



# **Riverside Public Financing Authority**

Financial and Compliance Report  
June 30, 2017

Prepared by the Finance Department  
Adam Raymond, Chief Financial Officer/Treasurer

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# Riverside Public Financing Authority

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## Independent Auditors' Report

Honorable Mayor and Members of the City Council  
Riverside Public Financing Authority  
City of Riverside, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Riverside Public Financing Authority (the Authority), a component unit of the City of Riverside, California (the City), as of and for the year ended June 30, 2017, 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*

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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Riverside Public Financing Authority, as of June 30, 2017, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2017, 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 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 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.

*Macias Gini & O'Connell LLP*

Newport Beach, CA  
October 31, 2017

**Riverside Public Financing Authority**  
**Statement of Net Position**  
**June 30, 2017**

**Assets**

Current Assets

|  |                   |
|--|-------------------|
| Interest receivable                          | \$ 3,580,572      |
| Current portion of loans receivable (Note 2) | <u>9,935,000</u>  |
| Total current assets                         | <u>13,515,572</u> |

Non-Current Assets

|   |                    |
|---|--------------------|
| Loans receivable, net of current portion (Note 2) | <u>298,500,000</u> |
| Total assets                                      | <u>312,015,572</u> |

**Liabilities and Net Position**

Current Liabilities

|   |                   |
|---|-------------------|
| Interest payable                                  | \$ 3,580,572      |
| Current portion of long-term obligations (Note 3) | <u>9,935,000</u>  |
| Total current liabilities                         | <u>13,515,572</u> |

Non-Current Liabilities

|  |                    |
|--|--------------------|
| Long-term obligations, net of current portion (Note 3) | <u>298,500,000</u> |
| Total liabilities                                      | <u>312,015,572</u> |

Net Position

|                                    |   |
|------------------------------------|---|
| Total liabilities and net position | <u>                  -</u><br><u>\$ 312,015,572</u> |
|------------------------------------|---|

The notes to basic financial statements are an integral part of this statement.

**Riverside Public Financing Authority**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Year Ended June 30, 2017**

|  |                     |
|--|---------------------|
| <b>Revenues</b>                        |                     |
| Interest revenue                       | \$ 14,632,188       |
| <b>Expenses</b>                        |                     |
| Long-term obligations interest expense | <u>(14,632,188)</u> |
| Change in net position                 | -                   |
| Net position at beginning of year      | <u>-</u>            |
| Net position at ending of year         | <u><u>\$ -</u></u>  |

The notes to basic financial statements are an integral part of this statement.

**Riverside Public Financing Authority**  
**Statement of Cash Flows**  
**Year Ended June 30, 2017**

|   |                     |
|---|---------------------|
| Cash Flows from Capital and Related Financing Activities  |                     |
| Principal reduction on long-term obligations              | \$ (29,100,000)     |
| Interest paid on long-term obligations                    | (15,076,994)        |
| Net cash used in capital and related financing activities | <u>(44,176,994)</u> |
| Cash Flows from Investing Activities                      |                     |
| Principal received on loans receivable                    | 29,100,000          |
| Interest received on loans receivable                     | 15,076,994          |
| Net cash provided by investing activities                 | <u>44,176,994</u>   |
| Net increase in cash and cash equivalents                 | <u>-</u>            |
| Cash and Cash Equivalents                                 |                     |
| Beginning of the year                                     | -                   |
| End of the year   | <u>\$ -</u>         |

The notes to basic financial statements are an integral part of this statement.

**Note 1. Nature of Operations, Description of Reporting Entity and Summary of Significant Accounting Policies**

**Nature of operations:** The Riverside Public Financing Authority (Authority), a non-profit corporation, serves as a conduit for the issuance of debt which provides financing for public capital improvements to the City of Riverside California, the Successor Agency to the Redevelopment Agency of the City of Riverside (Agency) and the Parking Authority of the City of Riverside (Parking Authority). The Authority has issued tax allocation bonds secured by loan agreements between the Agency, the City and the Authority. These loan agreements are secured by a first pledge of and lien on a portion of property tax revenues within the respective project areas.

**Reporting entity:** The Riverside Public Financing Authority was organized under and pursuant to a Joint Exercise of Powers Agreement dated December 15, 1987 by and between the former Redevelopment Agency of the City of Riverside, the City and under the Government Code of the State of California, for the primary purpose of making loans to the Agency or the City to provide financing for public capital improvements. The Parking Authority was added as an additional member of the Authority on August 14, 2012. All trustee fees and other administrative expenses are paid by the City, the Agency, or the Parking Authority, as applicable.

