



OCEANSIDE PUBLIC FINANCING AUTHORITY

FOR THE YEAR ENDED JUNE 30, 2024

COMPONENT UNIT FINANCIAL STATEMENTS
WITH REPORT ON AUDIT BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

Focused
on YOU



OCEANSIDE PUBLIC FINANCING AUTHORITY

Component Unit
Financial Statements

With Report on Audit by Independent
Certified Public Accountants

For the Year Ended June 30, 2024

OCEANSIDE PUBLIC FINANCING AUTHORITY

Component Unit
Financial Statements

With Report on Audit by Independent
Certified Public Accountants

For the Year Ended June 30, 2024

Table of Contents

	<u>Page Number</u>
INDEPENDENT AUDITORS' REPORT	1
BASIC FINANCIAL STATEMENTS:	
Government - Wide Financial Statements:	
Statement of Net Position	4
Statement of Activities	5
Governmental Funds - Fund Financial Statements:	
Balance Sheet.....	6
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	7
Statement of Revenues, Expenditures and Changes in Fund Balance.....	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.....	9
Proprietary Funds - Fund Financial Statements:	
Statement of Net Position	10
Statement of Revenues, Expenses and Changes in Net Position.....	11
Statement of Cash Flows.....	12
Notes to Basic Financial Statements.....	13
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 <i>Government Auditing Standards</i>	23



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Oceanside Public Financing Authority
Oceanside, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Oceanside Public Financing Authority (the "Authority"), a component unit of the City of Oceanside, California (the "City"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Authority, as of June 30, 2024, 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 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

Component Unit Reporting

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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City that is attributable to the transactions of the Authority. They do not purport to, and do not, present fairly the financial position of the City, 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.



To the Board of Directors
Oceanside Public Financing Authority
Oceanside, California

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.

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

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.



To the Board of Directors
Oceanside Public Financing Authority
Oceanside, California

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2024, on our consideration of the City'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 City'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 City's internal control over the Authority's financial reporting and compliance.

Lance, Solt & Luyhard, LLP

Irvine, California
December 11, 2024

OCEANSIDE PUBLIC FINANCING AUTHORITY
(A COMPONENT UNIT OF THE CITY OF OCEANSIDE, CALIFORNIA)
Statement of Net Position
June 30, 2024

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current assets:			
Pooled cash and investments	\$ 360,873	\$ -	\$ 360,873
Cash and investments held with fiscal agents	4,813	1,044	5,857
Interest receivable	-	199,635	199,635
Lease receivable	475,000	1,950,000	2,425,000
Total current assets	840,686	2,150,679	2,991,365
Noncurrent assets:			
Lease receivable	24,854,688	37,191,337	62,046,025
Total noncurrent assets	24,854,688	37,191,337	62,046,025
Total assets	25,695,374	39,342,016	65,037,390
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge of refunding	-	54,155	54,155
Total deferred outflows of resources	-	54,155	54,155
Liabilities:			
Interest payable	-	199,635	199,635
Revenue bonds payable	475,000	1,950,000	2,425,000
Total current liabilities	475,000	2,149,635	2,624,635
Noncurrent liabilities:			
Revenue bonds payable	24,854,688	36,901,654	61,756,342
Total noncurrent liabilities	24,854,688	36,901,654	61,756,342
Total liabilities	25,329,688	39,051,289	64,380,977
DEFERRED INFLOWS OF RESOURCES			
Deferred charge of refunding	-	344,882	344,882
Total deferred inflows of resources	-	344,882	344,882
NET POSITION			
Restricted for debt service	365,686	-	365,686
Total net position	\$ 365,686	\$ -	\$ 365,686

The notes to financial statements are an integral part of this statement.

OCEANSIDE PUBLIC FINANCING AUTHORITY
(A COMPONENT UNIT OF THE CITY OF OCEANSIDE, CALIFORNIA)
Statement of Activities
For the Year Ended June 30, 2024

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
EXPENSES			
Interest on long-term debt	\$ 1,043,795	\$ -	\$ 1,043,795
Water bonds - interest and fiscal charges	-	1,254,304	1,254,304
General government	2,319,709	-	2,319,709
Total expenses	3,363,504	1,254,304	4,617,808
GENERAL REVENUES			
Lease revenues	946,925	921,689	1,868,614
Investment earnings	118,366	332,615	450,981
Total general revenues	1,065,291	1,254,304	2,319,595
Change in net position	(2,298,213)	-	(2,298,213)
Net position-beginning	2,663,899	-	2,663,899
Net position-ending	\$ 365,686	\$ -	\$ 365,686

The notes to financial statements are an integral part of this statement.

