

San Bernardino County
Financing Authority
(A Component Unit of San Bernardino County)

San Bernardino, California

Financial Statements and
Independent Auditors' Reports

For the Year Ended June 30, 2023

San Bernardino County Financing Authority
(A Component Unit of San Bernardino County)
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For the Year Ended June 30, 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors and Audit Committee
of the San Bernardino County Financing Authority
San Bernardino, California

Report on Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the San Bernardino County Financing Authority (the "Authority"), 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 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 financial position of the Authority, 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 audit 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 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 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 Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Emphasis of a Matter

Prior Period Adjustment

As described in Note 6 to the financial statements, the Authority made a prior period adjustment as a result of correcting contribution amounts that were due to San Bernardino. Our opinion is not modified with respect to this matter.

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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

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 opinion on the basic financial statements are not affected by this missing information.

To the Board of Supervisors and Audit Committee
of the San Bernardino County Financing Authority
San Bernardino, California
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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 Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "The Per Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
December 14, 2023

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**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 San Bernardino County Financing Authority
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 audit contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the San Bernardino County Financing Authority (the "Authority"), 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 Authority'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 audit of the financial statements, we considered the Authority'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 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.

To the Board of Supervisors and Audit Committee
of the San Bernardino County Financing Authority
San Bernardino, California
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Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 PwC Group, LLP

Santa Ana, California
December 14, 2023

BASIC FINANCIAL STATEMENTS

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San Bernardino County Financing Authority
Statement of Net Position
June 30, 2023

ASSETS

Current assets:

Cash and cash equivalents	\$ 4,614,908
Interest receivable	17,983
Total current assets	4,632,891
Total assets	4,632,891

LIABILITIES

Current liabilities:

Due to other governments	3,139,609
Interest payable	47,691
Long-term debt, due in one year	520,000
Total current liabilities	3,707,300

Noncurrent liabilities:

Long-term debt, due in more than one year	9,885,000
Total noncurrent liabilities	9,885,000
Total liabilities	13,592,300

NET POSITION (DEFICIT)

Unrestricted (deficit)	(8,959,409)
Total net position (deficit)	\$ (8,959,409)

San Bernardino County Financing Authority
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2023

OPERATING REVENUES:

Surcharge revenue	\$ 1,870,188
Interest and dividends	150,982
Total operating revenues	2,021,170

OPERATING EXPENSES:

Administration	1,700
Contributions to other governments	761,262
Interest expense	596,729
Total operating expenses	1,359,691

Change in net position	661,479
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Net position (deficit) - beginning of year, as restated (Note 6)	(9,620,888)
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Net position (deficit) - end of year	\$ (8,959,409)
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San Bernardino County Financing Authority
Statement of Cash Flows
For the Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:

Surcharge fees and interest received	\$ 2,005,969
Interest payments on long-term debt	(598,950)
Payments to vendors and suppliers	(1,700)
Net cash provided by operating activities	<u>1,405,319</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Principal payments on long-term debt	(485,000)
Net cash (used in) noncapital financing activities	<u>(485,000)</u>

Net change in cash and cash equivalents 920,319

Cash and cash equivalents, beginning of year	<u>3,694,589</u>
Cash and cash equivalents, end of year	<u><u>\$ 4,614,908</u></u>

**RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating income	\$ 661,479
Adjustments to reconcile operating income to net cash provided by operating activities	
Interest receivable	(15,201)
Due to other governments	761,262
Interest payable	(2,221)
Net cash provided by operating activities	<u><u>\$ 1,405,319</u></u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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San Bernardino County Financing Authority
(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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San Bernardino County Financing Authority
(A Component Unit of San Bernardino County)
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

Note 1 – Reporting Entity

The San Bernardino County Financing Authority (the “Authority”) was created pursuant to a Joint Exercise of Powers Agreement (the “Agreement”) dated May 16, 1966 as amended on July 1, 1982, and May 1, 1983, as amended and restated on March 27, 1989, and as amended on February 15, 1994 and between San Bernardino County (the “County”) and the San Bernardino County Flood Control District (the “District”). The 1994 amendment changed the name of the Authority from San Bernardino Building Authority to San Bernardino County Financing Authority to better reflect the broad purposes of the Authority. The County’s Board of Supervisors serves as the Board of the Authority.

