Inland Empire Public Facilities Corporation

(A Component Unit of San Bernardino County)

San Bernardino, California

Financial Statements and Independent Auditors' Reports

For the Year Ended June 30, 2023

Inland Empire Public Facilities Corporation
(A Component Unit of San Bernardino County)
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For the Year Ended June 30, 2023

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THE PUN GROUP
ACCOUNTANTS & ADVISORS

200 E. Sandpointe Avenue, Suite 600
Santa Ana, California 92707

www.pungroup.cpa

INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors and Audit Committee
of the Inland Empire Public Facilities Corporation
San Bernardino, California

Report on Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Inland Empire Public Facilities Corporation (the "Corporation"), a component unit of San Bernardino County, California, which comprise the statement of net position as of June 30, 2023, and the related statement of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the basic financial statements, which collectively comprise the Corporation'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 financial position of the Corporation, as of June 30, 2023, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

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 Corporation'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.

Auditors' 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 auditors' report that includes our opinion. 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 auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America 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 Corporation'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 Corporation's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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 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 opinions on the basic financial statements are 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 December 14, 2023, on our consideration of the Corporation'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 the Corporation's 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 Corporation's internal control over financial reporting and compliance.

The Pun Group, LLP

Santa Ana, California
December 14, 2023

THE PUN GROUP
ACCOUNTANTS & ADVISORS

200 E. Sandpointe Avenue, Suite 600
Santa Ana, California 92707

www.pungroup.cpa

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 Auditors' Report

To the Board of Supervisors and Audit Committee
of the Inland Empire Public Facilities Corporation
San Bernardino, 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 Inland Empire Public Facilities Corporation (the "Corporation"), a component unit of San Bernardino County, California which comprise the statement of net position as of June 30, 2023, and the related statement of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the basic financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated December 14, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Corporation'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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.

To the Board of Supervisors and Audit Committee
of the Inland Empire Public Facilities Corporation
San Bernardino, California
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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation'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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The Pun Group, LLP

Santa Ana, California
December 14, 2023

BASIC FINANCIAL STATEMENTS

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Inland Empire Public Facilities Corporation
(A Component Unit of San Bernardino County)
Statement of Net Position
June 30, 2023

ASSETS	
Current assets:	
Cash and cash equivalents	$ 12,621
Gross contract receivable, current portion	36,605,625
Unearned contract interest income, current portion	(6,677,275)
Total current assets	29,940,971
Noncurrent assets:	
Gross contract receivable	145,003,625
Unearned contract interest income	(11,325,597)
Total noncurrent assets	133,678,028
Total assets	163,618,999
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amount on refunding	28,070,142
Total deferred outflows of resources	28,070,142
LIABILITIES	
Current liabilities:	
Interest payable	2,010,750
Long-term debt, due in one year	29,295,000
Total current liabilities	31,305,750
Noncurrent liabilities:	
Long-term debt, due in more than one year	149,984,925
Total noncurrent liabilities	149,984,925
Total liabilities	181,290,675
NET POSITION	
Unrestricted	10,398,466
Total net position	$ 10,398,466

See accompanying Notes to the Basic Financial Statements.

Inland Empire Public Facilities Corporation
(A Component Unit of San Bernardino County)
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2023

OPERATING REVENUES:	
Contract interest	$ 8,065,479
Interest and dividends	12,542
Total operating revenues	8,078,021
OPERATING EXPENSES:	
Interest expense	10,043,300
Total operating expenses	10,043,300
Operating loss	(1,965,279)
Net position - beginning of year	12,363,745
Net position - end of year	$ 10,398,466

See accompanying Notes to the Basic Financial Statements.

Inland Empire Public Facilities Corporation
(A Component Unit of San Bernardino County)
Statement of Cash Flows
For the Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:		
Contract payments and interest received	$	35,731,811
Interest payments on long-term debt		(8,544,269)
Net cash provided by operating activities		27,187,542
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Principal payments on long-term debt		(27,175,000)
Net cash (used in) noncapital financing activities		(27,175,000)
Net change in cash and cash equivalents		12,542
Cash and cash equivalents, beginning of year		79
Cash and cash equivalents, end of year	$	12,621
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	$	(1,965,279)
Amortization of deferred loss on refunding		6,714,184
Amortization of bond premium		(4,964,519)
Adjustments to reconcile operating income to net cash provided by operating activities		
Receivable from County		1,157,247
Gross contract receivable		35,719,269
Unearned contract interest income		(8,065,479)
Interest payable		(250,634)
Arbitrage payable		(1,157,247)
Net cash provided by operating activities	$	27,187,542
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Amortization of deferred loss on refunding	$	6,714,184
Amortization of bond premium	$	4,964,519

