INLAND EMPIRE
PUBLIC FACILITIES CORPORATION
(A COMPONENT UNIT OF THE COUNTY OF SAN BERNARDINO, CALIFORNIA)

INDEPENDENT AUDITOR’S REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
(A COMPONENT UNIT OF THE COUNTY OF SAN BERNARDINO, CALIFORNIA)

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Inland Empire Public Facilities Corporation (Corporation), a component unit of the County of San Bernardino, California as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Corporation's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2020, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's financial statements. The schedules of lease payments receivable and schedules of debt service are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary 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. Such 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 auditing standards generally accepted in the United States of America. 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 January 13, 2021, 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.

Rancho Cucamonga, California
January 13, 2021

EXHIBIT A

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
STATEMENT OF NET POSITION
June 30, 2020

ASSETS	
Current Assets:	
Cash and cash equivalents	$ 1,372
Restricted cash and cash equivalents	-
Interest receivable	-
Receivable from County	1,350,919
Gross lease payments receivable	35,493,685
Unearned lease interest income	(10,576,319)
Total Current Assets	26,269,657
Noncurrent Assets:	
Gross lease payments receivable	252,911,218
Unearned lease interest income	(35,448,582)
Total Noncurrent Assets	217,462,636
TOTAL ASSETS	243,732,293
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on lease	32,228,094
Deferred loss on refunding	18,392,394
TOTAL DEFERRED OUTFLOWS OF RESOURCES	50,620,488
LIABILITIES	
Current Liabilities:	
Interest payable	2,724,378
Certificates of Participation payable	25,045,000
Net (discount) on Certificates of Participation payable	4,949,481
Total Current Liabilities	32,718,859
Noncurrent Liabilities:	
Certificates of Participation payable	214,095,000
Arbitrage payable	1,350,919
Net (discounts) on Certificates of Participation payable	28,364,001
Total Noncurrent Liabilities	243,809,920
TOTAL LIABILITIES	276,528,779
NET POSITION	
Restricted for debt service	17,824,002
TOTAL NET POSITION	$ 17,824,002

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

NONOPERATING REVENUES	
Lease interest	$ 4,328,031
Investment Income:	
Interest and dividends	465,620
Total Nonoperating Revenues	4,793,651
NONOPERATING EXPENSES	
Interest	11,483,181
Amortization of deferred amount on refunding	8,089,005
Amortization of discount on Certificates of Participation	(4,949,480)
Amortization of deferred Certificates of Participation issuance costs	6,218,005
Total Nonoperating Expenses	20,840,711
Net nonoperating activity before transfer	(16,047,060)
Transfer to the County	(138,577)
Total Transfers	(138,577)
Changes in Net Position	(16,185,637)
Net Position - Beginning of year	34,009,639
Net Position - End of year	$ 17,824,002

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Lease payments received	$ 36,235,990
Principal payments	(317,655,000)
Interest payments	(15,966,040)
Proceeds of COP Issuance	297,958,001
COPs Issuance Costs	(6,218,005)
Transfers to Defeasance Account	(42,144,089)
Residual Equity Transfers to County	(138,577)
Net Cash Used for Noncapital Financing Activities	(47,927,720)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income	526,618
Net Cash Provided by Investing Activities	526,618
Decrease in cash and cash equivalents	(47,401,102)
Cash and cash equivalents - Beginning of year	47,402,474
Cash and cash equivalents - End of year	$ 1,372

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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 County of San Bernardino (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 lease agreements, any remaining assets of the Corporation shall become the property of the County. All projects are presented as major proprietary funds.

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 uses the Direct Financing Lease Method to record the lease of the projects to the County. Under this method, when a project is completed, the Corporation records a lease receivable (see Note 4) and the Capital Assets are carried on the books of the lessee (County).

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

Certificates 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.

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.

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.

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

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 PROJECT

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.

   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.

NOTE 2: THE PROJECT *(continued)*

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.

   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 lease agreement between the County and the Corporation was amended and supplemented on July 1, 2019. The master lease agreement obligates the County to make aggregate lease payments on each Series, including the Series 2019 A lease payments and Series 2019 B lease 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, 2020 cash and investments consisted of the following:

Statement of Net Position (combined):	
Cash and cash equivalents	$ 1,372
Total Cash and Investments	$ 1,372

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. 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 of these at June 30, 2020 was $1,372, 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.

