

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

INDEPENDENT AUDITORS' REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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

TABLE OF CONTENTS

For The Year Ended June 30, 2011

	<u>PAGE</u>
Independent Auditors' Report	1 – 2
Exhibit A Combined Statement of Net Assets	3 – 4
Exhibit B Combined Statement of Revenues, Expenses, and Changes in Net Assets	5 – 6
Exhibit C Combined Statement of Cash Flows	7 – 8
Notes to the Financial Statements	9 – 30
Supplementary Information	
Schedule One Schedule of Lease Payments Receivable Construction and Improvement Project - Series 2002	31
Schedule Two Schedule of Lease Payments Receivable – West Valley Detention Center Project – 2001 Series A	32
Schedule Three Schedule of Lease Payments Receivable – West Valley Detention Center Project - 2001 Series B	33
Schedule Four Schedule of Lease Payments Receivable – West Valley Detention Center Project - 2002 Series A	34
Schedule Five Schedule of Lease Payments Receivable – Medical Center Project - Series 1994	35
Schedule Six Schedule of Lease Payments Receivable – Medical Center Project - Series 1995	36
Schedule Seven Schedule of Lease Payments Receivable – Medical Center Project - Series 1996	37
Schedule Eight Schedule of Lease Payments Receivable – Medical Center Project – 2009 Series A	38
Schedule Nine Schedule of Lease Payments Receivable – Medical Center Project – 2009 Series B	39

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

TABLE OF CONTENTS

For The Year Ended June 30, 2011

		<u>PAGE</u>
Schedule Ten	Schedule of Lease Payments Receivable – Solid Waste Financing Project – Series 2008 B	40
Schedule Eleven	Schedule of Debt Service - Certificates of Participation – Construction and Improvement Project – Series 2002	41
Schedule Twelve	Schedule of Debt Service - Certificates of Participation - West Valley Detention Center Project - 2001 Series A	42
Schedule Thirteen	Schedule of Debt Service - Certificates of Participation - West Valley Detention Center Project - 2001 Series B	43
Schedule Fourteen	Schedule of Debt Service - Certificates of Participation – West Valley Detention Center Project - 2002 Series A	44
Schedule Fifteen	Schedule of Debt Service - Certificates of Participation - Medical Center Project – Series 1994	45
Schedule Sixteen	Schedule of Debt Service - Certificates of Participation - Medical Center Project – Series 1995	46
Schedule Seventeen	Schedule of Debt Service - Certificates of Participation - Medical Center Project - Series 1996	47
Schedule Eighteen	Schedule of Debt Service - Certificates of Participation – Medical Center Project – 2009 Series A	48
Schedule Nineteen	Schedule of Debt Service - Certificates of Participation – Medical Center Project – 2009 Series B	49
Schedule Twenty	Schedule of Debt Service - Certificates of Participation – Solid Waste Financing Project – Series 2008 B	50

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

TABLE OF CONTENTS

For The Year Ended June 30, 2011

	<u>PAGE</u>
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 <i>Government Auditing Standards</i>	51-52

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Inland Empire Public Facilities Corporation
San Bernardino, California

We have audited the accompanying financial statements of each major fund of the Inland Empire Public Facilities Corporation (the "Corporation"), a component unit of the County of San Bernardino, California, as of and for the year ended June 30, 2011, which collectively comprise the Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Inland Empire Public Facilities Corporation's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our 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 Inland Empire Public Facilities Corporation as of June 30, 2011, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2011, 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 to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Corporation has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Inland Empire Public Facilities Corporation's financial statements. The supplementary information on those pages listed in the table of contents is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vawter, Tami, Day, Co., LLP

Rancho Cucamonga, California

October 14, 2011

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
STATEMENT OF NET ASSETS
JUNE 30, 2011

EXHIBIT A

	Construction and Improvement Project	West Valley Detention Center Project	Medical Center Project	Glen Helen Blockbuster Project
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 5,781,604	\$ 65,229	\$ 234	\$ 1,117,356
Restricted cash and cash equivalents	6,605,916	-	25,174,982	-
Interest receivable	80	-	269,420	-
Receivable from County	-	-	699,186	-
Due from Glen Helen Blockbuster Project	-	-	-	-
Current portion of gross lease payments receivable	6,467,200	9,030,270	43,064,163	-
Current portion of unearned lease interest income	<u>(2,553,347)</u>	<u>(3,885,579)</u>	<u>(31,107,078)</u>	<u>-</u>
Total Current Assets	<u>16,301,453</u>	<u>5,209,920</u>	<u>38,100,907</u>	<u>1,117,356</u>
Noncurrent Assets:				
Restricted investments	-	-	24,913,094	-
Gross lease payments receivable, net of current portion	26,126,000	62,961,575	727,664,213	-
Unearned lease interest income, net of current portion	(6,069,414)	(14,946,338)	(337,362,508)	-
Deferred Certificates of Participation issuance costs	<u>395,037</u>	<u>921,869</u>	<u>5,087,478</u>	<u>-</u>
Total Noncurrent Assets	<u>20,451,623</u>	<u>48,937,106</u>	<u>420,302,277</u>	<u>-</u>
TOTAL ASSETS	<u>36,753,076</u>	<u>54,147,026</u>	<u>458,403,184</u>	<u>1,117,356</u>
LIABILITIES				
Current Liabilities:				
Interest payable	756,600	481,320	10,787,078	-
Due to Solid Waste Financing Project	-	-	-	1,117,356
Current portion of Certificates of Participation payable	<u>5,025,000</u>	<u>6,225,000</u>	<u>17,370,000</u>	<u>-</u>
Total Current Liabilities	<u>5,781,600</u>	<u>6,706,320</u>	<u>28,157,078</u>	<u>1,117,356</u>
Noncurrent Liabilities:				
Certificates of Participation payable net of current portion	28,370,000	52,885,000	484,820,000	-
Arbitrage payable	-	-	699,186	-
Deferred loss on refunding	(2,363,648)	(1,857,866)	(33,788,620)	-
Discounts, net of premium on Certificates of Participation payable	<u>581,032</u>	<u>1,006,772</u>	<u>(4,278,932)</u>	<u>-</u>
Total Noncurrent Liabilities	<u>26,587,384</u>	<u>52,033,906</u>	<u>447,451,634</u>	<u>-</u>
TOTAL LIABILITIES	<u>32,368,984</u>	<u>58,740,226</u>	<u>475,608,712</u>	<u>1,117,356</u>
NET ASSETS (DEFICIT)				
Restricted	4,384,092	-	-	-
Unrestricted	-	(4,593,200)	(17,205,528)	-
TOTAL NET ASSETS	<u>\$ 4,384,092</u>	<u>\$ (4,593,200)</u>	<u>\$ (17,205,528)</u>	<u>\$ -</u>

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

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

EXHIBIT B

	Construction and Improvement Project	West Valley Detention Center Project	Medical Center Project	Glen Helen Blockbuster Project
REVENUES				
Lease interest	\$ 2,935,615	\$ 4,267,969	\$ 29,767,578	\$ 2,936
Investment income				
Interest and dividends	925	197	2,139,137	86
Net increase (decrease) in fair value of investments	-	-	(1,091,503)	-
Total Revenues	2,936,540	4,268,166	30,815,212	3,022
EXPENSES				
Interest	1,516,326	3,033,589	26,456,322	6,271
Arbitrage expense	-	-	618,287	-
Amortization of deferred amount on refinancing	499,293	576,815	2,378,345	30,172
Amortization of discount (premium) on Certificates of Participation	(116,206)	(263,168)	226,037	-
Amortization of deferred Certificates of Participation issuance costs	83,783	125,475	334,144	1,173
Other expenses	-	195	-	-
Total Expenses	1,983,196	3,472,906	30,013,135	37,616
Income (loss) before transfers and special items	953,344	795,260	802,077	(34,594)
Transfers:				
Transfers to County	(14)	-	-	-
Transfer to Solid Waste Financing Project	-	-	-	(1,117,356)
Transfer from Glen Helen Blockbuster Project	-	-	-	-
Net Transfers	(14)	-	-	(1,117,356)
Income (loss) before special items	953,330	795,260	802,077	(1,151,950)
Special Items:				
(Loss) gain on early lease termination	(1,235,954)	-	-	3,392,996
(Loss) on early Certificate of Participation Redemption	(908,825)	-	-	(2,538,979)
Net Special Items	(2,144,779)	-	-	854,017
Changes in Net Assets	(1,191,449)	795,260	802,077	(297,933)
Net Assets (Deficit) - June 30, 2010	5,575,541	(5,388,460)	(18,007,605)	297,933
Net Assets (Deficit) - June 30, 2011	\$ 4,384,092	\$ (4,593,200)	\$ (17,205,528)	\$ -

