



YORBA LINDA WATER DISTRICT FINANCING AUTHORITY
(A COMPONENT UNIT OF YORBA LINDA WATER DISTRICT)
FOR THE YEAR ENDED JUNE 30, 2024

FINANCIAL STATEMENTS

Focused
on YOU



YORBA LINDA WATER DISTRICT FINANCING AUTHORITY
(A COMPONENT UNIT OF YORBA LINDA WATER DISTRICT)

Financial Statements
For the Year Ended June 30, 2024

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Yorba Linda Water District Financing Authority
Placentia, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Yorba Linda Water District Financing Authority (the "Authority"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2024, and the changes in its financial position and cash flows 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 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.

Emphasis of Matter

Yorba Linda Water District Financing Authority Financial Statements

As discussed in Note 1, the financial statements of the Authority, are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the District that is attributable to the transactions of the Authority. They do not purport to, and do not, present fairly the financial position of the District, as of June 30, 2024, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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



To the Board of Directors
Yorba Linda Water District Financing Authority
Placentia, California

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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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.

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

Required Supplementary Information

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



To the Board of Directors
Yorba Linda Water District Financing Authority
Placentia, California

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2024, on our consideration of the District's internal control over the Authority's 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 the District's internal control over the Authority's financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over the Authority's financial reporting and compliance.

Lance, Soll & Lughard, LLP

Brea, California
October 30, 2024

YORBA LINDA WATER DISTRICT FINANCING AUTHORITY

Management's Discussion and Analysis For the Year Ended June 30, 2024

This section of the Authority's annual financial report presents our analysis of the Authority's financial performance during the fiscal year that ended on June 30, 2024. Please read it in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The Authority's net position did not change, as the revenue and interest earned on the money market equaled the expenditures and interest expense on the bonds payable.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the Yorba Linda Water District Financing Authority's basic financial statements. The Authority's basic financial statements consist of two components: (1) financial statements and (2) notes to the financial statements. The Authority is a self-supporting entity and follows the enterprise fund reporting. Accordingly, the financial statements are presented using the accrual basis of accounting.

FINANCIAL ANALYSIS OF THE AUTHORITY

Our analysis of the Authority begins on page 6 of the financial statements. The goal of the Authority is to have the installment contract and interest income receivables remain equal to the amount of outstanding debt in order that its proceeds are available to pay the debt. Thus, net position of the Authority (the difference between the interest income received and the unpaid debt) should be zero. Since the Authority is a financing entity, all of the revenues and principal collected on the investment in Yorba Linda Water District's Financing Authority's Revenue Bonds, Series 2017A and Series 2022A are used to pay the interest and principal on the Bonds resulting in no change in net position.

NET POSITION

To begin our analysis a summary of the Authority's Statement of Net Position as June 30, 2024 is as follows:

	Fiscal Year 2024	Fiscal Year 2023
ASSETS:		
Interest receivable	\$ 643,373	\$ 661,236
Installment contract receivable:		
Due in one year	1,600,000	1,525,000
Due in more than one year	53,055,000	54,655,000
TOTAL ASSETS	55,298,373	56,841,236
LIABILITIES:		
Interest payable	643,373	661,236
Long-term liabilities		
Due in one year	1,600,000	1,525,000
Due in more than one year	53,055,000	54,655,000
TOTAL LIABILITIES	55,298,373	56,841,236
NET POSITION	\$ -	\$ -

REVENUES, EXPENSES AND CHANGES IN NET POSITION

The interest income of \$2,591,356 and \$2,543,289 was used to pay the interest expense on the bonds as of June 30, 2024 and June 30, 2023, respectively.

YORBA LINDA WATER DISTRICT FINANCING AUTHORITY

Management's Discussion and Analysis For the Year Ended June 30, 2024

BUDGETARY HIGHLIGHTS

The Authority's Board of Directors is not required to adopt a budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The Authority does not own any capital assets.

At year-end, the Authority had \$54,655,000 and \$56,180,000 in long-term debt as of June 30, 2024 and June 30, 2023, respectively. More detailed information about the Authority's long-term debt is presented on pages 9-11 in the Notes to the Financial Statements.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGER

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about the report or need additional financial information, please contact the District at 1717 E. Miraloma Avenue, Placentia, California 92807 or the Finance Department at (714) 701-3040.