See accompanying Notes to the Basic Financial Statements.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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Inland Empire Public Facilities Corporation
(A Component Unit of San Bernardino County)
Index to the Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

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Note 1 – Reporting Entity

The Inland Empire Public Facilities Corporation (the "Corporation") is a nonprofit public benefit corporation, formed on May 30, 1986, to serve the San Bernardino County, California (the "County") by financing, refinancing, acquiring, constructing, improving, leasing and selling buildings, building improvements, equipment, land, land improvements, and any other real or personal property for the benefit of residents of the County. On November 4, 1991, the Board of Directors of the Corporation approved the overall financing program for the construction of the replacement County Medical Center (the "Medical Center"). The project consisted of a hospital to be constructed on the site and hospital equipment. The County's Board of Supervisors serves as the Board of the Corporation. The Corporation qualifies as an Internal Revenue Code 501(c)(4) organization, and therefore, is exempt from taxation.

The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Cod. Sec. 2100, "*Defining the Financial Reporting Entity*". The Corporation, a legally separate entity from the County, is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the Corporation appoints a voting majority of the component unit's board, or because the component unit will provide a financial benefit or impose a financial burden on the Corporation. Therefore, the Corporation is deemed to be a component unit of the County. Upon termination of the trust and agreements, any remaining assets of the Corporation shall become the property of the County. The Corporation has no component units.

The accounts and records of the Corporation are maintained by San Bernardino County.

Note 2 – Summary of Significant Accounting Policies

The basic financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for governmental accounting financial reporting purposes. The more significant of the Corporation's accounting policies are described below:

A. Financial Statements

The financial statements (i.e., the statement of net position, the statement of revenues, expenses, and changes in net position, and statement of cash flows) report information on all of the activities of the Corporation. The statement of revenues, expenses, and changes in net position demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

B. Measurement Focus, Basis of Accounting, and Financial Statements Presentation

The financial statements of the Corporation are presented using the *economic resources* measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The financial statements include the statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows. Accordingly, all assets, deferred outflows, liabilities (whether current or noncurrent), and deferred inflows are included on the statements 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 the liability is incurred, regardless of the timing of related cash flows.

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statements Presentation (Continued)

The Corporation distinguishes operating revenues and expenses from non-operating items. Operating revenues include revenues from financing activities with San Bernardino County; operating expenses include all expenses applicable to the furnishing of these services. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net assets) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net assets) that apply to future periods and that, therefore, are not recognized as revenue until that time.

The deferred amount on refunding reported in the statement of net position as a deferred outflows of resources 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.

C. Net Position

The Corporation’s net position can be classified into restricted and unrestricted.

These classifications are defined as follows:

Restricted – This component of net position consists of constraints placed on net resources use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of net resources that do not meet the definition of “restricted”.

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

D. Cash, Cash Equivalents, and Investments

Cash and cash equivalents – For purposes of the statement of cash flows, cash and cash equivalents include all investments that mature within 90 days of purchase. Such marketable securities and deposits in money market funds are carried at fair value.

Note 2 – Summary of Significant Accounting Policies (Continued)

D. Cash, Cash Equivalents, and Investments (Continued)

Risk Disclosures – Certain disclosure requirements, if applicable for deposit and investment risk, are specified for the following areas:

- Interest Rate Risk
- Credit Risk
  - Overall
  - Custodial Credit Risk
  - Concentration of Credit Risk

E. Long-term Obligations

Debt premiums and discounts, if any, are deferred and amortized over the life of the debt using the straight-line method. Long-term debt is reported net of the applicable bond premium or discount. Debt issuance costs are expensed when incurred. Debt premiums totaled $18,419,925, net of accumulated amortization at June 30, 2023. Amortization of bond premiums included with interest expense totaled $4,964,519 for the year ended June 30, 2023.

F. Economic Dependency

The Corporation receives its bond principal and interest amount from the County. Interruption of this source would negatively impact the Corporation.

G. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. Implementation of New GASB Pronouncements for the Year Ended June 30, 2023

During fiscal year ended June 30, 2023, the Corporation has implemented the following new GASB Pronouncements:

GASB Statement No. 91 - In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations.* The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Implementation of this Statement did not have a significant effect on the Corporation's financial statements for the fiscal year ended June 30, 2023.

Note 2 – Summary of Significant Accounting Policies (Continued)

H. Implementation of New GASB Pronouncements for the Year Ended June 30, 2023 (Continued)

GASB Statement No. 94 **-** In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Implementation of this Statement did not have a significant effect on the Corporation's financial statements for the fiscal year ended June 30, 2023.

GASB Statement No. 96 - In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements.* This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Implementation of this Statement did not have a significant effect on the Corporation's financial statements for the fiscal year ended June 30, 2023.