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

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

EXHIBIT B

Capital Improvement Refinancing Project	Solid Waste Financing Project	Public Improvement Financing Project	Combined	
\$ 2,597	\$ 1,237,963	\$ 68,510	\$ 38,283,168	REVENUES
				Lease interest
15	1,017	195	2,141,572	Investment income
				Interest and dividends
-	-	-	(1,091,503)	Net increase (decrease) in fair value of investments
2,612	1,238,980	68,705	39,333,237	Total Revenues
				EXPENSES
1,304	161,626	70,881	31,246,319	Interest
-	-	-	618,287	Arbitrage expense
11,757	153,838	-	3,650,220	Amortization of deferred amount on refinancing
-	-	1,805	(151,532)	Amortization of discount (premium) on Certificates of Participation
2,212	64,534	2,895	614,216	Amortization of deferred Certificates of Participation issuance costs
-	-	-	195	Other expenses
15,273	379,998	75,581	35,977,705	Total Expenses
(12,661)	858,982	(6,876)	3,355,532	Income (loss) before transfers and special items
(4,259)	-	(195)	(4,468)	Transfers:
				Transfers to County
				Transfer to Solid Waste Financing Project
-	-	-	(1,117,356)	Transfer from Glen Helen Blockbuster Project
-	1,117,356	-	1,117,356	Net Transfers
(4,259)	1,117,356	(195)	(4,468)	Income (loss) before special items
(16,920)	1,976,338	(7,071)	3,351,064	Special Items:
				(Loss) gain on early lease termination
1,449,940	-	(1,042,585)	2,564,397	(Loss) on early Certificate of Participation Redemption
(1,271,214)	-	(425,358)	(5,144,376)	Net Special Items
178,726	-	(1,467,943)	(2,579,979)	Changes in Net Assets
161,806	1,976,338	(1,475,014)	771,085	
(161,806)	1,784,113	1,475,014	(14,425,270)	Net Assets (Deficit) - June 30, 2010
\$ -	\$ 3,760,451	\$ -	\$ (13,654,185)	Net Assets (Deficit) - June 30, 2011

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

EXHIBIT C

	Construction and Improvement Project	West Valley Detention Center Project	Medical Center Project	Glen Helen Blockbuster Project
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Lease payments received	\$ 16,237,319	\$ 9,043,020	\$ 42,918,742	\$ 13,137,936
Principal payments on Certificates of Participation	(18,390,000)	(5,970,000)	(17,380,000)	(13,135,000)
Interest paid	(1,615,137)	(3,073,020)	(28,348,072)	(9,550)
Other expenses	-	(195)	-	-
Transfer to County Certificate of Participation issuance costs	(14)	-	-	-
	-	-	(120,880)	-
Net Cash Provided By (Used) For Noncapital Financing Activities	(3,767,832)	(195)	(2,930,210)	(6,614)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	935	196	2,283,160	92
Proceeds from sale of investments	-	-	24,243,605	-
Purchase of investments	-	-	(876,916)	-
Net Cash Provided By (Used) For Investing Activities	935	196	25,649,849	92
Increase (Decrease) in cash and cash equivalents	(3,766,897)	1	22,719,639	(6,522)
Cash and cash equivalents at June 30, 2010	16,154,417	65,228	2,455,577	1,123,878
Cash and cash equivalents at June 30, 2011	\$ 12,387,520	\$ 65,229	\$ 25,175,216	\$ 1,117,356

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

**INLAND EMPIRE PUBLIC FACILITIES CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011**

EXHIBIT C

Capital Improvement Refinancing Project	Solid Waste Financing Project	Public Improvement Financing Project	Combined	
\$ 6,505,104	\$ 7,047,251	\$ 7,059,237	\$ 101,948,609	CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:
(6,500,000)	(6,915,000)	(8,220,000)	(76,510,000)	Lease payments received
(3,811)	(171,864)	(177,203)	(33,398,657)	Principal payments on Certificates of Participation
-	-	-	(195)	Interest paid
(4,259)	-	(195)	(4,468)	Other expenses
-	-	-	(120,880)	Transfer to County Certificate of Participation issuance costs
(2,966)	(39,613)	(1,338,161)	(8,085,591)	Net Cash Provided By (Used) For Noncapital Financing Activities
15	1,016	207	2,285,621	CASH FLOWS FROM INVESTING ACTIVITIES:
-	-	-	24,243,605	Investment income
-	-	-	(876,916)	Proceeds from sale of investments
15	1,016	207	25,652,310	Purchase of investments
(2,951)	(38,597)	(1,337,954)	17,566,719	Net Cash Provided By (Used) For Investing Activities
2,951	5,616,125	1,337,954	26,756,130	Increase (Decrease) in cash and cash equivalents
\$ -	\$ 5,577,528	\$ -	\$ 44,322,849	Cash and cash equivalents at June 30, 2010
-	-	-	-	Cash and cash equivalents at June 30, 2011

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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

Deferred charges, which consist of Certificate of Participation (COP) issuance costs, and COP premiums/discounts, are amortized over the life of the debt using the straight-line method.

The deferred loss on bond refunding represents the excess of the amount placed in escrow (reacquisition price) over the carrying amount of the refunded bonds and is amortized as a component of interest expense over the shorter of the remaining life of the refunded or refunding bonds using the straight line method.

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 assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows are presented. Net assets can be classified into restricted and unrestricted. These classifications are defined as follows:

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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

Restricted – This component of net assets consists of constraints placed on net asset 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 net assets – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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.

In June 2010, GASB Issued Statement No. 59, *Financial Instruments Omnibus*. This statement updates and improves the existing standards regarding financial reporting of certain financial instruments and external investment pools. This statement was implemented for the fiscal year ended June 30, 2011.

NOTE 2: THE PROJECTS

Construction and Improvement Project: The Corporation issued Certificates of Participation dated January 15, 1992 in the amount of \$89,905,000. The Corporation applied the proceeds of the sale of the Certificates, together with other available funds, to provide for the defeasance of \$72,760,000 of the \$111,695,000 then outstanding Certificates of Participation originally delivered in 1986 (Prior Certificates). The Corporation issued Variable Certificates of Participation dated January 20, 1995 in the amount of \$40,400,000 (1995 County Center Refinancing Certificates). The proceeds from the sale of the 1995 County Center Refinancing Certificates were used to provide for the defeasance of the remaining outstanding Prior Certificates in the amount of \$36,675,000 and to provide for reimbursement in the amount of \$1,751,174 to the County of San Bernardino. The reimbursement was to finance capital projects within the County. The Corporation issued Certificates of Participation dated July 11, 1996 in the amount of \$39,600,000 (1996 County Center Refinancing Certificates). The proceeds from the sale of the 1996 Certificates were used to provide for the defeasance of the 1995 County Center Refinancing Certificates. The Corporation issued Certificates of Participation dated March 1, 2002 in the amount of \$68,100,000 (2002 Certificates). The Corporation applied the proceeds of the Certificates for the defeasance of the \$66,130,000 outstanding Certificates of Participation originally delivered in 1992.

The Prior Certificates were delivered for a project with these three elements:

- a) The refunding of outstanding Certificates of the San Bernardino Building Authority for the construction of the County Public Government Center.

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2: THE PROJECTS (continued)

- b) The refunding of outstanding Certificates of the San Bernardino County Public Improvements Authority for the construction of the Foothill Law and Justice Center.
- c) The financing of certain improvements to the Chino Airport.

The County Government Center is a five-story office complex located at 385 North Arrowhead Avenue in San Bernardino. The Foothill Law and Justice Center is a four-story office and courtroom facility in the City of Rancho Cucamonga. Improvements to the Chino Airport include construction of four aircraft assembly buildings and appropriate site development. These facilities, known as the "Construction and Improvement Project," were leased to the County for lease payments which were designed in both time and amount to pay the principal and interest on the Certificates.

On May 13, 1997, the Corporation approved amendments to the Lease Agreement entered into in connection with the issue of the 1996 County Center Refinancing Certificates. The amendment provided for the release of property leased and the substitution of other property owned by the County. Substituted property pledged by the County as collateral for the 1996 Certificates consists of the Central Jail, Offices and Bindery, the Vehicle Services Garage, and the Coroner's Office.

The Foothill Law and Justice Center and the Victorville Law and Justice Center have been pledged by the County as collateral for the 2002 Certificates.

On July, 1, 2010, the Corporation received a lease payment from the County in the amount of \$9,700,000 to fully redeem all outstanding 1996 County Center Refinancing Certificates. The optional redemption occurred on September 1, 2010. Since the County prepaid all remaining lease payments in full, the County's obligation under the lease agreement terminated.

West Valley Detention Center Project. The Corporation issued Certificates of Participation dated May 1, 1992 in the amount of \$117,770,000 to provide for the defeasance of the \$104,745,996 outstanding Certificates of Participation which were delivered and executed in 1988. The 1988 Certificates of Participation were delivered to finance the construction of a detention center located in the City of Rancho Cucamonga and certain related facilities and equipment and acquisition of the site. In addition to providing for the defeasance, the Certificates of Participation were issued to provide for costs of additional improvements to the detention center in the amount of \$2,600,000, and to provide for reimbursement in the amount of \$8,980,336 to the County of San Bernardino. The reimbursement was for a portion of the costs relating to the acquisition of 4.13 acres of real property located in the City of San Bernardino together with a newly constructed office building situated thereon (Reimbursed Project).

