

AGENDA
WATERFORD PUBLIC FINANCING AUTHORITY MEETING
WATERFORD CITY HALL, CITY COUNCIL CHAMBERS
101 "E" STREET, WATERFORD, CA

REGULAR MEETING – NOVEMBER 16, 2023 - 6:30 PM

CALL TO ORDER: Chair Goeken

ROLL CALL:

Chair	Goeken
Board Members:	Harris, Hilton, Kitchens, Talbott

ADOPTION OF AGENDA & CONSENT CALENDAR:

All Matters listed under the Consent Calendar are considered routine by the Board Members and will be adopted by one action of the Board unless any Board Member desires to discuss any item or items separately. In that event, the Chairman will remove that item from the Consent Calendar and action will be considered separately.

1. **CONSENT CALENDAR**

1a: **MOTION:** Approving Minutes of the Regular WPFA Meeting held on January 5, 2023.

2. **PRESENTATIONS**

3. **COMMUNICATIONS FROM THE AUDIENCE**

By Policy, the Agency Board will not act on any matters not shown on the printed agenda. Public comments are welcomed for information only. If a decision is required, the topic will be scheduled for a future meeting. Please hold all comments to five (5) minutes.

4. **PUBLIC HEARING**

5. **NEW BUSINESS**

5a: **MOTION:** Accept the Audited Financial Statement for the Waterford Public Financing Authority for the year ended June 30, 2022. (*Envia*)

6. **STAFF/BOARD COMMENTS**

6a:	WPFA Staff Comments	(Information Only – No Action)
6b:	WPFA Board Comments	(Information Only – No Action)

7. **ADJOURNMENT**



MINUTES
WATERFORD PUBLIC FINANCING AUTHORITY - REGULAR MEETING
WATERFORD CITY HALL, CITY COUNCIL CHAMBERS
101“E” STREET, WATERFORD, CA

WPFA REGULAR MEETING – JANUARY 5, 2023 - 6:30 PM

MEETING CALLED TO ORDER BY BOARD CHAIR GOEKEN AT: 7:02 P.M.

ROLL CALL:

Board Chair - Goeken: Present
Board Member - Harris: Present
Board Member - Hilton: Present
Board Member - Kitchens: Present
Board Member - Talbott: Present

STAFF PRESENT:

Michael G. Pitcock, Executive Director
Patricia Krause, Secretary
Corbett J. Browning, Board Attorney

1. CONSENT CALENDAR

1a: MOTION: Approving Minutes of the Regular WPFA Meeting held on Meeting held on January 5, 2023.

ACTION: Motion by BM/Kitchens, seconded by BM/Talbott to adopt the agenda and consent calendar.

AYES: Goeken, Harris, Hilton, Kitchens, Talbott
NAYS: None
ABSENT: None
ABSTAIN: None

Motion passed 5-0.

2. PRESENTATIONS

None.

3. COMMUNICATIONS FROM THE AUDIENCE

None.

4. **PUBLIC HEARING**

None.

5. **NEW BUSINESS**

5a: MOTION: Accept the Audited Financial Statement for the Waterford Public Financing Authority for the year ended June 30, 2022. (*Envia*)

ACTION: Motion by BM/Talbott, seconded by BM/Kitchens to Accept the Audited Financial Statement for the Waterford Public Financing Authority for the year ended June 30, 2022.

AYES: Goeken, Harris, Hilton, Kitchens, Talbott

NAYS: None

ABSENT: None

ABSTAIN: None

Motion passed 5-0.

6. **STAFF/COUNCIL COMMENTS**

6a: WPFA Staff Comments (Information Only – No Action)

6b: WPFA Board Comments (Information Only – No Action)

ADJOURNMENT

Mayor Goeken adjourned the Waterford Public Financing Authority meeting at 7:05 PM to convene to the Regular City Council meeting.

PASSED AND ADOPTED by the Waterford Public Financing Authority at a regular meeting held on November 16, 2023 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST:

Patricia Krause, Secretary

Charlie Goeken, Chair



New Business 5a
November 16, 2023
Tina Envia, Finance Manager
WPFA Staff Report

Motion: Accept the Audited Financial Statement for the Waterford Public Financing Authority for the year ended June 30, 2023.

