



Riverside Public Financing Authority

Financial and Compliance Report
June 30, 2021

Prepared by the Finance Department
Edward Enriquez, Chief Financial Officer/Treasurer

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Riverside Public Financing Authority

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

Opinions

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, 2021, and the related notes to the financial statements, which collectively comprise the Authority's financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Riverside Public Financing Authority, a component unit of the City of Riverside, California as of June 30, 2021, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements present only the Riverside Public Financing Authority of the City of Riverside and do not purport to, and do not present fairly the financial position of the City as of June 30, 2021 or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Riverside Public Financing Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the date of the financial statements.





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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with the GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Responsibilities

Required Supplementary Information

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



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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Lance, Soll & Lughard, LLP

Brea, California
November 9, 2021

Riverside Public Financing Authority
Statement of Net Position
June 30, 2021

Assets

Current Assets

Interest receivable	\$ 914,932
Current portion of loans receivable	9,785,000
Total current assets	<u>10,699,932</u>

Non-Current Assets

Loans Receivable, net of current portion	<u>189,235,364</u>
Total assets	<u>\$ 199,935,296</u>

Liabilities and Net Position

Current Liabilities

Interest payable	\$ 914,932
Current portion of long-term obligations	9,785,000
Total current liabilities	<u>10,699,932</u>

Non-Current Liabilities

Long-term Obligations, net of current portion	<u>189,235,364</u>
Total liabilities	199,935,296

Net Position

Total liabilities and net position	<u>\$ 199,935,296</u>
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The notes to 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, 2021

Revenues	
Interest revenue	\$ 7,881,526
Expenses	
Long-term obligations interest expense	<u>(7,881,526)</u>
Changes in net position	-
Net assets at beginning of year	<u>-</u>
Net assets at end of year	<u>\$ -</u>

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

Riverside Public Financing Authority
Statement of Cash Flows
Year Ended June 30, 2021

Cash Flows from Capital and Related Financing Activities	
Principal reduction on long-term obligations	\$ (9,465,000)
Interest paid on long-term obligations	(7,920,800)
Net cash used in capital and related financing activities	<u>(17,385,800)</u>
Cash Flows from Investing Activities	
Principal received on loans receivable	9,465,000
Interest received on loans receivable	7,920,800
Net cash provided by investing activities	<u>17,385,800</u>
Net increase in cash and cash equivalents	-
Cash and Cash Equivalents	
Beginning	-
Ending	<u>\$ -</u>

The notes to 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 X1 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. In 2018, the oversight was transferred to the Riverside Countywide Oversight Board, as a result of state legislation that consolidated all oversight boards to successor agencies. 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 the financial transactions of the Authority are included with governmental activities in the government-wide financial statements of the City and the Agency. Separate financial statements 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 \$7,422,802 as of June 30, 2021 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, 2021 are as follows:

	<u>Outstanding Balance</u>
\$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 3.40%.	\$90,000,000
\$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%.	29,415,000
\$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, 2033; interest 4.00% to 5.00%.	26,660,000
\$15,980,000 loan to the City for capital improvements, receivable in annual installments from \$605,000 to \$1,180,000 through November 1, 2036; interest 2.75% to 4.00%.	14,675,000
\$33,505,000 loan to the City for capital improvements, receivable in annual installments from \$1,245,000 to \$2,645,000 through November 1, 2036; interest 3.00% to 5.00%.	<u>30,095,000</u>
Subtotal	190,845,000
Add: Unamortized net bond premium	<u>8,175,364</u>
Total Loans receivable	<u>199,020,364</u>
Less: Current portion	<u>(9,785,000)</u>
Non-current portion of Loans receivable	<u>\$189,235,364</u>