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2: THE PROJECTS (continued)

The Corporation has entered into a lease agreement with San Bernardino County whereby the detention center, known as the "West Valley Detention Center," is leased to the County for lease payments which are designed in both time and amount to pay the principal and interest on the Certificates. The Reimbursed Project is not subject to the lease agreement. On May 13, 1997, the Corporation approved amendments to the Lease Agreement entered into in connection with the issue of the 1992 Certificates. The amendment provided for the release of property leased and the substitution of other property owned by the County. The Corporation issued Certificates of Participation dated October 25, 2001 in the amount of \$8,365,000 (2001 Series A) and \$42,075,000 (2001 Series B). The 2001 Series A Certificates were issued to provide funds to refund on a cross-over basis \$7,785,000 of the outstanding 1992 Certificates. The proceeds of the 2001 Series B Certificates were used to reimburse Bear, Stearns and Co., Inc. for funds advanced by it for the purchase of \$39,825,000 of the outstanding 1992 Certificates. The purchased Certificates were then cancelled. The Corporation issued Certificates of Participation dated August 6, 2002 in the amount of \$44,480,000 (2002 Series A) the proceeds of which were used to refund \$44,545,000 of the outstanding 1992 Certificates. Property pledged by the County as collateral for the 2001 and 2002 Certificates consists of portions of the West Valley Detention Center and the Courthouse and Annex located in the City of San Bernardino.

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 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, 2011

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 September 16, 1997, the Corporation issued Certificates of Participation dated August 1, 1997 in the amount of \$121,095,000 (1997 Certificates). The proceeds from the sale of the 1997 Certificates were used to provide funds to finance the acquisition of equipment for the replacement San Bernardino County Medical Center and to fund capitalized interest to and including August 1, 1999, and fund a reserve fund deposit.

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2: THE PROJECTS *(continued)*

The acquisition and construction of the Project was carried out by the County as the agent of the Corporation pursuant to a Master Agency Agreement, dated as of February 1, 1994. The County has leased the Site to the Corporation pursuant to the Master Site Lease, dated February 1, 1994.

The Corporation has entered into a master lease agreement with the County whereby the project (i.e. the hospital) is leased to the County. The County is required under the master lease agreement to make aggregate lease payments which are designed in both time and amount to pay the principal and interest due with respect to the Series 1994 Certificates, the Series 1995 Certificates, the Series 1996 Certificates, the Series 1997 Certificates and the Series 1998 Certificates.

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 2009A Certificates of Participation) and \$44,750,000 (Arrowhead Refunding Project Series 2009B Certificates of Participation). The proceeds from the sale of the Series 2009A 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 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.

The master lease agreement between the County and the Corporation was amended and supplemented on December 1, 2009. The master lease agreement obligates the County to make aggregate lease payments on each Series, including the Series 2009 A lease payments and Series 2009 B lease payments.

Glen Helen Blockbuster Project: The Corporation issued Certificates of Participation dated December 22, 1994 in the amount of \$7,380,000 (Series C Certificates), Certificates of Participation dated December 6, 1995 in the amount of \$16,510,000 (Series D Certificates) and Certificates of Participation dated December 6, 1995 in the amount of \$4,430,000 (Series E Certificates). The proceeds from the sale of Series C Certificates were used to finance the acquisition, construction, installation and equipping of an interchange at I-15 and Glen Helen Parkway and related roadwork. The proceeds from the sale of the Series D Certificates were used to provide for the defeasance of the outstanding \$14,625,000 Series A Certificates originally delivered in 1994 to finance the acquisition, construction, improvement and equipping of certain public improvements related to the Glen Helen Blockbuster Pavilion (Pavilion Improvements).

The proceeds from the sale of the Series E Certificates were used to provide for the defeasance of the outstanding \$3,880,000 Series B Certificates originally delivered in 1994 to finance the acquisition, construction, improvement and equipping of certain improvements to the Glen Helen Park (Park Improvements).

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2: THE PROJECTS (continued)

The Corporation issued Certificates of Participation dated May 1, 2003 in the amounts of \$9,825,000 (Series 2003 A Certificates) and \$9,875,000 (Series 2003 B Certificates). The proceeds were used to prepay and refund the outstanding \$6,035,000 of the Series C Certificates, \$9,690,000 of the Series D Certificates and \$3,610,000 of the Series E Certificates. On May 1, 2003, the Corporation approved amendments to the previous Lease Agreements entered into in connection with the issues of Series C, Series D and Series E. The amendments provided for the release of property leased and the substitution of other property owned by the County.

The Corporation issued Certificates of Participation dated April 16, 2008 in the amounts of \$8,860,000 (Series 2008 A Certificates) and \$5,695,000 (Series 2008 B Certificates). The proceeds were used to prepay and refund the outstanding \$8,100,000 (Series 2003 A Certificates) and \$5,200,000 (Series 2003 B Certificates). The Corporation has entered into a lease agreement with the County whereby the Mid-Valley Landfill is leased to the County for the lease payments which are designed in both time and amount to pay the principal and interest on the Series 2008 A and Series 2008 B Certificates. The Landfill is located along the western boundary of the City of Rialto, and currently serves the cities of Rialto, Fontana, Montclair, Ontario, Rancho Cucamonga and Upland, and the unincorporated western valley area of San Bernardino County.

The Corporation received lease payments from the County in the amount of \$7,660,000 and \$5,475,000 on July 31, 2010 to fully redeem the 2008 A Certificates of Participation and partially redeem the 2008 Series B Certificates of Participation, respectively. The optional redemption occurred on September 1, 2010. The remaining Series 2008 B Certificates pertain to the Solid Waste Financing Project. Since the County prepaid all remaining lease payments in full, the County's obligation under the lease agreement terminated.

Capital Improvement Refinancing Project: On June 26, 1996, the Corporation issued Certificates of Participation dated June 21, 1996 in the amount of \$9,200,000 (1996 Capital Improvement Refinancing Certificates). The proceeds from the sale of the 1996 Capital Improvement Refinancing Certificates were used to provide for the defeasance of \$13,125,000 in outstanding West Valley Detention Center/County Museum Certificates originally delivered in 1995 to finance the acquisition, construction, installation, and equipping of two dormitories at the West Valley Detention Center.

The Corporation has entered into a lease agreement whereby the Capital Improvement Refinancing Project is leased to the County for lease payments which are designed in both time and amount to pay the principal and interest on the 1996 Capital Improvement Refinancing Certificates. On May 13, 1997, the Corporation approved amendments to the Lease Agreement entered into in connection with the 1996 Capital Improvements Refinancing Certificates. The amendments provided for the release of property leased and the substitution of other property owned by the County. On September 17, 2001, the Corporation approved additional amendments to the Lease Agreement. The amendments provided for the release of certain properties previously pledged. The property currently leased in connection with the 1996 Capital Improvement Refinancing Certificates is the Fontana Government Center.

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2: THE PROJECTS (continued)

The Corporation received a lease payment from the County in the amount of \$6,500,000 to fully redeem the outstanding Certificates of Participation. The optional redemption occurred on September 1, 2010. Since the County prepaid all remaining lease payments in full, the County's obligation under the lease agreement terminated.

Solid Waste Financing Project: The Corporation issued Certificates of Participation dated May 1, 2003 in the amount of \$93,875,000 (2003 B Solid Waste Financing Certificates). The proceeds were used to transfer funds to Inland Empire Solid Waste Financing Authority, a joint powers authority of San Bernardino County and San Bernardino County Flood Control District, which were used to refund \$92,120,000 of outstanding Certificates of Participation issued by the Inland Empire Solid Waste Financing Authority.

The Corporation issued Certificates of Participation dated April 16, 2008 in the amount of \$74,390,000 (Series 2008 B Certificates). The proceeds were used to prepay and refund the outstanding \$67,975,000 (Series 2003 B Certificates). The Corporation has entered into a lease agreement with the County whereby the Mid-Valley Landfill is leased to the County for the lease payments which are designed in both time and amount to pay the principal and interest on the Series 2008 B Certificates. The Landfill is located along the western boundary of the City of Rialto, and currently serves the cities of Rialto, Fontana, Montclair, Ontario, Rancho Cucamonga and Upland, and the unincorporated western valley area of San Bernardino County.

Public Improvement Financing Project: The Corporation issued on October 29, 1997, Certificates of Participation dated October 1, 1997 in the amount of \$17,790,000 (Public Improvement Financing Certificates). The proceeds from the sale of the Public Improvement Financing Certificates were primarily used to finance the acquisition, construction, installation and equipping of certain improvements throughout the County consisting generally of (a) the retrofit of lighting and HVAC systems at various County facilities and the upgrade of the PCB ballasts and chiller for the Central Plant, (b) the acquisition of a building located in the City of Ontario to be used for child care services, and (c) the construction of a new juvenile hall housing facility and administrative center adjacent to the West Valley Detention Center.

The Corporation has entered into a Lease Agreement whereby the Public Improvement Financing Project, which includes the West Valley Juvenile Detention Center, the Information Services Building, and the Ontario Preschool Building, is leased to the County for lease payments which are designed in both time and amount to pay the principal and interest on the Public Improvement Financing Certificates.

