	108,921,796
2024	67,143,206	31,948,258	9,124,654	974,072	957,473	3,065,357	113,213,020
2025	78,046,904	13,438,934	34,762,282	1,172,718	1,138,899	3,497,018	132,056,755

### Operating Revenue by Source



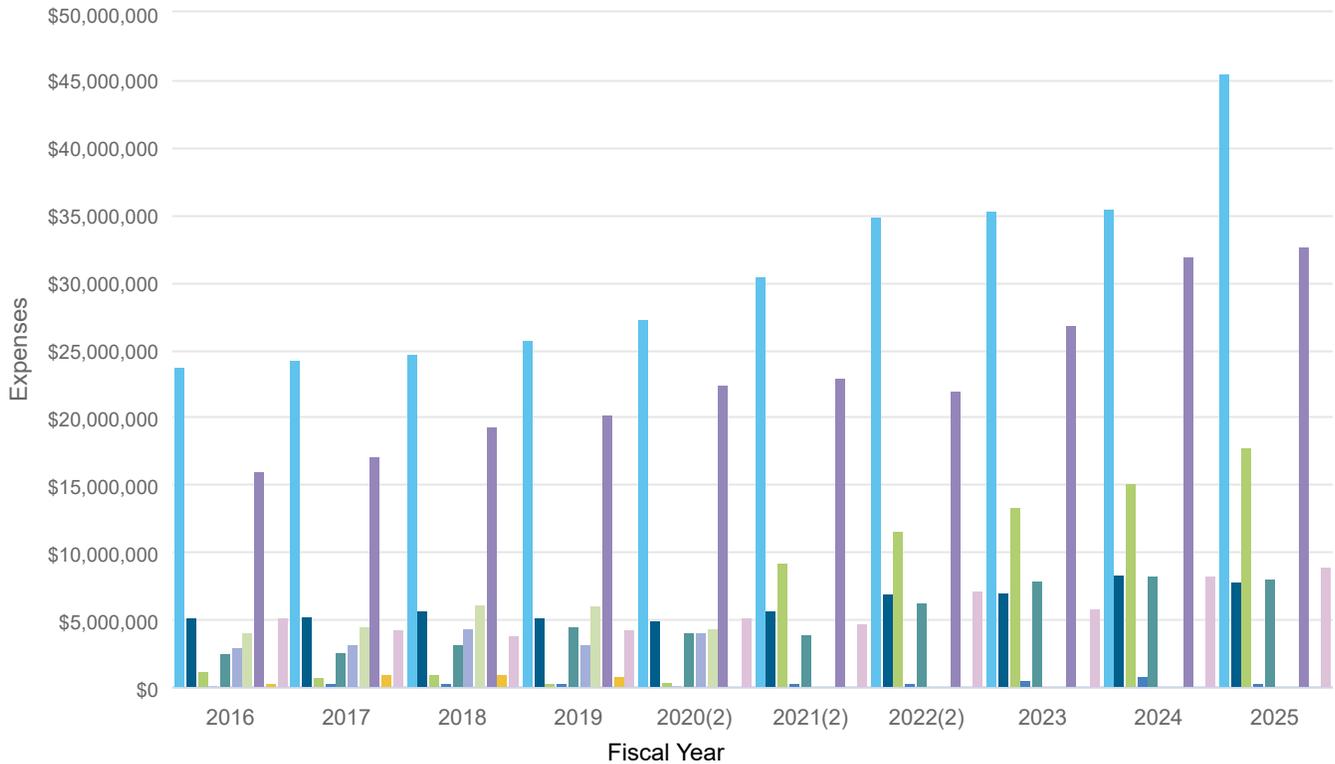
Source: SMWD Finance Department

# SANTA MARGARITA WATER DISTRICT

## Operating Expenses by Type Last Ten Fiscal Years

Fiscal Year	Water Purchases	Power	Maintenance and Operations	Regional Participation	Waste-water Treatment	Operating General	Repair and Maintenance	Employee Cost	Customer Relations	General and Administrative	Bad Debt	Total Operating Expense
2016	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 <sup>(1)</sup>	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 <sup>(1)</sup>	30,500,238	5,705,482	9,342,810	264,610	3,910,239	-	-	23,048,950	-	4,733,643	-	77,505,972
2022 <sup>(1)</sup>	34,894,204	6,931,811	11,684,776	287,340	6,339,515	-	-	21,916,600	-	7,214,289	-	89,268,535
2023	35,356,741	7,122,446	13,420,015	612,175	8,012,438	-	-	26,834,568	-	5,883,697	-	97,242,080
2024	35,590,274	8,399,363	15,225,601	899,807	8,195,190	-	-	31,953,433	-	8,298,960	-	108,562,628
2025	45,645,464	7,826,660	17,813,035	246,489	8,072,651	-	-	32,798,131	-	8,979,938	167,283	121,549,651

## Operating Expense by Type



<sup>(1)</sup> Certain amounts, such as customer relations and repairs and maintenance, were reclassified in FY 2020 through FY 2022.

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)

##### Improvement Districts 1 to 8

	Potable Water <sup>(1)</sup>				Recycled Water <sup>(2)</sup>			Total Water	
	Res (SF)	Res (MF)	Dom Irr	Comm/ Other	Total PW	Irrigation	All other <sup>(3)</sup>	Total RW	Total Water
<b>2016</b>	12,987	2,454	3,834	1,171	20,445	6,538	692	7,230	27,675
<b>2017</b>	13,315	2,454	4,279	1,229	21,277	7,077	749	7,826	29,103
<b>2018</b>	14,667	2,497	5,122	1,142	23,428	7,597	744	8,341	31,769
<b>2019</b>	13,579	2,466	4,021	1,071	21,138	6,159	518	6,676	27,814
<b>2020</b>	14,106	2,595	4,162	1,000	21,862	6,041	744	6,785	28,648
<b>2021</b>	15,483	2,681	5,415	1,079	24,659	7,705	971	8,677	33,335
<b>2022</b>	14,561	2,570	5,104	920	23,155	7,721	769	8,490	31,645
<b>2023</b>	12,645	2,555	3,873	1,084	20,158	5,718	514	6,232	26,390
<b>2024</b>	12,290	2,588	3,485	1,108	19,472	4,931	458	5,389	24,861
<b>2025</b>	13,967	2,694	4,476	1,184	22,321	6,926	948	7,874	30,195

##### Improvement District 9

	Potable Water <sup>(1)</sup>				Recycled Water <sup>(2)</sup>			Total Water	
	Res (SF)	Res (MF)	Dom Irr	Comm/ Other	Total PW	Irrigation	All other	Total RW	Total Water
<b>2022<sup>(4)</sup></b>	1,961	621	721	554	3,857	358	-	358	4,215
<b>2023</b>	2,952	963	1,091	816	5,822	537	-	537	6,359
<b>2024</b>	2,865	971	1,084	813	5,732	508	50	558	6,289
<b>2025</b>	3,364	996	1,401	889	6,650	963	81	1,044	7,694

<sup>(1)</sup> Potable water is water that is treated to drinking water standards.

<sup>(2)</sup> Recycled water is water that is not of drinking water quality, but which may still be used for many other purposes.

<sup>(3)</sup> Includes lakefill (Lake MV) and construction.

<sup>(4)</sup> The District assumed the City of San Juan Capistrano's water and wastewater system obligations on November 15, 2021. Water sales by customer class reflect seven and a half months (62.5%) of activity for the fiscal year ended June 30, 2022.

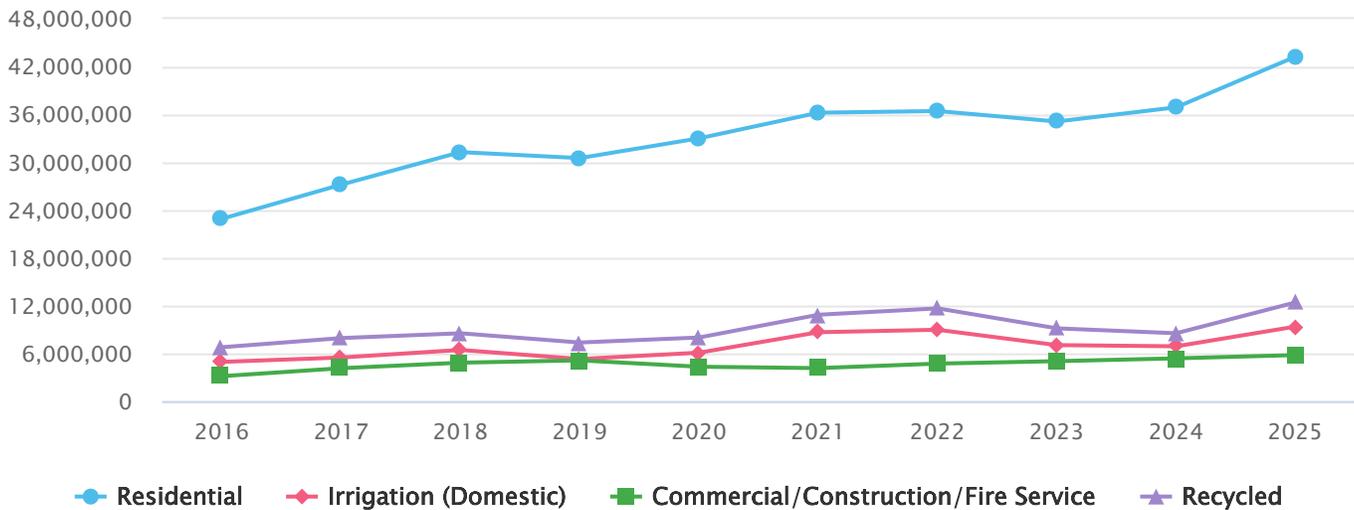
Source: SMWD utility billing system

## SANTA MARGARITA WATER DISTRICT

### Historical Water System Sales Revenues Last Ten Fiscal Years

#### Improvement Districts 1 to 8

Fiscal Year	Residential	Irrigation (Domestic)	Commercial/ Construction/ Fire Service	Recycled	Total	% Increase / Decrease
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%
2022	36,443,885	8,959,164	4,708,408	11,649,261	61,760,718	3.15%
2023	35,128,940	7,033,241	5,015,308	9,139,883	56,317,372	(8.81%)
2024	36,909,220	6,881,090	5,367,390	8,521,815	57,679,515	2.42%
2025	43,268,895	9,357,576	5,779,858	12,395,017	70,801,346	22.75%



#### Improvement District 9

Fiscal Year	Residential	Irrigation (Domestic)	Commercial/ Construction/ Fire Service	Recycled	Total	% Increase / Decrease
2022 <sup>(1)</sup>	\$ 7,357,826	\$ 2,159,025	\$ 1,794,623	\$ 668,639	\$ 11,980,113	N/A
2023	\$ 11,545,030	\$ 3,103,559	\$ 2,527,480	\$ 926,316	\$ 18,102,385	51.10%
2024	\$ 12,184,869	\$ 2,771,149	\$ 3,029,488	\$ 889,949	\$ 18,875,455	4.27%
2025	\$ 12,875,853	\$ 3,319,024	\$ 3,445,698	\$ 1,043,916	\$ 20,684,491	9.58%

<sup>(1)</sup> The District assumed the City of San Juan Capistrano's water and wastewater system obligations on November 15, 2021. Water system sales revenues reflect seven and a half months (62.5%) of activity for the fiscal year ended June 30, 2022.