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 that provided for the dissolution of all redevelopment agencies in the State of California. The bill provided that upon dissolution of the Redevelopment Agency, either the city or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On March 15, 2011, the City Council elected to become the Successor Agency for the former Redevelopment Agency in accordance with the bill as part of City resolution number 22184. Successor agencies are allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Authority is reported as a blended component unit of the City and separate financial statements for the City may be obtained from the City's Finance Department. 3900 Main Street, Riverside, California 92522.

**Basis of accounting:** The activities of the Authority are accounted for as an enterprise fund using the economic resources measurement focus and the accrual basis of accounting. Under this method, interest revenues are recorded when earned and interest expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow occurs.

**Reserve funds:** Restricted cash in the amount of \$7,449,823 as of June 30, 2017 is available in reserve funds of the various debt issuances. These reserves are not recorded in the financial statements of the Authority but are maintained in the Agency's and the City's financial statements. In the event that loan receivable payments are not received from the Agency and the City to pay debt service, these reserve funds would be available and used. These reserve funds are maintained by fiscal agents and are considered restricted by and are pledged by the Agency and the City as collateral for payment of principal and interest on bonds.

**Statement of cash flows:** For the purpose of cash flows, and since there is usually no cash or cash equivalents on hand, the Authority considers all cash received and paid out to be highly liquid (maturities of three months or less for cash equivalents).

**Loans and interest receivable:** Activities between the Authority, the Agency and City that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year that are expected to be paid back in future years are referred to as Loans and Interest Receivable. There is no allowance for loan losses, as the Authority expects full repayment based on historical experience.



**Long-term obligations:** Long-term obligations are reported as liabilities in the financial statements of the Authority. Long-term obligations used to finance the Authority's lending activities and payable from interest revenues generated by the Agency and the City are recorded in the Authority's financial statements as interest revenue. The debt issued on behalf of the former Redevelopment Agency is secured by pledged tax increment revenues of the Agency. The debt issued on behalf of the City is secured by a lease agreement between the City and the Authority.

**Net position:** Net position represents the difference between assets and liabilities. Net position is not reported by the Authority, since by its very nature, the Authority acts as a conduit entity.

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

**Note 2. Loans Receivable**

Loans receivable at June 30, 2017 are as follows:

|  |                      |
|--|----------------------|
| Various loans to the former Redevelopment Agency, receivable in annual installments from the Successor Agency from \$10,000 to \$8,790,000 through August 2037; interest 2.0% to 8.0%. | \$134,300,000        |
| \$128,300,000 loan to the City for capital improvements, receivable in annual installments from \$2,900,000 to \$7,200,000 through March 1, 2037; interest at 3.362%.                  | 105,700,000          |
| \$35,235,000 loan to the City for capital improvements, receivable in annual installments from \$1,285,000 to \$2,855,000 through June 1, 2034; interest 4.00% to 5.25%.               | 32,610,000           |
| \$41,240,000 loan to the City for capital improvements, receivable in annual installments from \$1,295,000 to \$2,840,000 through November 1, 2033; interest 2.00% to 5.00%.           | <u>35,825,000</u>    |
| Total loans receivable   | 308,435,000          |
| Less current portion   | <u>(9,935,000)</u>   |
| Non-current portion of loans receivable  | <u>\$298,500,000</u> |

The payments to be received from the Agency and the City in future years are equal to the future annual requirements to amortize the related debt (see Note 3).

**Note 3. Long-Term Obligations**

Changes in Long-Term Obligations: Below is a summary of changes in long-term obligations during the fiscal year:

|                              | Beginning             |             |                        | Ending                |           | Due Within          |
|------------------------------|-----------------------|-------------|------------------------|-----------------------|-----------|---------------------|
|                              | Balance               | Additions   | Reductions             | Balance               | One Year  |                     |
| 1991 RPFA Series A           | \$ 45,000             | \$ -        | \$ (20,000)            | \$ 25,000             | \$ 25,000 | \$ 25,000           |
| 2007 RPFA Series A           | 8,170,000             | -           | (25,000)               | 8,145,000             | 25,000    | 25,000              |
| 2007 RPFA Series B           | 11,620,000            | -           | (470,000)              | 11,150,000            | 350,000   | 350,000             |
| 2007 RPFA Series C           | 85,960,000            | -           | (605,000)              | 85,355,000            | 1,470,000 | 1,470,000           |
| 2007 RPFA Series D           | 31,430,000            | -           | (1,805,000)            | 29,625,000            | 1,490,000 | 1,490,000           |
| 2008 RPFA COP                | 109,300,000           | -           | (3,600,000)            | 105,700,000           | 3,700,000 | 3,700,000           |
| 2010 RPFA COP                | 19,815,000            | -           | (19,815,000)           | -                     | -         | -                   |
| 2012 RPFA Refunding Series A | 37,245,000            | -           | (1,420,000)            | 35,825,000            | 1,485,000 | 1,485,000           |
| 2013 RPFA COP                | 33,950,000            | -           | (1,340,000)            | 32,610,000            | 1,390,000 | 1,390,000           |
|                              | <u>\$ 337,535,000</u> | <u>\$ -</u> | <u>\$ (29,100,000)</u> | <u>\$ 308,435,000</u> |           | <u>\$ 9,935,000</u> |

