SAN BERNARDINO COUNTY
FINANCING AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF SAN BERNARDINO, CALIFORNIA)

INDEPENDENT AUDITOR'S REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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SAN BERNARDINO COUNTY FINANCING AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF SAN BERNARDINO, CALIFORNIA)

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Report on the Financial Statements

We have audited the accompanying financial statements of each major fund of the San Bernardino County Financing Authority (Authority), 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 Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Authority'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 opinions 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Authority, as of June 30, 2020, and the respective changes in its financial position, and 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 opinions on the financial statements that collectively comprise the Authority's financial statements. The 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 Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
January 13, 2021

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Exhibit A

SAN BERNARDINO COUNTY FINANCING AUTHORITY
STATEMENT OF NET POSITION
June 30, 2020

	Pension Obligation	Courthouse Project	Total
ASSETS			
Current assets			
Cash and cash equivalents	$ 31,758	$ 3,091,959	$ 3,123,717
Interest receivable	-	133	133
Receivables:			
Due from County	67,315,946	-	67,315,946
Due from AQMD	3,046,038	-	3,046,038
Total current assets	70,393,742	3,092,092	73,485,834
Noncurrent assets			
Receivables:			
Due from County	62,188,923	-	62,188,923
Due from AQMD	2,803,441	-	2,803,441
Total noncurrent assets	64,992,364	-	64,992,364
Total assets	135,386,106	3,092,092	138,478,198
LIABILITIES			
Current liabilities			
Interest payable	-	56,535	56,535
Bonds payable, net	65,228,481	455,000	65,683,481
Due to other government	-	1,609,745	1,609,745
Total current liabilities	65,228,481	2,121,280	67,349,761
Noncurrent liabilities			
Bonds payable, net	70,536,371	11,880,000	82,416,371
Total noncurrent liabilities	70,536,371	11,880,000	82,416,371
Total liabilities	135,764,852	14,001,280	149,766,132
NET POSITION:			
Unrestricted	(378,746)	(10,909,188)	(11,287,934)
TOTAL NET POSITION (DEFICIT):	$ (378,746)	$ (10,909,188)	$ (11,287,934)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

SAN BERNARDINO COUNTY FINANCING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

	Pension Obligation	Courthouse Project	Total
NONOPERATING REVENUES			
Interest and dividends	$ 309,855	$ 35,914	$ 345,769
Accretion of interest income	10,304,398	-	10,304,398
Surcharge revenue	-	1,902,935	1,902,935
Total nonoperating revenues	10,614,253	1,938,849	12,553,102
NONOPERATING EXPENSES			
Interest	-	700,356	700,356
Accretion of interest expense	10,304,398	-	10,304,398
Contributions to other government	-	1,133,101	1,133,101
Other expense	21,127	-	21,127
Administrative expense	-	1,700	1,700
Total nonoperating expenses	10,325,525	1,835,157	12,160,682
Changes in net position	288,728	103,692	392,420
Net position (deficit) - Beginning of year	(667,474)	(11,012,880)	(11,680,354)
Net position (deficit) - End of year	$ (378,746)	$ (10,909,188)	$ (11,287,934)

Exhibit C

SAN BERNARDINO COUNTY FINANCING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	Pension Obligation	Courthouse Project	Total
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Principal payments on bonds	$ (67,485,000)	$ (435,000)	$ (67,920,000)
Interest paid on bonds	-	(702,350)	(702,350)
Surcharges received	-	1,902,935	1,902,935
Contribution to other government	-	(169,817)	(169,817)
Net cash flows provided by or (used) for noncapital financing activities	(67,485,000)	595,768	(66,889,232)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	27,736	40,065	67,801
Payments received from County and AQMD for maturities of financial securities	67,485,000	-	67,485,000
Other Expense	(21,130)	-	(21,130)
Administrative expense	-	(1,700)	(1,700)
Net cash flows provided by or (used) for investing activities	67,491,606	38,365	67,529,971
Increase in cash and cash equivalents	6,606	634,133	640,739
Cash and cash equivalents - Beginning of year	25,152	2,457,826	2,482,978
Cash and cash equivalents - End of year	$ 31,758	$ 3,091,959	$ 3,123,717

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SAN BERNARDINO COUNTY FINANCING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 1: DESCRIPTION OF THE AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Agreement authorizes the Authority to provide financing for public capital improvements for the County, to acquire such public capital improvements, and to purchase certain underlying obligations issued by or on behalf of the County. Obligations may be in the form of assessment district bonds, community facilities district bonds, general obligation bonds, limited obligation bonds, revenue bonds, notes, lease-purchase agreements and other evidence of indebtedness. The financial position and results of operations of the services provided are reflected in the funds of the joint powers authority. The Authority is deemed to be a component unit of the County, although legally separate. The governing board of the Authority is the same as the County.