Source: SMWD utility billing system

# SANTA MARGARITA WATER DISTRICT

## Water and Wastewater Rates Last Ten Fiscal Years

Improvement Districts 1-8											
Water Basic Monthly Charge - Residential Single and Multi-Family (per account)											
	2016 <sup>(1)</sup>	2017 <sup>(1)</sup>	2018 <sup>(1)</sup>	2019 <sup>(2)</sup>	2020 <sup>(1)</sup>	2021 <sup>(3)</sup>	2022 <sup>(1)</sup>	2023 <sup>(1)</sup>	2024 <sup>(4)</sup>	2025 <sup>(4)</sup>	
3/4" Meter Size	\$ 14.89	\$ 21.79	\$ 23.05	\$ 23.05	\$ 23.13	\$ 23.46	\$ 24.51	\$ 25.16	\$ 26.16	\$ 26.16	
Water Volumetric Charges - Residential Single Family and Multi-Family (per ccf)											
	2016 <sup>(1)</sup>	2017 <sup>(1)</sup>	2018 <sup>(1)</sup>	2019 <sup>(2)</sup>	2020 <sup>(1)</sup>	2021 <sup>(3)</sup>	2022 <sup>(1)</sup>	2023 <sup>(1)</sup>	2024 <sup>(4)</sup>	2025 <sup>(4)</sup>	
Tier 1	\$ 1.86	\$ 1.67	\$ 1.67	\$ 1.67	\$ 2.20	\$ 2.38	\$ 2.46	\$ 2.56	\$ 3.11	\$ 3.11	
Tier 2	2.11	1.94	1.94	1.94	2.57	2.79	2.86	2.95	3.45	3.45	
Tier 3	2.61	2.44	2.45	2.45	3.36	3.64	3.76	3.81	4.33	4.33	
Tier 4	3.12	2.95	2.96	2.96	5.53	6.06	6.17	6.22	7.27	7.27	
Tier 5	4.67	4.84	4.85	4.85	-	-	-	-	-	-	
MWDOC Surcharge	0.04	0.10	0.19	0.29	-	-	-	-	-	-	
Water Volumetric Charges - Domestic Irrigation (Domestic Water) (per ccf)											
	2016 <sup>(1)</sup>	2017 <sup>(1)</sup>	2018 <sup>(1)</sup>	2019 <sup>(2)</sup>	2020 <sup>(1)</sup>	2021 <sup>(3)</sup>	2022 <sup>(1)</sup>	2023 <sup>(1)</sup>	2024 <sup>(4)</sup>	2025 <sup>(4)</sup>	
Tier 1	\$ 2.23	\$ 1.67	\$ 1.67	\$ 1.67	\$ 2.57	\$ 2.87	\$ 2.95	\$ 3.02	\$ 3.44	\$ 3.44	
Tier 2	2.32	1.94	1.94	1.94	3.56	3.86	4.01	4.06	4.66	4.66	
Tier 3	2.49	2.44	2.45	2.45	5.64	6.18	6.59	6.63	7.75	7.75	
Tier 4	2.66	2.95	2.96	2.96	-	-	-	-	-	-	
Tier 5	3.29	4.84	4.85	4.85	-	-	-	-	-	-	
MWDOC Surcharge	0.04	0.10	0.19	0.29	-	-	-	-	-	-	
Recycled Water Volumetric Charges - Irrigation (Non-Domestic/Blended Water) (per ccf)											
	2016 <sup>(1)</sup>	2017 <sup>(1)</sup>	2018 <sup>(1)</sup>	2019 <sup>(2)</sup>	2020 <sup>(1)</sup>	2021 <sup>(3)</sup>	2022 <sup>(1)</sup>	2023 <sup>(1)</sup>	2024 <sup>(4)</sup>	2025 <sup>(4)</sup>	
Tier 1	\$ 2.24	\$ 1.78	\$ 1.82	\$ 1.82	\$ 2.21	\$ 2.41	\$ 2.47	\$ 2.48	\$ 2.73	\$ 2.73	
Tier 2	2.43	2.34	2.39	2.39	2.62	2.87	3.28	3.25	3.41	3.41	
Tier 3	2.44	2.38	2.44	2.44	4.90	5.22	5.45	5.65	4.20	4.20	
Tier 4	2.51	2.60	2.66	2.66	-	-	-	-	-	-	
Tier 5	3.38	5.21	5.32	5.32	-	-	-	-	-	-	
MWDOC Surcharge	-	-	-	-	-	-	-	-	-	-	
Recycled Water Volumetric Charges - Irrigation (Non-Domestic Water) (per ccf)											
	2016 <sup>(1)</sup>	2017 <sup>(1)</sup>	2018 <sup>(1)</sup>	2019 <sup>(2)</sup>	2020 <sup>(1)</sup>	2021 <sup>(3)</sup>	2022 <sup>(1)</sup>	2023 <sup>(1)</sup>	2024 <sup>(4)</sup>	2025 <sup>(4)</sup>	
Tier 1	\$ 1.83	\$ 1.78	\$ 1.82	\$ 1.82	\$ 2.21	\$ 2.41	\$ 2.47	\$ 2.48	\$ 2.73	\$ 2.73	
Tier 2	2.01	2.34	2.39	2.39	2.62	2.87	3.28	3.25	3.41	3.41	
Tier 3	2.03	2.38	2.44	2.44	4.90	5.22	5.45	5.65	4.20	4.20	
Tier 4	2.10	2.60	2.66	2.66	-	-	-	-	-	-	
Tier 5	2.97	5.21	5.32	5.32	-	-	-	-	-	-	
Wastewater Monthly Charge - Single Family and Multi-Family											
	2016 <sup>(1)</sup>	2017 <sup>(1)</sup>	2018 <sup>(1)</sup>	2019 <sup>(2)</sup>	2020 <sup>(1)</sup>	2021 <sup>(3)</sup>	2022 <sup>(1)</sup>	2023 <sup>(1)</sup>	2024 <sup>(4)</sup>	2025 <sup>(4)</sup>	
Fixed Base Charge (per meter)											
Single Family Residential	\$ 20.30	\$ 25.51	\$ 25.51	\$ 29.38	\$ 29.10	\$ 29.18	\$ 30.33	\$ 32.21	\$ 31.96	\$ 31.96	
Multi-Family Residential (Single Meter)	20.30	25.51	25.51	29.38	25.96	26.01	27.21	29.06	28.60	28.60	
Multi-Family Residential (Common Meter)	20.30	25.51	25.51	29.38	11.43	11.33	12.76	14.41	13.07	13.07	
Multi-Family Residential (Dwelling Unit)	-	-	-	-	14.53	14.68	14.45	14.65	15.53	15.53	
C1-Med-Low Strength	20.30	25.51	25.51	29.38	27.79	27.86	29.03	30.90	30.56	30.56	
C2-Med-Low Strength	20.30	25.51	25.51	29.38	85.62	86.30	86.57	89.20	89.20	89.20	
C3-Med-High Strength	20.30	25.51	25.51	29.38	88.15	88.85	89.08	91.74	92.38	92.38	
C4-High Strength	20.30	25.51	25.51	29.38	92.07	92.81	92.98	95.69	99.28	99.28	
Recreational	20.30	25.51	25.51	29.38	27.77	27.84	29.01	30.88	30.54	30.54	
Volumetric Charge (per ccf)											
Single Family Residential	\$ 1.03	\$ 1.03	\$ 1.03	\$ 0.95	\$ 1.05	\$ 1.08	\$ 1.08	\$ 1.12	\$ 1.24	\$ 1.24	
Multi-Family Residential (Single Meter)	1.03	1.03	1.03	0.95	1.05	1.08	1.08	1.12	1.24	1.24	
Multi-Family Residential (Common Meter)	1.03	1.03	1.03	0.95	1.05	1.08	1.08	1.12	1.24	1.24	
C1-Med-Low Strength	0.87	0.87	0.87	0.80	0.88	0.90	0.95	0.99	1.09	1.09	
C2-Med-Low Strength	1.03	1.03	1.03	0.95	1.05	1.08	1.16	1.22	1.35	1.35	
C3-Med-High Strength	1.49	1.49	1.49	1.35	1.47	1.51	1.48	1.54	1.72	1.72	
C4-High Strength	2.19	2.19	2.19	2.32	2.34	2.41	2.59	2.71	3.07	3.07	
Recreational	0.84	0.84	0.84	0.72	0.82	0.84	0.56	0.59	0.62	0.62	
Average Single Family Residential Monthly Potable Water Bill (based on 3/4" meter and 15 units (ccf) of water)											
	2016 <sup>(1)</sup>	2017 <sup>(1)</sup>	2018 <sup>(1)</sup>	2019 <sup>(2)</sup>	2020 <sup>(1)</sup>	2021 <sup>(3)</sup>	2022 <sup>(1)</sup>	2023 <sup>(1)</sup>	2024 <sup>(4)</sup>	2025 <sup>(4)</sup>	
	\$ 44.89	\$ 49.96	\$ 52.57	\$ 54.07	\$ 58.35	\$ 61.62	\$ 63.81	\$ 65.90	\$ 74.85	\$ 74.85	

(1) Rates effective January 1st of the Fiscal Year indicated

(2) 2019 Rates effective May 1, 2019

(3) 2021 Rates effective March 1, 2021

(4) 2024 and 2025 Rates effective January 1, 2024

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

# SANTA MARGARITA WATER DISTRICT

## Water and Wastewater Rates Last Ten Fiscal Years

### Improvement District 9

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

	2022 <sup>(1)</sup>	2023	2024	2025
3/4" Meter Size	\$ 26.82	\$ 26.82	\$ 27.72	\$ 31.74

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

	2022 <sup>(1)</sup>	2023	2024	2025
Tier 1	\$ 3.66	\$ 3.66	\$ 3.42	\$ 3.51
Tier 2	5.79	5.79	3.43	3.52
Tier 3	6.28	6.28	3.71	3.8
Tier 4	6.28	6.28	4.76	4.87

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

	2022 <sup>(1)</sup>	2023	2024	2025
Tier 1	\$ 3.53	\$ 3.53	\$ 2.49	\$ 2.62
Tier 2	3.53	3.53	3.82	4.03
Tier 3	4.2	4.2	5.9	6.22
Tier 4	4.2	4.2	5.9	0

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

	2022 <sup>(1)</sup>	2023	2024	2025
Tier 1	\$ 3.53	\$ 3.53	\$ 2.49	\$ 2.62
Tier 2	3.53	3.53	3.82	4.03
Tier 3	4.2	4.2	5.9	6.22
Tier 4	4.2	4.2	5.9	0

#### Wastewater Monthly Charge - Single Family and Multi-Family

	2022 <sup>(1)</sup>	2023	2024	2025
<b>Fixed Base Charge (per meter)</b>				
Single Family Residential	\$ 25.56	\$ 25.56	\$ 23.41	\$ 26.11
Multi-Family Residential	19.83	19.83	21.06	23.42
Commercial	11.37	11.37	10.15	0
Pool - Small	43.7	43.7	43.7	0
Pool - Large (Over 850 Sq Ft Surface Area)	108.42	108.42	108.42	0
Mobile Homes	14.1	14.1	10.91	0

#### Volumetric Charge (per ccf)

Commercial	\$ 2.52	\$ 2.52	0.53-1.1	0.55
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#### Average Single Family Residential Monthly Potable Water Bill (based on 3/4" meter and 15 units (ccf) of water)

	2022 <sup>(1)</sup>	2023	2024	2025
	\$ 94.50	\$ 94.50	\$ 79.08	\$ 84.45

<sup>(1)</sup> City of San Juan Capistrano's water and wastewater system was annexed into the Santa Margarita Water District's service area effective November 15, 2021.

