

**BONITA CANYON PUBLIC FACILITIES FINANCING  
AUTHORITY**

**AUDIT REPORT  
JUNE 30, 2023**

**BONITA CANYON PUBLIC FACILITIES FINANCING AUTHORITY  
BOARD OF DIRECTORS  
JUNE 30, 2023**

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**GOVERNING BOARD**

<b>Member</b>	<b>Organization</b>	<b>Title</b>
Mr. Scott Catlett	City of Newport Beach	President
Mrs. Julia Lammatao	Newport-Mesa Unified School District	Vice President
Mr. Jeff Trader	Newport-Mesa Unified School District	Secretary/Treasurer
Mr. Michael Gomez	City of Newport Beach	Member

**ORGANIZATION**

The Bonita Canyon Public Facilities Financing Authority was established on December 9, 1997, under a joint powers agreement for the purpose of approving the issuance of bonds for the financing of certain public improvements and the imposition of the special tax and the method of apportionment thereof. The Bonita Canyon Public Facilities Financing Authority consisted of the Irvine Unified School District, Newport-Mesa Unified School District, and the City of Newport Beach. On July 1, 1999, Irvine Unified School District withdrew from the Authority. Consequently, on March 18, 1998, the Governing Board passed the Resolution of Formation to establish the Community Facilities Agency and called for an election for the purpose of approving the issuance of bonds for the financing of certain public improvements and the imposition of the special tax and the method of apportionment thereof.

**BONITA CANYON PUBLIC FACILITIES FINANCING AUTHORITY**  
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**JUNE 30, 2023**

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## **FINANCIAL SECTION**

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K-12 School Districts and Charter  
Schools throughout California

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Independent Auditors' Report

Governing Board  
Bonita Canyon Public Facilities Financing Authority  
Costa Mesa, California

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Bonita Canyon Public Facilities Financing Authority, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Bonita Canyon Public Facilities Financing Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Bonita Canyon Public Facilities Financing Authority, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Bonita Canyon Public Facilities Financing Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***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 Bonita Canyon Public Facilities Financing 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.

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## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user of the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement 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 Bonita Canyon Public Facilities Financing 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bonita Canyon Public Facilities Financing 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 management's discussion and analysis and budgetary comparison information that the accounting principles generally accepted in the United States of America requires 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 statement in an appropriate operational, economic, or historical context. Our opinion on the basic financial statement is not affected by the missing information.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2024 on our consideration of the Bonita Canyon Public Facilities Financing 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 Bonita Canyon Public Facilities Financing 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 Bonita Canyon Public Facilities Financing Authority's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Christy White, Inc." The signature is written in a cursive, flowing style.

San Diego, California  
March 18, 2024

**BONITA CANYON PUBLIC FACILITIES FINANCING AUTHORITY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

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	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 34,469
<b>Total Assets</b>	<u>34,469</u>
<b>NET POSITION</b>	
Restricted:	
Capital projects	34,469
<b>Total Net Position</b>	<u>\$ 34,469</u>

A reconciliation summary to the Governmental Funds – Balance Sheet has not been presented as there are no reconciling items.



**BONITA CANYON PUBLIC FACILITIES FINANCING AUTHORITY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023**

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<u>Function/Programs</u>	<u>Expenses</u>	<u>Net (Expenses) Revenues and Changes in Net Position</u>
<b>GOVERNMENTAL ACTIVITIES</b>		
All other general administration	\$ 24,167	\$ (24,167)
<b>Total Governmental Activities</b>	<b>\$ 24,167</b>	<b>(24,167)</b>
	General revenues	
	Investment earnings	499
	<b>Subtotal, General Revenue</b>	<b>499</b>
	<b>Change in net position before transfers &amp; special items</b>	<b>(23,668)</b>
	Internal transfers	34,806
	<b>Total Transfers &amp; Special Items</b>	<b>34,806</b>
	<b>CHANGE IN NET POSITION</b>	<b>11,138</b>
	<b>Net Position - Beginning</b>	<b>23,331</b>
	<b>Net Position - Ending</b>	<b>\$ 34,469</b>

A reconciliation summary to the Governmental Funds – Statement of Revenues, Expenditures, and Change in Fund Balance has not been presented as there are no reconciling items.

**BONITA CANYON PUBLIC FACILITIES FINANCING AUTHORITY  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2023**

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	<u>Capital Projects Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ 34,469
<b>Total Assets</b>	<u>\$ 34,469</u>
<b>FUND BALANCES</b>	
Restricted for capital projects	\$ 34,469
<b>Total Fund Balances</b>	<u>\$ 34,469</u>

A reconciliation summary to the Statement of Net Position has not been presented as there are no reconciling items.