The Corporation received a lease payment from the County in the amount of \$7,059,237 on July 15, 2010; this amount along with cash available in the debt service reserve fund was used to fully redeem the outstanding certificates on September 1, 2010. Since the County prepaid all remaining lease payments in full, the County's obligation under the lease agreement terminated.

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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 banks for the corporation's projects are as follows:

<u>Project</u>	<u>Trustee</u>
Construction and Improvement Project	Bank of New York Mellon and Wells Fargo Bank, Corporate Trust Services
West Valley Detention Center Project	Bank of New York Mellon
Medical Center Project	Wells Fargo Bank, Corporate Trust Services
Glen Helen Blockbuster Project	Wells Fargo Bank, Corporate Trust Services
Solid Waste Financing Project	Wells Fargo Bank, Corporate Trust Services

As of June 30, 2011, cash and investments consist of the following:

Statement of Net Assets (combined):

Cash and Cash Equivalents	\$ 44,322,849
Investments	24,913,094
Total Cash and Investments	<u>\$ 69,235,943</u>

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 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, 2011, the Corporation's cash and investments, including cash equivalents, were as follows:

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 3: CASH AND INVESTMENTS (continued)

<u>Investments (Item Count)</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U. S. Treasury Bonds (2)	11/15/2022	\$ 20,162,243	11.3781
Guaranteed Investment Contracts (1)	07/14/08 - 07/27/28	4,750,851	17.074
Money Market Funds (14)	N/A	44,322,849	N/A
Total Cash and Investments		<u>\$ 69,235,943</u>	

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. Investments in any one issuer that represent 5 percent or more of total investments are shown below:

<u>Issuer - Guaranteed Investment Contracts</u>	<u>Fair Value</u>
MBIA Investment Management Corp.	\$ 4,750,851

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker, dealer, or trustee) to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

As of June 30, 2011, the Corporation had investments held by Wells Fargo Bank where the underlying securities are not insured or registered in the name of the Corporation, shown below:

<u>Investment Type</u>	<u>Trustee</u>	<u>Fair Value</u>
U. S. Treasury Bonds	Wells Fargo	\$ 20,162,243

Credit Risk

The Corporation's investments in money market funds were rated Aaa by Moody's Investors Service. The company with whom the Corporation has a guaranteed investment contract received long-term ratings of Ba3 / B- from Moody's / Standard & Poor's. This investment agreement is collateralized.

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 4: LEASE RECEIVABLE

The Corporation has 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.

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 the aggregate thereafter are summarized as follows:

Description	2011-12	2012-13	2013-14
Construction and Improvement Project	\$ 6,467,200	\$ 6,581,000	\$ 6,472,000
West Valley Detention Center Project	9,030,270	9,016,945	9,020,884
Medical Center Project	43,064,163	42,988,700	42,958,013
Solid Waste Financing Project	7,521,992	8,093,181	8,738,831
	<u>\$ 66,083,625</u>	<u>\$ 66,679,826</u>	<u>\$ 67,189,728</u>

Description	2021-26	2026-30	Total Lease Payments
Construction and Improvement Project	\$ -	\$ -	\$ 32,593,200
West Valley Detention Center Project	-	-	71,991,845
Medical Center Project	216,221,775	124,694,875	770,728,376
Solid Waste Financing Project	-	-	54,831,753
	<u>\$ 216,221,775</u>	<u>\$ 124,694,875</u>	<u>\$ 930,145,174</u>

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 4: LEASE RECEIVABLE (continued)

2014-15	2015-16	2016-2021	Description
\$ 6,557,750	\$ 6,515,250	\$ -	Construction and Improvement Project
9,007,341	8,994,761	26,921,644	West Valley Detention Center Project
43,038,288	42,981,331	214,781,231	Medical Center Project
9,413,733	10,137,899	10,926,117	Solid Waste Financing Project
<u>\$ 68,017,112</u>	<u>\$ 68,629,241</u>	<u>\$ 252,628,992</u>	

Unearned Interest	Net Lease Receivable	Description
\$ (8,622,761)	\$ 23,970,439	Construction and Improvement Project
(18,831,917)	53,159,928	West Valley Detention Center Project
(368,469,586)	402,258,790	Medical Center Project
(4,356,209)	50,475,544	Solid Waste Financing Project
<u>\$ (400,280,473)</u>	<u>\$ 529,864,701</u>	

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 5: LONG-TERM DEBT

The following is a summary of changes in the Certificates of Participation for the fiscal year ended June 30, 2011:

Description	July 1, 2010	Additions	Reductions	June 30, 2011	Due Within One Year
Construction and Improvement Project					
1996 County Center Refinancing	\$ 13,600,000	\$ -	\$ 13,600,000	\$ -	\$ -
Regular Certificates (Series 2002)	38,185,000	-	4,790,000	33,395,000	5,025,000
West Valley Detention Center Project					
2001 Series A	6,480,000	-	610,000	5,870,000	635,000
2001 Series B	15,815,000	-	5,055,000	10,760,000	5,265,000
2002 Series A	42,785,000	-	305,000	42,480,000	325,000
Medical Center Project					
Series 1994	127,715,000	-	3,570,000	124,145,000	3,775,000
Series 1995	38,440,000	-	10,525,000	27,915,000	3,245,000
Series 1996	64,685,000	-	340,000	64,345,000	360,000
Series 2009 A	243,980,000	-	2,075,000	241,905,000	9,990,000
Series 2009 B	44,750,000	-	870,000	43,880,000	-
Glen Helen Blockbuster Project					
Series 2008 A	7,660,000	-	7,660,000	-	-
Series 2008 B	5,475,000	-	5,475,000	-	-
Capital Improvement Refinancing Project	6,500,000	-	6,500,000	-	-
Solid Waste Financing Project (2008 B)	61,555,000	-	6,915,000	54,640,000	7,470,000
Public Improvement Financing Project	8,220,000	-	8,220,000	-	-
	<u>\$ 725,845,000</u>	<u>\$ -</u>	<u>\$ 76,510,000</u>	<u>\$ 649,335,000</u>	<u>\$ 36,090,000</u>

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 5: LONG-TERM DEBT (continued)

The annual requirements to amortize all long-term debt outstanding June 30, 2011, including interest payments of \$286,591,671 over the life of the debt, are summarized as follows:

Description	2011-12	2012-13	2013-14
Construction and Improvement Project			
Regular Certificates (Series 2002)	\$ 6,437,700	\$ 6,364,100	\$ 6,471,500
West Valley Detention Center Project			
2001 Series A	874,058	868,258	871,115
2001 Series B	5,610,800	5,604,900	-
2002 Series A	2,545,413	2,543,788	8,149,769
Medical Center Project			
Series 1994	10,337,863	10,339,325	10,328,963
Series 1995	4,954,013	4,955,938	4,962,913
Series 1996	3,573,975	3,574,550	3,574,075
Series 2009 A	21,948,994	21,869,569	21,842,744
Series 2009 B	2,249,319	2,249,319	2,249,319
Solid Waste Financing Project*	7,521,992	8,093,181	8,738,831
	<u>\$ 66,054,127</u>	<u>\$ 66,462,928</u>	<u>\$ 67,189,229</u>

Description	2016-21	2021-26	2026-2030
Construction and Improvement Project			
Regular Certificates (Series 2002)	\$ 6,360,125	\$ -	\$ -
West Valley Detention Center Project			
2001 Series A	2,604,474	-	-
2001 Series B	-	-	-
2002 Series A	24,317,168	-	-
Medical Center Project			
Series 1994	47,245,250	53,384,225	44,754,748
Series 1995	9,935,875	-	-
Series 1996	17,860,706	17,864,875	61,570,250
Series 2009 A	114,837,125	111,858,266	18,369,874
Series 2009 B	24,902,275	33,114,408	-
Solid Waste Financing Project*	10,926,117	-	-
	<u>\$ 258,989,115</u>	<u>\$ 216,221,774</u>	<u>\$ 124,694,872</u>

*Interest is paid monthly, computed at a variable interest rate set weekly. Interest is based on the June 30, 2011 interest rate.

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 5: LONG-TERM DEBT (continued)

2014-15	2015-16	Description
\$ 6,332,375	\$ 6,409,000	Construction and Improvement Project
		Regular Certificates (Series 2002)
871,879	870,667	West Valley Detention Center Project
-	-	2001 Series A
		2001 Series B
8,135,463	8,124,093	2002 Series A
		Medical Center Project
10,331,088	10,329,738	Series 1994
4,963,963	4,968,113	Series 1995
3,572,550	3,574,844	Series 1996
21,921,369	21,859,319	Series 2009 A
2,249,319	2,249,319	Series 2009 B
9,413,733	10,137,899	Solid Waste Financing Project*
<u>\$ 67,791,739</u>	<u>\$ 68,522,992</u>	

Total	Description
\$ 38,374,800	Construction and Improvement Project
	Regular Certificates (Series 2002)
	West Valley Detention Center Project
6,960,451	2001 Series A
11,215,700	2001 Series B
53,815,694	2002 Series A
	Medical Center Project
197,051,200	Series 1994
34,740,815	Series 1995
115,165,825	Series 1996
354,507,260	Series 2009 A
69,263,278	Series 2009 B
54,831,753	Solid Waste Financing Project*
<u>\$ 935,926,776</u>	

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 obligation is dependent upon receipt of 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.