The Agreement authorizes the Authority to provide financing for public capital improvements for the County, to acquire such public capital improvements, and to purchase certain underlying obligations issued by or on behalf of the County. Obligations may be in the form of assessment district bonds, community facilities district bonds, general obligation bonds, limited obligation bonds, revenue bonds, notes, lease-purchase agreements and other evidence of indebtedness. The financial position and results of operations of the services provided are reflected in the funds of the joint powers authority. The Authority’s outstanding debt was issued to provide funds to the San Bernardino County to renovate courthouse facilities located within the San Bernardino County.

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 Authority, 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 Authority 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 Authority. The governing board of the Authority is the same as the County, therefore the Authority is deemed to be a component unit of the County. The governing board of the Authority is the same as the County. The Authority has no component units.

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

Note 2 – Summary of Significant Accounting Policies

The basic financial statements of the Authority 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 Authority’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 Authority. 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.

San Bernardino County Financing Authority
(A Component Unit of San Bernardino County)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 2 – Summary of Significant Accounting Policies (Continued)

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

The financial statements of the Authority 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 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 the liability is incurred, regardless of the timing of related cash flows.

The Authority 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.

C. Net Position

The Authority'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 Authority'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. The Authority treats all investments with original maturities of three months or less as cash equivalents.

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

San Bernardino County Financing Authority
(A Component Unit of San Bernardino County)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 2 – Summary of Significant Accounting Policies (Continued)

E. Economic Dependency

The Authority receives its bond principal and interest amount from its two member agencies. Interruption of this source would negatively impact the Authority.

F. 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.

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

During fiscal year ended June 30, 2023, the Authority 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 Authority's financial statements for the fiscal year ended June 30, 2023.

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 Authority'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 Authority's financial statements for the fiscal year ended June 30, 2023.

San Bernardino County Financing Authority
(A Component Unit of San Bernardino County)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 2 – Summary of Significant Accounting Policies (Continued)

H. Upcoming Government Accounting Standards Implementations

The Authority 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 Authority had the following cash and cash equivalent balances:

Statement of Net Position:	
Current Assets:	
Cash and cash equivalents	\$ 4,614,908
Total cash and cash equivalents	\$ 4,614,908
Cash and cash equivalents consist of the following:	
Money market funds	\$ 4,614,908
Total cash and cash equivalents	\$ 4,614,908

Fiscal agents acting on behalf of the Authority 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 Authority's Courthouse Revenue Bonds is Wells Fargo Bank, Corporate Trust Services.

The Authority 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 \$4,614,908, 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).

San Bernardino County Financing Authority
(A Component Unit of San Bernardino County)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 3 – Cash and Cash Equivalents (Continued)

A. Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements. The Courthouse Project Bonds currently outstanding were issued to provide funds to the San Bernardino County to renovate courthouse facilities located within the San Bernardino County. In addition to these local bonds, the debt agreements specify permitted investment types along with any related insurance, collateral, or minimum credit rating requirements. The Courthouse Project Bonds investments in money market funds are required to have the highest letter and numerical rating. The Courthouse Project Bonds met these requirements as of June 30, 2023.

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 Authority 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. The Authority's cash with fiscal agents accounts have a maturity of less than three months

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 Authority's cash with fiscal agents accounts 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 Authority's investment in a single issue. The Authority has no investments subject to concentration of credit risk at June 30, 2023.

Note 4 – Long-Term Debt

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

	Balance July 1, 2022	Debt Issued	Debt Retired	Balance June 30, 2023	Classification	
					Due within One Year	Due in More Than One Year
Direct Placement:						
Revenue Bonds:						
Series 2007, Courthouse revenue bonds	\$ 10,890,000	\$ -	\$ (485,000)	\$ 10,405,000	\$ 520,000	\$ 9,885,000
Total	<u>\$ 10,890,000</u>	<u>\$ -</u>	<u>\$ (485,000)</u>	<u>\$ 10,405,000</u>	<u>\$ 520,000</u>	<u>\$ 9,885,000</u>

San Bernardino County Financing Authority
(A Component Unit of San Bernardino County)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 4 – Long-Term Debt (Continued)

Revenue Bonds - Series 2007 Courthouse Project (Direct Placement)

On June 29, 2007 the Authority issued direct placement Revenue Bonds, Series 2007 with Wells Fargo Bank in the total amount of \$18,370,000, of which \$3,100,000 is subject to an interest rate of 5.10 % and \$15,270,000 is subject to an interest rate of 5.50 % payable semi-annually. The Series 2007 Bonds are scheduled to mature annually on June 1st beginning 2009 through 2037 with remaining principal amounts ranging from \$520,000 to \$1,015,000. The bonds were issued to finance the costs of seismic retrofitting, refurbishing, improving and renovating courthouse facilities located within San Bernardino County, fund a reserve fund for the bonds, and pay costs of issuance of the bonds.