YORBA LINDA WATER DISTRICT FINANCING AUTHORITY
Statement of Net Position
June 30, 2024

ASSETS	
Interest Receivable	\$ 643,373
Installment Contract Receivable:	
Due in One Year	1,600,000
Due in More Than One Year	<u>53,055,000</u>
Total Assets	<u>55,298,373</u>
LIABILITIES	
Interest Payable	643,373
Long-Term Liabilities:	
Due in One Year	1,600,000
Due in More Than One Year	<u>53,055,000</u>
Total Liabilities	<u>55,298,373</u>
NET POSITION	<u>\$ -</u>

YORBA LINDA WATER DISTRICT FINANCING AUTHORITY
Statement of Revenues, Expenses and Changes in Fund Net Position
Year Ended June 30, 2024

NONOPERATING INCOME (EXPENSES)	
Interest Income	\$ 2,591,356
Interest Expense	<u>(2,591,356)</u>
Total Nonoperating Income (Expenses)	<u>-</u>
CHANGE IN NET POSITION	-
Net Position - Beginning of Year	<u>-</u>
NET POSITION - END OF YEAR	<u><u>\$ -</u></u>

YORBA LINDA WATER DISTRICT FINANCING AUTHORITY
Statement of Cash Flows
Year Ended June 30, 2024

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Financing Activities:	
Principal Paid on 2017A Revenue Bonds	\$ (1,045,000)
Interest Paid on 2017A Revenue Bonds	(1,085,356)
Principal Paid on 2022A Revenue Bonds	(480,000)
Interest Paid on 2022A Revenue Bonds	(1,506,000)
Contract Receivable Installment Payments Received	<u>4,116,356</u>
Net Cash provided by Capital and Related Financing Activities	<u>-</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	-
Cash and Cash Equivalents at Beginning of Year	<u>-</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ -</u>

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Yorba Linda Water District Financing Authority (the Authority) was organized pursuant to a Joint Exercise of Powers Agreement (the JPA Agreement) between the Yorba Linda Water District (the District) and California Municipal Finance Authority, dated April 11, 2017. The Authority is statutorily authorized by Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code and is empowered under the JPA Agreement to issue its bonds for, among other things, the purposes of the plan of financing described herein.

The Authority is an integral part of the reporting entity of the District. The financial activity of the Authority has been included within the scope of the basic financial statements of the District because the board of directors of the District is the governing board over the operations of the Authority. Only the financial activity of the Authority is included herein; therefore, these financial statements do not purport to represent the financial position or results of operations of the District.

B. Basic Financial Statements

The basic financial statements are composed of the statement of net position, the statement of revenues, expenses, and changes in net position, the statement of cash flows, and the notes to the basic financial statements.

C. Basis of Presentation

The accounts of the Authority are that of an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

D. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the economic measurement focus, all assets and liabilities (whether current or noncurrent) associated with these activities are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

E. Cash and Investments

The Authority considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

F. Investments

Investments are stated at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

G. Use of Estimates

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and, accordingly, include amounts that are based on management's best estimates and judgments. Accordingly, actual results could differ from the estimates.

YORBA LINDA WATER DISTRICT FINANCING AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 2: INSTALLMENT CONTRACT RECEIVABLE

In May 2017, the Authority issued \$29,335,000 of Revenue Bonds, Series 2017A (the 2017A Revenue Bonds) (see Note 3) and loaned the proceeds to the District pursuant to an Installment Purchase Agreement dated May 1, 2017. The loan proceeds were used by the District to refund the District's 2008 Revenue Certificates of Participation, as well as to provide funds for certain improvements to the District's water system. Under the Installment Purchase Agreement, the District agrees to pay the Authority installment payments in an amount sufficient to pay the principal and interest coming due on the bonds solely from water revenues of the District's water system that are remaining after paying operation and maintenance costs.

In July 2022, the Authority issued \$32,310,000 of Revenue Bonds, Series 2022A (the 2022A Revenue Bonds) (see Note 3) and loaned the proceeds to the District pursuant to an Installment Purchase Agreement dated July 1, 2022. The loan proceeds were used by the District to refund the District's 2012 Revenue Certificates of Participation, as well as to provide funds for certain improvements to the District's water system. Under the Installment Purchase Agreement, the District agrees to pay the Authority installment payments in an amount sufficient to pay the principal and interest coming due on the bonds solely from water revenues of the District's water system that are remaining after paying operation and maintenance costs. The balance of the receivable from the District at June 30, 2024, was \$54,655,000.