SUMMARY:

The City's Independent Auditor, Badawi & Associates, issued a separate report for the Waterford Public Financing Authority (WPFA). This fund is part of the Annual Financial Report of the City of Waterford.

FISCAL IMPACT:

N/A.

ANALYSIS:

It is recommended that the WPFA accept the financial statement and the Auditor's Report on the financial statement.

On October 31, 2023, Badawi & Associates, the City's Auditor's, issued their report on the financial statement. The Auditor's opinion was that the statement was presented fairly in all material respects.

ATTACHMENTS:

- Waterford Public Financing Authority Audited Financial Statement for the Year Ended June 30, 2023.

Waterford Public Financing Authority

Waterford, California

Component Unit Basic Financial Statements

For The Year Ended June 30, 2023

(With comparative totals for June 30, 2022)

Waterford Public Financing Authority
Basic Financial Statements
For the year ended June 30, 2023
(With comparative totals for June 30, 2022)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the City
of Waterford Public Financing Authority
Waterford, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying component unit financial statements of the Waterford Public Financing Authority (Authority), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the City of Waterford Public Financing Authority, as of June 30, 2023, 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 the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

To the Board of Directors of the City
of Waterford Public Financing Authority
Waterford, California
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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Prior period Financial Statements

We have previously audited the Authority's 2022 financial statements, and our report dated December 1, 2022, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects with the audited financial statements from which it was derived.

To the Board of Directors of the City
of Waterford Public Financing Authority
Waterford, California
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Required Supplementary Information

Management has omitted the management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the component unit 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. Our opinion on the component unit financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31 2023 on our consideration of the Authority’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority’s internal control over financial reporting and compliance.



Badawi & Associates, CPAs
Berkeley, California
October 31, 2023

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COMPONENT UNIT BASIC FINANCIAL STATEMENTS

City of Waterford Public Financing Authority

Statement of Net Position

June 30, 2023

(With comparative totals for June 30, 2022)

	2023	2022
ASSETS		
Cash and investments	\$ 367,144	\$ 341,837
Cash and investments with fiscal agents	446,217	431,329
Investment in sublease	835,000	970,000
Loan to River Pointe Water Fund	36,370	36,370
Due from Successor Agency of Former Redevelopment Agency	24,717	24,717
Loan to Successor Agency of Former Redevelopment Agency	200,000	240,000
Total assets	<u>1,909,448</u>	<u>2,044,253</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding	172,185	206,676
Pension plan	21,798	8,644
Total deferred outflows of resource	<u>193,983</u>	<u>215,320</u>
LIABILITIES		
Current liabilities:		
Current portion of compensated absences	524	524
Current portion of revenue bonds	145,000	140,000
Total current liabilities	145,524	140,524
Long-term liabilities:		
Compensated absence	709	788
Revenue bonds	1,055,000	1,200,000
Net pension liability	40,563	13,549
Total liabilities	<u>1,241,796</u>	<u>1,354,861</u>
DEFERRED INFLOWS OF RESOURCES		
Pension plan	4,113	14,801
Total deferred inflows of resource	<u>4,113</u>	<u>14,801</u>
NET POSITION		
Restricted under debt covenant	446,217	431,329
Unrestricted	411,305	458,582
Total net position	<u>\$ 857,522</u>	<u>\$ 889,911</u>

The accompanying notes are an integral part of these component unit financial statements

City of Waterford Public Financing Authority
Statement of Revenues, Expenses, and Changes in Net Position
For the year ended June 30,2023
(With comparative totals for the year ended June 30, 2022)

	2023	2022
OPERATING REVENUE:		
Interest earned on special assessment district obligations, lease and loan	\$ 79,126	\$ 91,199
Total operating revenue	79,126	91,199
OPERATING EXPENSES:		
Salaries and benefits	22,635	11,529
Administrative	5,729	4,663
Maintenance and operations	4,921	5,600
Total operating expenses	33,285	21,792
Operating income	45,841	69,407
NONOPERATING REVENUE:		
Interest revenue on cash and investments	14,446	(4,979)
Interest and fiscal charges	(92,676)	(98,448)
Net nonoperating revenue	(78,230)	(103,427)
Change in net position before transfer	(32,389)	(34,020)
OTHER FINANCING SOURCES (USES):		
Transfer to the City of Waterford	-	-
CHANGE IN NET POSITION	(32,389)	(34,020)
NET POSITION:		
Beginning of the year	889,911	923,931
End of the year	\$ 857,522	\$ 889,911

