



Riverside Public Financing Authority

Financial and Compliance Report
June 30, 2024

Prepared by the Finance Department
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**RIVERSIDE PUBLIC FINANCING AUTHORITY
YEAR ENDED JUNE 30, 2024**

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the Authority Board
Riverside Public Financing Authority
Riverside, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Riverside Public Financing Authority (the Financing Authority), a component unit of the City of Riverside, California, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Financing Authority's basic 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 Financing Authority as of June 30, 2024, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Financing Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

Restatement

As described in Note 4 to the financial statements, the Financing Authority restated the beginning net position. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Financing Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 auditors' 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 GAAS and *Government Auditing Standards* 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 there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, 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 Financing 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 Financing 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.

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.

The Honorable Members of the Authority Board
Riverside Public Financing Authority
Riverside, California

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2024, on our consideration of the City of Riverside'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 of Riverside'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 City of Riverside's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Irvine, California
December 16, 2024

**RIVERSIDE PUBLIC FINANCING AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2024**

Assets

Current Assets

Interest receivable	\$ 638,430
Current portion of loans receivable	10,645,000
Total current assets	<u>11,283,430</u>

Non-Current Assets

Loans Receivable, net of current portion	<u>147,655,000</u>
Total assets	<u>\$ 158,938,430</u>

Liabilities and Net Position

Current Liabilities

Interest payable	\$ 638,430
Current portion of long-term obligations	10,645,000
Unamortized Bond Premium/Discount	8,469,594
Total current liabilities	<u>19,753,024</u>

Non-Current Liabilities

Long-term Obligations, net of current portion	<u>147,655,000</u>
Total liabilities	<u>167,408,024</u>

Net Position

(8,469,594)

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
FOR THE YEAR ENDED JUNE 30, 2024**

Revenues		
Interest revenue		\$ 6,282,474
Expenses		
Long-term obligations interest expense		(6,282,474)
Amortization Expense		(1,166,091)
Changes in net position		<u>(1,166,091)</u>
Net position at beginning of year, as previously reported		-
Error correction		(7,303,503)
Net position at beginning of year, as restated		<u>(7,303,503)</u>
Net position at end of year		<u><u>\$ (8,469,594)</u></u>

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024**

Cash Flows from Capital and Related Financing Activities	
Principal reduction on long-term obligations	\$ (10,590,000)
Interest paid on long-term obligations	(6,919,768)
Proceeds from certificates of participation refunding	23,625,415
Bond issuance costs	(254,191)
Payment to refunding escrow agent	(23,371,224)
Net cash used in capital and related financing activities	<u>7,509,768</u>
Cash Flows from Investing Activities	
Principal received on loans receivable	10,590,000
Interest received on loans receivable	6,919,768
Net cash provided by investing activities	<u>17,509,768</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.

RIVERSIDE PUBLIC FINANCING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

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.

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, 2024 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

RIVERSIDE PUBLIC FINANCING AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2024

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.

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, 2024 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%.	\$76,700,700
\$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%.	23,700,000
\$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%.	12,465,000
\$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%.	26,075,000
\$21,190,000 2023 Riverside Public Financing Authority Refunding Certificates of Participation due in annual installments from \$1,830,000 to \$2,595,000 through June 1, 2033; interest at 5.00%. The certificates were issued to refinance all of the remaining 2013 Certificates of Participation.	19,360,000
Total Loans receivable	<u>158,300,000</u>
Less: Current portion	<u>(10,645,000)</u>
Non-current portion of Loans receivable	<u>\$147,655,000</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).

RIVERSIDE PUBLIC FINANCING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

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	\$ 81,300,000	\$ -	\$ 4,600,000	\$ 76,700,000	\$ 4,700,000
2012A RPFA Refunding	26,990,697	-	2,123,013	24,867,684	1,940,000
2013 RPFA COP	23,859,794	-	23,859,794	-	-
RPFA 2019A	12,932,093	-	738,940	12,193,153	780,000
RPFA 2019B	33,145,919	-	1,688,964	31,456,955	1,470,000
2023 RPFA COP Refunding	-	23,625,415	2,073,613	21,551,802	1,755,000
	<u>\$178,228,503</u>	<u>\$ 23,625,415</u>	<u>\$ 35,084,323</u>	<u>\$166,769,594</u>	<u>\$ 10,645,000</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
\$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.	\$76,700,000
\$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.	23,700,000
\$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 all Base Rental Payments on an annual basis. The rental payments may not be accelerated.	12,465,000

RIVERSIDE PUBLIC FINANCING AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2024

\$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.

26,075,000

\$21,190,000 2023 Riverside Public Financing Authority Local Measure A Sales Tax Revenue Refunding Certificates of Participation are secured by Measure A Sales Tax receipts; interest at 5%, due semi-annually in June and December. Principal on the certificates are due in annual installments from \$1,755,000 to \$2,595,000 through June 1, 2033. The certificates were issued to refinance all of the remaining 2013 Certificates of Participation.

19,360,000

Subtotal	<u>158,300,000</u>
Add: Unamortized net bond premium	<u>8,469,594</u>
Total Long-Term Obligations	<u>\$166,769,594</u>

Annual debt service requirements to maturity are as follows:

Years Ending June 30,	Principal	Interest	Total
2025	\$ 10,645,000	\$ 6,201,688	\$ 16,846,688
2026	11,100,000	5,786,056	16,886,056
2027	11,580,000	5,336,274	16,916,274
2028	12,085,000	4,850,197	16,935,197
2029	12,515,000	4,342,011	16,857,011
2030-2034	68,495,000	13,428,733	81,923,733
2035-2039	31,880,000	2,034,112	33,914,112
Premium	8,469,594	-	8,469,594
Total	<u>\$ 166,769,594</u>	<u>\$ 41,979,069</u>	<u>\$ 208,748,663</u>

Note 4. Prior Period Adjustment

Net Position has been restated as unamortized bond premiums and discounts were previously reported as part of loans receivable. As loans receivable should only include the principal, this resulted in a decrease of \$8,469,594 in net position.

	June 30, 2023, as Previously Reported	Error Correction	June 30, 2023, as Restated
Net Position	<u>-</u>	<u>(7,303,503.00)</u>	<u>(7,303,503.00)</u>