

**SAN MATEO COUNTY
JOINT POWERS FINANCING AUTHORITY**
(A Component Unit of the
County of San Mateo, California)

Independent Auditor's Reports,
Management's Discussion and Analysis,
Basic Financial Statements,
and Supplementary Information

For the Fiscal Year Ended June 30, 2024

SAN MATEO COUNTY
JOINT POWERS FINANCING AUTHORITY
(A Component Unit of the County of San Mateo, California)
For the Fiscal Year Ended June 30, 2024

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Independent Auditor's Report

Board of Directors
San Mateo County Joint Powers Financing Authority
Redwood City, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the San Mateo County Joint Powers Financing Authority (Authority), a component unit of the County of San Mateo (County) 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 accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2024, and the changes in financial position and its cash flows 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 GAAS 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 GAAS 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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority’s basic financial statements. The supplementary schedule of net position, supplementary schedule of revenues, expenses, and changes in net position, and the supplementary schedule of cash flows (supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2024, 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.



Walnut Creek, California
October 18, 2024

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SAN MATEO COUNTY
JOINT POWERS FINANCING AUTHORITY
(A Component Unit of the County of San Mateo, California)
Management’s Discussion and Analysis
Required Supplementary Information (Unaudited)
For the Fiscal Year Ended June 30, 2024

This Management’s Discussion and Analysis provides a narrative overview and analysis of the financial activities of the San Mateo County Joint Powers Financing Authority (the Authority), a component unit of the County of San Mateo, California, for the fiscal year ended June 30, 2024. We encourage readers to read this section in conjunction with the Authority’s financial statements beginning on page 9.

Financial Highlights

- In March 2024, the Authority issued a total of \$61.3 million of Refunding Lease Revenue Bonds (the “2024A Bonds”). The bond proceeds, including the bond premium, were used to refund the outstanding 2014 Capital Project Series A Bonds (“2014 Bonds”) totaling \$67.9 million and to pay bond issuance costs. The economic gain from the refunding was \$7.8 million.
- The Authority’s net position decreased by \$58.8 million during the course of fiscal year 2023-24 due primarily to drawing down of bond proceeds for construction expenses resulting in a net position of \$23.6 million. Of this amount, \$70.9 million was restricted for capital projects, \$2.6 million was restricted for debt service, and a deficit of \$49.9 million was unrestricted.
- The Authority’s total outstanding long-term debt has decreased by \$41.4 million to \$608.2 million from \$649.6 million. The decrease was caused by the refunding of the 2014 Bonds and the scheduled retirement of outstanding debts (\$92.7 million), offset by the issuance of the 2024A Bonds (\$69.8 million including bond premiums).

Financial Statements

The Authority is a special-purpose government engaged solely in financing capital projects of the County of San Mateo (the County). Pursuant to Governmental Accounting Standards Board Statement No. 34, governments like the Authority that has only business-type activities may present only enterprise fund financial statements: (1) statement of net position; (2) statement of revenues, expenses, and changes in net position; and (3) statement of cash flows, using the economic resources measurement focus and the accrual basis of accounting.

The Authority’s net position decreased from \$82.4 million in prior fiscal year to \$23.6 million. The Authority’s total net position as of June 30, 2024 and 2023 are as follows:

| | 2024 | 2023 | \$ Change | % Change |
|---------------------------------------|----------------------|----------------------|------------------------|----------|
| Assets | | | | |
| Current assets | \$ 125,329,985 | \$ 176,754,424 | \$ (51,424,439) | -29.09% |
| Non-current assets | 532,796,554 | 563,706,001 | (30,909,447) | -5.48% |
| Total assets | <u>658,126,539</u> | <u>740,460,425</u> | <u>(82,333,886)</u> | -11.12% |
| Deferred Outflows of Resources | | | | |
| Unamortized loss on refunding of debt | <u>9,393,119</u> | <u>10,171,372</u> | <u>(778,253)</u> | -7.65% |
| Liabilities | | | | |
| Current liabilities | 49,217,731 | 46,306,628 | 2,911,103 | 6.29% |
| Non-current liabilities | <u>580,131,012</u> | <u>619,958,967</u> | <u>(39,827,955)</u> | -6.42% |
| Total liabilities | <u>629,348,743</u> | <u>666,265,595</u> | <u>(36,916,852)</u> | -5.54% |
| Deferred Inflows of Resources | | | | |
| Unamortized gain on refunding of debt | <u>14,608,408</u> | <u>1,989,848</u> | <u>12,618,560</u> | 634.15% |
| Net position | | | | |
| Restricted for capital projects | 70,900,660 | 119,572,153 | (48,671,493) | -40.70% |
| Restricted for debt service | 2,554,289 | 9,307,437 | (6,753,148) | -72.56% |
| Unrestricted | <u>(49,892,442)</u> | <u>(46,503,236)</u> | <u>(3,389,206)</u> | 7.29% |
| Total net position | <u>\$ 23,562,507</u> | <u>\$ 82,376,354</u> | <u>\$ (58,813,847)</u> | -71.40% |

SAN MATEO COUNTY
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Management's Discussion and Analysis
Required Supplementary Information (Unaudited)
For the Fiscal Year Ended June 30, 2024

The Authority's total assets decreased \$82.3 million, primarily from a \$50.1 million decrease in cash and \$32.0 million decrease in notes receivable. The decrease in cash is primarily due to project expenditures on the San Mateo County Health Campus Upgrade and the Cordilleras Mental Health Center and the contribution to the County of \$5.0 million for debt service. The decrease in notes receivable is due to the refunding of the 2014 Bonds and the receipt of the scheduled installment payments in the amount of \$25.7 million.

The Authority's liabilities are predominantly made up of lease revenue bonds. As of June 30, 2024, the Authority's liabilities decreased by \$36.9 million when compared to the end of the prior fiscal year. This decrease was mainly due to the scheduled payment for outstanding debt totaling \$25.7 million and decrease in lease revenue bonds due to the refunding of 2014 Bonds. In addition, the Authority issued 2024A Bond for \$69.8 million (\$61.3 million in par value and \$8.5 million in bond premium) to refund 2014 Bonds of \$67.9 million in par value.

Changes in the Authority's net position between fiscal years 2024 and 2023 are as follows:

| | 2024 | 2023 | \$ Change | % Change |
|--|----------------------|----------------------|------------------------|----------|
| Revenues | | | | |
| Interest revenue from the County | \$ 23,662,255 | \$ 25,359,331 | \$ (1,697,076) | -6.69% |
| Interest and investment income | 5,939,856 | 7,174,613 | (1,234,757) | -17.21% |
| Other operating revenues | 571,640 | 201,722 | 369,918 | 183.38% |
| Total revenues | <u>30,173,751</u> | <u>32,735,666</u> | <u>(2,561,915)</u> | -7.83% |
| Expenses | | | | |
| General and administrative | 145,359 | 79,965 | 65,394 | 81.78% |
| Project costs | 55,988,151 | 80,263,824 | (24,275,673) | -30.24% |
| Interest expense | 21,006,971 | 22,584,831 | (1,577,860) | -6.99% |
| Extinguished receivable due to refunding | 6,540,000 | 4,035,000 | 2,505,000 | 100.00% |
| Contribution to the County | 4,955,212 | 8,988,727 | (4,033,515) | -44.87% |
| Bond issuance costs | 318,767 | 70,109 | 248,658 | 100.00% |
| Bond insurance | 33,138 | 42,809 | (9,671) | -22.59% |
| Total expenses | <u>88,987,598</u> | <u>116,065,265</u> | <u>(27,077,667)</u> | -23.33% |
| Change in net position | (58,813,847) | (83,329,599) | 24,515,752 | -29.42% |
| Net position, beginning of year | 82,376,354 | 165,705,953 | (83,329,599) | -50.29% |
| Net position, end of year | <u>\$ 23,562,507</u> | <u>\$ 82,376,354</u> | <u>\$ (58,813,847)</u> | -71.40% |

The Authority's total revenues decreased \$2.6 million. This decrease is due primarily from \$1.7 million decrease in interest revenue from the County as lease receivable decreased from scheduled lease payments, \$1.3 million decrease of interest and investment income, offset by \$0.4 million increase in other operating revenues.