Construction and Improvement Project. The Corporation issued Certificates of Participation in the amount of \$68,100,000, consisting of \$61,575,000 Series 2002 A Certificates and \$6,525,000 Taxable Series 2002 A-T the "2002 Certificates," dated March 1, 2002. Interest rates range from 3.00 percent to 5.00 percent with a July 1, 2016 final maturity date. The 2002 Certificates are not subject to optional prepayment prior to maturity.

On July 11, 1996, the Corporation issued "Variable Rate Demand" Certificates in the amount of \$39,600,000 due July 1, 2015. Interest on the Variable Rate Demand Certificates is payable at a variable weekly interest rate.

The Variable Rate Demand Certificates were subject to optional redemption, while bearing variable interest rates, on any interest payment date. During any Long-Term Interest Rate Period, the Certificates are subject to redemption in whole at any time or in part, on any interest payment date.

On July, 1, 2010, the Corporation received a lease payment from the County in the amount of \$9,700,000 to fully redeem all outstanding 1996 County Center Refinancing Certificates. The optional redemption occurred on September 1, 2010.

West Valley Detention Center Project. On October 25, 2001, the Corporation issued "2001 Series A" Certificates of Participation in the amount of \$8,365,000 and "2001 Series B" Certificates of Participation in the amount of \$42,075,000. 2001 Series A Certificates bear interest rates from 4.00 percent to 4.60 percent. The 2001 Series B Certificates bear interest rates from 3.50 percent to 4.00 percent.

On August 6, 2002 the Corporation issued "2002 Series A" Certificates of Participation in the amount of \$44,480,000 which bear interest rates from 4.50 percent to 5.25 percent.

The 2001 Series A, 2001 Series B and 2002 Series A Certificates are subject to optional prepayment prior to maturity on or after November 1, 2011 at the option of the Corporation, as a whole or in part on any interest payment date, at the following premiums, plus accrued but unpaid interest to the prepayment date:

NOTE 5: LONG-TERM DEBT (continued)

Prepayment Period

Premium

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

November 1, 2011 through October 31, 2012	2%
November 1, 2012 through October 31, 2013	1%

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 2009B Certificates and used the proceeds of the Series 2009B Certificates along with other available funds to refund \$44,325,000 of the Series 1994 Certificates.

The Medical Center Series 1995 Certificates of Participation were issued by the Corporation dated June 1, 1995, in the amount of \$363,265,000, with interest rates from 4.80 percent to 7.00 percent.

The Series 1995 Certificates maturing on August 1, 2022, 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 2009A Certificates and used the proceeds of the Series 2009A Certificates along with other available funds to refund \$45,065,000 of the Series 1995 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.

The Medical Center Series 1998 Certificates of Participation dated October 22, 1998 were issued by the Corporation in the amount of \$176,510,000. On December 17, 2009 the Corporation issued the Arrowhead Refunding Project Series 2009A Refunding Certificates and used the proceeds of the Series 2009A Certificates along with other available funds to refund all outstanding, \$174,410,000, Series 1998 Certificates.

NOTE 5: LONG-TERM DEBT (continued)

The Arrowhead Refunding Project Series 2009A Certificates of Participation were

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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.

The Arrowhead Refunding Project Series 2009B 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.

Each series of the 2009 Arrowhead Refunding Project Certificates of Participation is subject to optional redemption in whole or in part on any date in such order of maturity as the County determines and by lot within a maturity, on or after August 1, 2019, at the redemption price equal to the principal amount thereof to be redeemed, 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.

Glen Helen Blockbuster Project. On April 16, 2008 the Corporation issued Certificates of Participation in the amount of \$14,555,000, consisting of \$8,860,000 (Series 2008 A Certificates) and \$5,695,000 (Series 2008 B Certificates) with a March 1, 2024 final maturity date. Interest with respect to the Series 2008 A and Series 2008 B Certificates was initially payable at an adjustable weekly rate mode and was due on the first business day of each month beginning on May 1, 2008.

At the option of the Corporation, all or part of either Series of Certificates may be converted to bear interest at a Daily Rate, Extended Rate, or a Fixed Rate. On the Conversion Date, such Certificates shall be subject to mandatory tender for purchase at the applicable purchase price on effective date of the New Mode equal to 100% of the principal amount thereof, plus accrued interest.

The Series 2008 A and Series 2008 B Certificates were also subject to mandatory prepayment prior to their stated maturity in part from mandatory sinking account payments established pursuant to the Trust Agreement on any March 1 or September 1 on or after September 1, 2008, at the principal amount thereof together with interest accrued thereon to the date fixed for payment, without premium.

The Corporation received lease payments from the County in the amount of \$7,660,000 and \$5,475,000 on July 31, 2010 to fully redeem the 2008 A Certificates of Participation and partially redeem the 2008 Series B Certificates of Participation, respectively. The optional redemption occurred on September 1, 2010. The remaining Series 2008 B Certificates pertain to the Solid Waste Financing Project.

Capital Improvement Refinancing Project. The 1996 Capital Improvement Refinancing Certificates of Participation were issued by the Corporation dated June 21, 1996, in the amount of \$9,200,000. Interest with respect to the Certificates was payable at a variable interest rate set weekly which may be converted to a fixed interest rate at the option of the Corporation.

NOTE 5: LONG-TERM DEBT (continued)

The 1996 Certificates were subject to optional redemption, while bearing variable

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

interest rates, on any interest payment date. From and after the conversion date (to fixed interest rate), the Certificates were subject to redemption in whole at any time or in part on any interest payment date, with prior consent of the Letter of Credit Bank.

The Corporation received a lease payment in the amount of \$6,500,000 to fully redeem the outstanding Certificates of Participation. The optional redemption occurred on September 1, 2010.

Solid Waste Financing Project. On April 16, 2008 the Corporation issued Certificates of Participation in the amount of \$74,390,000 (the "Series 2008 B Certificates") with March 1, 2017 final maturity date. The descriptions pertaining to Series 2008 B Certificates (Glen Helen Blockbuster Project) are applicable to these Series 2008 B as they were issued together as the 2008 Refunding Certificates, Series B. The variable interest rate at June 30, 2010 was .35 percent for the Series 2008 B Certificates.

Public Improvement Financing Project. The Public Improvement Financing Certificates were issued by the Corporation dated October 1, 1997, in the amount of \$17,790,000, with interest rates from 3.85 percent to 5 percent.

The Certificates maturing on and after October 1, 2009 were subject to redemption in whole or in part, at the principal amount with respect thereto, without a premium, together with accrued interest unpaid with respect thereto to the date fixed for redemption, from the proceeds of optional prepayments of Lease Payments made by the County pursuant to the Lease Agreement.

The Corporation received a lease payment from the County in the amount of \$7,059,237 on July 15, 2010; this amount along with cash available in the debt service reserve fund was used to fully redeem the outstanding certificates on September 1, 2010.

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, 2011, Certificates of Participation outstanding considered defeased are as follows:

<u>Defeased Debt</u>	<u>Amount</u>	<u>Refunded By</u>
1992 Medical Center	\$ 61,070,000	1994 Medical Center

NOTE 7: ARBITRAGE PAYABLE

The exclusion, under Section 103(a) of the Internal Revenue Code of 1986, from gross

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011, the estimated arbitrage payable, relating to the Medical Center Project, is \$699,186.

NOTE 8: NET ASSETS/DEFICITS

The net assets/deficits were caused by timing differences in recognition of revenue and expenses. Due to refunding of certain debt issues, costs, which otherwise would have been deferred, were accelerated into expenses.

West Valley Detention Center Project: The deficit was caused by two debt refunding issues, an operating transfer and a timing difference in the expense of the interest of the 1988 Capital Appreciation Certificates and the associated lease revenue.

The first debt refunding involved an \$8.8 million loss on refunding during 1991-92. During this time, 1988 Current Interest Certificates and 1988 Capital Appreciation Certificates were refunded.

The second debt refunding involved a \$2 million loss on refunding during 2002-03. During this time, 1992 Series Certificates were refunded.

The loss on refunding was composed of the difference in the amount placed in the escrow for redemption of the Certificates and the amount of Certificates removed from the Corporation's accounting records, write-offs of Certificates issuance costs, write-offs of discounts on Certificates, and the unappreciated balance of the Capital Appreciation Certificates.

Net deficit will be reduced over time with lease payments received from the County's General Fund.

Medical Center Project: The deficit was caused by a previous restatement of net assets to record the June 30, 2009 fair value of an interest rate swap as required by the implementation of GASB 53 and by the costs associated with the 2009 Arrowhead Refunding Project Series A and B Certificates.

Net deficit will be reduced over time with lease payments received from the County's Medical Center Enterprise Fund.