The Revenue Bonds are special, limited obligations of the Authority payable solely from and secured by a first pledge of and exclusive lien on surcharge revenues consisting of a fee not to exceed thirty-five dollars charged on certain civil court filings made in Superior Courts located in San Bernardino County. On January 14, 2003, the collection of the surcharge was imposed by County Board Resolution No. 2003-19. However, only surcharge revenue received after June 29, 2007, has been pledged. The collection of surcharge revenue shall terminate upon final payment of the Revenue Bonds or 30 years from the sale of the Revenue Bonds, whichever occurs first. The Revenue Bonds from direct placements contain a provision that in an event of default, the Trustee may declare the outstanding principal and accrued interest to be due and payable immediately. The Authority recognizes pledged surcharge revenues when they are due from the County according to the financing agreement. The financing agreement indicates the revenues are due when the County receives the surcharge revenues from the State.

The debt service schedule for the current fiscal year required principal and interest payments totaling \$1,083,950. The total surcharged revenues received during the fiscal year totaled \$1,870,189. Total principal and interest remaining on the bonds is \$15,174,875 payable through June 2037. The \$15,270,000 term bond matures on June 1, 2037, is subject to sinking fund installments and mandatory redemption prior to maturity beginning on June 1, 2018. Total principal of \$2,230,000 has been early redeemed.

The annual debt service requirements of the Revenue Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 520,000	\$ 572,275	\$ 1,092,275
2025	540,000	543,675	1,083,675
2026	575,000	513,975	1,088,975
2027	605,000	482,350	1,087,350
2028	645,000	449,075	1,094,075
2029-2033	3,740,000	1,675,850	5,415,850
2034-2037	3,780,000	532,675	4,312,675
Total	\$ 10,405,000	\$ 4,769,875	\$ 15,174,875

San Bernardino County Financing Authority
(A Component Unit of San Bernardino County)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 5 – Bond Agreement/Debt Coverage

In accordance with the bond agreement, if on any surcharge revenue measurement date, the debt service coverage ratio for the immediately prior bond year is equal or greater than 1.5, the Trustee shall transfer excess surcharge revenues to the Improvement Fund to pay for costs of improvements or reimburse the County directly for these costs. If it is less than 1.5, the Trustee shall transfer any remaining amounts in the Debt Service Fund to the Redemption Account for a special mandatory redemption of bonds. If on the subsequent Surcharge Revenue Measurement Date, the coverage ratio is also less than 1.5, the Trustee shall transfer all remaining amounts in the Debt Service Fund and the Improvement Fund to the Redemption Account for a special mandatory redemption of bonds. Distributions of excess surcharge revenues were \$761,262 for the year ended June 30, 2023. Amounts due to other governments in the amount of \$3,139,609, represent prior year excess surcharge revenue distributions that were not made as required by the bond agreement.

The coverage ratio for the immediately prior bond year was 1.59. The coverage ratio exceeded the 1.5 requirement for the preceding year ended June 30, 2022.

Note 6 – Prior Period Adjustment

The beginning net position at July 1, 2022 was restated as follows:

Net position, as previously reported, at July 1, 2022	\$ (7,242,541)
To correct recording of contributions amounts due to San Bernardino County for fiscal years 2021 and 2022	(2,378,347)
Net position at July 1, 2022, as restated	<u>\$ (9,620,888)</u>

Note 7 – Other Required Disclosures

A. Unrestricted Net Position Deficit

At June 30, 2023, the Statement of Net Position of the Authority had unrestricted net deficits of \$(8,959,409). The deficit was mainly caused by the long-term debt not being offset with the related capital assets, which are recorded in the San Bernardino County financial statements. The deficit will continue to be reduced with future years' surcharge revenues.

Note 8 – 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.

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