

**INLAND EMPIRE
PUBLIC FACILITIES CORPORATION
(A COMPONENT UNIT OF SAN BERNARDINO COUNTY)**

INDEPENDENT AUDITOR'S REPORTS AND FINANCIAL STATEMENTS

JUNE 30, 2022



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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Inland Empire Public Facilities Corporation (the "Corporation"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation, as of June 30, 2022, 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

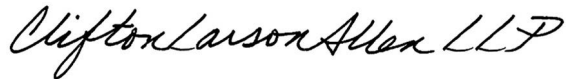
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of

Board of Supervisors and Audit Committee
Inland Empire Public Facilities Corporation

financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2022, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Roseville, California
November 14, 2022

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
STATEMENT OF NET POSITION
JUNE 30, 2022

ASSETS

Current Assets:

Cash and cash equivalents	\$ 79
Receivable from County	1,157,247
Gross contract receivable	35,719,269
Unearned contract interest income	<u>(8,065,478)</u>
Total Current Assets	<u>28,811,117</u>

Noncurrent Assets:

Gross contract receivable	181,609,250
Unearned contract interest income	<u>(18,002,873)</u>
Total Noncurrent Assets	<u>163,606,377</u>

TOTAL ASSETS 192,417,494

DEFERRED OUTFLOWS OF RESOURCES

Deferred loss on contract	23,337,586
Deferred loss on refunding	<u>11,446,740</u>

TOTAL DEFERRED OUTFLOWS OF RESOURCES 34,784,326

LIABILITIES

Current Liabilities:

Interest payable	2,261,384
Certificates of Participation payable	<u>27,175,000</u>
Total Current Liabilities	<u>29,436,384</u>

Noncurrent Liabilities:

Certificates of Participation payable	160,860,000
Arbitrage payable	1,157,247
Net premium on Certificates of Participation payable	<u>23,384,444</u>
Total Noncurrent Liabilities	<u>185,401,691</u>

TOTAL LIABILITIES 214,838,075

NET POSITION

Restricted for debt service	<u>12,363,745</u>
TOTAL NET POSITION	<u>\$ 12,363,745</u>

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
JUNE 30, 2022

NONOPERATING REVENUES

Contract interest	\$ 9,352,118
Investment Income:	
Interest and dividends	<u>84</u>
Total Nonoperating Revenues	<u>9,352,202</u>

NONOPERATING EXPENSES

Interest	<u>12,237,679</u>
Total Nonoperating Expenses	<u>12,237,679</u>

Changes in Net Position (2,885,477)

Net Position - Beginning of year 15,249,222

Net Position - End of year \$ 12,363,745

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
STATEMENT OF CASH FLOWS
JUNE 30, 2022

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Contract payments received	\$ 35,582,675
Principal payments	(26,060,000)
Interest payments	<u>(9,522,699)</u>
Net Cash Used for Noncapital Financing Activities	<u>(24)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income	<u>84</u>
Net Cash Provided by Investing Activities	<u>84</u>
Increase in cash and cash equivalents	60
Cash and cash equivalents - Beginning of year	<u>19</u>
Cash and cash equivalents - End of year	<u><u>\$ 79</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

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INLAND EMPIRE PUBLIC FACILITIES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: DESCRIPTION OF THE CORPORATION AND ACCOUNTING POLICIES

The Inland Empire Public Facilities Corporation (Corporation) is a nonprofit public benefit corporation, formed on May 30, 1986, to serve the San Bernardino County (County) by financing, refinancing, acquiring, constructing, improving, leasing and selling buildings, building improvements, equipment, land, land improvements, and any other real or personal property for the benefit of residents of the County.

The Corporation's financial statements are presented on the accrual basis of accounting. The Corporation is a legally separate entity who has the same governing board as the County, has financial benefit or burden and fiscal dependence on the County, and potential exclusion would result in misleading financial reporting of the County. Therefore, the Corporation is deemed to be a component unit of the County. Upon termination of the trust and agreements, any remaining assets of the Corporation shall become the property of the County.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Using this definition, the Corporation has no operating revenues or expenses.

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

Certificate of Participation (COP) premiums/discounts and deferred loss on refunding are deferred and amortized over the life of the debt using the straight-line method.

The deferred outflows of resources are defined as a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources are defined as an acquisition of net position by the government that is applicable to a future reporting period.