<sup>(2)</sup> 2025 rates effective July 1, 2024.

Source: San Juan Rate Card

# SANTA MARGARITA WATER DISTRICT

## Ten Largest Water and Wastewater Customers Current Fiscal Year and Nine Years Ago

### Improvement Districts 1-8

2025			2016		
Top Ten Domestic Water Customers			Top Ten Domestic Water Customers		
Customer	Annual Revenue	% of Total	Customer	Annual Revenue	% of Total
1 SAMLARC	\$ 1,465,753	2.5%	1 SAMLARC	\$ 990,550	2.9%
2 CZ MASTER ASSOCIATION	658,311	1.1%	2 CASTA DEL SOL HOA	443,711	1.3%
3 CASTA DEL SOL	605,977	1.0%	3 LAKE MISSION VIEJO	440,404	1.3%
4 LARMAC	438,590	0.8%	4 CITY OF MISSION VIEJO	342,954	1.0%
5 CAPISTRANO UNIFIED SCHOOL DISTRICT	373,566	0.6%	5 CZ MASTER HOA	329,027	1.0%
6 APPLIED MEDICAL	351,880	0.6%	6 LAS FLORES MAINTENANCE	276,065	0.8%
7 CITY OF MISSION VIEJO	322,104	0.6%	7 LADERA RANCH MAINTENANCE	233,931	0.7%
8 LAS FLORES MAINTENANCE	250,952	0.4%	8 CAPISTRANO UNIFIED SCHOOL DIST	206,725	0.6%
9 WESTERN NATIONAL PROPERTY	220,283	0.4%	9 VILLA LA PAZ APARTMENTS	165,892	0.5%
10 VILLA LA PAZ	205,950	0.4%	10 CALIFIA HOA	151,542	0.4%
<b>Total</b>	<b>\$ 4,893,366</b>	<b>8.4%</b>	<b>Total</b>	<b>\$ 3,580,801</b>	<b>10.5%</b>
TOTAL DOMESTIC WATER SALES	\$ 58,270,480		TOTAL DOMESTIC WATER SALES	\$ 34,142,144	

Top Ten Recycled Water Customers			Top Ten Recycled Water Customers		
Customer	Annual Revenue	% of Total	Customer	Annual Revenue	% of Total
1 LARMAC	\$ 1,684,058	13.6%	1 LADERA RANCH MAINTENANCE	\$ 1,310,317	18.1%
2 CITY OF MISSION VIEJO	1,191,869	9.6%	2 CITY OF MISSION VIEJO	701,422	9.7%
3 TALEGA MAINTENANCE CORPORATION	1,125,124	9.1%	3 TALEGA MAINTENANCE	641,306	8.9%
4 RANCHO MISSION VIEJO	1,033,763	8.3%	4 COTO DE CAZA GOLF & RACQUET	634,543	8.8%
5 LAKE MISSION VIEJO ASSOCIATION	1,009,848	8.1%	5 CZ MASTER HOA	492,373	6.8%
6 CZ MASTER ASSOCIATION	681,767	5.5%	6 CASTA DEL SOL HOA	357,037	4.9%
7 CASTA DEL SOL HOA	534,358	4.3%	7 TALEGA GOLF COURSE	259,329	3.6%
8 TALEGA GOLF CLUB	352,923	2.8%	8 MISSION VIEJO ENVIRONMENTAL HOA	215,518	3.0%
9 MISSION VIEJO ENVIRONMENTAL ASSN	349,673	2.8%	9 OSO VALLEY GREENBELT HOA	206,310	2.9%
10 OSO VALLEY GREENBELT ASSOCIATION	345,068	2.8%	10 STONERIDGE @ MISSION VIEJO HOA	141,819	2.0%
<b>Total</b>	<b>\$ 8,308,451</b>	<b>66.9%</b>	<b>Total</b>	<b>\$ 4,959,974</b>	<b>68.7%</b>
TOTAL RECYCLED WATER SALES	\$ 12,395,018		TOTAL RECYCLED WATER SALES	\$ 7,219,456	

Top Ten Wastewater Customers			Top Ten Wastewater Customers		
Customer	Annual Revenue	% of Total	Customer	Annual Revenue	% of Total
1 WESTERN NATIONAL PROPERTY	\$ 166,695	0.6%	1 SOUTH COUNTY APARTMENTS	\$ 57,263	0.3%
2 IRVINE COMPANY	131,540	0.5%	2 22751 EL PRADO, LLC	50,435	0.3%
3 GREYSTAR REAL ESTATE MGMT	131,453	0.5%	3 VILLA LA PAZ APARTMENTS	48,861	0.3%
4 VILLA LA PAZ	131,023	0.5%	4 IRVINE COMPANY	46,616	0.2%
5 AVALON BAY COMMUNITIES	127,372	0.5%	5 WESTERN NATIONAL PROPERTIES	44,551	0.2%
6 LADERA WING	121,690	0.4%	6 AVALON BAY COMMUNITIES	44,276	0.2%
7 REATA GLEN CCRC, LLC	91,012	0.3%	7 LADERA WNG, LLC	40,730	0.2%
8 UDR/PACIFIC LOS ALISOS, L.P.	81,246	0.3%	8 EQUITY RESIDENTIAL PROPERTIES	30,960	0.2%
9 BRE PROPERTIES	80,061	0.3%	9 VONS GROCERY STORES	29,171	0.1%
10 SENDERO GATEWAY	77,251	0.3%	10 APPLIED MEDICAL RESOURCES	28,658	0.1%
<b>Total</b>	<b>\$ 1,139,343</b>	<b>4.2%</b>	<b>Total</b>	<b>\$ 421,521</b>	<b>2.1%</b>
TOTAL WASTEWATER SALES	\$ 28,054,184		TOTAL WASTEWATER SALES	\$ 19,490,718	

Source: SMWD utility billing system

# SANTA MARGARITA WATER DISTRICT

## Ten Largest Water and Wastewater Customers Current Fiscal Year and Two Years Ago

### Improvement District 9

2025			2023 <sup>(1)</sup>		
Top Ten Domestic Water Customers			Top Ten Domestic Water Customers		
Customer	Annual Revenue	% of Total	Customer	Annual Revenue	% of Total
1 CAPO VILLAS I-III	\$ 710,138	3.6%	1 CAPO VILLAS I-III	\$ 618,223	3.6%
2 CITY OF SAN JUAN CAPISTRANO	603,012	3.1%	2 CITY OF SAN JUAN CAPISTRANO	587,108	3.4%
3 CAPISTRANO UNIFIED SCHOOL DISTRICT	231,087	1.2%	3 PACIFICA SAN JUAN	218,071	1.3%
4 PACIFICA SAN JUAN	217,551	1.1%	4 CAPISTRANO UNIFIED SCHOOL DISTRICT	176,725	1.0%
5 MARBELLA GOLF & COUNTRY CLUB	196,315	1.0%	5 BLENHEIM FACILITY MANAGEMENT, LLC	155,694	0.9%
6 CASA DE CAPISTRANO HOA	150,272	0.8%	6 MARBELLA GOLF & COUNTRY CLUB	136,790	0.8%
7 VILLAGE SAN JUAN HOA	144,976	0.7%	7 CASA DE CAPISTRANO HOA	133,238	0.8%
8 THE ECOLOGY CENTER	117,846	0.6%	8 VILLAGE SAN JUAN HOA	129,881	0.8%
9 ST MARGARET'S EPISCOPAL SCHOOL	107,000	0.5%	9 COSTCO WHOLESALE CORP	89,410	0.5%
10 COSTCO WHOLESALE CORP	103,714	0.5%	10 THE ECOLOGY CENTER	88,021	0.5%
<b>Total</b>	<b>\$ 2,581,911</b>	<b>13.1%</b>	<b>Total</b>	<b>\$ 2,333,161</b>	<b>13.6%</b>
TOTAL DOMESTIC WATER SALES	\$ 19,609,141		TOTAL DOMESTIC WATER SALES	\$ 17,176,069	

Top Ten Recycled Water Customers			Top Ten Recycled Water Customers		
Customer	Annual Revenue	% of Total	Customer	Annual Revenue	% of Total
1 MARBELLA GOLF & COUNTRY CLUB	\$ 359,252	34.4%	1 MARBELLA GOLF & COUNTRY CLUB	\$ 404,268	43.6%
2 CITY OF SAN JUAN CAPISTRANO	120,397	11.5%	2 CITY OF SAN JUAN CAPISTRANO	102,442	11.1%
3 BLENHEIM FACILITY MANAGEMENT, LLC	77,386	7.4%	3 SUNHOLLOW HOA	38,453	4.2%
4 CALTRANS	55,330	5.3%	4 RANCHO MADRINA HOA	32,794	3.5%
5 RANCHO MADRINA COMM ASSOC	49,580	4.7%	5 RANCHO MADRINA COMM ASSOC	32,035	3.5%
6 SAN JUAN CREEK HOA	43,571	4.2%	6 SAN JUAN HILLS HOA	30,905	3.3%
7 SAN JUAN HILLS HOA	43,265	4.1%	7 SAN JUAN MESA VERDE HOA	28,250	3.0%
8 SUNHOLLOW HOA	32,281	3.1%	8 SAN JUAN CREEK HOA	25,889	2.8%
9 SAN JUAN MESA VERDE HOA	28,490	2.7%	9 CAPISTRANO UNIFIED SCHOOL DISTRICT	23,508	2.5%
10 FLUIDMASTER BUILDING	20,609	2.0%	10 CALTRANS	19,801	2.1%
<b>Total</b>	<b>\$ 830,161</b>	<b>79.4%</b>	<b>Total</b>	<b>\$ 738,345</b>	<b>79.6%</b>
TOTAL RECYCLED WATER SALES	\$ 1,043,916		TOTAL RECYCLED WATER SALES	\$ 926,316	

Top Ten Wastewater Customers			Top Ten Wastewater Customers		
Customer	Annual Revenue	% of Total	Customer	Annual Revenue	% of Total
1 CAPO VILLAS I-III	\$ 307,007	4.6%	1 CAPO VILLAS I-III	\$ 196,408	5.0%
2 SAN JUAN MOBILE ESTATES	106,258	1.6%	2 CASA DE CAPISTRANO HOA	59,111	1.5%
3 CASA DE CAPISTRANO HOA	93,703	1.4%	3 SAN JUAN MOBILE ESTATES	52,790	1.3%
4 CAPISTRANO VALLEY MOBILE ESTATES	76,805	1.1%	4 CASITAS DE ALIPAZ HOA	41,410	1.0%
5 CASITAS DE ALIPAZ HOA	61,656	0.9%	5 COSTCO WHOLESALE CORP	37,131	0.9%
6 RANCHO DEL AVION	60,203	0.9%	6 CAPISTRANO VALLEY MOBILE ESTATES	35,673	0.9%
7 EL NIDO ESTATES, LLC	53,866	0.8%	7 J SERRA HIGH SCHOOL	33,173	0.8%
8 CAPISTRANO TERRACE ORG	51,283	0.8%	8 RANCHO DEL AVION	28,933	0.7%
9 RANCHO ALIPAZ M/H PARK	44,700	0.7%	9 SAN JUAN CAPISTRANO HOUSING INV	26,652	0.7%
10 SAN JUAN CAPISTRANO HOUSING INV	36,551	0.5%	10 CAPISTRANO TERRACE ORG	25,718	0.7%
<b>Total</b>	<b>\$ 892,032</b>	<b>13.3%</b>	<b>Total</b>	<b>\$ 536,999</b>	<b>13.5%</b>
TOTAL WASTEWATER SALES	\$ 6,708,098		TOTAL WASTEWATER SALES	\$ 3,951,055	

<sup>(1)</sup> The District assumed the City of San Juan Capistrano's water and wastewater system obligations on November 15, 2021.