OCEANSIDE PUBLIC FINANCING AUTHORITY
(A COMPONENT UNIT OF THE CITY OF OCEANSIDE, CALIFORNIA)
Balance Sheet
Governmental Funds
June 30, 2024

	Debt Service Fund			Total Governmental Funds
	2019 Lease Revenue	2011 Certificates of Participation	2013 Certificates of Participation	
ASSETS				
Pooled cash and investments	\$ 360,873	\$ -	\$ -	\$ 360,873
Cash and investments with fiscal agents	4,813	-	-	4,813
Total assets	365,686	-	-	365,686
FUND BALANCE				
Restricted for debt service	365,686	-	-	365,686
Total fund balances	\$ 365,686	\$ -	\$ -	\$ 365,686

The notes to financial statements are an integral part of this statement.

**OCEANSIDE PUBLIC FINANCING AUTHORITY
(A COMPONENT UNIT OF THE CITY OF OCEANSIDE, CALIFORNIA)
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2024**

Fund balances of governmental funds	\$ 365,686
Amounts reported for governmental activities in the Statement of Net Position are:	
Lease receivable, which is not considered to be available to finance current expenditures, is not reported in the governmental fund. For the Statement of Net Assets, this amount is accrued.	25,329,688
Long-term liabilities are not due and payable in the current period. Therefore, long-term liabilities are not reported in the Governmental Fund Balance Sheet.	<u>(25,329,688)</u>
Net position of governmental activities	<u><u>\$ 365,686</u></u>

The notes to financial statements are an integral part of this statement.

OCEANSIDE PUBLIC FINANCING AUTHORITY
(A COMPONENT UNIT OF THE CITY OF OCEANSIDE, CALIFORNIA)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2024

	Debt Service Fund			Total Governmental Funds
	2019 Lease Revenue Bonds	2011 Certificates of Participation	2013 Certificates of Participation	
REVENUES				
Lease revenue	\$ 1,520,291	\$ -	\$ -	\$ 1,520,291
Investment earnings	21,496	-	-	21,496
Total revenues	1,541,787	-	-	1,541,787
EXPENDITURES				
Current:				
General government	-	8,588	2,311,121	2,319,709
Debt service:				
Principal retirement	573,366	-	-	573,366
Interest and fiscal charges	946,925	-	-	946,925
Total expenditures	1,520,291	8,588	2,311,121	3,840,000
Net change in fund balance	21,496	(8,588)	(2,311,121)	(2,298,213)
Fund Balances, Beginning of Year	344,190	8,588	2,311,121	2,663,899
Fund balance-ending	\$ 365,686	\$ -	\$ -	\$ 365,686

The notes to financial statements are an integral part of this statement.

**OCEANSIDE PUBLIC FINANCING AUTHORITY
(A COMPONENT UNIT OF THE CITY OF OCEANSIDE, CALIFORNIA)
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2024**

Net change in fund balances - total governmental funds \$ (2,298,213)

Amounts reported for governmental activities in the Statement of Activities are different because:

The principal portion of lease revenues received from the City of Oceanside provides current financial resources to the governmental fund. However, these transactions have no effect on net position. (573,366)

Investment earnings in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental fund. The following amount represents the change in accrued interest from the prior year. (155,876)

The repayment of the principal of long-term debt consumes the current financial resources of governmental fund. These transactions, however, have no effect on net position. Also, the governmental fund reports the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. These amounts are the net effect of these differences in the treatment of long-term debt:

Principal payments	\$	455,000	
Amortization of bond premiums		118,366	573,366

Interest expense on long-term debt is reported in the Government-Wide Statement of Activities, but it does not require the use of current financial resources. Therefore, interest expense is not reported as an expenditure in the governmental fund.

The following amount represents the change in accrued interest from the prior year. 155,876

Change in net position of governmental activities \$ (2,298,213)

The notes to financial statements are an integral part of this statement.