The deferred loss on refunding, classified as deferred outflows of resources, represents the excess of the amount placed in escrow (reacquisition price) over the carrying amount of the refunded bonds and is amortized over the remaining life of the refunded or refunding bonds using the straight line method. The amortization is displayed separately on the statement of revenues, expenses, and change in net position.

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: DESCRIPTION OF THE CORPORATION AND ACCOUNTING POLICIES
(continued)

In accordance with governmental accounting standards, a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows are presented. Net position is the residual of all other elements presented in a statement of financial position (assets, deferred outflows of resources, liabilities, and deferred inflows of resources). The Corporation's net position can be classified into restricted and unrestricted.

These classifications are defined as follows:

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

Unrestricted – This component of net position consists of net resources that do not meet the definition of "restricted" or "net investment in capital assets."

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

The Corporation qualifies as an Internal Revenue Code 501(c)(4) organization, and therefore, is exempt from taxation.

NOTE 2: THE PROJECTS

Medical Center Project: On November 4, 1991, the Board of Directors of the Corporation approved the overall financing program for the construction of the replacement County Medical Center. The project consisted of a hospital to be constructed on the site and hospital equipment. The overall financing plan for the replacement of the County Medical Center consists of the following phases:

1. Land acquisition financing:

The Corporation issued Certificates of Participation, Series A, dated November 1, 1991, in the amount of \$18,360,000. The proceeds from the sale of the "Series A" Certificates were used to acquire certain parcels of real property, which were used as the site of the hospital.

2. Preconstruction and first phase construction financing:

The Corporation issued Certificates of Participation, Series B, dated January 1, 1992, in the amount of \$246,100,000. The proceeds from the sale of the "Series B" Certificates were to be used to finance a portion of the costs of design, engineering, construction management and construction of the hospital, and to fund capitalized interest to August 1, 1999, and fund a reserve fund deposit.

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2: THE PROJECTS (continued)

On March 2, 1994, the Corporation issued Certificates of Participation dated February 1, 1994 in the amount of \$283,245,000 (1994 Certificates). The proceeds from the sale of the 1994 Certificates were used, together with remaining funds from the issuance of Series A and Series B Certificates, to provide funds for defeasance of the Series A and Series B Certificates. In addition to providing for the defeasance, the proceeds from the sale of the 1994 Certificates were used, together with remaining funds from the issuance of Series A and Series B Certificates, to provide funds to finance a portion of the costs of design, engineering, construction management and construction of the hospital and to fund capitalized interest to August 1, 1999, and fund a reserve fund deposit.

3. Principal construction financing:

On June 28, 1995, the Corporation issued Certificates of Participation dated June 1, 1995 in the amount of \$363,265,000 (1995 Certificates). The proceeds from the sale of the 1995 Certificates were used, together with some of the remaining funds from the issuance of the 1994 Certificates, to provide funds for the refunding of \$69,640,000 of the \$283,245,000 outstanding 1994 Certificates of Participation. In addition to providing for the refunding, the proceeds from the sale of the 1995 Certificates were used to provide funds to complete construction and to fund capitalized interest to and including October 1, 1999, and fund a reserve fund deposit.

On January 31, 1996, the Corporation issued Certificates of Participation dated January 1, 1996 in the amount of \$65,070,000 (1996 Certificates). The proceeds from the sale of the 1996 Certificates were used to provide for the defeasance of \$55,000,000 of the \$363,265,000 outstanding 1995 Certificates.

On October 22, 1998, the Corporation issued Certificates of Participation dated October 16, 1998 in the amount of \$176,510,000 (1998 Certificates). The proceeds from the sale of the 1998 Certificates were used to advance refund \$160,700,000 of the \$308,265,000 outstanding 1995 Certificates, to fund capitalized interest on the series 1998 Certificates to October 1, 1999, and to pay certain expenses of the transaction.

4. Major equipment acquisition financing:

On December 17, 2009, the Corporation issued Certificates of Participation dated December 17, 2009 in the amounts of \$243,980,000 (Arrowhead Refunding Project Series 2009 A Certificates of Participation) and \$44,750,000 (Arrowhead Refunding Project Series 2009 B Certificates of Participation). The proceeds from the sale of the Series 2009 A Certificates were used to advance refund \$45,325,000 of the \$83,505,000 outstanding 1995 Certificates, all of the \$174,410,000 outstanding 1998 Certificates and to fund a termination payment of \$23,793,000, with respect to the termination of the Interest Rate Swap Agreement on the 1998 Certificates. The proceeds from the sale of the Series 2009B Certificates were used to advance refund \$44,325,000 of the \$172,040,000 outstanding 1994 Certificates.