**BONITA CANYON PUBLIC FACILITIES FINANCING AUTHORITY  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
JUNE 30, 2023**

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	<u>Capital Projects Fund</u>
<b>REVENUES</b>	
Dividend income	\$ 499
<b>Total Revenues</b>	<u>499</u>
<b>EXPENDITURES</b>	
Current	
All other general administration	24,167
<b>Total Expenditures</b>	<u>24,167</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(23,668)</u>
<b>Other Financing Sources (Uses)</b>	
Transfers in from custodial funds	34,806
<b>Net Financing Sources (Uses)</b>	<u>34,806</u>
<b>NET CHANGE IN FUND BALANCE</b>	11,138
<b>Fund Balance - Beginning</b>	<u>23,331</u>
<b>Fund Balance - Ending</b>	<u>\$ 34,469</u>

A reconciliation summary to the Statement of Activities has not been presented as there are no reconciling items.

**BONITA CANYON PUBLIC FACILITIES FINANCING AUTHORITY  
FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2023**

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	<u>Custodial Funds</u>
<b>ASSETS</b>	
Cash and investments	\$ 3,057,908
<b>Total Assets</b>	<u>3,057,908</u>
<b>NET POSITION</b>	
Restricted	3,057,908
<b>Total Net Position</b>	<u>\$ 3,057,908</u>

**BONITA CANYON PUBLIC FACILITIES FINANCING AUTHORITY  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2023**

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	<u>Custodial Funds</u>
<b>ADDITIONS</b>	
Special tax collections	\$ 3,214,797
Dividend income	56,080
<b>Total Additions</b>	<u>3,270,877</u>
<b>DEDUCTIONS</b>	
Debt service - interest	460,173
Debt service - principal	2,620,000
Transfers out to governmental funds	34,806
<b>Total Deductions</b>	<u>3,114,979</u>
<b>CHANGE IN NET POSITION</b>	155,898
<b>Net Position - Beginning</b>	<u>2,902,010</u>
<b>Net Position - Ending</b>	<u>\$ 3,057,908</u>

**BONITA CANYON PUBLIC FACILITIES FINANCING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

The Bonita Canyon Public Facilities Financing Authority (the Authority) was formed on December 9, 1997, by a Joint Powers agreement among the following Orange County Government Agencies: Irvine Unified School District, Newport-Mesa Unified School District, and the City of Newport Beach. On July 1, 1999, Irvine Unified School District withdrew from the Authority. The purpose of the Authority is to finance the costs of certain school facilities, public parks and recreation facilities, and street improvements and facilities.

On March 18, 1998, the Governing Board passed the Resolution of Formation to establish the Community Facilities Agency and called an election for the purpose of approving the issuance of bonds for the financing of certain public improvements and the imposition of the Special Tax and the method of apportionment thereof. On March 18, 1998, qualified electors within the Community Facilities Agency, being The Irvine Company, voted to incur bonded indebtedness in the maximum aggregate principal amount of \$45,000,000 with interest at a rate or rates established at such time as the Bonds were sold in one or more series to finance the facilities, secured by a pledge of, and are payable solely from, the proceeds of the annually levied Special Tax. The Special Tax is levied and collected according to the rate and method of apportionment as described in the Resolution of Formation. A notice of Special Tax levy was recorded on April 1, 1998, with the County Recorder.

The Authority is governed by an appointed Governing Board. The Governing Board is comprised of two members selected by each participant agency. The Authority is fiscally responsible for its own operation, major financing arrangements, and contracts. Its significant accounting policies, as described below, are the same as for any independent Joint Powers Authority.

**B. Basis of Presentation – Fund Accounting**

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The Authority's funds are identified as governmental funds and fiduciary funds.

**Governmental Funds**

Governmental Funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the Authority's major governmental fund:

**Capital Projects Fund**

The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

**Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the Authority and are not available to support the Authority's own programs. Fiduciary funds are split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and custodial funds. The three types of trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Basis of Presentation – Fund Accounting (continued)**

**Fiduciary Funds (continued)**

Trust funds are used to account for the assets held by the Authority under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Authority's own programs. The Authority does not have any trust funds. Custodial funds are used to account for resources, not in a trust, that are held by the Authority for other parties outside the Authority. The Authority's custodial fund accounts for the receipt of special taxes and assessments used to pay principal and interest on related bonds with no liability to the Authority.

**C. Basis of Accounting – Measurement Focus**

**Government-Wide Financial Statements**

The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, which is different from the manner in which governmental fund financial statements are prepared.

Since the Authority does not have program revenues, the Statement of Activities presents all revenues as general revenues. Expenses are reported on a functional basis.

Net position should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**Fund Financial Statements**

Fund financial statements report detailed information about the Authority. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The Authority only has one fund, of which is a major governmental fund.

- **Governmental Funds** All Governmental Funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.
- **Fiduciary Funds** Fiduciary Funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the financial statements because they do not represent resources of the Authority.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Basis of Accounting – Measurement Focus (continued)**

**Revenues – Exchange and Non-Exchange Transactions**

On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. The Authority considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include contributions from property owners. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred. Principal and interest on general long-term debt, which has not matured, are recognized when paid in the governmental funds.