The Authority's total expenses decreased \$27.1 million. This decrease is due primarily from \$24.3 million decrease in project costs and \$4.0 million decrease in the contribution to the County.

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Management's Discussion and Analysis
Required Supplementary Information (Unaudited)
For the Fiscal Year Ended June 30, 2024

Debt Administration

The Authority's total outstanding long-term debt has decreased by \$41.4 million to \$608.2 million from \$649.6 million. The decrease was due to the scheduled retirement of outstanding debts. The Authority issued 2024A Bonds to refund the outstanding 2014 Bonds during the year. Additional information of the Authority's long-term debt can be found in Note 5.

Request for Information

Questions concerning any information provided in this report or requests for additional financial information can be obtained by writing to the Office of the County Executive, 500 County Center, 5th Floor, Redwood City, CA 94063.

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SAN MATEO COUNTY
JOINT POWERS FINANCING AUTHORITY
(A Component Unit of the County of San Mateo, California)
Statement of Net Position
June 30, 2024

ASSETS

Current assets:

| | |
|--|---------------|
| Cash equivalents | \$ 89,768,922 |
| Cash equivalents - restricted for debt service | 1,600,685 |
| Investments - restricted for debt service | 938,265 |
| Prepaid Items | 346,376 |
| Notes receivable - current | 24,610,000 |
| Notes interest receivable | 7,484,703 |
| Interest receivable - cash and investments | 581,034 |
| Total current assets | 125,329,985 |

Noncurrent assets:

| | |
|-------------------------------|-------------|
| Notes receivable - noncurrent | 532,796,554 |
|-------------------------------|-------------|

| | |
|--------------|-------------|
| Total assets | 658,126,539 |
|--------------|-------------|

DEFERRED OUTFLOWS OF RESOURCES

| | |
|---------------------------------------|-----------|
| Unamortized loss on refunding of debt | 9,393,119 |
|---------------------------------------|-----------|

LIABILITIES

Current liabilities:

| | |
|---|------------|
| Accounts payable | 13,638,217 |
| Interest payable | 7,484,703 |
| Lease revenue bonds, net of unamortized premium - current | 27,085,684 |
| Accreted interest on capital appreciation bonds - current | 1,009,127 |
| Total current liabilities | 49,217,731 |

Noncurrent liabilities:

| | |
|--|-------------|
| Accreted interest on capital appreciation bonds - noncurrent | 1,825,782 |
| Lease revenue bonds, net of unamortized premium - noncurrent | 578,305,230 |
| Total noncurrent liabilities | 580,131,012 |

| | |
|-------------------|-------------|
| Total liabilities | 629,348,743 |
|-------------------|-------------|

DEFERRED INFLOWS OF RESOURCES

| | |
|---------------------------------------|------------|
| Unamortized gain on refunding of debt | 14,608,408 |
|---------------------------------------|------------|

NET POSITION

| | |
|---------------------------------|--------------|
| Restricted for capital projects | 70,900,660 |
| Restricted for debt service | 2,554,289 |
| Unrestricted | (49,892,442) |

| | |
|--------------------|---------------|
| Total net position | \$ 23,562,507 |
|--------------------|---------------|

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

SAN MATEO COUNTY
JOINT POWERS FINANCING AUTHORITY
(A Component Unit of the County of San Mateo, California)
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2024

| | |
|--|----------------------|
| Operating revenues | |
| Interest revenue from the County | \$ 23,662,255 |
| Other | 571,640 |
| Total operating revenues | <u>24,233,895</u> |
| Operating expenses | |
| General and administrative | 145,359 |
| Project costs | 55,988,151 |
| Total operating expenses | <u>56,133,510</u> |
| Operating loss | <u>(31,899,615)</u> |
| Nonoperating revenues (expenses) | |
| Interest and investment income | 5,939,856 |
| Interest expense | (21,006,971) |
| Extinguished receivable due to refunding | (6,540,000) |
| Contribution to the County | (4,955,212) |
| Bond issuance costs | (318,767) |
| Bond insurance | (33,138) |
| Net nonoperating expenses | <u>(26,914,232)</u> |
| Change in net position | (58,813,847) |
| Net position, beginning of year | <u>82,376,354</u> |
| Net position, end of year | <u>\$ 23,562,507</u> |

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

SAN MATEO COUNTY
JOINT POWERS FINANCING AUTHORITY
(A Component Unit of the County of San Mateo, California)
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2024

| | |
|---|-----------------------|
| Cash flows from operating activities: | |
| Cash received from notes receivable, principal portion | \$ 24,785,042 |
| Cash received from notes receivable, interest portion | 24,300,800 |
| Cash contributions from the County for project costs | 190,132 |
| Cash received from other sources | 381,508 |
| Cash paid for general and administrative expenses | (985,948) |
| Cash paid for project costs | (50,620,844) |
| Net cash used in operating activities | <u>(1,949,310)</u> |
| Cash flows from noncapital financing activities: | |
| Cash received from the County | <u>(141,266)</u> |
| Cash flows from capital and related financing activities: | |
| Cash paid for bond issuance costs | (10,000) |
| Cash paid from reserves | (4,955,212) |
| Cash paid for principal on bonds | (24,785,042) |
| Cash paid for interest on bonds | (24,300,800) |
| Net cash used in capital and related financing activities | <u>(54,051,054)</u> |
| Cash flows from investing activities: | |
| Cash received from earnings on investments and cash equivalents | <u>6,055,191</u> |
| Net cash provided by investing activities | <u>6,055,191</u> |
| Net decrease in cash and cash equivalents | (50,086,439) |
| Cash and cash equivalents, beginning of year | <u>141,456,046</u> |
| Cash and cash equivalents, end of year | <u>\$ 91,369,607</u> |
| Financial statement presentation: | |
| Cash equivalents | \$ 89,768,922 |
| Cash equivalents - restricted for debt service | <u>1,600,685</u> |
| Cash and cash equivalents, end of year | <u>\$ 91,369,607</u> |
| Reconciliation of operating loss to net cash provided by operating activities: | |
| Operating loss | \$ (31,899,615) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | |
| Changes in operating assets and liabilities: | |
| Decrease in notes receivable - principal | 25,504,447 |
| Increase in notes receivable - interest | (80,860) |
| Increase in accounts payable | 4,526,718 |
| Net cash used in operating activities | <u>\$ (1,949,310)</u> |
| Supplemental disclosure of noncash activities: | |
| Noncash capital and related financing activities: | |
| Amortization and refunding of premium/discount on lease revenue bonds | \$ 17,822,328 |
| Amortization and refunding of deferred gain/(loss) on refunding of debt | (47,688) |
| Accreted interest on capital appreciation bonds | (240,553) |
| Defeasance of debt paid through escrow agent | 69,490,425 |

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

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SAN MATEO COUNTY
JOINT POWERS FINANCING AUTHORITY
(A Component Unit of the County of San Mateo, California)
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

NOTE 1 – REPORTING ENTITY

The San Mateo County Joint Powers Financing Authority (the Authority) was established pursuant to the provisions of the State of California Government Code’s Articles 1 and 4 of Chapter 5 of Division 7 of Title 1 and a Joint Exercise of Powers Agreement, dated May 15, 1993, as amended by the County and the now dissolved Community Development Commission. The Authority assists the County of San Mateo (the County) in the financing of public capital projects. The Authority acts as the issuer for debt financings for the costs of construction and sells the properties to the County after the debts are paid off. The debts issued are limited obligations of the Authority, payable primarily from installment payments made by the County under “Installment” agreements.