All activities of the Authority are presented as proprietary funds. The Authority's financial statements are presented on the accrual basis of accounting. Under this method, income is recognized when earned and expenses recorded when incurred. The Authority provides services entirely to the County. All accounts and records of the Authority's projects are held by trustee banks.

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. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

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

On December 1, 1995, the Authority used the proceeds of its pension obligation bonds to purchase all the outstanding San Bernardino County (County) 1995 Pension Obligation Refunding Bonds and the South Coast Air Quality Management District (AQMD) 1995 Pension Obligation Refunding Bonds. The timing and cash flows of the debt issues are identical in effect creating receivables from the County and AQMD to the Authority. Because the service capacity of the outstanding County and AQMD bonds is not based solely on the bond's ability to generate cash, these bonds would not meet the definition of an investment in accordance with GASB Statement No. 72, Fair Value Measurement and Application. Accordingly, the classification of such assets is reported as receivables.

The Authority has deep-discounts associated with the bond issues. The deep-discount is being amortized based on the accreted value of the bonds at year-end. The Authority records the amortization of deep-discount as accretion of interest expense.

NOTE 1: DESCRIPTION OF THE AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

In accordance with generally accepted 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 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 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 Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

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

NOTE 2: CASH AND INVESTMENTS

Fiscal agents acting on behalf of the Authority hold all cash and investments from long-term debt issuances and Courthouse surcharges. In accordance with the terms of the trust agreements, cash and investments are segregated and restricted for specified purposes. The trustee banks for the Authority are as follows:

Bond Issue	Trustee
1995 Pension Obligation Bonds	The Bank of New York Mellon Trust Company
2007 Courthouse Revenue Bonds	Wells Fargo Bank, National Association

Fair Value Measurements

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 $3,123,717, 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

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements. The Courthouse Project Bonds currently outstanding were issued to provide funds to the County of San Bernardino to renovate courthouse facilities located within the County of San Bernardino. In addition to these local bonds, the debt agreements specify permitted investment types along with any related insurance, collateral, or minimum credit rating requirements. The Courthouse Project Bonds investments in money market funds are required to have the highest letter and numerical rating. The Courthouse Project Bonds met these requirements as of June 30, 2020.

NOTE 2: CASH AND INVESTMENTS *(continued)*

Credit Risk

The Authority's investments in money market mutual funds were rated Aaa-mf by Moody's Investors Service.

NOTE 3: RECEIVABLES

The receivable is the result of the Authority purchasing San Bernardino County 1995 Pension Obligation Refunding Bonds and the South Coast Air Quality Management District 1995 Pension Obligation Refunding Bonds which were issued by the County and AQMD. Proceeds from the County and AQMD are then used to pay the Authority Pension Obligation Bonds as they come due.

At June 30, 2020, the total receivables balance was $135,354,348. Of this amount, $70,361,984 is due in one year.

NOTE 4: LONG-TERM DEBT

Pension Obligation Bonds

On December 13, 1995 the Authority issued Serial Current Interest Authority Bonds in the amount of $298,595,000 and Serial Capital Appreciation Authority Bonds in the amount of $121,932,487 (collectively referred to as the "Authority Bonds").

The Authority Bonds were issued to provide funds to enable the Authority to purchase the San Bernardino County 1995 Pension Obligation Refunding Bonds (the "County Bonds") and the South Coast Air Quality Management District 1995 Pension Obligation Refunding Bonds (the "AQMD Bonds") which were issued by the County and AQMD respectively, to allow them to refinance each of their unfunded accrued actuarial liability with respect to retirement benefits for their respective employees.

The repayment of the Authority Bonds is secured by a first lien on and pledge of all amounts payable by the County and AQMD on the County Bonds and the AQMD Bonds.