The payments to be received from 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 Balance	Additions	Reductions	Ending Balance	Due Within One Year
2008 RPFA COP	\$ 94,200,000	\$ -	\$ 4,200,000	\$ 90,000,000	\$ 4,300,000
2012A RPFA Refunding	32,800,016	-	1,848,169	30,951,847	1,810,000
2013 RPFA COP	29,080,235	-	1,658,468	27,421,767	1,675,000
RPFA 2019A	15,018,946	-	678,891	14,340,055	715,000
RPFA 2019B	37,808,666	-	1,501,971	36,306,695	1,285,000
	<u>\$ 208,907,863</u>	<u>\$ -</u>	<u>\$ 9,887,499</u>	<u>\$ 199,020,364</u>	<u>\$ 9,785,000</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 Principal
<p>\$128,300,000 2008 Riverside Public Financing Authority Renaissance Certificates of Participation are secured with collateral of the Adulka Park, Fairmount Park and Golf Course, Arlington Heights Sports Park, Orange Terrace Park, Orange Terrace Community Center and Orange Terrace Library; issued at a variable rate; however, the City entered into an agreement to convert to a fixed rate of 3.4%. Due in annual installments from \$2,900,000 to \$7,200,000 through March 1, 2037.</p>	\$90,000,000
<p>\$41,240,000 2012 Riverside Public Financing Authority Lease Revenue Refunding Bonds, Series A are secured by lease payments on a portion of the City Hall Complex and the Lincoln Police Patrol Center. The bonds were issued to refinance the 2003 Certificates of Participation. Interest on the bonds is payable semi-annually on May 1 and November 1 of each year, commencing on May 1, 2013. The rate of interest varies from 2.00% to 5.00% per annum depending on maturity date. Principal is payable in annual installments ranging from \$1,295,000 to \$2,840,000 commencing on November 1, 2013 and ending November 1, 2033. In the event of default, the Trustee may retain the Lease Agreement and hold the City liable for all Base Rental Payments on an annual basis. The rental payments may not be accelerated.</p>	29,415,000
<p>\$35,235,000 2013 Riverside Public Financing Authority Pavement Rehab Certificates of Participation are secured by Measure A Sales Tax receipts; interest from 4.0% to 5.0 %, due in annual installments from \$1,285,000 to \$2,855,000 through June 1, 2033.</p>	26,660,000
<p>\$15,980,000 2019 Riverside Public Financing Authority Lease Revenue Refunding Bonds, Series A (Galleria at Tyler Public Improvements) are secured by lease payments on the two level 912 space parking structure located near Tyler Street and Nordstrom store, the Tyler Mall North Plaza, the North Plaza parking, storm drains related to those improvements, and portions of two arterial streets. The bonds were issued to refinance all but \$5,000 of the outstanding 2006 Lease Revenue Certificates of Participation (Galleria at Tyler Public Improvements) interest from 2.75% to 4.00% due in annual installments from \$605,000 to \$1,180,000 through November 1, 2036. The refunding transaction resulted in a total net present value savings of \$1,140,000. In the event of default, the Trustee may retain the Lease Agreement and hold the City liable for</p>	

Riverside Public Financing Authority
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2021

all Base Rental Payments on an annual basis. The rental payments may not be accelerated. 14,675,000

\$33,505,000 2019 Riverside Public Financing Authority Lease Revenue Refunding Bonds, Series B (Main Library Project) are secured by an amendment to the Ground Lease entered into by the City upon issuance of the 2012A Lease Revenue Bonds. It adds the remainder of the City Hall Complex, the Corporation Yard Administration Building and annex, Bobby Bonds Park, and the Main Library site; interest from 3.00% to 5.00% due in annual installments from \$1,245,000 to \$2,645,000 through November 1, 2036. In the event of default, the Trustee may retain the Lease Agreement and hold the City liable for all Base Rental Payments on an annual basis. The rental payments may not be accelerated. 30,095,000

Subtotal 190,845,000
Add: Unamortized net bond premium 8,175,364
Total Long-Term Obligations \$199,020,364

Annual debt service requirements to maturity are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	9,785,000	7,546,470	17,331,470
2023	10,135,000	7,144,458	17,279,458
2024	10,605,000	6,718,718	17,323,718
2025	10,835,000	6,287,563	17,122,563
2026	11,300,000	5,857,568	17,157,568
2027-2031	64,045,000	21,860,748	85,905,748
2032-2036	63,115,000	8,149,742	71,264,742
2037-2041	11,025,000	271,273	11,296,273
Premium	8,175,364	-	8,175,364
	<u>\$ 199,020,364</u>	<u>\$ 63,836,540</u>	<u>\$ 262,856,904</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 *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Riverside Public Financing Authority (the Authority), a component unit of the City of Riverside, California, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Riverside Public Financing Authority's financial statements, and have issued our report thereon dated November 9, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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





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

Purpose of this Report

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

Lance, Soll & Lingham, LLP

Brea, California
November 9, 2021