The Authority functions as an independent entity and has no employees. The County Board of Supervisors appointed all five members in its governing board to set policies. The County staff and consultants are in charge of its operation. Although legally separate from the County, the Authority is an integral part of the County for its sole purpose is to provide financing to the County. As such, the Authority is a component unit of the County, and its basic financial statements are blended within the County’s basic financial statements. Services provided by the County staff are not included in the accompanying basic financial statements since the amount is considered insignificant.

The basic financial statements present only the Authority’s financial activities in accordance with accounting principles generally accepted in the United States of America (GAAP) and are not intended to present fairly the financial position, the change in financial position, and the cash flows of the County.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation and Accounting

The Authority is reported as a single enterprise fund. The Authority’s basic financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with GAAP. All of its assets, deferred outflows/inflows of resources, and liabilities are included in the statement of net position. The net position (i.e., total assets and deferred outflows of resources net of total liabilities and deferred inflows of resources) is classified into restricted and unrestricted. The restricted portion includes amounts restricted for debt service and capital projects. The preparation of basic financial statements in conformity with GAAP requires management to make certain estimates and assumptions affecting certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Proprietary (enterprise) funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund’s principal ongoing operations. The principal operating revenue of the Authority is interest revenue from the County. The Authority also recognizes contract revenue at the time the agreement covenants to commence installment payments. Operating expenses of the Authority include project costs and administrative expenses for services solicited from outside entities. Revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

B. Statement of Net Position

1. Cash Equivalents and Investments

The Authority considers all liquid investments with maturity of three months or less when purchased to be cash equivalents. This includes deposits and money market mutual funds held in trust as well as investments in the County investment pool. The County investment pool is governed by the California Government Code and the County Investment Policy. The Authority’s investment in the County pool is determined at fair value as of June 30, 2024.

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JOINT POWERS FINANCING AUTHORITY
(A Component Unit of the County of San Mateo, California)
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2024

The Authority records investment transactions on the trade date. Investments in nonparticipating interest-earning investment contracts are reported at cost for the term of the contract; other investments are reported at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority measures its investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by GAAP. As of June 30, 2024, a portion of the Authority's investments was held in trust and part was held in the County's investment pool.

In accordance with the Authority's bond trust agreements, the types of investment in which the Authority can engage include the following:

- a. Government securities.
- b. Any obligations which are then legal investments for moneys of the County under the laws of the State of California and comply with the County's investment policy; provided that such investments shall be rated in the highest short-term or one of three highest long-term rating categories by Moody's Investors Service and Standard & Poor's Corporation.
- c. Money markets or mutual funds which are rated by Standard & Poor's Corporation "AAAm-G" or "AAAm" or higher and; if rated by Moody's Investors Service, are rated "Aaa" or higher.
- d. The County of San Mateo Investment Pool.
- e. The Local Agency Investment Fund of the State of California.
- f. Unsecured certificate of deposit, time deposits, and bankers' acceptances (having maturities of not more than 30 days) of any bank the short-term of which are rated "A-1" or better by Standard & Poor's Corporation.
- g. Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation, in banks which have capital and surplus of at least \$5 million.
- h. Commercial paper (having original maturities of not more than 270 days) rated "A-1+" by Standard & Poor's Corporation and "Prime-1" by Moody's Investors Service.
- i. Repurchase agreements.
- j. Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability of the guarantor is rated at least "AA" by Standard & Poor's Corporation and "Aa" by Moody's Investors Service.
- k. The Investment Agreement.
- l. Any other obligations with 30 days prior notice to Standard & Poor's Corporation and the prior written approval of the Bond Insurer.
- m. Unsecured demand deposits of any bank the short-term obligations of which are rated "A-1" or better by Standard & Poor's Corporation.

2. Notes Receivable

Debt service on the outstanding lease revenue bonds are funded with installment payments from the County for the purchase of equipment and facilities acquired or constructed with proceeds of debt issued by the Authority. Under the installment agreements, the County has covenanted to make installment payments in amounts corresponding to the Authority's debt service requirements and related costs. Notes receivable reflect the present value of remaining future payments due from the County. Unexpended funds upon completion of all projects will be used to retire outstanding debt and reduce installment payments from the County.

SAN MATEO COUNTY
JOINT POWERS FINANCING AUTHORITY
(A Component Unit of the County of San Mateo, California)
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2024

3. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense) until the outflow occurs. As of June 30, 2024, the Authority has deferred outflows of resources related to the unamortized loss on refunding of debt.

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 represents an acquisition of net position that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until the inflow occurs. As of June 30, 2024, the Authority has deferred inflows of resources related to the unamortized gain on refunding of debt.

4. Net Position

Net position, cumulative net earnings from operating and nonoperating activities, is classified into the following categories:

- *Restricted for capital projects* represents funds restricted for the acquisition or construction of equipment and facilities. Upon the completion of capital projects, residual net position becomes restricted for debt services.
- *Restricted for debt service* represents funds held by the trustee for repayment of debt principal and interest.
- *Unrestricted* represent funds with no external restriction as to use or purpose. Restricted resources are generally depleted first.

C. Statement of Revenues, Expenses, and Changes in Net Position

1. Bond Issuance Costs, Discounts, and Premiums

Bond issuance costs (other than insurance) are expensed when incurred. Bond discounts and bond premiums are deferred and amortized over the life of the bonds. Lease revenue bonds payable are reported net of the applicable bond discounts and premiums.

2. Unamortized Gain/Loss on Refunding of Debt

The gain/loss on refunding is determined by the difference between the book value of the refunded (old) debt and the amount required to retire the debt. The gain/loss on refunding is amortized over the remaining term of the old debt or the term of the new debt issued to finance the refunding, whichever is lesser, as a component of interest expense.

3. Contribution to the County

The Authority may utilize interest earnings on reserves to supplement the County's installment payments and refunding transactions. For the fiscal year 2023-24, the Authority applied \$5.0 million of its interest earnings on reserves to supplement the County's installment payments.

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NOTE 3 – CASH EQUIVALENTS AND INVESTMENTS

GASB Statement No. 72, *Fair Value Measurement and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The investments in an external investment pool are not subject to reporting within the level hierarchy. The three levels of the fair value hierarchy are described below:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Authority’s cash equivalents and investments by fair value level as of June 30, 2024, include the following:

| Investment Type | Total | Significant Observable Inputs (Level 2) |
|---|---------------|---|
| Investments subject to fair value hierarchy: | | |
| Mutual funds | \$ 59,026,858 | \$ 59,026,858 |
| Repurchase agreement | 938,265 | 938,265 |
| Total investments subject to fair value hierarchy | 59,965,123 | \$ 59,965,123 |
| Investments not subject to fair value hierarchy: | | |
| County Investment Pool | 30,424,775 | |
| Total investments | 90,389,898 | |
| Cash and cash equivalents: | | |
| Money market account | 1,917,974 | |
| Total cash and cash equivalents | 1,917,974 | |
| Total cash equivalents and investments | \$ 92,307,872 | |

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Cash and Cash Equivalents

The Authority has authorized its trustee to invest cash collections in the mutual funds and money market deposit accounts. Such funds can be converted to cash whenever necessary to meet the Authority’s operating needs. As of June 30, 2024, the Authority held \$59.0 million in mutual funds and \$1.9 million in money market deposit accounts. The Authority also invests in the County’s investment pool, which is considered cash equivalents. The Authority’s investment in the pool amounted to \$30.4 million as of June 30, 2024.