The Serial Current Interest Authority Bonds matured on August 1, 2011. Interest on the Capital Appreciation Authority Bonds compounds semi-annually at interest rates from 7.56 percent to 7.72 percent payable solely at maturity.

The Authority Bonds are not subject to redemption prior to maturity. The Authority Bonds official statement contains a provision that in the event of default, the Trustee may declare the outstanding principal balance and accrued interest to be due and payable immediately.

Bonds from Direct Placements - Courthouse Revenue Bonds

On June 29, 2007 the Authority issued direct placement Revenue Bonds, Series 2007 with Wells Fargo Bank in the total amount of $18,370,000, of which $3,100,000 is subject to an interest rate of 5.10 percent and $15,270,000 is subject to an interest rate of 5.50 percent payable semi-annually. The bonds were issued to finance the costs of seismic retrofitting, refurbishing, improving and renovating courthouse facilities located within San Bernardino County, fund a reserve fund for the bonds, and pay costs of issuance of the bonds.

NOTE 4: LONG-TERM DEBT *(continued)*

The Revenue Bonds are special, limited obligations of the Authority payable solely from and secured by a first pledge of and exclusive lien on surcharge revenues consisting of a fee not to exceed thirty-five dollars charged on certain civil court filings made in Superior Courts located in San Bernardino County. On January 14, 2003, the collection of the surcharge was imposed by County Board Resolution No. 2003-19. However, only surcharge revenue received after June 29, 2007, has been pledged. The collection of surcharge revenue shall terminate upon final payment of the Revenue Bonds or 30 years from the sale of the Revenue Bonds, whichever occurs first.

The Revenue Bonds from direct placements contain a provision that in an event of default, the Trustee may declare the outstanding principal and accrued interest to be due and payable immediately.

The Authority recognizes pledged surcharge revenues when they are due from the County according to the financing agreement. The financing agreement indicates the revenues are due when the County receives the surcharge revenues from the State.

The debt service schedule for the current fiscal year required principal and interest payments totaling $1,137,350. The total surcharged revenues received during the fiscal year totaled $1,902,935. Total principal and interest remaining on the bonds is $19,292,225 payable through June 2037.

The $15,270,000 term bond maturing on June 1, 2037, is subject to sinking fund installments and mandatory redemption prior to maturity beginning on June 1, 2018. Total principal of $1,700,000 has been early redeemed.

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

Description	July 1, 2019	Additions	Reductions	June 30, 2020	Due Within One Year
Pension Obligation					
Capital Appreciation					
Authority Bonds	$ 209,260,000	$ -	$ 67,485,000	$ 141,775,000	$ 70,800,000
Bond Discount	(16,314,543)	-	(10,304,398)	(6,010,148)	(5,571,519)
Bonds from Direct Placements:					
Courthouse Revenue Bonds	12,770,000	-	435,000	12,335,000	455,000
Total	$ 205,715,457	$ -	$ 57,615,602	$ 148,099,852	$ 65,683,481

NOTE 4: LONG-TERM DEBT *(continued)*

The annual requirements to amortize all bonds outstanding at June 30, 2020, including interest payments of $6,957,225, and unaccreted and accreted interest of $120,560,038, over the life of the debt, are as follows:

Description	2021	2022	2023	2024	2025
Pension Obligation Capital Appreciation Authority Bonds	$ 70,800,000	$ 70,975,000	$ -	$ -	$ -
Bonds from Direct Placements:					
Courthouse Revenue Bonds	1,133,425	1,133,400	1,132,000	1,139,225	1,134,525
Total	$ 71,933,425	$ 72,108,400	$ 1,132,000	$ 1,139,225	$ 1,134,525

Description	2026-2030	2031-2035	2036-2037	Total
Pension Obligation Capital Appreciation Authority Bonds	$ -	$ -	$ -	$ 141,775,000
Bonds from Direct Placements:				
Courthouse Revenue Bonds	5,707,175	5,659,500	2,252,975	19,292,225
Total	$ 5,707,175	$ 5,659,500	$ 2,252,975	$ 161,067,225

Supplemental schedules one and two provide each bond schedule of debt service.