NOTE 9: INVESTMENT AGREEMENT TERMINATIONS

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

The agreement with Lehman Bros. Special Financing Inc. (Lehman) for the 2002 Justice Center/Airport reserve fund requires Lehman to deliver securities to the trustee periodically at a guaranteed rate of 4.56 percent. The most recent delivery occurred on July 1, 2008. On September 17, 2008, the County elected to terminate the agreement, pursuant to applicable agreement provisions, as a result of the downgrade of Lehman Bros. Holdings. Under the terms of the agreement, Lehman owes the County a termination payment in an amount not yet determined. In order to protect the County's interest the County filed a claim in bankruptcy court. This claim seeks to provide the County relief for the loss of the 4.56 percent investment rate that was guaranteed in the Lehman agreement. The County is awaiting the processing of this claim. The County expresses no opinion on its ability to collect this termination payment.

NOTE 10: AGREEMENTS WITH LIQUIDITY FACILITIES

Construction and Improvement Project: The 1996 County Center Refinancing Project Certificates had a tender provision for bondholders, on 7 days notice, to tender their certificates at par value plus accrued interest. Effective May 1, 2003 the Corporation executed a Letter of Credit and Reimbursement Agreement between the Corporation and BNP Paribas (Bank) to replace the previous letter of credit provider. The term of this Agreement was set to expire on May 4, 2013.

On September 1, 2010, the Certificates of Participation were fully redeemed, and therefore, the Letter of Credit and Reimbursement Agreement between the Corporation and the Bank was terminated.

2008 Refunding Program: The 2008 Certificates of Participation (2008 Refunding Program) have an optional tender provision for bondholders, on seven days notice, to tender their certificates at par value. The 2008 Refunding Program includes \$7,660,000 of Series A Certificates of Participation and \$67,030,000 of Series B Taxable Certificates of Participation. In connection with the issuance of the 2008 Certificate of Participation, the Corporation executed a Letter of Credit and Reimbursement Agreement between the Corporation and Bank of America, N.A. (Bank). Due to the optional redemption of the 2008 Series A Certificates and partial redemption of the 2008 series B Certificates related to the Glen Helen Blockbuster Project, the letter of credit for the 2008 Series B Certificates was reduced. The term of this Agreement expires in April 1, 2013. The Agreement is terminated prior to the expiration date only if the occurrence of "events of defaults".

As of June 30, 2011, there were no outstanding certificates that have been tendered but failed to be remarketed. In accordance with the Agreement, in the event any certificates are tendered and are not remarketed, interest is required to be paid to the Bank at the higher of a) Prime Rate or b) Federal Funds plus 0.5 percent, which was 3.25 percent and .57 percent respectively at June 30, 2011.

NOTE 11: REDEMPTION OF CERTIFICATES OF PARTICIPATION

INLAND EMPIRE PUBLIC FACILITIES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Construction and Improvement Project: An Optional Redemption of \$1,800,000 of outstanding principal occurred on July 1, 2010 on the 1996 County Center Refinancing Certificates. In addition, the Corporation received a lease payment from the County in the amount of \$9,700,000 to fully redeem all outstanding 1996 County Center Refinancing Certificates. The optional redemption occurred on September 1, 2010. This optional redemption resulted in a \$1,235,954 loss on early termination of lease from the County, and a \$908,825 loss on early redemption of certificates, for a net loss of \$2,144,779.

Glen Helen Blockbuster Project: The Corporation received lease payments from the County in the amount of \$7,660,000 and \$5,475,000 on July 31, 2010 to fully redeem the Series 2008 A Certificates of Participation and partially redeem the Series 2008 B Certificates of Participation. The Series 2008 B certificates that will remain outstanding pertain to the Solid Waste Financing Project. The optional redemption occurred on September 1, 2010. This optional redemption resulted in a \$2,275,640 gain on early termination of lease from the County, and a \$2,538,979 loss on early redemption of certificates, for a net loss of \$263,339.

Capital Improvement Refinancing Project: The Corporation received a lease payment from the County in the amount of \$6,500,000 to fully redeem the outstanding Certificates of Participation. The optional redemption occurred on September 1, 2010. This optional redemption resulted in a \$1,449,940 gain on early termination of lease from the County, and a \$1,271,214 loss on early redemption of certificates, for a net gain of \$178,726.

Public Improvement Financing Project: The Corporation received a lease payment from the County in the amount of \$7,059,237 on July 15, 2010; this amount along with cash available in the debt service reserve fund was used to fully redeem the outstanding certificates on September 1, 2010. This optional redemption resulted in a \$1,042,585 loss on early termination of lease from the County, and a \$425,358 loss on early redemption of certificates, for a net loss of \$1,467,943.

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**INLAND EMPIRE PUBLIC FACILITIES CORPORATION
SCHEDULE OF LEASE PAYMENTS RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2011**

**CONSTRUCTION AND IMPROVEMENT PROJECT
SERIES 2002**

<u>Fiscal Year</u>	<u>Due December 15</u>	<u>Due June 15</u>	<u>Total Payment</u>
2011-12	\$ 656,100	\$ 5,811,100	\$ 6,467,200
2012-13	553,000	6,028,000	6,581,000
2013-14	443,500	6,028,500	6,472,000
2014-15	303,875	6,253,875	6,557,750
2015-16	155,125	6,360,125	6,515,250
	<u>\$ 2,111,600</u>	<u>\$ 30,481,600</u>	<u>\$ 32,593,200</u>

**INLAND EMPIRE PUBLIC FACILITIES CORPORATION
SCHEDULE OF LEASE PAYMENTS RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2011**

WEST VALLEY DETENTION CENTER PROJECT - 2001 SERIES A

<u>Fiscal Year</u>	<u>Due November 1</u>	<u>Due May 1</u>	<u>Total</u>
2011-12	\$ 760,879	\$ 113,179	\$ 874,058
2012-13	768,179	100,079	868,258
2013-14	785,079	86,036	871,115
2014-15	801,036	70,843	871,879
2015-16	815,843	54,825	870,668
2016-17	829,825	37,775	867,600
2017-18	847,775	19,549	867,324
2018-19	869,549	-	869,549
	<u>\$ 6,478,165</u>	<u>\$ 482,286</u>	<u>\$ 6,960,451</u>

**INLAND EMPIRE PUBLIC FACILITIES CORPORATION
SCHEDULE OF LEASE PAYMENTS RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2011**

WEST VALLEY DETENTION CENTER PROJECT - 2001 SERIES B

<u>Fiscal Year</u>	<u>Due November 1</u>	<u>Due May 1</u>	<u>Total</u>
2011-12	\$ 5,500,900	\$ 109,900	\$ 5,610,800
2012-13	5,604,900	-	5,604,900
	<u>\$ 11,105,800</u>	<u>\$ 109,900</u>	<u>\$ 11,215,700</u>

**INLAND EMPIRE PUBLIC FACILITIES CORPORATION
SCHEDULE OF LEASE PAYMENTS RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2011**

WEST VALLEY DETENTION CENTER PROJECT - 2002 SERIES A

<u>Fiscal Year</u>	<u>Due November 1</u>	<u>Due May 1</u>	<u>Total</u>
2011-12	\$ 1,439,269	\$ 1,106,144	\$ 2,545,413
2012-13	1,446,144	1,097,644	2,543,788
2013-14	7,212,644	937,125	8,149,769
2014-15	7,367,125	768,338	8,135,463
2015-16	7,533,338	590,756	8,124,094
2016-17	7,715,756	403,725	8,119,481
2017-18	7,898,725	206,980	8,105,705
2018-19	8,091,980	-	8,091,980
	<u>\$ 48,704,981</u>	<u>\$ 5,110,712</u>	<u>\$ 53,815,693</u>

**INLAND EMPIRE PUBLIC FACILITIES CORPORATION
SCHEDULE OF LEASE PAYMENTS RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2011**

MEDICAL CENTER PROJECT – SERIES 1994

<u>Fiscal Year</u>	<u>Due July 15</u>	<u>Due January 15</u>	<u>Total</u>
2011-12	\$ 7,108,338	\$ 3,229,525	\$ 10,337,863
2012-13	7,219,525	3,119,800	10,339,325
2013-14	7,324,800	3,004,163	10,328,963
2014-15	7,449,163	2,881,925	10,331,088
2015-16	7,576,925	2,752,813	10,329,738
2016-17	7,717,813	2,616,275	10,334,088
2017-18	7,851,275	2,472,313	10,323,588
2018-19	2,472,313	2,472,313	4,944,626
2019-20	2,472,313	2,472,313	4,944,626
2020-21	14,652,313	2,046,013	16,698,326
2021-22	14,616,013	1,700,338	16,316,351
2022-23	14,990,338	1,334,863	16,325,201
2023-24	1,334,863	1,334,863	2,669,726
2024-25	1,334,863	1,334,863	2,669,726
2025-26	14,394,863	1,008,363	15,403,226
2026-27	14,733,363	665,238	15,398,601
2027-28	14,340,238	340,450	14,680,688
2028-29	14,675,449	-	14,675,449
	<u>\$ 162,264,768</u>	<u>\$ 34,786,431</u>	<u>\$ 197,051,199</u>

**INLAND EMPIRE PUBLIC FACILITIES CORPORATION
SCHEDULE OF LEASE PAYMENTS RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2011**