Investments

The Authority’s investments measured at fair value as of June 30, 2024, include the following:

| | Fair Value | Maturity (Years) |
|--|---------------|---------------------|
| Repurchase agreement | | |
| Hong Kong and Shanghai Banking Corporation | \$ 938,265 | 2.4 |
| Mutual funds | | |
| First American Government Obligations Fund - D class | 59,026,858 | 0.1 |
| External investment pool | | |
| Investments in County's Investment Pool | 30,424,775 | 1.6 |
| Total investments | \$ 90,389,898 | |

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority has not adopted a formal policy that limits investment maturity as a means of managing its exposure to declines in fair values arising from increasing interest rates. As of June 30, 2024, the Authority’s investment portfolio had a weighted average maturity of 0.6 years.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Authority’s bond trust agreements include provisions which restrict the Authority’s investment in (a) money market mutual funds rated “AAm-G” or “AAm” by Standard & Poor’s Corporation, or better; (b) repurchase agreements with any domestic bank the long-term debt of which is rated at least “A” or better by Standard & Poor’s Corporation and Moody’s Investors Service; (c) specific obligations of government sponsored agencies which are not backed by the full faith and credit of the United States of America; and (d) investment agreements.

As of June 30, 2024, the money market mutual fund was rated “AAAm” by Standard & Poor’s, “Aaa-mf” by Moody’s Investors Service, and “AAAmmf” by Fitch. The repurchase agreement with the Hong Kong and Shanghai Banking Corporation was rated “AA-” by Standard & Poor’s, “Aa3” by Moody’s Investors Service, and “AA-” by Fitch. The remaining investments were unrated.

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Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority’s investment in a single issuer of securities. The Authority places no limit on the amount invested in any single issuer. The Authority has \$0.9 million, or 1.0%, of its overall investments in repurchase agreement with the Hong Kong and Shanghai Banking Corporation.

NOTE 4 – NOTES RECEIVABLE

Under California law, the County cannot make installment payments until the County has constructive use or occupancy of the property being financed. Once construction is completed, the installment agreements act like direct financing with installment payments equal to debt service payments. A direct-financing arrangement is basically the coupling of a sale and financing transaction. In a direct financing arrangement, the Authority purchases the property only for the purpose of financing it to the County. The Authority thus removes the purchased asset from its books and replaces it with a receivable from the County.

The *lease revenue bonds* are payable by a pledge of revenues from the installment payments payable by the County and all interest or other interest income from investment, pursuant to individual installment agreements between the Authority and the County.

In the fiscal year 2023-24, the Authority received \$49.1 million of installment payments from the County. The Authority’s notes receivable and installment agreements at June 30, 2024 is as follows (in thousands):

| <u>Fiscal Year Ended June 30,</u> | <u>Installment Payments</u> | |
|-----------------------------------|-----------------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2025 | \$ 24,610 | \$ 23,107 |
| 2026 | 25,280 | 21,911 |
| 2027 | 25,076 | 20,724 |
| 2028 | 26,740 | 19,468 |
| 2029 | 22,145 | 18,256 |
| 2030-2034 | 110,355 | 74,504 |
| 2035-2039 | 80,165 | 52,607 |
| 2040-2044 | 67,930 | 38,091 |
| 2045-2049 | 82,615 | 23,379 |
| 2050-2054 | 84,905 | 7,856 |
| 2055 | 7,940 | 199 |
| Total | <u>557,761</u> | <u>\$ 300,102</u> |
| Less: unaccreted principal | (354) | |
| Total | <u>\$ 557,407</u> | |

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NOTE 5 – LONG-TERM LIABILITIES

The Authority’s long-term liabilities as of June 30, 2024, are as follows (in thousands):

| <u>Type of indebtedness (purpose)</u> | <u>Maturities</u> | <u>Interest Rates</u> | <u>Annual Principal Installments</u> | <u>Original Issue Amount</u> | <u>Outstanding at June 30, 2024</u> |
|--|-------------------|-----------------------|--------------------------------------|------------------------------|-------------------------------------|
| <u>1993 Issue - Satellite Clinic</u> | | | | | |
| Purpose: To finance a portion of the costs of constructing and equipping the North County Satellite Clinic and an adjacent parking structure. | | | | | |
| Serial Capital Appreciation Bonds | 9/1/24 - 9/1/26 | 5.95% - 6% | \$188 - \$204 | \$ 2,085 | \$ 577 |
| Accreted interest on capital appreciation bonds | | | | 8,941 | 2,835 |
| 1993 Issue - Satellite Clinic | | | | <u>11,026</u> | <u>3,412</u> |
| <u>2016 Issue</u> | | | | | |
| Purpose: To provide funds, together with other available moneys, to refund the outstanding 2008 Bonds, to pay costs of issuance of the 2016 Bonds, and to pay costs relating to the refunding of the 2008 Bonds. | | | | | |
| Serial Current Interest Bonds | 7/15/24 - 7/15/36 | 3% - 5% | \$4,020 - \$7,620 | 107,600 | 78,180 |
| <u>2018 Issue</u> | | | | | |
| Purpose: To provide funds, together with other available moneys, to (i) finance the acquisition, construction and equipping of capital improvement projects of the Medical Center Upgrade and County Office Building No. 3, (ii) pay capitalized interest through September 15, 2022, (iii) purchase a municipal bond insurance policy, (iv) purchase a municipal bond debt service reserve insurance policy, and (v) pay costs of issuance. | | | | | |
| Serial Bonds | 7/15/24 - 7/15/38 | 5% | \$1,230 - \$6,890 | 64,560 | 58,780 |
| Serial Bonds, Insured | 7/15/33 - 7/15/35 | 5% | \$4,800 - \$5,200 | 15,000 | 15,000 |
| Term Bonds | 7/15/39 - 7/15/43 | 5% | \$7,230 - \$8,790 | 39,955 | 39,955 |
| Term Bonds | 7/15/44 - 7/15/52 | 4% | \$4,995 - \$6,875 | 53,125 | 53,125 |
| Term Bonds | 7/15/44 - 7/15/52 | 4.25% | \$4,235 - \$5,865 | 45,000 | 45,000 |
| | | | | <u>217,640</u> | <u>211,860</u> |
| <u>2019 Issue</u> | | | | | |
| Purpose: To provide funds, together with other available moneys, to (i) refund the outstanding 2009 Bonds, (ii) pay costs of issuance. | | | | | |
| Serial Bonds | 7/15/24 - 7/15/26 | 5% | \$7,045 - \$8,290 | 45,170 | 23,260 |
| <u>2021A Issue</u> | | | | | |
| Purpose: To provide funds, together with other available moneys, to (i) finance the reconstruction and equipping of the Cordilleras Mental Health Center, (ii) pay capitalized interest through June 15, 2024, and (iii) pay costs of issuance | | | | | |
| Serial Bonds | 6/15/27 - 6/15/41 | 3% - 5% | \$750 - \$5,405 | 58,295 | 58,295 |
| Term Bonds | 6/15/42 - 6/15/46 | 3% | \$5,620 - \$6,325 | 29,845 | 29,845 |
| Term Bonds | 6/15/47 - 6/15/55 | 2.50% | \$6,515 - \$7,940 | 64,865 | 64,865 |
| | | | | <u>153,005</u> | <u>153,005</u> |
| <u>2023A Issue</u> | | | | | |
| Purpose: To provide funds, together with other available moneys, to (i) refund the outstanding 2013 Bonds, (ii) pay costs of issuance. | | | | | |
| Serial Bonds | 7/15/24 - 7/15/32 | 5% | \$105 - \$9,650 | 26,345 | 26,345 |
| <u>2024A Issue</u> | | | | | |
| Purpose: To provide funds, together with other available moneys, to (i) refund the outstanding 2014 Bonds, (ii) pay costs of issuance. | | | | | |
| Serial Bonds | 6/15/25 - 6/15/33 | 5% | \$4,190 - \$7,645 | 53,440 | 53,440 |
| Serial Bonds | 6/15/34 - 6/15/37 | 4% | \$490 - \$3,395 | 7,905 | 7,905 |
| | | | | <u>61,345</u> | <u>61,345</u> |
| Total lease revenue bonds and accreted interest on capital appreciation bonds | | | | <u>\$ 622,131</u> | <u>\$ 557,407</u> |

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The table below summarizes changes in the Authority's long-term liabilities (in thousands).