Source: SMWD utility billing system

# SANTA MARGARITA WATER DISTRICT

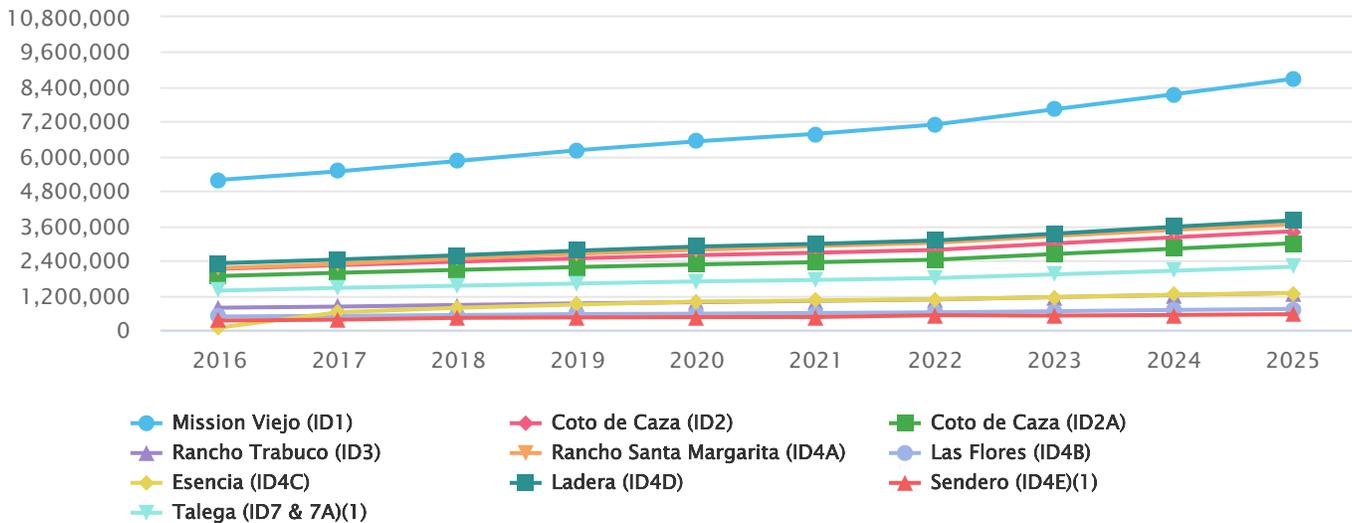
## Assessed Value and Assessment Rate by Improvement District Last Ten Fiscal Years

Assessed Value by Improvement District (\$000's)

Fiscal Year	Mission Viejo (ID1)	Coto de Caza (ID2)	Coto de Caza (ID2A)	Rancho Trabuco (ID3)	Rancho Santa Margarita (ID4A)	Las Flores (ID4B)	Esencia (ID4C)	Ladera (ID4D)	Sendero (ID4E) <sup>(1)</sup>	Talega (ID7 & 7A) <sup>(1)</sup>	Hidden Ridge (ID8)
2016	5,181,107	2,106,489	1,857,064	760,888	2,131,184	457,209	76,476	2,297,357	317,527	1,352,149	45,493
2017	5,477,313	2,236,076	1,968,965	799,169	2,278,789	481,336	606,399	2,427,572	348,663	1,447,257	50,459
2018	5,835,619	2,353,363	2,068,940	855,449	2,461,320	507,361	758,306	2,574,216	411,061	1,520,469	54,348
2019	6,206,023	2,468,385	2,166,690	909,999	2,627,291	539,486	871,604	2,733,193	423,486	1,597,002	56,495
2020	6,513,755	2,578,149	2,255,590	952,795	2,762,517	554,200	973,372	2,874,614	434,560	1,668,989	60,549
2021	6,772,456	2,661,681	2,333,145	996,509	2,891,859	577,660	1,007,597	2,967,875	439,941	1,719,995	63,350
2022	7,095,600	2,760,800	2,421,400	1,045,190	3,004,048	600,966	1,055,948	3,086,363	500,295	1,784,706	65,877
2023	7,621,748	2,983,919	2,617,210	1,126,900	3,239,099	639,283	1,128,049	3,320,776	487,493	1,913,166	72,652
2024	8,141,731	3,195,913	2,801,725	1,201,025	3,452,422	683,196	1,208,306	3,560,088	510,912	2,037,983	77,041
2025	8,674,769	3,404,357	2,989,712	1,268,792	3,649,524	719,268	1,265,696	3,780,256	535,931	2,177,684	80,371

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

Fiscal Year	Mission Viejo (ID1)	Coto de Caza (ID2)	Coto de Caza (ID2A)	Rancho Trabuco (ID3)	Rancho Santa Margarita (ID4A)	Las Flores (ID4B)	Esencia (ID4C)	Ladera (ID4D)	Sendero (ID4E) <sup>(1)</sup>	Talega (ID7 & 7A) <sup>(1)(2)</sup>	Hidden Ridge (ID8)
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	0.1304	0.1316	0.1937	N/A	0.0000
2018	0.0000	0.0110	0.0000	0.2811	0.2979	0.3496	0.1304	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	0.2170	0.2336	0.2090	0.0889	0.0894	0.1127	N/A	0.0000
2021	0.0000	0.0110	0.0000	0.0263	0.0273	0.0215	0.0188	0.0407	0.0460	N/A	0.0000
2022	0.0000	0.0110	0.0000	0.0244	0.0255	0.0198	0.0174	0.0378	0.0406	N/A	0.0000
2023	0.0000	0.0109	0.0000	0.0225	0.0236	0.0187	0.0166	0.0353	0.0395	N/A	0.0000
2024	0.0000	0.0110	0.0000	0.0206	0.0222	0.0176	0.0155	0.0331	0.0375	N/A	0.0000
2025	0.0000	0.0107	0.0000	0.0204	0.0216	0.0170	0.0150	0.0321	0.0363	N/A	0.0000



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

<sup>(2)</sup> ID-7 assessment rates are calculated for each individual parcel.

Source: Benefit Analysis Study Fiscal Year 2024-2025

## SANTA MARGARITA WATER DISTRICT

### Improvement District No. 2/2A Direct and Overlapping Debt Summary

Overlapping District	FY 2025-26 Total Levy	Amount of Levy on Parcels in the District	Percent of Levy on Parcels in the District	Total Debt Outstanding <sup>(1)</sup>	District Share of Total Debt Outstanding
Metropolitan Water District G.O. Bond	\$ 414,927,234	\$ 470,462	0.1134%	\$ 17,155,000	\$ 19,451
County of Orange CFD No. 87-8	\$ 0	\$ 0	0.0000%	\$ 0	\$ 0
Capistrano Unified School District SFID No. 1 Series B and 2022 Refunding	\$ 1,242,219	\$ 25,013	2.0136%	\$ 1,277,003	\$ 25,714
				ESTIMATED SHARE OF OVERLAPPING DEBT	\$ 45,165
Santa Margarita Water District ID No. 2					\$ 3,655,000 <sup>(2)</sup>
Santa Margarita Water District ID No. 2A					\$ 0 <sup>(2)(3)</sup>
				TOTAL DIRECT AND OVERLAPPING DEBT	\$ 3,700,165
				TOTAL LAND ASSESSED VALUE <sup>(4)</sup>	\$ 3,691,355,115
				VALUE-TO-LIEN RATIO	997.619

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

<sup>(1)</sup> Based on principal payments as of September 2, 2025. All districts shown make principal payments on September 1 except for MWD which makes principal payments on March 1.

<sup>(2)</sup> Based on information provided by the Santa Margarita Water District.

<sup>(3)</sup> Bonds issued by ID 2A were fully paid off in 2017.

<sup>(4)</sup> Based on FY 2025-2026 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 2025-26 Total Levy	Amount of Levy on Parcels in the District	Percent of Levy on Parcels in the District	Total Debt Outstanding <sup>(1)</sup>	District Share of Total Debt Outstanding
Metropolitan Water District G.O. Bond	\$ 414,927,234	\$ 409,225	0.0986%	\$ 17,155,000	\$ 16,919
Santa Margarita Water District ID No. 2	\$ 361,753	\$ 316,254	87.4226%	\$ 3,655,000	\$ 3,195,297
County of Orange CFD No. 87-8	\$ 0	\$ 0	0.0000%	\$ 0	\$ 0
Capistrano Unified School District SFID No. 1 Series B and 2022 Refunding	\$ 1,242,219	\$ 12,591	1.0136%	\$ 1,277,003	\$ 12,944
				ESTIMATED SHARE OF OVERLAPPING DEBT	\$ 3,225,160
Santa Margarita Water District ID No. 2A					\$ 0 <sup>(2)(3)</sup>
				TOTAL DIRECT AND OVERLAPPING DEBT	\$ 3,225,160
				TOTAL LAND ASSESSED VALUE <sup>(4)</sup>	\$ 3,227,079,556
				VALUE-TO-LIEN RATIO	1000.595

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

<sup>(1)</sup> Based on principal payments as of September 2, 2025. All districts shown make principal payments on September 1 except for MWD which makes principal payments on March 1.

<sup>(2)</sup> Based on information provided by the Santa Margarita Water District.

<sup>(3)</sup> Bonds issued by ID 2A were fully paid off in 2017.

