

SUBMITTAL TO THE BOARD OF SUPERVISORS  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA



ITEM: 1  
(ID # 13717)

MEETING DATE:  
Tuesday, October 27, 2020

FROM: EXECUTIVE OFFICE:

SUBJECT: COUNTY OF RIVERSIDE ASSET LEASING CORPORATION: Annual Audit Report  
for the year ended June 30, 2020, All Districts, [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file the County of Riverside Asset Leasing Corporation (CORAL) Annual Audit Report for the Year Ended June 30, 2020.

ACTION: Consent


  
Frankie Z. Ezzat, Chief Deputy County Executive Officer 10/20/2020

---

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Jeffries, seconded by Supervisor Washington and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Jeffries, Spiegel, Washington, Perez and Hewitt  
Nays: None  
Absent: None  
Date: October 27, 2020  
xc: EO

Kecia R. Harper  
Clerk of the Board  
By:   
Deputy

**SUBMITTAL TO THE BOARD OF SUPERVISORS COUNTY OF RIVERSIDE,  
STATE OF CALIFORNIA**

<b>FINANCIAL DATA</b>	<b>Current Fiscal Year:</b>	<b>Next Fiscal Year:</b>	<b>Total Cost:</b>	<b>Ongoing Cost</b>
<b>COST</b>	\$ 0	\$ 0	\$ 0	\$ 0
<b>NET COUNTY COST</b>	\$ 0	\$ 0	\$ 0	\$ 0
<b>SOURCE OF FUNDS: N/A</b>			<b>Budget Adjustment: No</b>	
			<b>For Fiscal Year: 2019-2020</b>	

**C.E.O. RECOMMENDATION:** Approve

**BACKGROUND:**

**Summary**

The County of Riverside Asset Leasing Corporation (CORAL), a component unit of the County of Riverside, engages each year an independent auditor to conduct an audit of its basic Financial Statements which consist of the Statements of Net Position, Statement of Revenues, Expenses and Changes in Net Position, the Statement of Cash Flows and the related Notes to the Basic Financial Statements for the fiscal year then ended.

For fiscal year 2019/20, the County of Riverside Asset Leasing Corporation engaged Brown Armstrong Accountancy Corporation, to conduct the audit of its financial statements and transactions for the period July 1, 2019 through June 30, 2020.

The audit was performed 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 the independent auditor plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

Based upon the results of the audit, the independent auditor issued an opinion that the financial statements of the County of Riverside Asset Leasing Corporation presents fairly, in all material respects, the financial position of the County of Riverside Asset Leasing Corporation as of June 30, 2020, and the respective changes in financial position and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

**Impact on Residents and Businesses**

No impact on residents and business.

**SUBMITTAL TO THE BOARD OF SUPERVISORS COUNTY OF RIVERSIDE,  
STATE OF CALIFORNIA**

**ATTACHMENTS:**

1. County of Riverside Asset Leasing Corporation Annual Audit Report Year Ended June 30, 2020.
2. SAS 114 Final Report

  
Don R. Kent, Assistant CEO-County Finance Officer 10/21/2020



BROWN  
ARMSTRONG

CERTIFIED  
PUBLIC  
ACCOUNTANTS

**BAKERSFIELD OFFICE  
(MAIN OFFICE)**

4200 TRUXTUN AVENUE  
SUITE 300  
BAKERSFIELD, CA 93309  
TEL 661.324.4971  
FAX 661.324.4997  
EMAIL [info@bacpas.com](mailto:info@bacpas.com)

**FRESNO OFFICE**

10 RIVER PARK PLACE EAST  
SUITE 208  
FRESNO, CA 93720  
TEL 559.476.3592

**STOCKTON OFFICE**

1919 GRAND CANAL BLVD  
SUITE C6  
STOCKTON, CA 95207  
TEL 888.565.1040

[WWW.BACPAS.COM](http://WWW.BACPAS.COM)

REGISTERED with the Public Company  
Accounting Oversight Board and  
MEMBER of the American Institute of  
Certified Public Accountants

## BROWN ARMSTRONG

*Certified Public Accountants*

Board of Directors  
County of Riverside Asset Leasing Corporation  
Riverside, California

We have audited the basic financial statements of the County of Riverside Asset Leasing Corporation (CORAL), a blended component unit of the County of Riverside, California, as of and for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 20, 2020. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Matters

#### Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by CORAL are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the CORAL adopted Statement of Governmental Accounting Standards Board (GASB) Statement No. 84 – Fiduciary Activities and GASB Statement No. 95 – Postponement of the Effective Dates of Certain Authoritative Guidance during the year ended 2020. We noted no transactions entered into by CORAL during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the CORAL's financial statements was:

Management's estimate of the interest rate swap liability and the related accumulated decrease in fair value of hedging activities is based on a valuation calculation by a third party of the differences in interest rates. We evaluated the key factors and assumptions used to develop the estimate of the interest rate swap liability and the related accumulated decrease in fair value of hedging activities in determining that it is reasonable in relation to the basic financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of Accreted Interest Payable and Interest Rate Swap in Note 4 to the basic financial statements.

The financial statement disclosures are neutral, consistent, and clear.



#### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no such adjustments.

#### Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 9, 2020.

#### Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to CORAL's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as CORAL's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### Other Matters

We applied certain limited procedures to the Management Discussion and Analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on Combining Statement of Net Position; Combining Statement of Revenue, Expenses, and Changes in Net Position; and Combining Statement of Cash Flows, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the basic financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves.