| | Balance July 1, 2023 | Accretion/ Additions | Retirements | Balance June 30, 2024 | Amounts Due Within One Year |
|--|-------------------------|-------------------------|---------------------|--------------------------|-----------------------------------|
| Lease revenue bonds | \$ 585,896 | \$ 61,345 | \$ (92,669) | \$ 554,572 | \$ 23,601 |
| Accreted interest on capital appreciation bonds | 3,555 | 241 | (961) | 2,835 | 1,009 |
| Add: unamortized premium | <u>60,187</u> | <u>8,454</u> | <u>(17,822)</u> | <u>50,819</u> | <u>3,485</u> |
| Total long-term liabilities, net | <u>\$ 649,638</u> | <u>\$ 70,040</u> | <u>\$ (111,452)</u> | <u>\$ 608,226</u> | <u>\$ 28,095</u> |

The Authority's long-term liabilities are secured by revenues from the installment payments payable by the County. Events of default include nonpayment of interest on and the principal of the outstanding bonds when due and payable, the Authority filing for bankruptcy, and the failure to observe any covenant or provision of bond indentures for a period of 30 days, with the exception of the 2016 Refunding Lease Revenue Bonds and 2021A Lease Revenue Bonds which is for a period of 60 days. In the event of default, the trustee, U.S. Bank National Association, may, upon written request of a majority of bondholders in aggregate principal amount and accreted value of the outstanding bonds, or at the direction of the bond insurer, declare the principal and accreted value of and the interest on all outstanding bonds to be due and payable immediately.

Principal and interest payments on lease revenue bonds come from installment payments made by the County General Fund. The Authority's annual debt service requirements to maturity as of June 30, 2024, are as follows (in thousands):

| Fiscal Year Ended June 30, | Lease Revenue Bonds | | |
|----------------------------|---------------------|-----------------------|------------------|
| | Principal | Interest Accretion | Interest |
| 2025 | \$ 23,601 | \$ 1,009 | \$ 23,107 |
| 2026 | 24,217 | 1,063 | 21,911 |
| 2027 | 23,959 | 1,117 | 20,724 |
| 2028 | 26,740 | - | 19,468 |
| 2029 | 22,145 | - | 18,256 |
| 2030-2034 | 110,355 | - | 74,504 |
| 2035-2039 | 80,165 | - | 52,607 |
| 2040-2044 | 67,930 | - | 38,091 |
| 2045-2049 | 82,615 | - | 23,379 |
| 2050-2054 | 84,905 | - | 7,856 |
| 2055 | <u>7,940</u> | <u>-</u> | <u>199</u> |
| Total requirements | 554,572 | 3,189 | 300,102 |
| Less: unaccreted interest | - | (354) | - |
| Total | <u>\$ 554,572</u> | <u>\$ 2,835</u> | <u>\$300,102</u> |

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For the Fiscal Year Ended June 30, 2024

Refunding of 2024 Series A Lease Revenue Bonds

In March 2024, the Authority issued 2024 Series A Lease Revenue Bonds (Refunding Bonds) (the “2024A Bonds”) for a total of \$61.3 million with an interest rate of 4 to 5% and a bond premium of \$8.5 million. Together with other available moneys, the proceeds of the 2024A Bonds totaling \$69.8 million were used to refund the outstanding 2014 Bonds and pay costs of issuance. On the refunding date of the 2014 Bonds, certain bonds were not callable until June 2024. Thus, the proceeds were deposited into an escrow account to redeem the 2014 Bonds on June 15, 2024. In June 2024, the Authority paid its scheduled outstanding principal amount of \$8.9 million plus interest to fully retire the 2014 Bonds.

The Authority in effect realized an economic gain of \$7.8 million (the difference between the present value of the debt service payments on the old debt and the present value of the debt service payments on the new debt) by reducing its aggregate debt service payments of \$8.8 million over the next 13 years. While the refunding resulted in an economic gain, the refunding also resulted in a \$13.3 million accounting gain, which is the difference between the funds required to refund the old debt and the net carrying amount of the old debt. The accounting gain is reported as deferred inflow of resources on the statement of net position and the accounting gain will be amortized over the remaining life of the new debt.

The 2024A Bonds are limited obligations of the Authority payable solely from, and secured solely by, revenues of the Authority, consisting primarily of Base Rental Payments to be received by the Authority from the County under a Master Facility Lease between the Authority and the County, for the right to use and possess certain real property and facilities.

NOTE 6 – COMMITMENTS

San Mateo County Health Campus Upgrade aka “Medical Center Upgrade”

The San Mateo County Health System Campus consists of the San Mateo Medical Center and the Health Services departments. The San Mateo Health System Campus Upgrade Project is a complex project comprised of: (1) demolition of the outdated Health Services Building and the 1954 Administration Building; (2) renovation of the ground floor of the Nursing Tower and the Central Plant to accommodate essential Office of Statewide Health Planning Development (OSHPD) functions; and (3) construction of a new 86,550-square-foot non-OSHPD administration building to support hospital functions. Consistent with the County Municipal Green Building Policy, upgrades and construction will be designed to operate at zero net energy (ZNE) and to achieve Leadership in Energy and Environmental Design (LEED) certification. ZNE buildings are designed on a source energy basis, the actual annual consumed energy will be less than or equal to the onsite renewable generated energy. This project will occur in phases, with the final project completion estimated for second quarter of 2025. The total estimated project cost is \$223 million.

Cordilleras Mental Health Center

The Cordilleras Mental Health Center will include 121-bed psychiatric facility serving mentally ill residents. The facility is currently under construction and will provide state-of-the-art care and rehabilitation for the County’s most vulnerable mentally ill residents in a serene natural setting. Consistent with the County Municipal Green Building Policy, Cordilleras will be designed to operate at ZNE and to achieve LEED certification. This project occurred in phases, with the project completion estimated for fiscal year 2024-25. The estimated project cost is \$160 million.

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Supplementary Schedule of Net Position
June 30, 2024

| | 1993 Refunding | Satellite Clinic | Health Center | 2001 Capital Projects | 2008 Refunding | 2013 Refunding and Capital Project | 2014 Capital Projects |
|--|-------------------|---------------------|------------------|-----------------------------|-------------------|--|-----------------------------|
| ASSETS | | | | | | | |
| Current assets: | | | | | | | |
| Cash equivalents | \$ - | \$ 7 | \$ 754,306 | \$ 1,237,190 | \$ 7,692 | \$ - | \$ 2,915,233 |
| Cash equivalents - restricted for debt service | - | 1,162,630 | - | - | - | - | - |
| Investments - restricted for debt service | - | 938,265 | - | - | - | - | - |
| Prepaid Items | - | - | - | - | - | - | - |
| Notes receivable - current | - | 1,205,000 | - | - | - | - | - |
| Notes interest receivable | - | - | - | - | - | - | - |
| Interest receivable - cash and investments | - | 18,332 | 3 | 12,376 | 71 | - | 45,446 |
| Total current assets | - | 3,324,234 | 754,309 | 1,249,566 | 7,763 | - | 2,960,679 |
| Noncurrent assets: | | | | | | | |
| Notes receivable - noncurrent | - | 2,206,554 | - | - | - | - | - |
| Total assets | - | 5,530,788 | 754,309 | 1,249,566 | 7,763 | - | 2,960,679 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | | |
| Unamortized loss on refunding of debt | - | - | - | - | - | - | - |
| LIABILITIES | | | | | | | |
| Current liabilities: | | | | | | | |
| Accounts payable | - | 3,000 | 9,605 | - | - | - | - |
| Interest payable | - | - | - | - | - | - | - |
| Lease revenue bonds, net of unamortized premium - current | - | 195,873 | - | - | - | - | - |
| Accreted interest on capital appreciation bonds - current | - | 1,009,127 | - | - | - | - | - |
| Total current liabilities | - | 1,208,000 | 9,605 | - | - | - | - |
| Noncurrent liabilities: | | | | | | | |
| Accreted interest on capital appreciation bonds - noncurrent | - | 1,825,782 | - | - | - | - | - |
| Lease revenue bonds, net of unamortized premium - noncurrent | - | 380,772 | - | - | - | - | - |
| Total noncurrent liabilities | - | 2,206,554 | - | - | - | - | - |
| Total liabilities | - | 3,414,554 | 9,605 | - | - | - | - |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Unamortized gain on refunding of debt | - | - | - | - | - | - | - |
| NET POSITION | | | | | | | |
| Restricted for capital projects | - | - | - | - | - | - | - |
| Restricted for debt service | - | 2,116,234 | - | - | - | - | - |
| Unrestricted (deficit) | - | - | 744,704 | 1,249,566 | 7,763 | - | 2,960,679 |
| Total net position | \$ - | \$ 2,116,234 | \$ 744,704 | \$ 1,249,566 | \$ 7,763 | \$ - | \$ 2,960,679 |