<sup>(4)</sup> Based on FY 2025-2026 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 2025-26 Total Levy	Amount of Levy on Parcels in the District	Percent of Levy on Parcels in the District	Total Debt Outstanding <sup>(1)</sup>	District Share of Total Debt Outstanding
Metropolitan Water District G.O. Bond	\$ 414,927,234	\$ 151,437	0.0365%	\$ 17,155,000	\$ 6,261
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 2022 Refunding	\$ 1,242,219	\$ 19	0.0015%	\$ 1,277,003	\$ 19
Saddleback Valley Unified School District G.O. Bond Series 2016 Refunding	\$ 2,965,858	\$ 97,001	3.2706%	\$ 14,720,000	\$ 481,432
Saddleback Valley Unified School District G.O. Bond Series 2013 Refunding	\$ 0	\$ 0	0.0000%	\$ 0	\$ 0
Saddleback Valley Unified School District G.O. Bond Series 2013A / 2019 Refunding	\$ 7,535,823	\$ 246,467	3.2706%	\$ 33,250,000	\$ 1,087,477
Saddleback Valley Unified School District G.O. Bond Series 2016A	\$ 727,040	\$ 23,779	3.2707%	\$ 6,170,000	\$ 201,797
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 <sup>(4)</sup>	NA	NA	NA	NA	\$ 55,073
				ESTIMATED SHARE OF OVERLAPPING DEBT	\$ 1,832,059
Santa Margarita Water District ID No. 3/3A					\$ 2,430,000 <sup>(2)</sup>
				TOTAL DIRECT AND OVERLAPPING DEBT	\$ 4,262,059
				TOTAL LAND ASSESSED VALUE <sup>(3)</sup>	\$1,336,143,540
				VALUE-TO-LIEN RATIO	313.497

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

<sup>(1)</sup> Based on principal payments as of September 2, 2025. All districts shown make principal payments on September 1 except for MWD which makes principal payments on March 1.

<sup>(2)</sup> Based on information provided by the Santa Margarita Water District.

<sup>(3)</sup> Based on FY 2025-2026 land value provided by County of Orange Auditor-Controller.

<sup>(4)</sup> A total of four property owners are participating in the CA HERO Program as of June 30, 2025. 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 2025-26 Total Levy	Amount of Levy on Parcels in the District	Percent of Levy on Parcels in the District	Total Debt Outstanding <sup>(1)</sup>	District Share of Total Debt Outstanding
Metropolitan Water District G.O. Bond	\$ 414,927,234	\$ 1,308,013	0.3152%	\$ 17,155,000	\$ 54,079
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	\$ 1,650,351	\$ 1,650,351	100.0000%	\$ 5,970,000	\$ 5,970,000
County of Orange CFD No. 2000-1	\$ 1,928,285	\$ 1,928,285	100.0000%	\$ 8,350,000	\$ 8,350,000
County of Orange CFD No. 2001-1	\$ 2,155,618	\$ 2,155,618	100.0000%	\$ 12,675,000	\$ 12,675,000
County of Orange CFD No. 2002-1	\$ 4,132,758	\$ 4,132,758	100.0000%	\$ 29,755,000	\$ 29,755,000
County of Orange CFD No. 2003-1	\$ 3,245,524	\$ 3,245,524	100.0000%	\$ 25,915,000	\$ 25,915,000
County of Orange CFD No. 2004-1	\$ 4,917,058	\$ 4,917,058	100.0000%	\$ 35,355,000	\$ 35,355,000
County of Orange CFD No. 2015-1	\$ 5,261,710	\$ 5,261,710	100.0000%	\$ 80,625,000	\$ 80,625,000
County of Orange CFD No. 2016-1	\$ 5,258,639	\$ 5,258,889	100.0048%	\$ 85,875,000	\$ 85,875,000
County of Orange CFD No. 2017-1, IA No. 1	\$ 4,331,633	\$ 4,331,633	100.0000%	\$ 72,925,000	\$ 72,925,000
County of Orange CFD No. 2017-1, IA No. 2	\$ 1,039,719	\$ 1,039,719	100.0000%	\$ 20,810,000	\$ 20,810,000
Capistrano Unified School District CFD No. 92-1	\$ 0	\$ 0	0.0000%	\$ 0 <sup>(5)</sup>	\$ 0
Capistrano Unified School District CFD No. 98-2	\$ 7,884,338	\$ 7,884,338	100.0000%	\$ 57,798,656 <sup>(6)</sup>	\$ 57,798,656
Capistrano Unified School District SFID No. 1 Series B and 2022 Refunding	\$ 1,242,219	\$ 55,903	4.5003%	\$ 1,277,003	\$ 57,468
Saddleback Valley Unified School District G.O. Bond Series 2016 Refunding	\$ 2,965,858	\$ 178,079	6.0043%	\$ 14,720,000	\$ 883,833
Saddleback Valley Unified School District G.O. Bond Series 2013 Refunding	\$ 0	\$ 0	0.0000%	\$ 0	\$ 0
Saddleback Valley Unified School District G.O. Bond Series 2013A / 2019 Refunding	\$ 7,535,823	\$ 452,473	6.0043%	\$ 33,250,000	\$ 1,996,429
Saddleback Valley Unified School District G.O. Bond Series 2016A	\$ 727,040	\$ 43,654	6.0043%	\$ 6,170,000	\$ 370,467
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	\$ 1,911,245	\$ 603	0.0316%	\$ 20,520,000	\$ 6,474
Santa Margarita Water District CFD No. 2013-1	\$ 2,826,556	\$ 2,826,556	100.0000%	\$ 40,350,000	\$ 40,350,000
CA HERO Program <sup>(7)</sup>	NA	NA	NA	NA	\$ 101,632
			ESTIMATED SHARE OF OVERLAPPING DEBT		\$ 479,874,038
Santa Margarita Water District ID No. 4					\$ 16,040,000 <sup>(2)</sup>
Santa Margarita Water District ID No. 4A					\$ 0 <sup>(2)(3)</sup>
Santa Margarita Water District ID No. 4B					\$ 4,555,000 <sup>(2)</sup>
			TOTAL DIRECT AND OVERLAPPING DEBT		\$ 500,469,038
					\$
			TOTAL LAND ASSESSED VALUE <sup>(4)</sup>		10,535,719,592
			VALUE-TO-LIEN RATIO		21.052

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

<sup>(1)</sup> Based on principal payments as of September 2, 2025. All districts shown make principal payments on September 1 except for MWD which makes principal payments on March 1.

<sup>(2)</sup> Based on information provided by the Santa Margarita Water District.

<sup>(3)</sup> Bonds issued by ID 4A were fully paid off in 2020.

<sup>(4)</sup> Based on FY 2025-2026 land value provided by County of Orange Auditor-Controller.

<sup>(5)</sup> Bonds issued by Capistrano Unified School District CFD No. 92-1 were fully paid off in 2022.

<sup>(6)</sup> Principal amount for the outstanding capital appreciation bonds determined by applying accreted value as of September 1, 2025.

<sup>(7)</sup> A total of 11 property owners are participating in the CA HERO Program as of June 30, 2025. 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 2025-26 Total Levy	Amount of Levy on Parcels in the District	Percent of Levy on Parcels in the District	Total Debt Outstanding <sup>(1)</sup>	District Share of Total Debt Outstanding
Metropolitan Water District G.O. Bond	\$ 414,927,234	\$ 434,189	0.1046%	\$ 17,155,000	\$ 17,951
Santa Margarita Water District ID No. 4	\$ 1,684,895 <sup>(5)</sup>	\$ 769,291 <sup>(6)</sup>	45.6581%	\$ 16,040,000	\$ 7,323,562
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 2022 Refunding	\$ 1,242,219	\$ 5,113	0.4116%	\$ 1,277,003	\$ 5,256
Saddleback Valley Unified School District G.O. Bond Series 2016 Refunding	\$ 2,965,858	\$ 178,079	6.0043%	\$ 14,720,000	\$ 883,833
Saddleback Valley Unified School District G.O. Bond Series 2013 Refunding	\$ 0	\$ 0	0.0000%	\$ 0	\$ 0
Saddleback Valley Unified School District G.O. Bond Series 2013A / 2019 Refunding	\$ 7,535,823	\$ 452,473	6.0043%	\$ 33,250,000	\$ 1,996,429
Saddleback Valley Unified School District G.O. Bond Series 2016A	\$ 727,040	\$ 43,654	6.0043%	\$ 6,170,000	\$ 370,467
Saddleback Valley Unified School District CFD No. 88-1	\$ 0	\$ 0	0.0000%	\$ 0	\$ 0
CA HERO Program <sup>(7)</sup>	NA	NA	NA	NA	\$ 101,632
				ESTIMATED SHARE OF OVERLAPPING DEBT	\$ 10,699,130
Santa Margarita Water District ID No. 4A					\$ 0 <sup>(2)(3)</sup>
				TOTAL DIRECT AND OVERLAPPING DEBT	\$ 10,699,130
				TOTAL LAND ASSESSED VALUE <sup>(4)</sup>	\$ 3,865,786,143
				VALUE-TO-LIEN RATIO	361.318

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

<sup>(1)</sup> Based on principal payments as of September 2, 2025. All districts shown make principal payments on September 1 except for MWD which makes principal payments on March 1.

<sup>(2)</sup> Based on information provided by the Santa Margarita Water District.

<sup>(3)</sup> Bonds issued by ID 4A were fully paid off in 2020.

<sup>(4)</sup> Based on FY 2025-2026 land value provided by County of Orange Auditor-Controller.

<sup>(5)</sup> Includes FY 2025-2026 levy for ID 4A, 4B, 4C, 4D, and 4E attributable to ID 4 debt only.

<sup>(6)</sup> Based on FY 2025-2026 ID 4 rate of \$0.0000/\$100 and ID 4A rate of \$0.0199/\$100 attributable to ID 4 debt only.

<sup>(7)</sup> A total of 11 property owners are participating in the CA HERO Program as of June 30, 2025. 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 <sup>(6)</sup> Direct and Overlapping Debt Summary

Overlapping District	FY 2025-26 Total Levy	Amount of Levy on Parcels in the District	Percent of Levy on Parcels in the District	Total Debt Outstanding <sup>(1)</sup>	District Share of Total Debt Outstanding
Metropolitan Water District G.O. Bond	\$ 414,927,234	\$ 703,114	0.1695%	\$ 17,155,000	\$ 29,070
Santa Margarita Water District ID No. 4	\$ 1,684,895 <sup>(4)</sup>	\$ 727,922 <sup>(5)</sup>	43.2028%	\$ 16,040,000	\$ 6,929,734
County of Orange CFD No. 99-1	\$ 1,650,351	\$ 1,650,351	100.0000%	\$ 5,970,000	\$ 5,970,000
County of Orange CFD No. 2000-1	\$ 1,928,285	\$ 1,928,285	100.0000%	\$ 8,350,000	\$ 8,350,000
County of Orange CFD No. 2001-1	\$ 2,155,618	\$ 2,155,618	100.0000%	\$ 12,675,000	\$ 12,675,000
County of Orange CFD No. 2002-1	\$ 4,132,758	\$ 4,132,758	100.0000%	\$ 29,755,000	\$ 29,755,000
County of Orange CFD No. 2003-1	\$ 3,245,524	\$ 3,245,524	100.0000%	\$ 25,915,000	\$ 25,915,000
County of Orange CFD No. 2004-1	\$ 4,917,058	\$ 4,917,058	100.0000%	\$ 35,355,000	\$ 35,355,000
Capistrano Unified School District CFD No. 92-1	\$ 0	\$ 0	0.0000%	\$ 0 <sup>(7)</sup>	\$ 0
Capistrano Unified School District CFD No. 98-2	\$ 7,884,338	\$ 7,884,338	100.0000%	\$ 57,798,656 <sup>(8)</sup>	\$ 57,798,656
Capistrano Unified School District SFID No. 1 Series B and 2022 Refunding	\$ 1,242,219	\$ 16,160	1.3009%	\$ 1,277,003	\$ 16,612
City of San Juan Capistrano G.O. Bond Series 2017 Refunding	\$ 1,911,245	\$ 603	0.0316%	\$ 20,520,000	\$ 6,474
Santa Margarita Water District CFD No. 2013-1	\$ 2,826,556	\$ 2,826,556	100.0000%	\$ 40,350,000	\$ 40,350,000
				ESTIMATED SHARE OF OVERLAPPING DEBT	\$ 223,150,546
Santa Margarita Water District ID No. 4B					\$ 4,555,000 <sup>(2)</sup>
				TOTAL DIRECT AND OVERLAPPING DEBT	\$ 227,705,546
				TOTAL LAND ASSESSED VALUE <sup>(3)</sup>	\$ 5,338,719,197
				VALUE-TO-LIEN RATIO	23.446

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

<sup>(1)</sup> Based on principal payments as of September 2, 2025. All districts shown make principal payments on September 1 except for MWD which makes principal payments on March 1.