OCEANSIDE PUBLIC FINANCING AUTHORITY
(A COMPONENT UNIT OF THE CITY OF OCEANSIDE, CALIFORNIA)
Statement of Net Position
Proprietary Funds
June 30, 2024

	Business-Type Activities - Enterprise Funds			Totals
	2020 Water Revenue Bonds	2021 Water Revenue Refunding Bonds	2013 Waste Water Refunding Bonds	
ASSETS				
Current assets:				
Cash and investments with fiscal agents	\$ 684	\$ 248	\$ 112	\$ 1,044
Interest receivable	157,000	21,974	20,661	199,635
Leases receivable	500,000	810,000	640,000	1,950,000
Total current assets	<u>657,684</u>	<u>832,222</u>	<u>660,773</u>	<u>2,150,679</u>
Noncurrent assets:				
Leases receivable	27,760,131	6,869,752	2,561,454	37,191,337
Total noncurrent assets	<u>27,760,131</u>	<u>6,869,752</u>	<u>2,561,454</u>	<u>37,191,337</u>
Total assets	<u>28,417,815</u>	<u>7,701,974</u>	<u>3,222,227</u>	<u>39,342,016</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	-	-	54,155	54,155
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>54,155</u>	<u>54,155</u>
LIABILITIES				
Interest payable	157,000	21,974	20,661	199,635
Revenue bonds payable	500,000	810,000	640,000	1,950,000
Total current liabilities	<u>657,000</u>	<u>831,974</u>	<u>660,661</u>	<u>2,149,635</u>
Noncurrent liabilities:				
Revenue bonds payable	27,415,933	6,870,000	2,615,721	36,901,654
Total noncurrent liabilities	<u>27,415,933</u>	<u>6,870,000</u>	<u>2,615,721</u>	<u>36,901,654</u>
Total liabilities	<u>28,072,933</u>	<u>7,701,974</u>	<u>3,276,382</u>	<u>39,051,289</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred charge on refunding	344,882	-	-	344,882
Total deferred outflows of resources	<u>344,882</u>	<u>-</u>	<u>-</u>	<u>344,882</u>
NET POSITION	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to financial statements are an integral part of this statement.

OCEANSIDE PUBLIC FINANCING AUTHORITY
(A COMPONENT UNIT OF THE CITY OF OCEANSIDE, CALIFORNIA)
Statement of Revenues, Expenses, and
Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2024

	Business-Type Activities - Enterprise Funds			
	2020 Water Revenue Bonds	2021 Water Revenue Refunding Bonds	2013 Waste Water Refunding Bonds	Totals
NONOPERATING REVENUES (EXPENSES)				
Lease revenue	\$ 795,311	\$ 98,358	\$ 28,020	\$ 921,689
Investment earnings	162,689	39,183	130,743	332,615
Interest expense and fiscal charges	(958,000)	(137,541)	(158,763)	(1,254,304)
Changes in net position	-	-	-	-
Net position-beginning	-	-	-	-
Net position-ending	\$ -	\$ -	\$ -	\$ -

The notes to financial statements are an integral part of this statement.

OCEANSIDE PUBLIC FINANCING AUTHORITY
(A COMPONENT UNIT OF THE CITY OF OCEANSIDE, CALIFORNIA)
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2024

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>2020 Water Revenue Bonds</u>	<u>2021 Water Revenue Refunding Bonds</u>	<u>2013 Waste Water Refunding Bonds</u>	<u>Totals</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Lease payment received	\$ 1,275,988	\$ 898,605	\$ 647,675	\$ 2,822,268
Principal paid on long-term debt	(480,000)	(800,000)	(620,000)	(1,900,000)
Interest and fiscal charges paid on long-term debt	(958,000)	(137,541)	(158,763)	(1,254,304)
Net cash provided by (used for) non-capital financing activities	(162,012)	(38,936)	(131,088)	(332,036)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment earnings	162,689	39,183	130,743	332,615
Net cash provided by (used for) investing activities	162,689	39,183	130,743	332,615
Net increase (decrease) and in cash	677	247	(345)	579
Cash and cash equivalents-beginning	7	1	457	465
Cash and cash equivalents-ending	\$ 684	\$ 248	\$ 112	\$ 1,044
NON-CASH FINANCING ACTIVITIES				
Bond premium amortization	\$ -	\$ -	\$ -	\$ -

The notes to financial statements are an integral part of this statement.