I. Upcoming Government Accounting Standards Implementations

The Corporation is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB statements:

GASB Statement No. 100 – In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections.* This statement provides guidance to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or accessing accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101 – In June 2022, GASB issued Statement No. 101, *Compensated Absences*. This statement provides guidance to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Note 3 – Cash and Cash Equivalents

At June 30, 2023, the Corporation had the following cash and cash equivalent balances:

Statement of Net Position:		
Current assets:		
Cash and cash equivalents	$	12,621
Total cash and cash equivalents	$	12,621
Cash and cash equivalents consist of the following:		
Money market mutual funds	$	12,621
Total cash and cash equivalents	$	12,621

Fiscal agents acting on behalf of the Corporation held all cash and investments (considered cash and cash equivalents) from long-term debt issuances. In accordance with the terms of the trust agreements, cash and investments are segregated and restricted for specified purposes. The trustee bank for the Corporation's Medical Center project is Wells Fargo Bank, Corporate Trust Services.

The Corporation considers observable data to be that market data which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources.

The valuation of 2a7 money market mutual funds are at one-dollar net asset value (NAV) per share. The total balance at June 30, 2023 was $12,621, with $0 unfunded commitments. The redemption frequency is daily and redemption notice period of intra-daily. This type of investment primarily invests in short term U.S Treasury, government securities (including repurchase agreements collateralized by U.S. Treasury and government agency securities).

A. Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the trust agreements, created in connection with the issuance of debt (see Note 5) rather than the general provisions of the California Government Code. Certificates of Participation indentures specify the types of securities in which proceeds may be invested as well as any related insurance, collateral, or minimum credit rating requirements. Although requirements may vary between debt issues, money market funds are all required to be investment grade. Guaranteed investment contracts are required to be acceptable to the municipal bond insurer. The fair value of investments is based on the valuation provided by trustee banks.

B. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Corporation manages its exposure to interest rate risk is by timing cash flows from the two member agencies so that a portion of the amounts due is maturing over time as necessary to provide the cash flows and liquidity needed.

Note 3 – Cash and Cash Equivalents (Continued)

C. 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. The Corporation's investments in money market funds were rated Aaa by Moody's Investors Service.

D. Concentration of Credit Risk

Concentration of credit is the risk of loss attributed to the magnitude of the Corporation's investment in a single issue. The Corporation has no investments subject to concentration of credit risk at June 30, 2023.

Note 4 – Contract Receivable

The Corporation entered into an agreement with the County whereby the projects are contracted to the County for contract payments that are equal to the debt service due on the Certificates of Participation less any amount held in reserve. The County may, pursuant to the contract agreement, abate the contract payments by the amount of investment interest income earned by the trustee in the contract payment and reserve accounts. The master agreement between the County and the Corporation was amended and supplemented on July 1, 2019. The master agreement obligates the County to make aggregate payments on each Series, including the Series 2019 A payments and Series 2019 B payments.

The future minimum contract/installment payments to be received for each of the five succeeding fiscal years, and thereafter are summarized as follows for fiscal years ending June 30:

Year Ending June 30,	Gross Contract Receivable	Contract Interest Unearned	Net Contract Receivable
2024	$ 36,605,625	$ (6,677,275)	$ 29,928,350
2025	36,608,250	(5,209,964)	31,398,286
2026	36,745,250	(3,665,614)	33,079,636
2027	36,820,625	(2,041,053)	34,779,572
2028	34,829,500	(408,966)	34,420,534
Total	$ 181,609,250	$ (18,002,872)	$ 163,606,378

Note 5 – Long-Term Debt

The following is a summary of changes to long-liabilities for the year ended June 30, 2023:

					Classification	
	Balance July 1, 2022	Debt Issued	Debt Retired	Balance June 30, 2023	Due within One Year	Due in More Than One Year
Direct Placement:						
Certificates of Participation:						
Series 2019A, Medical Center Project	$ 175,960,000	$ -	$ (15,100,000)	$ 160,860,000	$ 29,295,000	$ 131,565,000
plus: original issue premium	23,384,444	-	(4,964,519)	18,419,925	-	18,419,925
Series 2019B, Medical Center Project	12,075,000	-	(12,075,000)	-	-	-
Total certificates of participation	211,419,444	-	(32,139,519)	179,279,925	29,295,000	149,984,925
Total	$ 211,419,444	$ -	$ (32,139,519)	$ 179,279,925	$ 29,295,000	$ 149,984,925

Note 5 – Long-Term Debt (Continued)

Certificates of Participation - Series 2019 A Medical Center Project (Direct Placement)