NOTE 3: CASH AND INVESTMENTS *(continued)*

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 the County of San Bernardino 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, 2020, 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	$ 1,372	N/A

Credit Risk

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

NOTE 4: LEASE RECEIVABLE

The Corporation entered into an agreement with the County whereby the Projects are leased to the County for lease 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 lease agreement, abate the lease payments by the amount of investment interest income earned by the trustee in the lease payment and reserve accounts.

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

	Medical Center
2021	$ 35,493,685
2022	35,582,699
2023	35,719,269
2024	36,605,625
2025	36,608,250
2026-28	108,395,375
Total Lease Payments Receivable	288,404,903
Less: Unearned Interest	(46,024,901)
Net Lease Receivable	$ 242,380,002

NOTE 5: LONG-TERM DEBT

The following is a summary of changes in the Certificates of Participation for the fiscal year ended June 30, 2020:

Description	July 1, 2019	Additions	Write-Offs	Reductions	June 30, 2020	Due Within One Year
Medical Center Project						
Series 1994	$ 92,835,000	$ -	$ -	$ 92,835,000	$ -	$ -
Series 1996	60,870,000	-	-	60,870,000	-	-
Series 2009 A	144,980,000	-	-	144,980,000	-	-
Series 2009 B	36,470,000	-	-	36,470,000	-	-
Series 2019 A	-	224,045,000	-	20,540,000	203,505,000	13,225,000
Series 2019 B	-	35,635,000	-	-	35,635,000	11,820,000
Subtotal bonds	335,155,000	259,680,000	-	355,695,000	239,140,000	25,045,000
Issuance discount	(4,207,717)	-	(4,168,733)	(38,984)	-	-
Issuance premium	1,649,724	38,278,001	1,625,778	4,988,465	33,313,482	4,988,465
Total bonds	$ 332,597,007	$ 297,958,001	$ (2,542,955)	$ 360,644,481	$ 272,453,482	$ 30,033,465

Amounts presented in the write-offs column reflect residual unamortized premiums and discounts. These balances do not require continued amortization as the entire principal balance on the related debt issuances were refunded during the year.

The annual requirements to amortize all long-term debt outstanding as of June 30, 2020, including interest payments of $49,264,903 over the life of the debt, are summarized as follows for fiscal years ending June 30:

Description	2021	2022	2023
Medical Center Project			
Series 2019 A	$ 23,069,625	$ 23,476,000	$ 23,520,500
Series 2019 B	12,424,060	12,106,699	12,198,769
	$ 35,493,685	$ 35,582,699	$ 35,719,269

Description	2024	2025	2026-28
Medical Center Project			
Series 2019 A	$ 36,605,625	$ 36,608,250	$ 108,395,375
Series 2019 B	-	-	-
	$ 36,605,625	$ 36,608,250	$ 108,395,375

Description	Total
Medical Center Project	
Series 2019 A	$ 251,675,375
Series 2019 B	36,729,528
Total Long-Term Debt	288,404,903
Less: Total Interest	(49,264,903)
Total Principal	$ 239,140,000

Note: Principal and interest for each fiscal year is displayed in the supplementary information.

NOTE 5: LONG-TERM DEBT *(continued)*

Source of Payment: The ability of the Corporation to pay its obligations is dependent upon receipt of lease payments from the County of San Bernardino in accordance with various lease agreements. Under the lease agreements the County is required to make lease 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 lease 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 lease 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.

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.together with interest accrued and unpaid to the date fixed for redemption, without premium, from the proceeds of optional prepayments of lease payments made by the County pursuant to the lease agreement.

NOTE 5: LONG-TERM DEBT *(continued)*

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 Ground Lease and the Lease Agreement, including its right to receive the Base Rental Payments due under the Lease Agreement and the right to exercise any remedies provided in the Lease Agreement in the event of a default by the County there under.