OCEANSIDE PUBLIC FINANCING AUTHORITY
A COMPONENT UNIT OF THE CITY OF OCEANSIDE, CALIFORNIA
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Oceanside Public Financing Authority (the Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

A. Financial Reporting Entity

The Oceanside Public Financing Authority was established January 23, 2002, under the Joint Exercise of Powers Law of the State of California (constituting Chapter 5 of Division 7 of Title 1 of the California Government Code) to assist in the financing of public capital improvements to be owned by any of its members (the City of Oceanside and the Oceanside Community Development Commission). The Authority is a blended component unit of the City since the governing Board of the Authority is substantively the same as the City. Accordingly, the financial operations of the Authority have also been included in the basic financial statements of the City.

B. Basis of Accounting and Measurement Focus

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements:

The Authority's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental and business-type activities of the Authority, accompanied by a total column.

These basic financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Authority's assets and liabilities are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then use unrestricted resources as they are needed.

OCEANSIDE PUBLIC FINANCING AUTHORITY
A COMPONENT UNIT OF THE CITY OF OCEANSIDE, CALIFORNIA
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Financial Statements:

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues Expenditures and Changes in Fund Balances for the Authority's major governmental fund. Accompanying schedules are presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the government-wide financial statements.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both "measurable and available" to finance expenditures of the current period. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures are generally recorded in the accounting period in which the related fund liability is incurred.

Unavailable revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is removed from the balance sheet and revenue is recognized.

The Authority reports the following major governmental fund:

The 2019 Lease Revenue Bonds Debt Service Fund is used to account for the payment of principal and interest of the 2019 Lease Revenue Bonds.

The 2011 Certificates of Participation Debt Service Fund is used to account for the payment of principal and interest of the 2011 Certificates of Participation. This fund is closed as of June 30, 2024.

The 2013 Certificates of Participation Debt Service Fund is used to account for the payment of principal and interest of the 2013 Certificates of Participation. This fund is closed as of June 30, 2024.

Proprietary Fund Financial Statements:

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for all proprietary funds.

OCEANSIDE PUBLIC FINANCING AUTHORITY
A COMPONENT UNIT OF THE CITY OF OCEANSIDE, CALIFORNIA
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position.

The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

The Authority reports the following major enterprise funds:

The 2020 Water Revenue Bonds Fund is used to account for the payment of principal and interest of the Series 2020 Water Revenue Bonds.

The 2021 Water Revenue Refunding Bonds Fund is used to account for the payment of principal and interest of the Series 2021 Water Revenue Refunding Bonds.

The 2013 Waste Water Revenue Refunding Bonds Fund is used to account for the payment of principal and interest of the Series 2013A Sewer Revenue Refunding Bonds.

C. Cash, Cash Equivalents, and Investments

The Authority pools its available cash, other than the restricted cash and investments held by bond trustee, with the City for investment purposes. The Authority considers this pooled cash to be cash equivalents since the Authority can withdraw funds from the City's pool at any time.

Investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

D. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Authority has only one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the proprietary statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**OCEANSIDE PUBLIC FINANCING AUTHORITY
A COMPONENT UNIT OF THE CITY OF OCEANSIDE, CALIFORNIA
Notes to Basic Financial Statements
For the Year Ended June 30, 2024**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has no items that qualify for reporting in this category.

E. Fund Balances

The fund balances reported on the fund statements consist of the following categories:

Nonspendable Fund Balance - This includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance - This includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed Fund Balance - This includes amounts that can be used only for the specific purposes determined by a formal action of the Board.

Assigned Fund Balance - This includes amounts that are designated by the Board for specific purposes.

Unassigned Fund Balance - This is the residual classification that includes all spendable amounts not contained in the other classifications.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) fund balances are available, the Authority's policy is to apply restricted fund balance first.

When expenditures are incurred for purposes for which committed, assigned or unassigned fund balances are available, the Authority's policy is to apply committed fund balance first and then assigned fund balance followed by unassigned fund balance.