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2: THE PROJECTS (continued)

On July 1, 2019, the Corporation issued Certificates of Participation dated July 1, 2019 in the amounts of \$224,045,000 (Arrowhead Refunding Project Series 2019 A Certificates of Participation) and \$35,635,000 (Arrowhead Refunding Project Series 2019 B Certificates of Participation). The proceeds from the sale of the Series 2019 A Certificates were used to advance refund \$54,795,000 of the \$92,835,000 outstanding 1994 Certificates, all of the \$60,870,000 outstanding 1996 certificates, all of the \$144,980,000 outstanding Series 2009A Certificates, and all of the \$36,470,000 outstanding Series 2009B Certificates. The proceeds from the sale of the Series 2019B Certificates were used to advance refund \$38,040,000 of the \$92,835,000 outstanding 1994 certificates.

The master agreement between the County and the Corporation was amended and supplemented on July 1, 2019. The master agreement obligates the County to make aggregate payments on each Series, including the Series 2019 A payments and Series 2019 B payments.

NOTE 3: CASH AND INVESTMENTS

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

As of June 30, 2022, cash and investments consisted of the following:

Statement of Net Position (combined):

Cash and cash equivalents	\$	79
Total Cash and Investments	\$	<u>79</u>

Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurement and Application*, requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. This Statement also establishes a hierarchy of inputs to valuation techniques used to measure fair value. The hierarchy has three levels.

- Level 1 Inputs - Quoted prices (unadjusted) in active markets for identical assets
- Level 2 Inputs - Inputs-other than quoted prices included in Level 1-that are observable for an asset, either directly or indirectly
- Level 3 Inputs - Unobservable inputs for an asset

The determination of what constitutes observable inputs requires judgement by management.

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3: CASH AND INVESTMENTS (Continued)

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

The valuation of 2a7 money market mutual funds are at one-dollar net asset value (NAV) per share. The total fair value at June 30, 2022 was \$79, with \$0 unfunded commitments. The redemption frequency is daily and redemption notice period of intra-daily. This type of investment primarily invests in short term U.S Treasury, government securities (including repurchase agreements collateralized by U.S. Treasury and government agency securities).

Investments Authorized by Debt Agreements

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

Interest Rate Risk

Interest rate risk is the measurement of how changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the more sensitive its fair value is to changes in market interest rates. As a component unit of San Bernardino County which uses weighted average maturity to monitor its interest rate risk, the Corporation has elected weighted average maturity for its disclosure method.

As of June 30, 2022, the Corporation's cash, and investments, including cash equivalents, were as follows:

Investments	Maturity	Fair Value	Weighted Average Maturity (Years)
Money Market Mutual Funds	N/A	\$ 79	N/A

Credit Risk

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

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4: CONTRACT RECEIVABLE

The Corporation entered into an agreement with the County whereby the Projects are contracted to the County for contract payments that are equal to the debt service due on the Certificates of Participation less any amount held in reserve. The County may, pursuant to the contract agreement, abate the contract payments by the amount of investment interest income earned by the trustee in the contract payment and reserve accounts.

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

	Medical Center
2023	\$ 35,719,269
2024	36,605,625
2025	36,608,250
2026	36,745,250
2027	36,820,625
Thereafter	34,829,500
Total Contract Payments Receivable	217,328,519
Less: Unearned Interest	(26,068,351)
Net Contract Receivable	\$ 191,260,168

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5: LONG-TERM DEBT

The following is a summary of changes in the Certificates of Participation for the fiscal year ended June 30, 2022:

Description	July 1, 2021	Additions	Reductions	June 30, 2022	Due Within One Year
Medical Center Project					
Series 2019 A	\$ 190,280,000	\$ -	\$ 14,320,000	\$ 175,960,000	\$ 15,100,000
Series 2019 B	23,815,000	-	11,740,000	12,075,000	12,075,000
Subtotal bonds	214,095,000	-	26,060,000	188,035,000	27,175,000
Issuance premium	28,348,963	-	4,964,519	23,384,444	4,964,519
Total bonds	<u>\$ 242,443,963</u>	<u>\$ -</u>	<u>\$ 31,024,519</u>	<u>\$ 211,419,444</u>	<u>\$ 32,139,519</u>