MEDICAL CENTER PROJECT - SERIES 1995

<u>Fiscal Year</u>	<u>Due July 15</u>	<u>Due January 15</u>	<u>Total</u>
2011-12	\$ 4,152,238	\$ 801,775	\$ 4,954,013
2012-13	4,266,775	689,163	4,955,938
2013-14	4,394,163	568,750	4,962,913
2014-15	4,523,750	440,213	4,963,963
2015-16	4,665,213	302,900	4,968,113
2016-17	4,807,900	156,486	4,964,386
2017-18	4,971,486	-	4,971,486
	<u>\$ 31,781,525</u>	<u>\$ 2,959,287</u>	<u>\$ 34,740,812</u>

**INLAND EMPIRE PUBLIC FACILITIES CORPORATION
SCHEDULE OF LEASE PAYMENTS RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2011**

MEDICAL CENTER PROJECT - SERIES 1996

<u>Fiscal Year</u>	<u>Due July 15</u>	<u>Due January 15</u>	<u>Total</u>
2011-12	\$ 1,971,713	\$ 1,602,263	\$ 3,573,976
2012-13	1,982,263	1,592,288	3,574,551
2013-14	1,992,288	1,581,788	3,574,076
2014-15	2,001,788	1,570,763	3,572,551
2015-16	2,015,763	1,559,081	3,574,844
2016-17	2,024,081	1,546,875	3,570,956
2017-18	2,036,875	1,534,625	3,571,500
2018-19	2,049,625	1,521,750	3,571,375
2019-20	2,066,750	1,508,125	3,574,875
2020-21	2,078,125	1,493,875	3,572,000
2021-22	2,093,875	1,478,875	3,572,750
2022-23	2,108,875	1,463,125	3,572,000
2023-24	2,128,125	1,446,500	3,574,625
2024-25	2,141,500	1,429,125	3,570,625
2025-26	2,164,125	1,410,750	3,574,875
2026-27	8,530,750	1,232,750	9,763,500
2027-28	25,262,750	631,998	25,894,748
2028-29	25,911,997	-	25,911,997
	<u>\$ 90,561,268</u>	<u>\$ 24,604,556</u>	<u>\$ 115,165,824</u>

**INLAND EMPIRE PUBLIC FACILITIES CORPORATION
SCHEDULE OF LEASE PAYMENTS RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2011**

MEDICAL CENTER PROJECT - SERIES 2009 SERIES A

<u>Fiscal Year</u>	<u>Due July 15</u>	<u>Due January 15</u>	<u>Total</u>
2011-12	\$ 16,044,422	\$ 5,904,572	\$ 21,948,994
2012-13	16,209,572	5,659,997	21,869,569
2013-14	16,449,997	5,392,747	21,842,744
2014-15	16,797,747	5,123,622	21,921,369
2015-16	17,028,622	4,830,697	21,859,319
2016-17	17,275,697	4,525,384	21,801,081
2017-18	17,615,384	4,198,134	21,813,518
2018-19	21,193,134	3,773,259	24,966,393
2019-20	21,673,260	3,326,928	25,000,188
2020-21	18,341,928	2,914,016	21,255,944
2021-22	19,244,016	2,476,128	21,720,144
2022-23	19,641,128	2,038,878	21,680,006
2023-24	20,423,878	1,567,763	21,991,641
2024-25	20,917,763	1,071,919	21,989,682
2025-26	24,006,919	469,875	24,476,794
2026-27	18,369,874	-	18,369,874
	<u>\$ 301,233,341</u>	<u>\$ 53,273,919</u>	<u>\$ 354,507,260</u>

**INLAND EMPIRE PUBLIC FACILITIES CORPORATION
SCHEDULE OF LEASE PAYMENTS RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2011**

MEDICAL CENTER PROJECT – 2009 SERIES B

<u>Fiscal Year</u>	<u>Due July 15</u>	<u>Due January 15</u>	<u>Total</u>
2011-12	\$ 1,124,659	\$ 1,124,659	\$ 2,249,318
2012-13	1,124,659	1,124,659	2,249,318
2013-14	1,124,659	1,124,659	2,249,318
2014-15	1,124,659	1,124,659	2,249,318
2015-16	1,124,659	1,124,659	2,249,318
2016-17	1,124,659	1,124,659	2,249,318
2017-18	1,124,659	1,124,659	2,249,318
2018-19	8,534,659	939,409	9,474,068
2019-20	8,724,409	735,053	9,459,462
2020-21	735,053	735,053	1,470,106
2021-22	735,053	735,053	1,470,106
2022-23	735,053	735,053	1,470,106
2023-24	14,705,053	377,076	15,082,129
2024-25	15,092,076	-	15,092,076
	<u>\$ 57,133,969</u>	<u>\$ 12,129,310</u>	<u>\$ 69,263,279</u>

**INLAND EMPIRE PUBLIC FACILITIES CORPORATION
SCHEDULE OF LEASE PAYMENTS RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2011**

**SOLID WASTE FINANCING PROJECT
SERIES 2008 B**

<u>Fiscal Year</u>	<u>Total Payment</u>
2011-12	\$ 7,521,992
2012-13	8,093,181
2013-14	8,738,831
2014-15	9,413,733
2015-16	10,137,899
2016-17	10,926,117
	<u>\$ 54,831,753</u>

**INLAND EMPIRE PUBLIC FACILITIES CORPORATION
SCHEDULE OF DEBT SERVICE - CERTIFICATES OF PARTICIPATION
FOR THE YEAR ENDED JUNE 30, 2011**

**CONSTRUCTION AND IMPROVEMENT PROJECT
SERIES 2002**

Fiscal Year	Due July 1		Due January 1	Total
	Principal	Interest	Interest	
2011-12	\$ 5,025,000	\$ 756,600	\$ 656,100	\$ 6,437,700
2012-13	5,155,000	656,100	553,000	6,364,100
2013-14	5,475,000	553,000	443,500	6,471,500
2014-15	5,585,000	443,500	303,875	6,332,375
2015-16	5,950,000	303,875	155,125	6,409,000
2016-17	6,205,000	155,125	-	6,360,125
	<u>\$ 33,395,000</u>	<u>\$ 2,868,200</u>	<u>\$ 2,111,600</u>	<u>\$ 38,374,800</u>

**INLAND EMPIRE PUBLIC FACILITIES CORPORATION
SCHEDULE OF DEBT SERVICE - CERTIFICATES OF PARTICIPATION
FOR THE YEAR ENDED JUNE 30, 2011**

WEST VALLEY DETENTION CENTER PROJECT - 2001 SERIES A

Fiscal Year	Due November 1		Due May 1	Total
	Principal	Interest	Interest	
2011-12	\$ 635,000	\$ 125,879	\$ 113,179	\$ 874,058
2012-13	655,000	113,179	100,079	868,258
2013-14	685,000	100,079	86,036	871,115
2014-15	715,000	86,036	70,843	871,879
2015-16	745,000	70,843	54,825	870,668
2016-17	775,000	54,825	37,775	867,600
2017-18	810,000	37,775	19,549	867,324
2018-19	850,000	19,549	-	869,549
	<u>\$ 5,870,000</u>	<u>\$ 608,165</u>	<u>\$ 482,286</u>	<u>\$ 6,960,451</u>

**INLAND EMPIRE PUBLIC FACILITIES CORPORATION
SCHEDULE OF DEBT SERVICE - CERTIFICATES OF PARTICIPATION
FOR THE YEAR ENDED JUNE 30, 2011**

WEST VALLEY DETENTION CENTER PROJECT - 2001 SERIES B

Fiscal Year	Due November 1		Due May 1	Total
	Principal	Interest	Interest	
2011-12	\$ 5,265,000	\$ 235,900	\$ 109,900	\$ 5,610,800
2012-13	5,495,000	109,900	-	5,604,900
	<u>\$ 10,760,000</u>	<u>\$ 345,800</u>	<u>\$ 109,900</u>	<u>\$ 11,215,700</u>

**INLAND EMPIRE PUBLIC FACILITIES CORPORATION
SCHEDULE OF DEBT SERVICE - CERTIFICATES OF PARTICIPATION
FOR THE YEAR ENDED JUNE 30, 2011**

WEST VALLEY DETENTION CENTER PROJECT - 2002 SERIES A

Fiscal Year	Due November 1		Due May 1	Total
	Principal	Interest	Interest	
2011-12	\$ 325,000	\$ 1,114,269	\$ 1,106,144	\$ 2,545,413
2012-13	340,000	1,106,144	1,097,644	2,543,788
2013-14	6,115,000	1,097,644	937,125	8,149,769
2014-15	6,430,000	937,125	768,338	8,135,463
2015-16	6,765,000	768,338	590,756	8,124,094
2016-17	7,125,000	590,756	403,725	8,119,481
2017-18	7,495,000	403,725	206,980	8,105,705
2018-19	7,885,000	206,980	-	8,091,980
	<u>\$ 42,480,000</u>	<u>\$ 6,224,981</u>	<u>\$ 5,110,712</u>	<u>\$ 53,815,693</u>

**INLAND EMPIRE PUBLIC FACILITIES CORPORATION
SCHEDULE OF DEBT SERVICE - CERTIFICATES OF PARTICIPATION
FOR THE YEAR ENDED JUNE 30, 2011**