<sup>(2)</sup> Based on information provided by the Santa Margarita Water District.

<sup>(3)</sup> Based on FY 2025-2026 land value provided by County of Orange Auditor-Controller. Includes land value for property in ID 4B, ID 4D, and ID 4E.

<sup>(4)</sup> Includes FY 2025-2026 levy for ID 4A, 4B, 4C, 4D, and 4E attributable to ID 4 debt only.

<sup>(5)</sup> Based on FY 2025-2026 ID 4 rate of \$0.0000/\$100 for property in ID 4B, ID 4D, and ID 4E. Also includes ID 4B rate of \$0.0015/\$100, ID 4D rate of \$0.0151/\$100, and ID 4E rate of \$0.0200/\$100 attributable to ID 4 debt only.

<sup>(6)</sup> Includes property that pays for ID 4B debt (i.e., ID 4B, ID 4D, and ID 4E).

<sup>(7)</sup> Bonds issued by Capistrano Unified School District CFD No. 92-1 were fully paid off in 2022.

<sup>(8)</sup> Principal amount for the outstanding capital appreciation bonds determined by applying accreted value as of September 1, 2025.

**SANTA MARGARITA WATER DISTRICT**

**Community Facilities District No. 99-1 (Talega)  
Overlapping Debt Summary**

<u>Overlapping District</u>	<u>FY 2025-2026 Total Levy</u>	<u>Amount of Levy on Parcels in District</u>	<u>Percent of Levy on Parcels in District</u>	<u>Total Debt Outstanding <sup>(1)</sup></u>	<u>District Share of Total Debt Outstanding</u>
Capistrano Unified School District CFD No. 90-2	\$ 2,794,474	\$ 2,793,084	99.9503% <sup>(4)</sup>	\$ 17,290,000	\$ 17,281,399
Capistrano Unified School District CFD No. 90-2 IA No. 2002-1	\$ 3,354,800	\$ 3,351,978	99.9159% <sup>(4)</sup>	\$ 20,330,000	\$ 20,312,897
Metropolitan Water District	\$ 414,927,234	\$ 287,348	0.0693%	\$ 17,155,000	\$ 11,880
PACE Programs <sup>(3)</sup>	NA	NA	NA	NA	\$ 37,830
				Estimated Share of Overlapping Debt Allocable to the District	\$ 37,644,006
				Plus CFD No. 99-1 Refunding Bonds Series 2014 <sup>(2)</sup>	\$ 14,690,000
				Plus CFD No. 99-1 Refunding Bonds Series 2017 <sup>(2)</sup>	\$ 18,235,000
				Estimated Share of Direct and Overlapping Debt Allocable to the District	\$ 70,569,006

<sup>(1)</sup> As of September 2, 2025.

<sup>(2)</sup> As of September 2, 2025. Reflects bond call of \$25,000 on September 1, 2020.

<sup>(3)</sup> A total of two property owners are participating in the PACE Funding Program as of June 30, 2025. DTA is not aware of any property owners in CFD No. 99-1 that are participating in other active PACE programs.

<sup>(4)</sup> 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 Last Ten Fiscal Years

### Improvement Districts 1 to 8

Fiscal Year	Total Revenues <sup>(1)</sup>	Operating Expenses <sup>(2)</sup>	Net Available Revenues	Annual Debt Service <sup>(3)</sup>			Coverage Ratio
				Principal	Interest	Total	
2016	88,680,401	61,353,720	27,326,681	14,006,201	5,538,441	19,544,642	1.4
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
2022	102,605,626	80,897,021	21,708,605	3,974,936	2,908,793	6,883,729	3.15
2023	101,766,554	78,866,698	22,899,856	4,276,136	2,936,627	7,212,763	3.17
2024	102,882,167	86,552,273	16,329,894	4,292,964	2,946,254	7,239,219	2.26
2025	117,524,871	97,475,666	20,049,205	4,353,771	2,835,838	7,189,609	2.79

<sup>(1)</sup> 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.

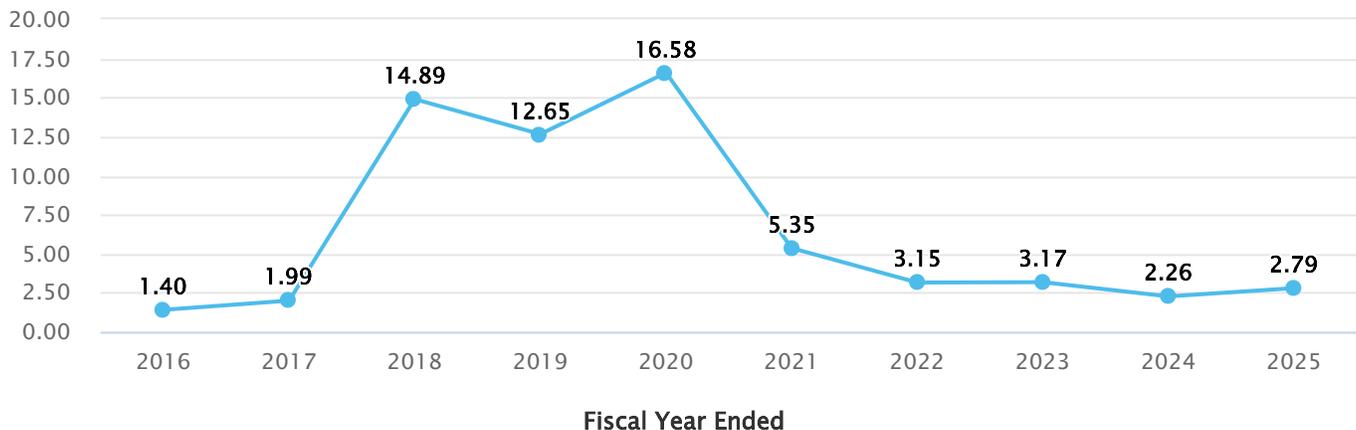
<sup>(2)</sup> Operating expenses exclude depreciation and amortization and interest expense.

<sup>(3)</sup> Fiscal Years 2016 - 2017: Includes District General Obligation Bonds.

(General Obligation Bonds were removed from the table in 2018 so reported coverage would conform with external loan definitions).

Fiscal Year 2025: Quarter 2 through quarter 4 City of Mission Viejo payments recognized.

### Debt Service Coverage Ratio – IDs 1–8



Source: SMWD Finance Department

## SANTA MARGARITA WATER DISTRICT

### Improvement Districts 9

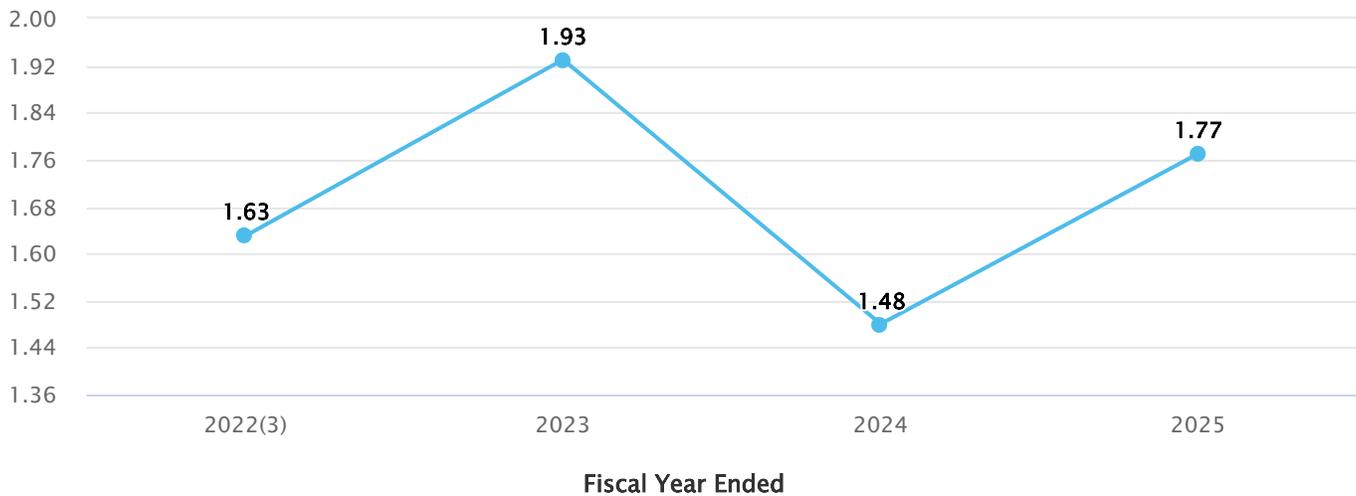
Fiscal Year	Total Revenues <sup>(1)</sup>	Operating Expenses <sup>(2)</sup>	Net Available Revenues	Annual Debt Service <sup>(3)</sup>			Coverage Ratio
				Principal	Interest	Total	
2022 <sup>(3)</sup>	\$ 15,055,559	\$ 10,736,722	\$ 4,318,837	\$ 1,913,446	\$ 729,639	\$ 2,643,085	1.63
2023	25,359,319	18,192,411	7,166,908	2,660,854	1,061,674	3,722,528	1.93
2024	25,059,304	19,534,547	5,524,757	2,763,601	961,382	3,724,983	1.48
2025	29,639,926	23,040,375	6,599,551	2,868,333	857,244	3,725,577	1.77

<sup>(1)</sup>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.

<sup>(2)</sup>Operating expenses exclude depreciation and amortization and interest expense.

<sup>(3)</sup>Fiscal Year 2022: The District assumed the City of San Juan Capistrano's water and wastewater system obligations on November 15, 2021. Net available revenues and annual debt service reflect seven and a half months (62.5%) of activity for the fiscal year ended June 30, 2022.