(continued)

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Supplementary Schedule of Net Position
June 30, 2024

| 2016 Refunding | 2018 Capital Project | 2019 Refunding | 2021A Capital Project | 2023A Refunding | 2024A Refunding | Total |
|-------------------|-------------------------|-------------------|--------------------------|--------------------|--------------------|---------------|
| \$ 19,602 | \$ 48,244,235 | \$ 18,948 | \$ 36,282,037 | \$ 1,646 | \$ 288,026 | \$ 89,768,922 |
| - | - | - | 438,055 | - | - | 1,600,685 |
| - | - | - | - | - | - | 938,265 |
| 62,795 | 283,581 | - | - | - | - | 346,376 |
| 4,450,000 | 3,545,000 | 7,660,000 | - | 105,000 | 7,645,000 | 24,610,000 |
| 1,562,310 | 4,456,948 | 533,042 | 204,155 | 603,740 | 124,508 | 7,484,703 |
| 77 | 347,001 | 60 | 156,533 | 6 | 1,129 | 581,034 |
| 6,094,784 | 56,876,765 | 8,212,050 | 37,080,780 | 710,392 | 8,058,663 | 125,329,985 |
| 73,730,000 | 208,315,000 | 15,600,000 | 153,005,000 | 26,240,000 | 53,700,000 | 532,796,554 |
| 79,824,784 | 265,191,765 | 23,812,050 | 190,085,780 | 26,950,392 | 61,758,663 | 658,126,539 |
| 9,393,119 | - | - | - | - | - | 9,393,119 |
| - | 11,251,686 | - | 2,373,926 | - | - | 13,638,217 |
| 1,562,310 | 4,456,948 | 533,042 | 204,155 | 603,740 | 124,508 | 7,484,703 |
| 5,224,508 | 3,956,696 | 8,265,891 | 519,620 | 640,044 | 8,283,052 | 27,085,684 |
| - | - | - | - | - | - | 1,009,127 |
| 6,786,818 | 19,665,330 | 8,798,933 | 3,097,701 | 1,243,784 | 8,407,560 | 49,217,731 |
| - | - | - | - | - | - | 1,825,782 |
| 82,314,121 | 219,447,956 | 16,231,135 | 168,593,600 | 30,007,605 | 61,330,041 | 578,305,230 |
| 82,314,121 | 219,447,956 | 16,231,135 | 168,593,600 | 30,007,605 | 61,330,041 | 580,131,012 |
| 89,100,939 | 239,113,286 | 25,030,068 | 171,691,301 | 31,251,389 | 69,737,601 | 629,348,743 |
| - | - | 666,534 | - | 886,598 | 13,055,276 | 14,608,408 |
| - | 36,992,549 | - | 33,908,111 | - | - | 70,900,660 |
| - | - | - | 438,055 | - | - | 2,554,289 |
| 116,964 | (10,914,070) | (1,884,552) | (15,951,687) | (5,187,595) | (21,034,214) | (49,892,442) |
| \$ 116,964 | \$ 26,078,479 | \$ (1,884,552) | \$ 18,394,479 | \$ (5,187,595) | \$ (21,034,214) | \$ 23,562,507 |

ASSETS

Current assets:

| | |
|--|-------------|
| Cash equivalents | 1,600,685 |
| Cash equivalents - restricted for debt service | 938,265 |
| Investments - restricted for debt service | 346,376 |
| Prepaid Items | 24,610,000 |
| Notes receivable - current | 7,484,703 |
| Notes interest receivable | 581,034 |
| Interest receivable - cash and investments | |
| Total current assets | 125,329,985 |

Noncurrent assets:

| | |
|-------------------------------|--|
| Notes receivable - noncurrent | |
|-------------------------------|--|

Total assets

DEFERRED OUTFLOWS OF RESOURCES

| | |
|---------------------------------------|-----------|
| Unamortized loss on refunding of debt | 9,393,119 |
|---------------------------------------|-----------|

LIABILITIES

Current liabilities:

| | |
|---|------------|
| Accounts payable | 13,638,217 |
| Interest payable | 7,484,703 |
| Lease revenue bonds, net of unamortized premium - current | 27,085,684 |
| Accreted interest on capital appreciation bonds - current | 1,009,127 |
| Total current liabilities | 49,217,731 |

Noncurrent liabilities:

| | |
|--|-------------|
| Accreted interest on capital appreciation bonds - noncurrent | 1,825,782 |
| Lease revenue bonds, net of unamortized premium - noncurrent | 578,305,230 |
| Total noncurrent liabilities | 580,131,012 |
| Total liabilities | 629,348,743 |

DEFERRED INFLOWS OF RESOURCES

| | |
|---------------------------------------|------------|
| Unamortized gain on refunding of debt | 14,608,408 |
|---------------------------------------|------------|

NET POSITION

| | |
|---------------------------------|--------------|
| Restricted for capital projects | 70,900,660 |
| Restricted for debt service | 2,554,289 |
| Unrestricted (deficit) | (49,892,442) |
| Total net position | 23,562,507 |

SAN MATEO COUNTY
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(A Component Unit of the County of San Mateo, California)
Supplementary Schedule of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2024

| | 1993 Refunding | Satellite Clinic | Health Center | 2001 Capital Projects | 2008 Refunding | 2013 Refunding and Capital Project | 2014 Capital Projects |
|--|-------------------|---------------------|------------------|-----------------------------|-------------------|--|-----------------------------|
| Operating revenues | | | | | | | |
| Interest revenue from the County | \$ - | \$ 240,553 | \$ - | \$ - | \$ - | \$ - | \$ 1,897,858 |
| Lease contract revenue | - | - | - | - | - | - | - |
| Other | - | - | 31,128 | - | - | - | - |
| Total operating revenues | - | 240,553 | 31,128 | - | - | - | 1,897,858 |
| Operating expenses | | | | | | | |
| General and administrative | - | 13,544 | 52,253 | - | - | 4,712 | 1,500 |
| Project costs | - | - | - | - | - | - | - |
| Total operating expenses | - | 13,544 | 52,253 | - | - | 4,712 | 1,500 |
| Operating income (loss) | - | 227,009 | (21,125) | - | - | (4,712) | 1,896,358 |
| Nonoperating revenues (expenses) | | | | | | | |
| Interest and investment income | 20,816 | 55,043 | 15 | 69,644 | 420 | 6 | 184,117 |
| Interest expense | - | (240,553) | - | - | - | - | (2,228,633) |
| Extinguished receivable due to refunding | - | - | - | - | - | - | (67,885,000) |
| Contribution to the County | - | - | - | - | - | - | (55,487) |
| Bond issuance costs | - | - | - | - | - | - | - |
| Bond insurance | - | - | - | - | - | - | - |
| Net nonoperating revenues (expenses) | 20,816 | (185,510) | 15 | 69,644 | 420 | 6 | (69,985,003) |
| Income (loss) before transfers | 20,816 | 41,499 | (21,110) | 69,644 | 420 | (4,706) | (68,088,645) |
| Transfers in | - | - | 628,774 | - | - | - | 82,839,550 |
| Transfers out | (628,774) | - | - | (16,142) | - | (1,531,324) | - |
| Change in net position | (607,958) | 41,499 | 607,664 | 53,502 | 420 | (1,536,030) | 14,750,905 |
| Net position, beginning of year | 607,958 | 2,074,735 | 137,040 | 1,196,064 | 7,343 | 1,536,030 | (11,790,226) |
| Net position, end of year | \$ - | \$ 2,116,234 | \$ 744,704 | \$ 1,249,566 | \$ 7,763 | \$ - | \$ 2,960,679 |