F. Net Position

The net position reported on the Statement of Net Position can be classified into the following three categories:

Net Investment in Capital Assets - This amount consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that are attributed to the acquisition, construction, or improvement of the capital assets.

Restricted Net Position - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position - This amount is all net position that do not meet the definition of "net investment in capital assets " or "restricted net position".

**OCEANSIDE PUBLIC FINANCING AUTHORITY
A COMPONENT UNIT OF THE CITY OF OCEANSIDE, CALIFORNIA
Notes to Basic Financial Statements
For the Year Ended June 30, 2024**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Flow Assumption

Net Position Flow Assumption

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumptions

Sometimes the Authority will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

H. 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates and assumptions.

NOTE 2: CASH AND INVESTMENTS

Cash and investments at June 30, 2024, are classified in the accompanying financial statements as follows:

Cash and investments	\$ 360,873
Restricted cash and investments	<u>5,857</u>
	<u>\$ 366,730</u>

OCEANSIDE PUBLIC FINANCING AUTHORITY
A COMPONENT UNIT OF THE CITY OF OCEANSIDE, CALIFORNIA
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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

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

Investment Types Authorized by State Law	Authorized by Investment Policy	Maximum Maturity *	Maximum Percentage of Portfolio *	Maximum Investment in One Issuer *
U.S. Treasury obligations	Yes	5 years	None	None
U.S. agency securities	Yes	5 years	30%	30%
Bankers acceptances	Yes	180 days	40%	5%
Commercial paper	Yes	270 days	25%	5%
Certificates of deposit (nonnegotiable)	Yes	5 years	20%	20%
Certificates of deposit (negotiable)	Yes	5 years	30%	5%
Repurchase agreements	Yes	1 year	None	None
Medium-term notes	Yes	5 years	30%	5%
Municipal investments	Yes	5 years	30%	5%
Money market mutual funds	Yes	5 years	20%	20%
Mortgage pass-through securities	Yes	5 years	20%	5%
Local Agency Investment Fund	Yes	N/A	None	\$75 million

* Based on state law requirements or City investment policy requirements, whichever is more restrictive.

Investments Authorized by Debt Agreements

Investment 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 Authority's investment policy. Investments authorized for funds held by bond trustee include, United States Treasury Obligations, United States Government Sponsored Enterprise Securities, Commercial Paper, Bankers' Acceptances, Money Market Mutual Funds, Investment Contracts, and any other investments permitted by bond insurer. There were no limitations on the maximum amount that can be invested in one issuer, maximum percentage allowed or the maximum maturity of an investment, except for the maturity of Banker's Acceptance and Commercial Paper which are limited to 180 days and 270 days, respectively.

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 Authority 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.

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating 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.

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. The California Government Code and the Authority'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 provision 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 market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Disclosures Related to Interest Rate Risk, Credit Risk, Custodial Credit Risk, and Fair Value Measurements

The Authority's cash and investments are pooled with the City's cash and investments. Additional disclosures regarding pooled investments related to interest rate risk, credit risk, custodial credit risk, and fair value measurements are available in the City's Annual Comprehensive Financial Report.

NOTE 3: LEASES RECEIVABLE

The City has entered into various master lease agreements with the Authority. The annual payments required under the leases approximate the debt service requirements of the respective capital improvement project certificates of participation issued by the Authority. The leases shall terminate upon payment of all principal and interest due on the certificates. Ownership of all leased assets will be transferred to the City at expiration of the lease. The Authority has accounted for the agreements as a lease. At June 30, 2024, leases receivable from the City in the amount \$64,471,025 has been reflected in the accompanying financial statements. The minimum lease payments to be received correspond approximately to the debt service payments with the final debt service payments to be made from the respective reserve funds of the Authority.