### Debt Service Coverage Ratio – ID 9



Source: SMWD Finance Department

## SANTA MARGARITA WATER DISTRICT

### Outstanding Debt by Type Last Ten Fiscal Years

Fiscal Year Ended	ID 1-8 Revenue Bonds	ID 1-8 General Obligation Bonds	ID 1-8 Notes Payable	ID 1-8 Lease Liability	ID 1-8 Subscription Liability	ID 1-8 Total	ID 9 Water Fund Revenue Bonds	ID 9 Subscription Liability	ID 9 Total
2016	-	111,822,909	8,791,224	-	-	120,614,133	-	-	-
2017 <sup>(1)(2)</sup>	-	97,744,544	12,278,010	-	-	110,022,554	-	-	-
2018	-	80,884,125	11,311,807	-	-	92,195,932	-	-	-
2019 <sup>(3)</sup>	-	63,738,857	30,390,489	-	-	94,129,346	-	-	-
2020 <sup>(3)</sup>	-	51,331,600	68,456,366	-	-	119,787,966	-	-	-
2021 <sup>(3)(4)</sup>	63,088,985	38,448,942	71,842,360	-	-	173,380,287	-	-	-
2022 <sup>(3)(5)</sup>	60,767,005	36,554,304	82,806,534	38,069	-	180,165,912	30,548,117	-	30,548,117
2023 <sup>(3)</sup>	58,376,018	34,621,114	92,846,135	26,538	69,918	185,939,723	27,887,263	17,582	27,904,845
2024	56,397,533	32,640,743	89,420,965	16,643	29,715	178,505,599	25,123,662	7,472	25,131,134
2025	54,375,431	30,609,722	86,477,193	7,982	95,888	171,566,216	22,255,329	24,112	22,279,441

<sup>(1)</sup> Decrease in General Obligation Bonds in 2017 is due to a bond refinancing and issuance of the 2017 Refunding Bonds Series A.

<sup>(2)</sup> Increase in Notes Payable in 2017 is due to two new loans in 2017: City of Mission Viejo and State Water Resources Control Board.

<sup>(3)</sup> Increase in Notes Payable in 2019 to 2023 is due to additional loan disbursements received from the State Water Resources Control Board.

<sup>(4)</sup> The District issued 2020A Revenue Bonds in Fiscal Year 2021.

<sup>(5)</sup> San Juan Water District annexation effective November 15, 2021.

Source: SMWD Financial Statements

## SANTA MARGARITA WATER DISTRICT

### Outstanding Debt Ratios Last Ten Fiscal Years

#### Improvement Districts 1 to 8

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
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%	56,422	2,123	731
2021 *	173,380,287	22,432,067,293	0.77%	56,464	3,071	1,056
2022 *	180,165,912	23,421,192,958	0.77%	56,523	3,187	1,105
2023 *	185,939,723	25,150,294,008	0.74%	56,586	3,286	1,132
2024 *	178,505,599	26,870,342,684	0.66%	57,106	3,126	1,078
2025 *	171,462,346	28,546,358,525	0.60%	57,545	2,980	1,017

Fiscal Year	Amount Levied	Amount Collected <sup>(1)</sup>	Percent Collected
2016 *	\$ 27,049,698	\$ 26,168,710	96.70%
2017 *	25,222,843	24,784,692	98.30%
2018 *	25,761,237	25,604,243	99.40%
2019 *	22,707,282	22,378,767	98.60%
2020 *	23,199,407	22,988,944	99.10%
2021 *	12,432,517	12,420,009	99.90%
2022 *	12,426,154	12,370,421	99.60%
2023 *	13,089,189	13,342,427	101.90%
2024 *	13,026,991	13,678,949	105.00%
2025 *	13,545,649	13,352,476	98.57%

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.

<sup>(1)</sup> 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 2023 also exclude CFD debt.

#### Improvement District 9

Fiscal Year	Total Outstanding Debt	Total Water Connections	Outstanding Debt per Water Connection	Debt Service Per Capita
2022	\$ 30,548,117	10,979	\$ 2,782	\$ 874
2023	27,904,845	11,170	2,498	808
2024	25,131,134	11,155	2,253	639
2025	22,279,441	11,199	1,989	563

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

## SANTA MARGARITA WATER DISTRICT

### Demographic and Economic Information Last Ten Fiscal Years

Fiscal Year Ended	SMWD IDs 1-8 Population	City of Rancho Santa Margarita		City of Mission Viejo		City of San Clemente		Personal Income (thousands of dollars)	County of Orange Per Capita Personal Income	Unemployment Rate
		Population	Median Age	Population	Median Age	Population	Median Age			
2015	156,949	48,823	35.2	96,652	43.6	65,399	40.0	185,500,000	58,933	4.00%
2016	158,747	48,516	35.8	96,701	43.7	66,245	41.0	190,978,000	59,999	4.40%
2017	160,601	48,602	36.7	95,985	44.2	65,975	38.0	199,492,000	62,458	4.20%
2018	162,454	48,602	36.8	95,987	44.8	65,543	42.0	215,479,000	66,896	3.10%
2019	163,927	48,960	37.0	96,434	45.0	65,405	43.0	230,180,000	71,429	3.00%
2020	164,205	48,793	37.6	94,267	45.0	64,581	44.0	226,531,000	70,917	12.30%
2021	163,051	48,183	38.5	94,119	45.0	64,065	44.0	258,933,000	82,103	6.30%
2022	164,304	47,279	39.2	92,515	45.3	63,380	44.0	267,143,000	84,479	2.80%
2023	165,556	47,066	39.7	91,846	45.7	63,237	39.0	266,043,000	84,804	3.60%
2024	167,057	46,305	40.1	91,304	46.0	62,297	44.0	286,490,000	90,925	4.40%

Fiscal Year Ended	SMWD ID 9 Population	City of San Juan Capistrano	
		Population	Median Age
2021	34,955	34,955	41.5
2022	34,548	34,548	44.8
2023	39,332	34,754	44.8
2024	39,606	35,469	44.8

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

2025 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 Fiscal Year and Nine Years Ago

Employer	Fiscal Year 2025		Fiscal Year 2016	
	Number of Employees	Percentage of Employment	Number of Employees	Percentage of Employment
<b>City of Rancho Santa Margarita</b>				
Applied Medical	2,400	12.08%	1,698	10.49%
Cox Communications			783	4.84%
O'Connell Landscape	1,000	5.03%	1,033	6.38%
Saddleback Valley School District	288	1.45%	344	2.13%
Lucas & Mercier Construction	250	1.26%	300	1.85%
Control Components Inc. (CCI)	365	1.84%	268	1.66%
Target Corporation	175	0.88%	200	1.24%
Car Sound Exhaust System Inc.	150	0.75%	207	1.28%
Capistrano Unified School District	136	0.68%	154	0.95%
PADI	200	1.01%	200	1.24%
Santa Margarita Catholic H.S.	265	1.33%	207	1.28%
Kohls	85	0.43%	110	0.68%
	5,314	26.74%	5,504	34.02%
<b>City of Mission Viejo</b>				
Providence Mission Hospital	2,764	5.68%	2,443	4.37%
Saddleback College	1,770	3.63%	1,975	3.53%
Saddleback Valley Unified School District	917	1.88%	1,502	2.69%
Target Corporation	513	1.05%	250	0.45%
James Hardie Building Products	436	0.90%		
Capistrano Unified School District	432	0.89%	441	0.79%
Nordstrom Department Store	362	0.74%	400	0.72%
Amazon Delivery Station	266	0.55%		
Macy's Department Store	263	0.54%	250	0.45%
City of Mission Viejo	250	0.51%	248	0.44%
Vocational Visions			196	0.35%
U.S. Post Office			194	0.35%
	7,973	16.37%	7,899	14.14%
<b>City of San Clemente</b>				
Capistrano Unified School District (CUSD)	681	2.17%	599	2.03%
Fisherman's Restaurants	301	0.96%	224	0.76%
Albertsons	272	0.87%	197	0.67%
ICU Medical	256	0.82%	132	0.45%
Ralphs	229	0.73%	226	0.77%
Glaukos Corp	207	0.66%		
Target Retail Store	200	0.64%	154	0.52%
Walmart Superstore	195	0.62%	195	0.66%
City of San Clemente	178	0.57%	182	0.62%
Lowe's	155	0.49%	150	0.51%
Saddleback Memorial Medical Center			280	0.95%
	2,674	8.53%	2,339	7.94%

2025 data was not available at the time the report was prepared.

Sources: ACFR's for the City of Rancho Santa Margarita, City of Mission Viejo and City of San Clemente.

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 Last Ten Fiscal Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Domestic System</b>										
Miles of Water Mains	615	626	626	634	638	642	845	828	858	852
Maximum Storage Capacity (Acre-feet)	1,210	1,222	1,222	1,222	1,222	1,222	1,150	1,146	1,151	1,139
Number of Storage Tanks	33	34	34	34	34	34	43	40	40	42
Number of Pump Stations	21	21	21	21	21	21	29	29	29	28
<b>Non-Domestic System</b>										
Miles of Water Mains	125	129	129	133	133	133	145	187	191	195
Number of Storage Tanks	7	8	8	8	8	8	9	9	9	9
Number of Open Reservoirs	2	2	2	2	2	3	4	5	5	5
Maximum Storage Capacity (Acre-feet)	3,547	3,566	3,566	3,566	3,566	8,566	8,460	8,470	8,488	11,930
Number of Pump Stations	14	14	14	14	14	15	17	17	17	20
<b>Sewer System</b>										
Miles of Sewer Line	620	630	624	632	637	643	641	649	655	658
Number of Lift Stations	19	21	21	21	20	20	22	23	23	25
Treatment Plants	2	2	2	2	2	2	2	3	3	2
Treatment Capacity (MGD)	9	9	9	9	9	9	18	18	18	10
Average Flows (MGD)	8	9	9	9	9	9	12	12	12	6