(continued)

SAN MATEO COUNTY
JOINT POWERS FINANCING AUTHORITY
(A Component Unit of the County of San Mateo, California)
Supplementary Schedule of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2024

| 2016 | 2018 | 2019 | 2021A | 2023A | 2024A | | | | |
|--------------------|----------------------|-----------------------|----------------------|-----------------------|------------------------|---------------------|----------------------|---|--|
| Refunding | Capital Project | Refunding | Capital Project | Refunding | Refunding | Elimination | Total | | |
| \$ 3,417,487 | \$ 9,731,281 | \$ 1,178,500 | \$ 4,899,725 | \$ 1,450,195 | \$ 846,656 | \$ - | \$ 23,662,255 | Operating revenues | Interest revenue from the County |
| - | - | - | - | - | 61,345,000 | (61,345,000) | - | | Lease contract revenue |
| - | 350,380 | - | - | - | 190,132 | - | 571,640 | | Other |
| <u>3,417,487</u> | <u>10,081,661</u> | <u>1,178,500</u> | <u>4,899,725</u> | <u>1,450,195</u> | <u>62,381,788</u> | <u>(61,345,000)</u> | <u>24,233,895</u> | | Total operating revenues |
| - | 42,000 | - | 31,350 | - | - | - | 145,359 | Operating expenses | General and administrative |
| - | 34,018,920 | - | 21,969,231 | - | - | - | 55,988,151 | | Project costs |
| - | <u>34,060,920</u> | - | <u>22,000,581</u> | - | - | - | <u>56,133,510</u> | | Total operating expenses |
| <u>3,417,487</u> | <u>(23,979,259)</u> | <u>1,178,500</u> | <u>(17,100,856)</u> | <u>1,450,195</u> | <u>62,381,788</u> | <u>(61,345,000)</u> | <u>(31,899,615)</u> | | Operating income (loss) |
| 14,258 | 3,161,545 | 16,116 | 2,408,748 | 3,815 | 5,313 | - | 5,939,856 | Nonoperating revenues (expenses) | Interest and investment income |
| (3,420,342) | (9,319,585) | (246,143) | (4,380,105) | (804,902) | (366,708) | - | (21,006,971) | | Interest expense |
| - | - | - | - | - | - | 61,345,000 | (6,540,000) | | Extinguished receivable due to refunding |
| - | - | - | (4,899,725) | - | - | - | (4,955,212) | | Contribution to the County |
| - | - | - | - | - | (318,767) | - | (318,767) | | Bond issuance costs |
| (5,197) | (27,941) | - | - | - | - | - | (33,138) | | Bond insurance |
| <u>(3,411,281)</u> | <u>(6,185,981)</u> | <u>(230,027)</u> | <u>(6,871,082)</u> | <u>(801,087)</u> | <u>(680,162)</u> | <u>61,345,000</u> | <u>(26,914,232)</u> | | Net nonoperating revenues (expenses) |
| 6,206 | (30,165,240) | 948,473 | (23,971,938) | 649,108 | 61,701,626 | - | (58,813,847) | | Income (loss) before transfers |
| - | 1,532,223 | - | 16,142 | - | 81,070 | (85,097,759) | - | | Transfers in |
| - | - | - | - | (81,969) | (82,839,550) | 85,097,759 | - | | Transfers out |
| 6,206 | (28,633,017) | 948,473 | (23,955,796) | 567,139 | (21,056,854) | - | (58,813,847) | | Change in net position |
| 110,758 | 54,711,496 | (2,833,025) | 42,350,275 | (5,754,734) | 22,640 | - | 82,376,354 | | Net position, beginning of year |
| <u>\$ 116,964</u> | <u>\$ 26,078,479</u> | <u>\$ (1,884,552)</u> | <u>\$ 18,394,479</u> | <u>\$ (5,187,595)</u> | <u>\$ (21,034,214)</u> | <u>\$ -</u> | <u>\$ 23,562,507</u> | | Net position, end of year |

SAN MATEO COUNTY
JOINT POWERS FINANCING AUTHORITY
(A Component Unit of the County of San Mateo, California)
Supplementary Schedule of Cash Flows
For the Fiscal Year Ended June 30, 2024

| | 1993 | Satellite | Health | 2001 | 2008 | 2013 | 2014 |
|--|-----------|--------------|-------------|--------------|-----------|-------------|---------------|
| | Refunding | Clinic | Center | Capital | Refunding | Refunding | Capital |
| | | | | Projects | | | Projects |
| Cash flows from operating activities: | | | | | | | |
| Cash received from notes receivable, principal portion | \$ - | \$ 200,042 | \$ - | \$ - | \$ - | \$ 645,000 | \$ 8,895,000 |
| Cash received from notes receivable, interest portion | - | 959,958 | - | - | - | 16,125 | 2,050,175 |
| Cash contributions from the County for bond issuance costs | - | - | - | - | - | - | - |
| Cash received from other sources | - | - | 31,128 | - | - | - | - |
| Cash paid for general and administrative expenses | - | (10,544) | (42,648) | - | - | (34,129) | (1,500) |
| Cash paid for project costs | - | - | - | - | - | - | - |
| Net cash provided by (used in) operating activities | - | 1,149,456 | (11,520) | - | - | 626,996 | 10,943,675 |
| Cash flows from noncapital financing activities: | | | | | | | |
| Cash received from the County | - | - | - | - | - | - | - |
| Transfers in | - | - | 628,774 | - | - | - | - |
| Transfers out | (628,774) | - | - | (16,142) | - | (1,531,324) | - |
| Net cash provided by (used in) noncapital financing activities | (628,774) | - | 628,774 | (16,142) | - | (1,531,324) | - |
| Cash flows from capital and related financing activities: | | | | | | | |
| Cash paid for bond issuance costs | - | - | - | - | - | - | - |
| Cash paid from reserves | - | - | - | - | - | - | (55,487) |
| Cash paid for principal on bonds | - | (200,042) | - | - | - | (645,000) | (8,895,000) |
| Cash paid for interest on bonds | - | (959,958) | - | - | - | (16,125) | (2,050,175) |
| Net cash used in capital and related financing activities | - | (1,160,000) | - | - | - | (661,125) | (11,000,662) |
| Cash flows from investing activities: | | | | | | | |
| Cash received from earnings on investments | 23,084 | 55,043 | 13 | 66,708 | 404 | 12 | 180,190 |
| Net increase (decrease) in cash and cash equivalents | (605,690) | 44,499 | 617,267 | 50,566 | 404 | (1,565,441) | 123,203 |
| Cash and cash equivalents, beginning of year | 605,690 | 1,118,138 | 137,039 | 1,186,624 | 7,288 | 1,565,441 | 2,792,030 |
| Cash and cash equivalents, end of year | \$ - | \$ 1,162,637 | \$ 754,306 | \$ 1,237,190 | \$ 7,692 | \$ - | \$ 2,915,233 |
| Financial statement presentation: | | | | | | | |
| Cash equivalents | \$ - | \$ 7 | \$ 754,306 | \$ 1,237,190 | \$ 7,692 | \$ - | \$ 2,915,233 |
| Cash equivalents - restricted for debt service | - | 1,162,630 | - | - | - | - | - |
| Cash and cash equivalents, end of year | \$ - | \$ 1,162,637 | \$ 754,306 | \$ 1,237,190 | \$ 7,692 | \$ - | \$ 2,915,233 |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | | | | | |
| Operating income (loss) | \$ - | \$ 227,009 | \$ (21,125) | \$ - | \$ - | \$ (4,712) | \$ 1,896,358 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | | | | |
| Changes in operating assets and liabilities: | | | | | | | |
| Decrease (increase) in notes receivable - principal | - | 919,447 | - | - | - | 645,000 | 8,895,000 |
| Decrease (increase) in notes receivable - interest | - | - | - | - | - | 16,125 | 152,317 |
| Increase (decrease) in accounts payable | - | 3,000 | 9,605 | - | - | (29,417) | - |
| Net cash provided by (used in) operating activities | \$ - | \$ 1,149,456 | \$ (11,520) | \$ - | \$ - | \$ 626,996 | \$ 10,943,675 |
| Supplemental disclosure of noncash activities: | | | | | | | |
| Noncash capital and related financing activities: | | | | | | | |
| Amortization and refunding of premium/discount on lease revenue bonds | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 30,308 | \$ 14,759,162 |
| Amortization and refunding of deferred gain/(loss) on refunding of debt | - | - | - | - | - | (891) | - |
| Accreted interest on capital appreciation bonds | - | (240,553) | - | - | - | - | - |
| Transfer of deferred gain on refunding | - | - | - | - | - | - | 13,349,125 |
| Defeasance of debt paid through escrow agent | - | - | - | - | - | - | - |