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 refunding reduced debt service payments by $101,981,234 over the next 7 years resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $46,332,269. The refunding resulted in a loss in the amount of $18,392,394 and is reported as a deferred outlow of resources. The deferred loss will be amortized through 2028 at $3,643,751 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, 2020, Certificates of Participation outstanding considered defeased are as follows:

Defeased Debt	Amount	Refunded By
Medical Center Series 1994	$ 38,040,000	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 Lease 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 Lease Agreement (and Certificates of Participation). As of June 30, 2020, the estimated arbitrage payable, relating to the Medical Center Project, is $1,350,919.

NOTE 8: NEW ACCOUNTING PRONOUNCEMENTS

Effective in Current Fiscal Year

GASB Statement No. 95 – In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The Corporation adopted this Statement during the current fiscal year. As a result of adopting this statement, all Statements that were originally scheduled to be effective during the year ending June 30, 2020 have been deferred to fiscal years after the year ending June 30, 2020. The revised effective dates of future accounting pronouncements are described below.

NOTE 8: NEW ACCOUNTING PRONOUNCEMENTS *(continued)*

Effective in Future Fiscal Years

The GASB has issued the following pronouncements that have effective dates which may impact future financial statement presentation. The Corporation has not determined the effect of the following Statements:

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for periods beginning after December 15, 2019.

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.

GASB Statement No. 90 – In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations.* The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statements are effective for reporting periods beginning after December 15, 2021.

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.

NOTE 8: NEW ACCOUNTING PRONOUNCEMENTS *(continued)*

GASB Statement No. 93 – In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates (IBOR).* 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, 2020.

GASB Statement No. 94 – In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The primary objective of this Statements is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements.* This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The requirements of this Statements are effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 97 – In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The Statement is effective for reporting periods beginning after June 15, 2021.

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
SCHEDULE OF LEASE PAYMENTS RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2020

MEDICAL CENTER PROJECT – 2019 SERIES A

Fiscal Year	Due October 1	Due April 1	Total
2020-21	$ 18,312,625	$ 4,757,000	$ 23,069,625
2021-22	19,077,000	4,399,000	23,476,000
2022-23	19,499,000	4,021,500	23,520,500
2023-24	33,316,500	3,289,125	36,605,625
2024-25	34,089,125	2,519,125	36,608,250
2025-26	35,039,125	1,706,125	36,745,250
2026-27	35,971,125	849,500	36,820,625
2027-28	34,829,500	-	34,829,500
	$ 230,134,000	$ 21,541,375	$ 251,675,375

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
SCHEDULE OF LEASE PAYMENTS RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2020

MEDICAL CENTER PROJECT – 2019 SERIES B

Fiscal Year	Due October 1	Due April 1	Total
2020-21	$ 12,181,130	$ 242,930	$ 12,424,060
2021-22	11,982,930	123,769	12,106,699
2022-23	12,198,769	-	12,198,769
	$ 36,362,829	$ 366,699	$ 36,729,528

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
SCHEDULE OF DEBT SERVICE - CERTIFICATE OF PARTICIPATION
FOR THE YEAR ENDED JUNE 30, 2020

MEDICAL CENTER PROJECT – 2019 SERIES A

Fiscal Year	Due October 1 Principal	Due October 1 Interest	Due April 1 Interest	Total
2020-21	$ 13,225,000	$ 5,087,625	$ 4,757,000	$ 23,069,625
2021-22	14,320,000	4,757,000	4,399,000	23,476,000
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
	$ 203,505,000	$ 26,629,000	$ 21,541,375	$ 251,675,375

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
SCHEDULE OF DEBT SERVICE - CERTIFICATE OF PARTICIPATION
FOR THE YEAR ENDED JUNE 30, 2020

MEDICAL CENTER PROJECT – 2019 SERIES B

	Due October 1		Due April 1	
Fiscal Year	Principal	Interest	Interest	Total
2020-21	$ 11,820,000	$ 361,130	$ 242,930	$ 12,424,060
2021-22	11,740,000	242,930	123,769	12,106,699
2022-23	12,075,000	123,769	-	12,198,769
	$ 35,635,000	$ 727,829	$ 366,699	$ 36,729,528

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CPAs & BUSINESS ADVISORS

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

We have audited, 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, the financial statements of the Inland Empire Public Facilities Corporation (Corporation), a component unit of the County of San Bernardino, California, as of and for the year then ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated January 13, 2021.

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 may exist that have not been identified.

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 Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
January 13, 2021