OCEANSIDE PUBLIC FINANCING AUTHORITY
A COMPONENT UNIT OF THE CITY OF OCEANSIDE, CALIFORNIA
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 4: LONG-TERM LIABILITIES

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

Description	Balance at June 30, 2023	Additions	Defeased	Deletions	Balance at June 30, 2024	Due Within One Year	Due in More than One Year
<u>Governmental Activities:</u>							
Bonds Payable:							
2019 Lease Revenue Bond	\$ 22,745,000	\$ -	\$ -	\$ 455,000	\$ 22,290,000	\$ 475,000	\$ 21,815,000
Unamortized Bond Premium/(Discount)	3,158,054	-	-	118,366	3,039,688	-	3,039,688
Subtotal - Governmental Activities	25,903,054	-	-	573,366	25,329,688	475,000	24,854,688
<u>Business-Type Activities:</u>							
Bonds Payable:							
2013A Water Revenue Refunding Bonds	3,375,000	-	-	620,000	2,755,000	640,000	2,115,000
2020A Water Revenue Bonds	24,030,000	-	-	480,000	23,550,000	500,000	23,050,000
2021A Water Revenue Refunding Bonds	8,480,000	-	-	800,000	7,680,000	810,000	6,870,000
Unamortized Bond Premium/(Discount)	5,159,966	-	-	293,311	4,866,655	-	4,866,655
Subtotal - Business-Type Activities	41,044,966	-	-	2,193,311	38,851,655	1,950,000	36,901,655
Total Long-Term Debt	\$ 66,948,020	\$ -	\$ -	\$ 2,766,677	\$ 64,181,343	\$ 2,425,000	\$ 61,756,343

A. Governmental Activities Long-Term Liabilities

2019 Lease Revenue Bonds - Original Issuance \$22,745,000

On November 1, 2019, the Financing Authority issued the 2019 Lease Revenue Bonds (El Corazon Aquatics Center Project) for a par amount of \$22,745,000. The net proceeds of the sale of the Series 2019 Bonds will be used to (i) finance the costs of the acquisition, construction, and installation of certain capital improvements constituting the El Corazon Aquatics Center and related improvements, facilities and equipment, and (ii) pay the costs incurred in connection with the issuance of the 2019 Bonds. The Series 2019 Bonds are equally and ratably payable from and secured by base rental payments and certain amounts on deposit in the funds and accounts established under the bond indenture. In the event of default, the bond trustee may terminate the lease agreement and recover certain damages from the City or may retain the lease agreement and hold the City liable for all base rental payments thereunder. There is no acceleration in the event of default. The bonds are payable commencing on November 1, 2023, in principal amounts ranging from \$455,000 to \$1,355,000 at interest rates ranging from 4 percent to 5 percent, and mature November 1, 2049. At June 30, 2024, the outstanding balance of the bonds was \$22,290,000 and unamortized bond premium was \$3,039,688.

B. Governmental Activities – Debt Service Requirements to Maturity

The annual debt service requirements to maturity on the governmental activities' long-term debts are as follows:

Year Ending June 30,	Bonds Payable	
	Principal	Interest
2025	\$ 475,000	\$ 921,375
2026	500,000	897,000
2027	525,000	871,375
2028	550,000	847,250
2029	570,000	824,850
2030-2034	3,260,000	3,701,525
2035-2039	4,070,000	2,888,000
2040-2044	4,955,000	1,988,100
2045-2049	6,030,000	892,400
2050	1,355,000	27,100
	<u>\$ 22,290,000</u>	<u>\$ 13,858,975</u>

OCEANSIDE PUBLIC FINANCING AUTHORITY
A COMPONENT UNIT OF THE CITY OF OCEANSIDE, CALIFORNIA
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 4: LONG-TERM LIABILITIES (CONTINUED)

C. Business-Type and Proprietary Funds Long-Term Liabilities

2013A Sewer Revenue Refunding Bonds - Original Issue \$15,135,000

The bonds were issued by the City to (a) prepay all of City of Oceanside Revenue Certificates of Participation (1993 Wastewater System Refunding Project) Series 2003 and City of Oceanside Revenue Refunding Certificates of Participation, Series 2008; (b) prepay all amounts due under the 1993 State Loan; (c) finance certain improvements to the City's Sewer System; and (d) pay the costs of issuing the 2013A Bonds. The bond principal is due in semi-annual installments ranging from \$565,000 to \$1,255,000 through May 2028. Interest rates range from 2.0% to 5.0% and are payable semiannually on May 1 and November 1. Bonds are subject to optional redemption prior to maturity. As of June 30, 2024, the outstanding balance was \$2,755,000 and unamortized bond premium was \$500,839.