The accompanying notes are an integral part of these component unit financial statements

City of Waterford Public Financing Authority
Statement of Cash Flows
For the year ended June 30, 2023
(With comparative totals for the year ended June 30, 2022)

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from special assessment district obligation	\$ 254,126	\$ 261,199
Payments to suppliers	(10,650)	(10,263)
Payments to employees	<u>(19,542)</u>	<u>(18,260)</u>
Net cash provided by operating activities	<u>223,934</u>	<u>232,676</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal payments on debt	(140,000)	(140,000)
Interest paid on long term debt	<u>(58,185)</u>	<u>(63,958)</u>
Cash flows used for capital and related financing activities	<u>(198,185)</u>	<u>(203,958)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Receipt of interest and dividends	<u>14,446</u>	<u>(4,979)</u>
Net increase (decrease) in cash and cash equivalents	40,195	23,739
CASH AND INVESTMENTS:		
Beginning of the period	<u>773,166</u>	<u>749,427</u>
End of the period	<u>\$ 813,361</u>	<u>\$ 773,166</u>
Balances as presented in the Statement of Financial Position:		
Cash and investments	\$ 367,144	\$ 341,837
Cash and investments with fiscal agents	<u>446,217</u>	<u>431,329</u>
Total cash and investments	<u>\$ 813,361</u>	<u>\$ 773,166</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 45,841	\$ 69,407
Adjustments to reconcile operating income to net cash provided by operating activities:		
Pension plan	3,172	(6,809)
Change in assets and liabilities:		
Investment in local obligations	175,000	170,000
Compensated absences	<u>(79)</u>	<u>78</u>
Net cash provided by operating activities	<u>\$ 223,934</u>	<u>\$ 232,676</u>

The accompanying notes are an integral part of these component unit financial statements

NOTES TO COMPONENT UNIT FINANCIAL STATEMENTS

City of Waterford Public Financing Authority
Notes to Component Unit Financial Statements
For the year ended June 30, 2023

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In May 1990, pursuant to Article 1 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, the City of Waterford (City) authorized the formation of a joint powers authority with the former Redevelopment Agency of the City of Waterford (Agency) to be known as the City of Waterford Public Financing Authority (Authority). The Authority was organized to provide assistance to the City and former Agency in financing public improvements for the benefit of the residents of the City and surrounding areas. Administrative and related normal business expenses incurred in the day- to-day operations of the Authority are provided by the City and are included in the accompanying component unit financial statements.

The Authority is governed by a Board consisting of members of the City Council. Oversight responsibility, the ability to conduct independent financial affairs, issue debt instruments, approve budgets, and otherwise influence operations and account for fiscal matters is exercised by the Authority's governing board. The Authority is a blended component unit of the City for financial reporting purposes and the accompanying component unit financial statements reflect the assets, liabilities, net position, revenues, and expenses of the Authority only.

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

In June 1999, GASB approved Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. The Authority implemented these changes in the fiscal year ended June 30, 2004. The change in financial statement presentation provides a comprehensive one-line look at the total entity. There was essentially no change in financial statement presentation, except for subsequent terminology changes.

A. Reporting Entity

As defined by GASB Statement No. 39, *The Financial Reporting Entity*, the Authority is not financially accountable for any other entity other than itself, nor are there any other entities for which the nature and significance of their relationship with the Authority are such that exclusion would cause the Authority’s financial statements to be misleading or incomplete.

B. Basis of Accounting

The Authority is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs and expenses, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

City of Waterford Public Financing Authority
Notes to Component Unit Financial Statements
For the year ended June 30, 2023

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Cash and Investments

For the purposes of the Statement of Net Position, “cash and investments” includes all demand, savings accounts, and certificates of deposits, or short-term investments with an original maturity of three months or less.

The City of Waterford currently maintains \$367,144 of Authority funds in the City’s pooled cash deposits. Bank of New York is the fiscal agent for the Authority and maintains all other cash balances and authorized investments of Authority funds. The City/Authority has oversight responsibility for all Authority cash and investments.

The California Government Code requires California banks and savings and loan associations to secure government cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral is considered to be held in the government’s name.