The annual requirements to amortize all long-term debt outstanding as of June 30, 2022, including interest payments of \$29,293,519 over the life of the debt, are summarized as follows for fiscal years ending June 30:

Description	2023	2024	2025
Medical Center Project			
Series 2019 A	\$ 23,520,500	\$ 36,605,625	\$ 36,608,250
Series 2019 B	12,198,769	-	-
	<u>\$ 35,719,269</u>	<u>\$ 36,605,625</u>	<u>\$ 36,608,250</u>
Description	2026	2027	2028
Medical Center Project			
Series 2019 A	\$ 36,745,250	\$ 36,820,625	\$ 34,829,500
Series 2019 B	-	-	-
	<u>\$ 36,745,250</u>	<u>\$ 36,820,625</u>	<u>\$ 34,829,500</u>
Description	Total		
Medical Center Project			
Series 2019 A	\$ 205,129,750		
Series 2019 B	12,198,769		
Total Long-Term Debt	217,328,519		
Less: Total Interest	(29,293,519)		
Total Principal	<u>\$ 188,035,000</u>		

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5: LONG-TERM DEBT (continued)

The following are the certificates of participation debt service schedules for the fiscal year ended June 30, 2022.

MEDICAL CENTER PROJECT – 2019 SERIES A

Fiscal Year	Due October 1		Due April 1	Total
	Principal	Interest	Interest	
2022-23	\$ 15,100,000	\$ 4,399,000	\$ 4,021,500	\$ 23,520,500
2023-24	29,295,000	4,021,500	3,289,125	36,605,625
2024-25	30,800,000	3,289,125	2,519,125	36,608,250
2025-26	32,520,000	2,519,125	1,706,125	36,745,250
2026-27	34,265,000	1,706,125	849,500	36,820,625
2027-28	33,980,000	849,500	-	34,829,500
	<u>\$ 175,960,000</u>	<u>\$ 16,784,375</u>	<u>\$ 12,385,375</u>	<u>\$ 205,129,750</u>

MEDICAL CENTER PROJECT – 2019 SERIES B

Fiscal Year	Due October 1		Due April 1	Total
	Principal	Interest	Interest	
2022-23	\$ 12,075,000	\$ 123,769	\$ -	\$ 12,198,769
	<u>\$ 12,075,000</u>	<u>\$ 123,769</u>	<u>\$ -</u>	<u>\$ 12,198,769</u>

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5: LONG-TERM DEBT (continued)

Source of Payment: The ability of the Corporation to pay its obligations is dependent upon receipt of contract payments from the San Bernardino County in accordance with various contract agreements. Under the contract agreements the County is required to make contract payments each year, from any source of legally available funds, in an amount sufficient to pay the annual principal and interest with respect to the Certificates of Participation. The obligation of the County to make contract payments does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation, or for which the County has levied or pledged any form of taxation. Neither the certificates, nor the obligation of the County to make such contract payments, constitutes any indebtedness of the County.

Medical Center Project: The Medical Center Series 1994 Certificates of Participation were issued by the Corporation dated February 1, 1994, in the amount of \$283,245,000, with interest rates from 4.60 percent to 7.00 percent. The Series 1994 Certificates maturing on August 1, 2019, August 1, 2024, August 1, 2026, and August 1, 2028, are subject to optional redemption in whole or in part on any date in such order of maturity as the Corporation shall determine and by lot within a maturity, plus interest accrued to the redemption date. On December 17, 2009 the Corporation issued the Arrowhead Refunding Project Series 2009 B Certificates and used the proceeds of the Series 2009 B Certificates along with other available funds to refund \$44,325,000 of the Series 1994 Certificates. On July 1, 2019 the Corporation issued the Arrowhead Refunding Project Series 2019 A and B Certificates and used the proceeds along with other available funds to refund the remaining \$92,835,000 outstanding Series 1994 Certificates.