(continued)

SAN MATEO COUNTY
JOINT POWERS FINANCING AUTHORITY
(A Component Unit of the County of San Mateo, California)
Supplementary Schedule of Cash Flows
For the Fiscal Year Ended June 30, 2024

| 2016 | 2018 | 2019 | 2021A | 2023A | 2024A | Elimination | Total | |
|--------------|------------------|------------------|------------------|--------------|---------------|-----------------|-----------------|--|
| Refunding | Capital Projects | Capital Projects | Capital Projects | Refunding | Refunding | | | |
| \$ 4,230,000 | \$ 3,375,000 | \$ 7,440,000 | \$ - | \$ - | \$ - | \$ - | \$ 24,785,042 | Cash flows from operating activities: |
| 3,514,425 | 9,808,625 | 1,349,000 | 4,899,725 | 980,619 | 722,148 | - | 24,300,800 | Cash received from notes receivable, principal portion |
| - | - | - | - | - | 190,132 | - | 190,132 | Cash received from notes receivable, interest portion |
| - | 350,380 | - | - | - | - | - | 381,508 | Cash contributions from the County for bond issuance costs |
| - | (675,462) | - | (221,665) | - | - | - | (985,948) | Cash received from other sources |
| - | (24,956,866) | - | (25,663,978) | - | - | - | (50,620,844) | Cash paid for general and administrative expenses |
| - | - | - | - | - | - | - | - | Cash paid for project costs |
| 7,744,425 | (12,098,323) | 8,789,000 | (20,985,918) | 980,619 | 912,280 | - | (1,949,310) | Net cash provided by (used in) operating activities |
| - | (141,266) | - | - | - | - | - | (141,266) | Cash flows from noncapital financing activities: |
| - | 1,532,223 | - | 16,142 | - | 81,070 | (2,258,209) | - | Cash received from the County |
| - | - | - | - | (81,969) | - | 2,258,209 | - | Transfers in |
| - | - | - | - | - | - | - | - | Transfers out |
| - | 1,390,957 | - | 16,142 | (81,969) | 81,070 | - | (141,266) | Net cash provided by (used in) noncapital financing activities |
| - | - | - | - | - | (10,000) | - | (10,000) | Cash flows from capital and related financing activities: |
| - | - | - | (4,899,725) | - | - | - | (4,955,212) | Cash paid for bond issuance costs |
| (4,230,000) | (3,375,000) | (7,440,000) | - | - | - | - | (24,785,042) | Cash paid from reserves |
| (3,514,425) | (9,808,625) | (1,349,000) | (4,899,725) | (980,619) | (722,148) | - | (24,300,800) | Cash paid for principal on bonds |
| - | - | - | - | - | - | - | - | Cash paid for interest on bonds |
| (7,744,425) | (13,183,625) | (8,789,000) | (9,799,450) | (980,619) | (732,148) | - | (54,051,054) | Net cash used in capital and related financing activities |
| 14,201 | 3,192,297 | 16,067 | 2,498,799 | 4,105 | 4,268 | - | 6,055,191 | Cash flows from investing activities: |
| - | - | - | - | - | - | - | - | Cash received from earnings on investments |
| 14,201 | (20,698,694) | 16,067 | (28,270,427) | (77,864) | 265,470 | - | (50,086,439) | Net increase (decrease) in cash and cash equivalents |
| 5,401 | 68,942,929 | 2,881 | 64,990,519 | 79,510 | 22,556 | - | 141,456,046 | Cash and cash equivalents, beginning of year |
| \$ 19,602 | \$ 48,244,235 | \$ 18,948 | \$ 36,720,092 | \$ 1,646 | \$ 288,026 | \$ - | \$ 91,369,607 | Cash and cash equivalents, end of year |
| \$ 19,602 | \$ 48,244,235 | \$ 18,948 | \$ 36,282,037 | \$ 1,646 | \$ 288,026 | \$ - | \$ 89,768,922 | Financial statement presentation: |
| - | - | - | 438,055 | - | - | - | 1,600,685 | Cash equivalents |
| \$ 19,602 | \$ 48,244,235 | \$ 18,948 | \$ 36,720,092 | \$ 1,646 | \$ 288,026 | \$ - | \$ 91,369,607 | Cash equivalents - restricted for debt service |
| - | - | - | - | - | - | - | - | Cash and cash equivalents, end of year |
| \$ 3,417,487 | \$ (23,979,259) | \$ 1,178,500 | \$ (17,100,856) | \$ 1,450,195 | \$ 62,381,788 | \$ (61,345,000) | \$ (31,899,615) | Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: |
| - | - | - | - | - | - | - | - | Operating income (loss) |
| 4,230,000 | 3,375,000 | 7,440,000 | - | - | (61,345,000) | 61,345,000 | 25,504,447 | Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: |
| 96,938 | 77,344 | 170,500 | - | (469,576) | (124,508) | - | (80,860) | Changes in operating assets and liabilities: |
| - | 8,428,592 | - | (3,885,062) | - | - | - | 4,526,718 | Decrease (increase) in notes receivable - principal |
| - | - | - | - | - | - | - | - | Decrease (increase) in notes receivable - interest |
| - | - | - | - | - | - | - | - | Increase (decrease) in accounts payable |
| 7,744,425 | (12,098,323) | 8,789,000 | (20,985,918) | 980,619 | 912,280 | - | (1,949,310) | Net cash provided by (used in) operating activities |
| \$ 774,508 | \$ 411,696 | \$ 605,891 | \$ 519,620 | \$ 535,044 | \$ 186,099 | \$ - | \$ 17,822,328 | Supplemental disclosure of noncash activities: |
| (777,362) | - | 326,466 | - | 110,250 | 293,849 | - | (47,688) | Noncash capital and related financing activities: |
| - | - | - | - | - | - | - | (240,553) | Amortization and refunding of premium/discount on lease revenue bonds |
| - | - | - | - | - | - | - | - | Amortization and refunding of deferred gain/(loss) on refunding of debt |
| - | - | - | - | - | (13,349,125) | - | - | Accreted interest on capital appreciation bonds |
| - | - | - | - | - | 69,490,425 | - | 69,490,425 | Transfer of deferred gain on refunding |
| - | - | - | - | - | - | - | - | Defeasance of debt paid through escrow agent |

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**Independent Auditor’s 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***

Board of Directors
San Mateo County Joint Powers Financing Authority
Redwood City, 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 (*Government Auditing Standards*), the financial statements of the San Mateo County Joint Powers Financing Authority (Authority), a component unit of the County of San Mateo (County), 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, and have issued our report thereon dated October 18, 2024.

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.

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.

Macias Gini & O'Connell LLP

Walnut Creek, California
October 18, 2024