If any event of default shall occur, then the Trustee may, and at the written direction of the bond owners of not less than a majority in aggregate principal amount of the Bonds at the time outstanding shall, upon notice in writing to the Issuer, declare the principal of the bonds then outstanding, and the interest accrued thereon, to be due and payable immediately.

2020A Water Revenue Bonds - Original Issue \$25,275,000

On July 9, 2020, the City issued the Water Revenue Bonds, Series 2020A in an amount of \$25,275,000. The net proceeds of the sale of the Series 2020 Bonds will be used to (i) finance a portion of the acquisition and construction of certain capital improvements to the water system of the City, and (ii) pay the costs of issuance of the 2020 Bonds. The bonds are limited obligations of the City payable solely from net revenues, which consist of revenues of the City's water system remaining after the payment of operation and maintenance costs, and from amounts on deposit in certain funds and accounts created under the bond indenture. In the event of default, the bond trustee may, at the direction of the majority of the bondholders, declare the outstanding principal and interest accrued thereon due and payable immediately. There is no acceleration in the event of default. The bonds are payable commencing on November 1, 2020, in principal amounts ranging from \$335,000 to \$1,385,000 at an interest rate of 4 percent mature May 1, 2051. As of June 30, 2024, the outstanding balance was \$23,550,000 and unamortized bond premium was \$4,365,816.

2021A Water Revenue Refunding Bonds – Original Issue \$8,950,000

On May 11, 2021, the City issued the Water Revenue Refunding Bonds, Series 2021A in an amount of \$8,950,000. The Bonds were issued to provide moneys: (i) to refund a portion of the outstanding Water Revenue Refunding Bonds, Series 2013A; and (ii) to pay costs of issuance of the Bonds. The bonds are limited obligations of the City payable solely from net revenues, which consist of revenues of the City's water system remaining after the payment of operation and maintenance costs, and from amounts on deposit in certain funds and accounts created under the bond indenture. In the event of default, the bond trustee may, at the direction of the majority of the bondholders, declare the outstanding principal and interest accrued thereon due and payable immediately. There is no acceleration in the event of default. The bonds are payable commencing on May 1, 2022, in principal amounts ranging from \$240,000 to \$915,000 and mature May 1, 2051. Interest rates range from 0.209% to 2.324% and are payable semiannually on May 1 and November 1. As of June 30, 2024, the outstanding balance was \$7,680,000.

OCEANSIDE PUBLIC FINANCING AUTHORITY
A COMPONENT UNIT OF THE CITY OF OCEANSIDE, CALIFORNIA
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 4: LONG-TERM LIABILITIES (CONTINUED)

D. Business-Type Activities – Debt Service Requirements to Maturity

The annual debt service requirements to maturity on the business-type activities' long-term debts are as follows:

Year Ending June 30,	Bonds Payable	
	Principal	Interest
2025	\$ 1,950,000	\$ 1,197,810
2026	2,005,000	1,138,901
2027	2,070,000	1,109,167
2028	2,130,000	1,007,215
2029	1,430,000	948,686
2030-2034	6,855,000	4,113,350
2035-2039	4,010,000	3,200,800
2040-2044	4,880,000	2,332,200
2045-2049	5,935,000	1,274,800
2050-2051	2,720,000	164,200
	<u>\$ 33,985,000</u>	<u>\$ 16,487,129</u>

NOTE 5: INSURANCE COVERAGE

The certificates of participation indentures specify the coverage and types of insurance, which should be maintained by the Authority. The Authority, through the City, is a member of the Public Risk Innovation, Solutions, and Management (PRISM) which provides general liability insurance. Further information on risk management is available in the annual comprehensive financial report of the City.

NOTE :6 SUBSEQUENT EVENTS

The Authority evaluated subsequent events for recognition and disclosure through December 11, 2024, the date on which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2024, that required recognition or disclosure in these financial statements.



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
Oceanside Public Financing Authority
Oceanside, 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 of the governmental activities, the business-type activities, and each major fund of the Oceanside Public Financing Authority (the "Authority"), a component unit of the City of Oceanside, California (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 11, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City'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
Oceanside Public Financing Authority
Oceanside, 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.

Lance, Soll & Lughard, LLP

Irvine, California
December 11, 2024