According to California law, the market value of pledged securities with banking institutions must equal at least 110% of the government’s cash deposits. California law also allows institutions to secure government deposits by pledging first trust deed mortgage notes having a value of 150% of the government’s total cash deposits. The government can waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation.

Authorized Investments

Under provisions of the Authority/City's Investment Policy and in accordance with California Government Code Section 53600 *et seq*, the Authority/City may invest or deposit in the following types of investments:

- Local Agency Bonds
- US Treasury Obligations
- US Agencies
- Time Deposits
- Negotiable Certificates of Deposit
- Bankers’ Acceptances
- Commercial Paper
- Local Agency Investment Funds (LAIF) of California State Treasurer’s Office (State Pool)
- State of California Obligations
- CA Local Agency Obligations
- Repurchase Agreements (Repos)
- Reverse Repurchase Agreements
- Medium-Term Notes (Corporate Debt Investment Grade)
- Mutual Funds
- Money Market Funds
- Collateralized Bank Deposits
- Mortgage Pass-Through Securities
- County Pooled Investment Funds

D. Reclassifications

Certain amounts have been reclassified to provide for comparable results on a year to year basis.

City of Waterford Public Financing Authority
Notes to Component Unit Financial Statements
For the year ended June 30, 2023

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

2. CASH AND INVESTMENTS

A. Cash Deposits

At June 30, 2023, the Authority had funds with the City in the amount of \$367,144 as adjusted to fair value. The Authority invests excess cash with its fiscal agent, Bank of New York. Cash and investments with the fiscal agent consisted primarily of money market accounts, which at June 30, 2023, were adjusted to fair value of \$446,217. Investment income was adjusted accordingly as follows:

	<u>Fair Value</u>
Total investment income received	<u>\$ 14,446</u>
Total adjusted investment income	<u>\$ 14,446</u>

B. Safekeeping

Securities purchased from broker-dealers are held in third party safekeeping by the trust department of the broker-dealer or other designated third party trust in the Authority/City's name and control, whenever possible.

C. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in the market interest rates.

City of Waterford Public Financing Authority
Notes to Component Unit Financial Statements
For the year ended June 30, 2023

2. CASH AND INVESTMENTS, Continued

D. Interest Rate Risk, Continued

	Cash and Investments	Cash and investments with Fiscal Agent	Total	Maturity Date
Investments:				
Bank of the West	\$ 299,399	\$ -	\$ 299,399	N/A
Local Agency Investment Fund	67,745	-	67,745	190 days average
Goldman Sachs Financial Square Treasury Obligation Money Market Fund	-	446,217	446,217	N/A
Total	<u>\$ 367,144</u>	<u>\$ 446,217</u>	<u>\$ 813,361</u>	

Information about the sensitivity of the fair values of the Authority's investments to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment:

D. Credit Risk

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 organizations The Goldman Sachs Financial Square Treasury Obligation Money Market Fund was rated AAA by Standard and Poor's Investment Rating System at June 30, 2023. Bank of the West deposits were not rated, but were fully FDIC insured as of June 30, 2023. The Local Agency Investment Fund was not rated as of June 30, 2023.

City of Waterford Public Financing Authority
Notes to Component Unit Financial Statements
For the year ended June 30, 2023

3. INVESTMENT IN SUBLEASE

The City has leased a portion of its sewer system from the Authority under the terms of a lease that expires September 15, 2027. The base rental payments were historically less than the debt service on the Authority's 2003 bonds, however the lease agreement allows the Authority to assess the City for additional payments based on expenses incurred by the Authority. The City and The Authority amended the lease agreement in September 2011 to revise the base rental payments to agree with the debt service on the 2012 bonds. The Authority received \$198,175 in sublease principal and interest payments in fiscal 2023.