MEDICAL CENTER PROJECT - SERIES 1994

Fiscal Year	Due August 1		Due February 1	Total
	Principal	Interest	Interest	
2011-12	\$ 3,775,000	\$ 3,333,338	\$ 3,229,525	\$ 10,337,863
2012-13	3,990,000	3,229,525	3,119,800	10,339,325
2013-14	4,205,000	3,119,800	3,004,163	10,328,963
2014-15	4,445,000	3,004,163	2,881,925	10,331,088
2015-16	4,695,000	2,881,925	2,752,813	10,329,738
2016-17	4,965,000	2,752,813	2,616,275	10,334,088
2017-18	5,235,000	2,616,275	2,472,313	10,323,588
2018-19	-	2,472,313	2,472,313	4,944,626
2019-20	-	2,472,313	2,472,313	4,944,626
2020-21	12,180,000	2,472,313	2,046,013	16,698,326
2021-22	12,570,000	2,046,013	1,700,338	16,316,351
2022-23	13,290,000	1,700,338	1,334,863	16,325,201
2023-24	-	1,334,863	1,334,863	2,669,726
2024-25	-	1,334,863	1,334,863	2,669,726
2025-26	13,060,000	1,334,863	1,008,363	15,403,226
2026-27	13,725,000	1,008,363	665,238	15,398,601
2027-28	13,675,000	665,238	340,450	14,680,688
2028-29	14,335,000	340,449	0	14,675,449
	<u>\$ 124,145,000</u>	<u>\$ 38,119,768</u>	<u>\$ 34,786,431</u>	<u>\$ 197,051,199</u>

**INLAND EMPIRE PUBLIC FACILITIES CORPORATION
SCHEDULE OF DEBT SERVICE - CERTIFICATES OF PARTICIPATION
FOR THE YEAR ENDED JUNE 30, 2011**

MEDICAL CENTER PROJECT - SERIES 1995

Fiscal Year	Due August 1		Due February 1	Total
	Principal	Interest	Interest	
2011-12	\$ 3,245,000	\$ 907,238	\$ 801,775	\$ 4,954,013
2012-13	3,465,000	801,775	689,163	4,955,938
2013-14	3,705,000	689,163	568,750	4,962,913
2014-15	3,955,000	568,750	440,213	4,963,963
2015-16	4,225,000	440,213	302,900	4,968,113
2016-17	4,505,000	302,900	156,486	4,964,386
2017-18	4,815,000	156,486	-	4,971,486
	<u>\$ 27,915,000</u>	<u>\$ 3,866,525</u>	<u>\$ 2,959,287</u>	<u>\$ 34,740,812</u>

**INLAND EMPIRE PUBLIC FACILITIES CORPORATION
SCHEDULE OF DEBT SERVICE - CERTIFICATES OF PARTICIPATION
FOR THE YEAR ENDED JUNE 30, 2011**

MEDICAL CENTER PROJECT - SERIES 1996

Fiscal Year	Due August 1		Due February 1	Total
	Principal	Interest	Interest	
2011-12	\$ 360,000	\$ 1,611,713	\$ 1,602,263	\$ 3,573,976
2012-13	380,000	1,602,263	1,592,288	3,574,551
2013-14	400,000	1,592,288	1,581,788	3,574,076
2014-15	420,000	1,581,788	1,570,763	3,572,551
2015-16	445,000	1,570,763	1,559,081	3,574,844
2016-17	465,000	1,559,081	1,546,875	3,570,956
2017-18	490,000	1,546,875	1,534,625	3,571,500
2018-19	515,000	1,534,625	1,521,750	3,571,375
2019-20	545,000	1,521,750	1,508,125	3,574,875
2020-21	570,000	1,508,125	1,493,875	3,572,000
2021-22	600,000	1,493,875	1,478,875	3,572,750
2022-23	630,000	1,478,875	1,463,125	3,572,000
2023-24	665,000	1,463,125	1,446,500	3,574,625
2024-25	695,000	1,446,500	1,429,125	3,570,625
2025-26	735,000	1,429,125	1,410,750	3,574,875
2026-27	7,120,000	1,410,750	1,232,750	9,763,500
2027-28	24,030,000	1,232,750	631,998	25,894,748
2028-29	25,280,000	631,997	-	25,911,997
	<u>\$ 64,345,000</u>	<u>\$ 26,216,268</u>	<u>\$ 24,604,556</u>	<u>\$ 115,165,824</u>

**INLAND EMPIRE PUBLIC FACILITIES CORPORATION
SCHEDULE OF DEBT SERVICE - CERTIFICATES OF PARTICIPATION
FOR THE YEAR ENDED JUNE 30, 2011**

MEDICAL CENTER PROJECT – 2009 SERIES A

Fiscal Year	Due August 1		Due February 1	Total
	Principal	Interest	Interest	
2011-12	\$ 9,990,000	\$ 6,054,422	\$ 5,904,572	\$ 21,948,994
2012-13	10,305,000	5,904,572	5,659,997	21,869,569
2013-14	10,790,000	5,659,997	5,392,747	21,842,744
2014-15	11,405,000	5,392,747	5,123,622	21,921,369
2015-16	11,905,000	5,123,622	4,830,697	21,859,319
2016-17	12,445,000	4,830,697	4,525,384	21,801,081
2017-18	13,090,000	4,525,384	4,198,134	21,813,518
2018-19	16,995,000	4,198,134	3,773,259	24,966,393
2019-20	17,900,000	3,773,259	3,326,928	25,000,187
2020-21	15,015,000	3,326,928	2,914,016	21,255,944
2021-22	16,330,000	2,914,016	2,476,128	21,720,144
2022-23	17,165,000	2,476,128	2,038,878	21,680,006
2023-24	18,385,000	2,038,878	1,567,763	21,991,641
2024-25	19,350,000	1,567,763	1,071,919	21,989,682
2025-26	22,935,000	1,071,919	469,875	24,476,794
2026-27	17,900,000	469,875	-	18,369,875
	<u>\$ 241,905,000</u>	<u>\$ 59,328,341</u>	<u>\$ 53,273,919</u>	<u>\$ 354,507,260</u>

**INLAND EMPIRE PUBLIC FACILITIES CORPORATION
SCHEDULE OF DEBT SERVICE - CERTIFICATES OF PARTICIPATION
FOR THE YEAR ENDED JUNE 30, 2011**

MEDICAL CENTER PROJECT – 2009 SERIES B

Fiscal Year	Due August 1		Due February 1	Total
	Principal	Interest	Interest	
2011-12	\$ -	\$ 1,124,659	\$ 1,124,659	\$ 2,249,318
2012-13	-	1,124,659	1,124,659	2,249,318
2013-14	-	1,124,659	1,124,659	2,249,318
2014-15	-	1,124,659	1,124,659	2,249,318
2015-16	-	1,124,659	1,124,659	2,249,318
2016-17	-	1,124,659	1,124,659	2,249,318
2017-18	-	1,124,659	1,124,659	2,249,318
2018-19	7,410,000	1,124,659	939,409	9,474,068
2019-20	7,785,000	939,409	735,053	9,459,462
2020-21	-	735,053	735,053	1,470,106
2021-22	-	735,053	735,053	1,470,106
2022-23	-	735,053	735,053	1,470,106
2023-24	13,970,000	735,053	377,076	15,082,129
2024-25	14,715,000	377,076	-	15,092,076
	<u>\$ 43,880,000</u>	<u>\$ 13,253,969</u>	<u>\$ 12,129,310</u>	<u>\$ 69,263,279</u>

**INLAND EMPIRE PUBLIC FACILITIES CORPORATION
SCHEDULE OF DEBT SERVICE - CERTIFICATES OF PARTICIPATION
FOR THE YEAR ENDED JUNE 30, 2011**

SOLID WASTE FINANCING PROJECT – SERIES 2008 B

Fiscal Year	Principal		Interest**	Total
	Due September 1	Due March 1		
2011-12	\$ 3,605,000	\$ 3,865,000	\$ 51,992	\$ 7,521,992
2012-13	3,915,000	4,130,000	48,181	8,093,181
2013-14	4,265,000	4,435,000	38,831	8,738,831
2014-15	4,630,000	4,755,000	28,733	9,413,733
2015-16	5,010,000	5,110,000	17,899	10,137,899
2016-17	5,410,000	5,510,000	6,117	10,926,117
	<u>\$ 26,835,000</u>	<u>\$ 27,805,000</u>	<u>\$ 191,753</u>	<u>\$ 54,831,753</u>

**Fiscal year interest in this schedule is based on June 30, 2011 interest rate, which was 0.1100%.



**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 Directors
Inland Empire Public Facilities Corporation
San Bernardino, California

We have audited the financial statements of each major fund of the Inland Empire Public Facilities Corporation (the "Corporation"), as of and for the year ended June 30, 2011, and have issued our report thereon dated October 14, 2011. 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.

Internal Control Over Financial Reporting

Management of the Corporation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of 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 determination of financial statement amounts. 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*.

This report is intended solely for the information and use of the Board of Directors and management of the Corporation and is not intended to be and should not be used by anyone other than these specified parties.

Vaurio, Tami, Day, Co., LLP

Rancho Cucamonga, California

October 14, 2011