The Medical Center Series 1996 Certificates of Participation were issued by the Corporation dated January 1, 1996, in the amount of \$65,070,000, with interest rates from 5 percent to 5.25 percent. The Series 1996 Certificates are subject to optional redemption in whole or in part on any date in such order of maturity as the Corporation shall determine and by lot within a maturity, plus interest accrued to the redemption date. On July 1, 2019 the Corporation issued the Arrowhead Refunding Project Series 2019 A and B Certificates and used the proceeds along with other available funds to refund all of the \$60,870,000 outstanding Series 1996 Certificates.

The Arrowhead Refunding Project Series 2009 A Certificates of Participation were issued by the Corporation, dated December 17, 2009, in the amount of \$243,980,000, with interest rates from 3 percent to 5.50 percent. On July 1, 2019 the Corporation issued the Arrowhead Refunding Project Series 2019 A and B Certificates and used the proceeds along with other available funds to refund all of \$144,980,000 outstanding 2009 Series A Certificates.

The Arrowhead Refunding Project Series 2009 B Certificates of Participation were issued by the Corporation, dated December 17, 2009, in the amount of \$44,750,000, with interest rates from 3 percent to 5.25 percent. On July 1, 2019 the Corporation issued the Arrowhead Refunding Project Series 2019 A and B Certificates and used the proceeds along with other available funds to refund all \$36,470,000 outstanding 2009 Series B Certificates.

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5: LONG-TERM DEBT (continued)

The Arrowhead Refunding Project Series 2019 A Certificates of Participation were issued by the Corporation, dated July 1, 2019, in the amount of \$224,045,000, with interest rates from 4.75 percent to 5.50 percent.

The Arrowhead Refunding Project Series 2019 B Certificates of Participation were issued by the Corporation, dated July 1, 2019, in the amount of \$35,653,000, with interest rates from 5.50 percent to 7 percent.

The 2019 Arrowhead Refunding Project Certificates Series A and B are not subject to optional prepayment prior to maturity. As security for payment, the Corporation has assigned all of its right, title and interest in and to the contract and the Agreement, including its right to receive the Base Rental Payments due under the Agreement and the right to exercise any remedies provided in the Agreement in the event of a default by the County thereunder.

Proceeds from the 2019 Arrowhead Refunding Project Certificates Series A and B, along with other District and County funds, were used to pay or prepay in full the outstanding principal balance of the 1994, 1996, 2009 A&B Certificates of Participation. The deferred loss will be amortized through 2028 at \$3,472,827 per year.

NOTE 6: PRIOR YEARS' DEFEASANCE OF DEBT

In prior years, the Corporation defeased certain Certificates of Participation by placing proceeds of new certificates in an irrevocable trust to provide for all future debt service payments on the Certificates of Participation. Accordingly, the trust account assets and liability for the defeased certificates are not included in the Corporation's financial statements. At June 30, 2022, Certificates of Participation outstanding considered defeased are as follows:

Defeased Debt	Amount	Refunded By
Medical Center Series 1994	\$ 13,290,000	Medical Center Series 2019B

NOTE 7: ARBITRAGE PAYABLE

The exclusion, under Section 103(a) of the Internal Revenue Code of 1986, from gross income for federal income tax purposes of the interest component of Contract Payments (and the interest payable with respect to the Certificates) is based on compliance with certain requirements of the Code. Included among such requirements of Section 148(f) of the Code is that certain excess investment earnings be rebated to the federal government.

Rebatable arbitrage (if any) is required to be paid to the federal government following the end of each period of five bond years during the term of the Contract Agreement (and Certificates of Participation). As of June 30, 2022, the estimated arbitrage payable, relating to the Medical Center Project, is \$1,157,247.

NOTE 8: NEW ACCOUNTING PRONOUNCEMENTS

Effective in Current Fiscal Year

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The requirements of this Statement are effective for periods beginning after June 15, 2021.

GASB Statement No. 89 – In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for periods beginning after December 15, 2020. The Statement did not have an effect on the Corporation's financial statements.

GASB Statement No. 92 – In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and finance reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The Statement did not have an effect on the Corporation's financial statements.

GASB Statement No. 93 – In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The Statement did not have an effect on the Corporation's financial statements.

GASB Statement No. 99 – In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and finance reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. The Statement did not have an effect on the Corporation's financial statements.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Inland Empire Public Facilities Corporation (the "Corporation"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated November 14, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Roseville, California
November 14, 2022



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