NOTE 5: BOND AGREEMENT/DEBT COVERAGE

In accordance with the bond agreement, if on any surcharge revenue measurement date, the debt service coverage ratio for the immediately prior bond year is equal or greater than 1.5, the Trustee shall transfer excess surcharge revenues to the Improvement Fund to pay for costs of improvements or reimburse the County directly for these costs. If it is less than 1.5, the Trustee shall transfer any remaining amounts in the Debt Service Fund to the Redemption Account for a special mandatory redemption of bonds. If on the subsequent Surcharge Revenue Measurement Date, the coverage ratio is also less than 1.5, the Trustee shall transfer all remaining amounts in the Debt Service Fund and the Improvement Fund to the Redemption Account for a special mandatory redemption of bonds.

The coverage ratio for the immediately prior bond year was 1.840. The coverage ratio exceeded the 1.5 requirement for the preceding year ended June 30, 2019. On November 21, 2019, the excess surcharge revenues increased by $1,133,101, of which the Trustee transferred a portion in the amount of $169,817 to the County directly to reimburse improvement costs. The excess surcharge revenue in the improvement fund on June 30, 2020 in the amount of $1,609,745 is accrued as due to other government to the County directly to reimburse improvement costs.

NOTE 6: NET POSITION/DEFICIT

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).

Pension obligation: The deficit was caused primarily by accumulative accretion of interest expense exceeding its related revenue. The deficit is projected to be reduced by future years' discount amortization.

NOTE 6: NET POSITION/DEFICIT *(continued)*

Courthouse project: The deficit was mainly caused by the long-term debt not being offset with the related capital assets, which are recorded in the San Bernardino County financial statements. The deficit will continue to be reduced with future years' surcharge revenues.

NOTE 7: NEW 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 Authority 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.

Effective in Future Fiscal Years

The GASB has issued the following pronouncements that have effective dates which may impact future financial statement presentation. The Authority 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 then 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.

NOTE 7: NEW PRONOUNCEMENTS *(continued)*

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.

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, the GASB issued Statement No.97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for internal Revenue Code Section 457 Deferred Compensation Plans* – an Amendment of GFASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32. 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.

SAN BERNARDINO COUNTY FINANCING AUTHORITY
SCHEDULE OF DEBT SERVICE
FOR THE YEAR ENDED JUNE 30, 2020

PENSION OBLIGATION
CAPITAL APPRECIATION AUTHORITY BONDS

Fiscal Year	Due August 1 Principal	Due August 1 Accreted Interest	Due August 1 Total
2020-21	$ 10,982,496	$ 59,817,504	$ 70,800,000
2021-22	10,232,466	60,742,534	70,975,000
Total	$ 21,214,962	$ 120,560,038	$ 141,775,000

SAN BERNARDINO COUNTY FINANCING AUTHORITY
SCHEDULE OF DEBT SERVICE
FOR THE YEAR ENDED JUNE 30, 2020

COURTHOUSE REVENUE BONDS

	Due December 1	Due June 1		
Fiscal Year	Interest	Principal	Interest	Total
2020-21	$ 339,213	$ 455,000	$ 339,212	$ 1,133,425
2021-22	326,700	480,000	326,700	1,133,400
2022-23	313,500	505,000	313,500	1,132,000
2023-24	299,613	540,000	299,612	1,139,225
2024-25	284,762	565,000	284,763	1,134,525
2025-26	269,225	600,000	269,225	1,138,450
2026-27	252,725	635,000	252,725	1,140,450
2027-28	235,263	675,000	235,262	1,145,525
2028-29	216,700	710,000	216,700	1,143,400
2029-30	197,175	745,000	197,175	1,139,350
2030-31	176,688	780,000	176,687	1,133,375
2031-32	155,237	820,000	155,238	1,130,475
2032-33	132,687	865,000	132,688	1,130,375
2033-34	108,900	915,000	108,900	1,132,800
2034-35	83,738	965,000	83,737	1,132,475
2035-36	57,200	1,015,000	57,200	1,129,400
2036-37	29,287	1,065,000	29,288	1,123,575
Total	$ 3,478,613	$ 12,335,000	$ 3,478,612	$ 19,292,225

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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
San Bernardino County Financing Authority
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 each major fund of the San Bernardino County Financing Authority (Authority), 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 Authority'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 Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

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

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
January 13, 2021