To fund the loans receivable described in Note 2, the Authority issued, or facilitated the issuance of, the following debt, which are limited obligations of the Authority.

|   | Outstanding<br>Principal |
|---|--------------------------|
| \$13,285,000 1991 Riverside Public Financing Authority Revenue Bonds, Series A, Multi-Project Areas outstanding term bonds due in annual installments ranging from \$10,000 to \$25,000 through February 1, 2018, bearing interest at 8%.   | \$ 25,000                |
| \$8,340,000 2007 Riverside Public Financing Authority Redevelopment Agency Tax Allocation Bonds, Tax Exempt, Series A, serial bond 4.0% to 4.25% due in annual installments from \$20,000 to \$590,000 through August 1, 2025; \$4,980,000 term bonds at 4.5% due August 1, 2029; \$410,000 term bonds at 4.375% due August 1, 2037.      | 8,145,000                |
| \$14,850,000 2007 Riverside Public Financing Authority Redevelopment Agency Tax Allocation Bonds, Taxable, Series B, \$4,050,000 term bonds at 5.2% due August 1, 2017; \$10,800 term bonds at 5.8% due August 1, 2028.   | 11,150,000               |
| \$89,205,000 2007 Riverside Public Financing Authority Redevelopment Agency Tax Allocation Bonds, Tax Exempt, Series C, serial bonds 4.0% to 5.0% due in annual installments from \$50,000 to \$3,210,000 through August 1, 2025; \$17,955,000 term bonds at 4.5% due August 1, 2030; \$47,755,000 term bonds at 5.0% due August 1, 2037. | 85,355,000               |
| \$43,875,000 2007 Riverside Public Financing Authority Redevelopment Agency Tax Allocation Bonds, Taxable, Series D, \$15,740,000 term bonds due August 1, 2017; \$28,135,000 term bonds due August 1, 2032.  | 29,625,000               |
| \$128,300,000 2008 Riverside Public Financing Authority Certificates of Participation due in annual installments from \$2,900,000 to \$7,200,000 through March 1, 2037; issued at a variable rate; however, the PFA entered into an agreement to convert to a fixed rate at 3.4%.   | 105,700,000              |

Riverside Public Financing Authority  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2017

|  |                      |
|--|----------------------|
| \$41,240,000 2012 Riverside Public Financing Authority Lease Revenue Refunding Bonds, Series A; bonds due in annual installments from \$1,295,000 to \$2,840,000 through November 1, 2033; interest from 2.00% to 5.00%. | 35,825,000           |
| \$35,235,000 2013 Riverside Public Financing Authority Certificates of Participation due in annual installments from \$1,285,000 to \$2,855,000 through June 1, 2034; interest from 4.0% to 5.0%.                        | <u>32,610,000</u>    |
| Total long-term obligations  | 308,435,000          |
| Less current portion   | <u>(9,935,000)</u>   |
| Non-current portion of long-term obligations   | <u>\$298,500,000</u> |

Annual debt service requirements to maturity are as follows:

| Fiscal Year | Principal             | Interest              | Total                 |
|-------------|-----------------------|-----------------------|-----------------------|
| 2018        | \$ 9,935,000          | \$ 13,548,611         | \$ 23,483,611         |
| 2019        | 10,280,000            | 13,110,469            | 23,390,469            |
| 2020        | 10,810,000            | 12,636,477            | 23,446,477            |
| 2021        | 11,660,000            | 12,132,781            | 23,792,781            |
| 2022        | 12,155,000            | 11,598,467            | 23,753,467            |
| 2023-2027   | 73,395,000            | 48,773,777            | 122,168,777           |
| 2028-2032   | 91,290,000            | 30,069,122            | 121,359,122           |
| 2033-2037   | 82,135,000            | 10,435,342            | 92,570,342            |
| 2038-2042   | 6,775,000             | 169,188               | 6,944,188             |
| Total       | <u>\$ 308,435,000</u> | <u>\$ 152,474,232</u> | <u>\$ 460,909,232</u> |