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 Last Ten Fiscal Years

### Improvement Districts 1 to 8

#### Water Connections by Customer Class

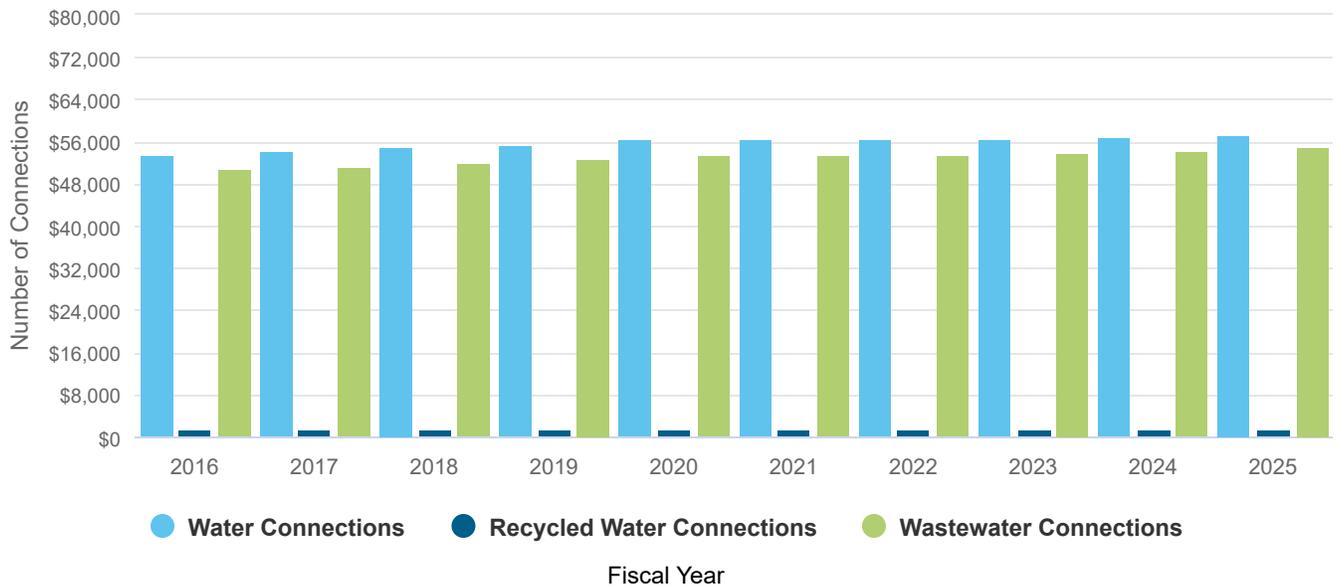
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Commercial	2,225	2,244	2,301	2,306	2,255	2,278	2,257	2,233	2,266	2,249
Domestic Irrigation	1,435	1,396	1,390	1,380	1,430	1,445	1,435	1,438	1,432	1,430
Construction	44	49	45	31	31	27	28	53	38	45
Lakefill	2	2	1	1	1	1	1	1	1	1
Residential Single Family	36,299	36,626	37,068	37,497	38,031	38,056	38,038	38,026	38,251	38,415
Residential Multi Family	13,670	13,897	14,117	14,340	14,674	14,657	14,764	14,835	15,118	15,405
<b>Total Water Connections</b>	<b>53,675</b>	<b>54,214</b>	<b>54,922</b>	<b>55,555</b>	<b>56,422</b>	<b>56,464</b>	<b>56,523</b>	<b>56,586</b>	<b>57,106</b>	<b>57,545</b>

#### Recycled Water Connections by Customer Class

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Non-Domestic Irrigation	1,416	1,479	1,524	1,522	1,498	1,458	1,464	1,504	1,488	1,481
Commercial	9	9	9	10	2	3	3	4	4	3
Construction	37	46	25	14	13	12	7	10	10	9
Lakefill									1	2
<b>Total Recycled Water Connections</b>	<b>1,462</b>	<b>1,534</b>	<b>1,558</b>	<b>1,546</b>	<b>1,513</b>	<b>1,473</b>	<b>1,474</b>	<b>1,518</b>	<b>1,503</b>	<b>1,495</b>

#### Wastewater Connections by Customer Class

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Commercial	903	912	1,024	957	911	921	911	915	918	920
Residential Single Family	36,292	36,544	37,060	37,439	37,877	37,953	37,990	38,109	38,296	38,465
Residential Multi Family	13,670	13,813	14,117	14,304	14,627	14,583	14,739	14,973	15,227	15,599
<b>Total Wastewater Connections</b>	<b>50,865</b>	<b>51,269</b>	<b>52,201</b>	<b>52,700</b>	<b>53,415</b>	<b>53,457</b>	<b>53,640</b>	<b>53,997</b>	<b>54,441</b>	<b>54,984</b>



## SANTA MARGARITA WATER DISTRICT

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Water Revenue per										
Water Connection	\$ 577	\$ 679	\$ 774	\$ 737	\$ 769	\$ 868	\$ 887	\$ 834	\$ 860	\$ 1,011
Water Revenue	\$ 30,957,212	\$ 36,801,755	\$ 42,532,641	\$ 40,935,472	\$ 43,414,528	\$ 49,026,077	\$ 50,111,456	\$ 47,177,489	\$ 49,104,869	\$ 58,406,330
<b>Recycled Water Connections by Customer Class</b>										
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Recycled Revenue per										
Recycled Connection	\$ 4,628	\$ 5,161	\$ 5,468	\$ 4,759	\$ 5,281	\$ 7,364	\$ 7,698	\$ 5,853	\$ 5,479	\$ 8,291
Recycled Water Revenue	\$ 6,766,438	\$ 7,917,181	\$ 8,518,568	\$ 7,358,115	\$ 7,989,399	\$ 10,846,821	\$ 11,346,670	\$ 8,885,179	\$ 8,234,705	\$ 12,395,018
<b>Wastewater Connections by Customer Class</b>										
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Wastewater Revenue per										
Wastewater Connection	\$ 289	\$ 373	\$ 404	\$ 407	\$ 443	\$ 461	\$ 464	\$ 485	\$ 494	\$ 510
Wastewater Revenue	\$ 6,766,438	\$ 19,119,039	\$ 21,111,651	\$ 21,466,050	\$ 23,668,748	\$ 24,652,362	\$ 24,883,585	\$ 26,213,825	\$ 26,917,267	\$ 28,054,184

Source: SMWD Utility Billing System

### Water and Wastewater Connections Last Four Fiscal Years

<b>Improvement District 9 Water Connections by Customer Class</b>				
	2022	2023	2024	2025
Commercial	464	469	492	492
Construction	28	25	19	16
Fire Service	201	197	196	196
Domestic Irrigation	521	524	507	510
Residential Single Family	6,735	6,910	6,815	6,767
Residential Multi Family	3,015	3,029	3,126	3,218
Master Meter	15	16		
<b>Total Water Connections</b>	<b>10,979</b>	<b>11,170</b>	<b>11,155</b>	<b>11,199</b>
Recycled Water Connections by Customer Class				
	2022	2023	2024	2025
Non-Domestic Irrigation	80	79	80	81
Commercial		-	1	1
<b>Total Recycled Water Connections</b>	<b>80</b>	<b>79</b>	<b>81</b>	<b>82</b>
Wastewater Connections by Customer Class				
	2022	2022	2024	2025
Commercial	426	468	469	471
Residential Single Family	6,460	6,454	6,467	6,467
Residential Multi Family	3,051	3,154	3,137	3,142
<b>Total Wastewater Connections</b>	<b>9,937</b>	<b>10,076</b>	<b>10,073</b>	<b>10,080</b>
Water Revenue per Water Connection				
	2022 <sup>(1)</sup>	2023	2024	2025
Water Revenue	\$1,030	\$1,538	\$1,575	\$1,749
Water Revenue	\$11,311,474	\$17,176,069	\$17,569,275	\$19,640,574
Recycled Water Connections by Customer Class				
	2022	2023	2024	2025
Recycled Revenue per Recycled Connection	\$8,358	\$11,726	\$10,987	\$12,731
Recycled Water Revenue	\$668,639	\$926,316	\$889,949	\$1,043,916
Wastewater Revenue per Wastewater Connection				
	2022	2023	2024	2025
Wastewater Revenue	\$238	\$392	\$499	\$665
Wastewater Revenue	\$2,367,525	\$3,951,055	\$5,030,992	\$6,708,098

<sup>(1)</sup> The District assumed the City of San Juan Capistrano's water and wastewater system obligations on November 15, 2021. Revenues used reflect seven and a half months (62.5%) of activity for the fiscal year ended June 30, 2022.

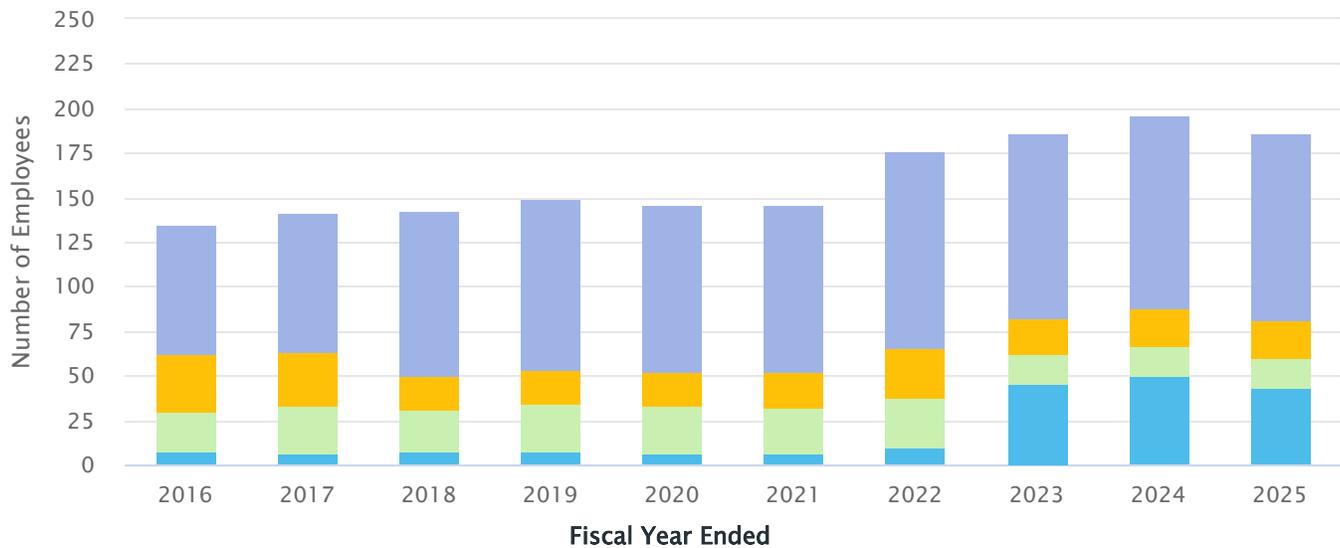
Source: SMWD Utility Billing System

## SANTA MARGARITA WATER DISTRICT

### Employee Information Last Ten Fiscal Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Administration	8	7	8	8	7	7	10	46	50	44
Finance	22	26	23	27	26	25	28	17	17	16
Engineering	32	31	19.5	19	19	21	28	20	21	21
Operations	73	78	92	96	94	93	110	103	108	105
<b>Total</b>	<b>135</b>	<b>142</b>	<b>142.5</b>	<b>150</b>	<b>146</b>	<b>146</b>	<b>176</b>	<b>186</b>	<b>196</b>	<b>186</b>

### Number of Employees by Department



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Water Connections per Employee	398	382	385	370	386	387	384	364	348	370
Recycled Water Connections per Employee	11	11	11	10	10	10	9	9	8	8
Wastewater Connections per Employee	377	361	366	351	366	366	361	344	329	350
Total Revenues per Employee	\$ 656,892	\$ 732,147	\$ 618,630	\$ 577,624	\$ 625,789	\$ 685,275	\$ 668,529	\$ 683,472	\$ 642,462	\$ 667,336

Excludes the elected Board of Directors

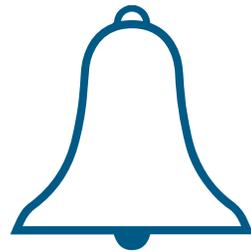
\* In 2023, SMWD shifted the following departments to "Administration"

From Finance: Information Technology and Customer Relations

From Engineering: Water Resiliency

From Operations: Customer Service - Field

Source: SMWD Payroll Records



Santa Margarita  
Water District