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position**

**Investments**

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

**Fund Balances - Governmental Funds**

As of June 30, 2023, fund balance of the governmental fund is classified as follows:

**Restricted**

The amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislations or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Spending Order Policy**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Authority considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Authority considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.



**BONITA CANYON PUBLIC FACILITIES FINANCING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)**

**Net Position**

Net position represents the difference between assets and deferred outflows or resources, and liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$23,331 of net position restricted for capital projects.

**Budgets and Budgetary Accounting**

Annually, the Authority's Governing Board adopts an operating budget. The Board and Treasurer revise this budget during the year to give consideration to unanticipated revenues and expenses partially resulting from events unknown at the time of budget adoption.

**Income Taxes**

The Authority's income is exempt from Federal and State income taxes under Internal Revenue Code Section 115 and the corresponding section of the California Revenue and Taxation Code.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 – CASH AND INVESTMENTS**

**A. Policies and Practices**

The Authority is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

**B. Summary of Cash and Investments**

	<b>Governmental Activities</b>	<b>Fiduciary Funds</b>
BNY Mellon Investments	\$ 34,469	\$ 3,057,908
<b>Total</b>	<b>\$ 34,469</b>	<b>\$ 3,057,908</b>

**BONITA CANYON PUBLIC FACILITIES FINANCING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**C. General Authorizations**

Except for investments by trustees of debt proceeds, the authority to invest Authority funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U. S. Treasury Obligations	5 years	None	None
U. S. Agency Securities	5 years	None	None
Banker’s Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

**D. Specific Identification**

Information about the sensitivity of fair values of the Agency’s investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the Agency’s investment by maturity:

<u>Investment Type</u>	<u>Amount Reported</u>	<u>Average Maturity (days)</u>
Goldman Sachs Financial Square Governmental Mutual Fund #465	\$ 3,092,377	39

**BONITA CANYON PUBLIC FACILITIES FINANCING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**E. 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. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Authority manages its exposure to interest rate risk by investing in short-term money market funds for cash flow requirements.

**F. Credit Risk**

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 investment in the Goldman Sachs Financial Square Governmental Mutual Fund #465 has not been rated.

**G. Fair Value**

The Authority determines the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

- Level 1 - Quoted prices in active markets for identical assets that the Authority has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.
- Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.
- Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the Authority's own data. The Authority should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the Authority are not available to other market participants.

The Authority's fair value measurements are as follows at June 30, 2023:

	<b>Observable Inputs Level 2</b>
Goldman Sachs Financial Square	
Governmental Mutual Fund #465	\$ 3,092,377
<b>Total</b>	<b>\$ 3,092,377</b>

All assets have been valued using a market approach, with quoted market prices.

**BONITA CANYON PUBLIC FACILITIES FINANCING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

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**NOTE 3 – NON-OBLIGATORY DEBT**

These bonds are authorized pursuant to the Mello-Roos Community Facilities Act of 1982 as amended and are payable from special taxes levied on property within Community Facilities District No. 98-1 according to a methodology approved by the voters within the Authority. Neither the faith and credit nor taxing power of the Authority is pledged to the payment of the bonds. The Authority acts solely as an agent for those paying taxes levied. As a result, this debt is considered non-obligatory debt of the Authority. During the 2018-2019 fiscal year, the outstanding obligations of Community Facilities District No. 98-1's Special Tax Bonds, Series 2012 were refunded through the issuance of Community Facilities District No. 98-1's 2017 Special Tax Refunding Bonds. At June 30, 2023, Community Facilities District No. 98-1's 2017 Special Tax Refunding Bonds had a remaining balance of \$16,055,000.

The Special Tax Bonds mature through 2029 as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 2,755,000	\$ 212,729	\$ 2,967,729
2025	2,910,000	352,450	3,262,450
2026	3,060,000	275,335	3,335,335
2027	3,210,000	194,245	3,404,245
2028	3,370,000	109,180	3,479,180
2029	750,000	19,875	769,875
<b>Total</b>	<b>\$ 16,055,000</b>	<b>\$ 1,163,814</b>	<b>\$ 17,218,814</b>

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## **OTHER INDEPENDENT AUDITORS' REPORTS**

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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

Governing Board  
Bonita Canyon Public Facilities Financing Authority  
Costa Mesa, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bonita Canyon Public Facilities Financing Authority, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Bonita Canyon Public Facilities Financing Authority's basic financial statements, and have issued our report thereon dated March 18, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Bonita Canyon Public Facilities Financing 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bonita Canyon Public Facilities Financing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Bonita Canyon Public Facilities Financing 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 Bonita Canyon Public Facilities Financing 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 statement. 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.

A handwritten signature in blue ink that reads "Christy White, Inc". The signature is written in a cursive, flowing style.

San Diego, California  
March 18, 2024