For the Year Ending June 30	Principal	Interest
2024	\$ 145,000	\$ 53,375
2025	155,000	42,875
2026	165,000	31,675
2027	180,000	19,600
2028	190,000	6,650
Total	<u>\$ 835,000</u>	<u>\$ 154,175</u>

4. LOAN TO FORMER REDEVELOPMENT AGENCY

The Authority has loaned \$670,000 to the former Redevelopment Agency of the City of Waterford, which has pledged property tax revenue to secure the loan. The Redevelopment Agency of the City of Waterford was dissolved as of January 31, 2012, however its liabilities, including the loan payable to the Authority, were assumed by a Successor Agency. The Authority received \$55,400 in loan principal and interest payments in fiscal 2023. The Agency's loan payments due to the Authority are as follows:

For the Year Ending June 30	Principal	Interest
2024	\$ 45,000	\$ 12,425
2025	50,000	9,100
2026	50,000	5,600
2027	55,000	1,925
Total	<u>\$ 200,000</u>	<u>\$ 29,050</u>

City of Waterford Public Financing Authority
Notes to Component Unit Financial Statements
For the year ended June 30, 2023

5. REVENUE BONDS

A. Current Year Transactions and Balances

The Authority's debt issues and transactions are summarized below and discussed in detail thereafter:

	Original Issue Amount	Balance June 30, 2022	Additions	Retirements	Balance June 30, 2023	Current Portion
Revenue bonds						
Series 2012 refunding bonds, 1.0;4.75%, due 9/15/27	\$4,095,000	\$ 1,340,000	\$ -	\$ (140,000)	\$ 1,200,000	\$ 145,000
Total		<u>\$ 1,340,000</u>	<u>\$ -</u>	<u>\$ (140,000)</u>	<u>\$ 1,200,000</u>	<u>\$ 145,000</u>

B. Revenue Bonds

In September 2003, the Authority issued Refunding Bonds in the principal amount of \$5,795,000 to refund the aggregate outstanding principal amount of the 1996A and 1997A Revenue Bonds, which were called on September 15, 2003. Principal payments were due annually commencing September 15, 2004. Interest payments were due semi-annually on March 15 and September 15. The 2003 bonds were refunded in fiscal year 2012 with the 2012 bonds discussed below and the 2003 bonds were called in March 2012.

In February 2012, the Authority issued the 2012 Refunding Revenue Bonds in the principal amount of \$4,095,000 to refund the outstanding principal amount of the 2003 bonds. The refunding reduced total debt service by \$211,109, resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$191,639. The 2012 bonds are repayable from the revenues received from the sublease in Note 3, and loan in Note 4.

The pledge of all future special assessment district, sublease, and loan revenue ends upon repayment of \$1,579,537 remaining debt service on the bonds which is scheduled to occur in fiscal year 2028. For fiscal year 2023, payments received amounted to \$253,575 which represented coverage of 128% over the \$198,185 of debt service, which included payments on the 2012 bonds and interest on the 2012 bonds.

City of Waterford Public Financing Authority
Notes to Component Unit Financial Statements
For the year ended June 30, 2023

6. REVENUE BONDS, Continued

C. Debt Service Requirements

Year Ending June 30	2012 Refunding Revenue Bonds	
	Principal	Interest
2024	\$ 145,000	\$ 52,093
2025	150,000	45,675
2026	160,000	38,775
2027	170,000	31,153
2028	575,000	13,656
Total	\$ 1,200,000	\$ 181,352
Due within one year	\$ 145,000	\$ 52,093
Due after one year	1,055,000	129,259
Total	\$ 1,200,000	\$ 181,352

6. NET POSITION

Net Position is the excess of all the Authority's assets over all its liabilities. The Authority's Net Position is divided into two segments:

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Authority cannot unilaterally alter. At June 30, 2023, restrictions included:

Restricted under debt covenants represents the portion of Net Position held in reserve in the event other resources of the Authority are not adequate to make required debt service payments.

Unrestricted describes the portion of Net Position which is not legally or contractually restricted as to use.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

Independent Auditor's Report

To the Honorable Mayor and Members of the City Council
of the City of Waterford
Waterford, California

We have audited, in accordance with the auditing standard generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the component unit financial statements of the Waterford Public Financing Authority (Authority) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, and have issued our report thereon dated October 31, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for determining audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that we have not identified.

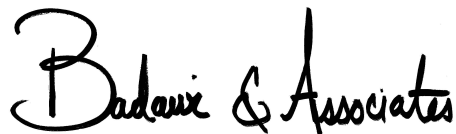
To the Honorable Mayor and Members of the City Council
of the City of Waterford
Waterford, California
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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi & Associates, CPAs
Berkeley, California
October 31, 2023