For the year ended June 30, 2024, the receivable of the Authority consists of the following:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Installment				
Purchase Agreements				
2017	\$ 23,870,000	\$ -	\$ 1,045,000	\$ 22,825,000
2022	32,310,000	-	480,000	31,830,000
Total Purchase Agreements	<u>\$ 56,180,000</u>	<u>\$ -</u>	<u>\$ 1,525,000</u>	<u>\$ 54,655,000</u>

NOTE 3: LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities of the Authority for the year ended June 30, 2024:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024	Due Within One Year	Due in More Than One Year
Purchase Agreements						
2017A Revenue Bonds	\$ 23,870,000	\$ -	\$ 1,045,000	\$ 22,825,000	\$ 1,095,000	\$ 21,730,000
2022A Revenue Bonds	32,310,000	-	480,000	31,830,000	505,000	31,325,000
	<u>\$ 56,180,000</u>	<u>\$ -</u>	<u>\$ 1,525,000</u>	<u>\$ 54,655,000</u>	<u>\$ 1,600,000</u>	<u>\$ 53,055,000</u>

A. 2017A Revenue Bonds

In May 2017, the Authority issued \$29,335,000 of 2017A Revenue Bonds to provide funds for the refunding of the District's 2008 Revenue Certificates of Participation, as well as to provide funds to the District for certain improvements to the District's water system.

The 2017A Revenue Bonds bear interest at rates ranging from 3% to 5%, payable semiannually on April 1 and October 1. There is no reserve requirement for the 2017A Revenue Bonds.

YORBA LINDA WATER DISTRICT FINANCING AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 3: LONG-TERM LIABILITIES (CONTINUED)

The 2017A Revenue Bonds are payable solely from installment payments to be made to the Authority from the District, with annual principal payments starting October 1, 2017. The installment payments required from the District are scheduled to provide sufficient monies to retire the revenue bonds as they become due and payable. The balance outstanding on the 2017A Revenue Bonds at June 30, 2024, was \$22,825,000.

The annual debt service requirements for the 2017A Revenue Bonds outstanding at June 30, 2024, are as follows:

Year Ending June 30	2017A Revenue Bonds		
	Principal	Interest	Total
2025	\$ 1,095,000	\$ 1,044,919	\$ 2,139,919
2026	1,145,000	989,919	2,134,919
2027	1,205,000	930,169	2,135,169
2028	1,265,000	868,419	2,133,419
2029	1,325,000	803,669	2,128,669
2030-2034	7,435,000	3,184,834	10,619,834
2035-2039	9,355,000	1,208,475	10,563,475
Totals	<u>\$ 22,825,000</u>	<u>\$ 9,030,404</u>	<u>\$ 31,855,404</u>

B. 2022A Revenue Bonds

In July 2022, the Authority issued \$32,310,000 of 2022A Revenue Bonds to provide funds for the refunding of the District's 2012 Revenue Certificates of Participation, as well as to provide funds to the District for certain improvements to the District's water system.

The 2022A Revenue Bonds bear interest at rates ranging from 4% to 5%, payable semiannually on April 1 and October 1. There is no reserve requirement for the 2022A Revenue Bonds.

The 2022A Revenue Bonds are payable solely from installment payments to be made to the Authority from the District, with annual principal payments starting October 1, 2023. The installment payments required from the District are scheduled to provide sufficient monies to retire the revenue bonds as they become due and payable. The balance outstanding on the 2022A Revenue Bonds at June 30, 2024, was \$31,830,000.

The annual debt service requirements for the 2022A Revenue Bonds outstanding at June 30, 2024, are as follows:

Year Ending June 30	2022A Revenue Bonds		
	Principal	Interest	Total
2025	\$ 505,000	\$ 1,488,575	\$ 1,993,575
2026	530,000	1,462,700	1,992,700
2027	555,000	1,435,575	1,990,575
2028	585,000	1,407,075	1,992,075
2029	615,000	1,377,075	1,992,075
2030-2034	3,580,000	6,379,000	9,959,000
2035-2039	4,605,000	5,360,875	9,965,875
2040-2044	5,910,000	4,053,500	9,963,500
2045-2049	7,580,000	2,382,575	9,962,575
2050-2054	7,365,000	604,100	7,969,100
Totals	<u>\$ 31,830,000</u>	<u>\$ 25,951,050</u>	<u>\$ 57,781,050</u>



INDEPENDENT AUDITORS' 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

To the Board of Directors
Yorba Linda Water District Financing Authority
Placentia, California

We have audited, in accordance with the auditing standards 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 financial statements the Yorba Linda Water District Financing Authority (the "Authority"), a component unit of Yorba Linda Water District (the "District"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 30, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over the Authority's financial reporting (internal control) as a basis for designing 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 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 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 consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.



To the Board of Directors
Yorba Linda Water District Financing Authority
Placentia, California

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 results 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 "Lance, Soll & Lughard, LLP". The signature is written in a cursive, flowing style.

Brea, California
October 30, 2024