The Arrowhead Refunding Project Series 2019 A (Tax-Exempt) Certificates of Participation were issued, dated July 1, 2019, in the amount of $224,045,000 with an interest rate of 5% and a final maturity date in fiscal year 2028. The Series 2019 A Certificates were sold at a premium of $38,278,000. The proceeds from the issuance along with other available funds were used to refund the remaining outstanding principal balances of the 1994 Certificates (callable portion), 1996 Certificates, 2009 A Certificates, and 2009 B Certificates. The net proceeds of $291,740,000 along with $55,089,000 of other available funds resulted in a combined reacquisition price of $346,829,000 for the 1994 Certificates, 1996 Certificates, 2009 A Certificates, and 2009 B Certificates. The difference between the combined reacquisition price of $346,829,000 and net carrying amount of the refunded debt of $324,963,000 resulted in a deferred loss of $21,866,000 which will be amortized as an adjustment to interest expense over the remaining life of the 2019 Series A certificates. The refunding decreased the aggregate debt service payments of the Corporation by $54,591,000 with an economic or present value gain of $46,332,000.

The Series 2019 A Certificates are scheduled to mature annually on October 1st beginning 2019 through 2027 with remaining principal amounts ranging from $29,295,000 to $34,265,000. The Certificates are not subject to optional prepayment prior to maturity.

The Series 2019 A Certificates are secured by annual lease payments payable by the County for use of the facilities constructed or acquired from the Certificates' proceeds. If the County defaults on its obligations to make lease payments stipulated under the installment agreement, the Trustee, as assignee of the Corporation, may retain the lease agreement and hold the County liable for all lease payments on annual basis and will have the right to reenter and relet the facilities constructed or acquired from the Certificates' proceeds. In the event such reletting occurs, the County would be liable for any resulting deficiency in lease payments. Alternatively, the Trustee may terminate the lease agreement with respect to the Project and proceed against the County to recover damages pursuant to the lease agreement. Due to the specialized nature of the Project, no assurance is given that the Trustee will be able to relet any portion of the Project to provide rental income sufficient to make remaining payments of principal and interest on the Certificates in a timely manner, and the Trustee is not empowered to sell the Project for the benefit of the owners of the Certificates.

The Certificates of Participation contain certain bond covenants, which are deemed by the Corporation to be duties imposed by law. The Corporation must include the applicable lease-purchase payments due each year in its annual budget and make the necessary appropriations. The Corporation is also covenanted to maintain certain levels of liability, property damage, casualty, rental interruption, and earthquake insurance in connection with each lease-purchase agreement. The Corporation is in compliance with all significant financial restrictions and requirements as set forth in its various debt covenants.

The annual debt service requirements of the Certificates of Participation are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	$ 29,295,000	$ 7,310,625	$ 36,605,625
2025	30,800,000	5,808,250	36,608,250
2026	32,520,000	4,225,250	36,745,250
2027	34,265,000	2,555,625	36,820,625
2028	33,980,000	849,500	34,829,500
Total	$ 160,860,000	$ 20,749,250	$ 181,609,250

Note 5 – Long-Term Debt (Continued)

Certificates of Participation - Series 2019 B Medical Center Project (Direct Placement)

The Arrowhead Refunding Project Series 2019 B (Taxable) Certificates of Participation were issued, dated July 1, 2019, in the amount of $35,635,000 with interest rates of 2.00 % to 2.05% and a final maturity date in fiscal year 2023. The proceeds from the issuances were used to advance refund the noncallable portion of the 1994 Certificates. The proceeds of the 2019 B certificates of $35,635,000 along with other available funds of $6,671,000 were placed into escrow and will earn interest at 1.74 percent to cover the remaining payments. The remaining balance of the defeased bonds was paid in full during the year ended June 30, 2023. The 2019 Series B Certificates were paid in full as of June 30, 2023.

Note 6 – Arbitrage Payable

The exclusion, under Section 103(a) of the Internal Revenue Code of 1986, from gross income for federal income tax purposes of the interest component of contract payments (and the interest payable with respect to the Certificates) is based on compliance with certain requirements of the Code. Included among such requirements of Section 148(f) of the Code is that certain excess investment earnings be rebated to the federal government. Arbitrage computations are computed on an annual basis to determine if a rebate or liability exists as described in Section 103 of the Internal Revenue Code of 1954, Section 148(f) of the Internal Revenue Code of 1986, as amended and all applicable regulations issued there under.

Rebatable arbitrage (if any) is required to be paid to the federal government following the end of each period of five bond years during the term of the Contract Agreement (and Certificates of Participation). As of June 30, 2023, the estimated arbitrage payable is $0.

Note 7 – Commitments and Contingencies

A. Litigation

Management is of the opinion that there are no legal litigations that would have a material effect on the basic financial statements.