Restriction on Use

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

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

Bakersfield, California  
October 9, 2020



COUNTY OF RIVERSIDE  
ASSET LEASING CORPORATION  
(A Component Unit of the  
County of Riverside, California)

BASIC FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED JUNE 30, 2020

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION  
(A Component Unit of the County of Riverside, California)

FOR THE YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report .....	1
Management's Discussion and Analysis (Required Supplementary Information) .....	3
<b>Basic Financial Statements:</b>	
Statement of Net Position .....	6
Statement of Revenues, Expenses, and Changes in Net Position .....	7
Statement of Cash Flows .....	8
Notes to the Basic Financial Statements .....	9
<b>Supplementary Information:</b>	
Combining Statement of Net Position .....	23
Combining Statement of Revenues, Expenses, and Changes in Net Position .....	26
Combining Statement of Cash Flows .....	29
<b>Other Report:</b>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards .....	32



**BROWN  
ARMSTRONG**

CERTIFIED  
PUBLIC  
ACCOUNTANTS

**BAKERSFIELD OFFICE  
(MAIN OFFICE)**

4200 TRUXTON AVENUE  
SUITE 300  
BAKERSFIELD, CA 93309  
TEL 661.324.4971  
FAX 661.324.4997  
EMAIL [info@bacpas.com](mailto:info@bacpas.com)

**FRESNO OFFICE**

10 RIVER PARK PLACE EAST  
SUITE 208  
FRESNO, CA 93720  
TEL 559.476.3592

**STOCKTON OFFICE**

1919 GRAND CANAL BLVD  
SUITE C6  
STOCKTON, CA 95207  
TEL 888.565.1040

[WWW.BACPAS.COM](http://WWW.BACPAS.COM)

REGISTERED with the Public Company  
Accounting Oversight Board and  
MEMBER of the American Institute of  
Certified Public Accountants

**BROWN ARMSTRONG**

*Certified Public Accountants*

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
County of Riverside Asset Leasing Corporation  
Riverside, California

**Report on the Basic Financial Statements**

We have audited the accompanying basic financial statements of the County of Riverside Asset Leasing Corporation (CORAL), a blended component unit of the County of Riverside, California, as of and for the year ended June 30, 2020, and the related notes to the basic financial statements, which comprise CORAL's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Basic Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these basic 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 basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic 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 CORAL'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 CORAL'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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of CORAL as of June 30, 2020, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

The basic financial statements present only CORAL and are not intended to present fairly the financial position of the County of Riverside, California, and results of its operations and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3-5 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise CORAL's basic financial statements. The accompanying supplementary combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying supplementary combining statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary combining statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 9, 2020, on our consideration of CORAL'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 CORAL's internal control over financial reporting and compliance.

Bakersfield, California  
October 9, 2020

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
2 *Accountancy Corporation*



**COUNTY OF RIVERSIDE ASSET LEASING CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

The following discussion and analysis of the County of Riverside Asset Leasing Corporation's (CORAL) financial performance provides an overview of its financial activities for the year ended June 30, 2020. Members of the County of Riverside (the County) Executive Office prepared this discussion and analysis. Please read it in conjunction with the CORAL's basic financial statements, which begin on page 6.

**Financial Highlights**

- CORAL's net assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2020 by \$36,780,982.
- Revenues from base rents from the County (interest portion) totaled \$17,739,777.
- CORAL's cash and investments decreased from \$39,395,755 at June 30, 2019, to \$36,547,494 at June 30, 2020, due to funding construction projects during the year.
- CORAL's net position decreased \$546,339 as a result of current year changes in net position.

**Basic Financial Statements**

CORAL's basic financial statements are those of a special-purpose government engaged only in providing debt financing for capital improvements benefiting the County. Under Governmental Accounting Standards Board (GASB) Statement No. 34, governments like CORAL that have only business-type activities may present only enterprise fund financial statements as follows: (1) statement of net position; (2) statement of revenues, expenses, and changes in net position; and (3) statement of cash flows.

CORAL's basic financial statements are prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. CORAL is structured as a single enterprise fund for financial reporting purposes.

The following table compares the current and prior year net position:

	June 30, 2020	June 30, 2019	Change
Current Assets	\$ 64,590,912	\$ 68,272,314	\$ (3,681,402)
Noncurrent Assets	377,440,920	409,944,858	(32,503,938)
Total Assets	442,031,832	478,217,172	(36,185,340)
Deferred Outflows of Resources	22,348,808	19,669,779	2,679,029
Current Liabilities	29,256,330	29,994,454	(738,124)
Noncurrent Liabilities	306,566,698	338,788,546	(32,221,848)
Total Liabilities	335,823,028	368,783,000	(32,959,972)
Deferred Inflows of Resources	91,776,630	91,776,630	-
Net Position			
Restricted for Debt Service	36,780,982	37,327,321	(546,339)
Total Net Position	\$ 36,780,982	\$ 37,327,321	\$ (546,339)

The following table summarizes the changes in net position for the current and prior year:

	June 30, 2020	June 30, 2019	Change
Base Rents from County - Interest Portion	\$ 17,739,777	\$ 18,865,595	\$ (1,125,818)
Investment and Other Revenues	1,493,513	2,597,075	(1,103,562)
Total Revenues	19,233,290	21,462,670	(2,229,380)
General and Administrative Expenses, Net	3,660,001	2,247,562	1,412,439
Interest Expense	15,771,314	16,901,032	(1,129,718)
Other Expense	348,314	52,567	295,747
Transfers to the County of Riverside	-	3,724	(3,724)
Total Expenses and Transfers	19,779,629	19,204,885	574,744
Change in Net Position	(546,339)	2,257,785	(2,804,124)
Net Position, Beginning of Year	37,327,321	35,069,536	2,257,785
Net Position, End of Year	\$ 36,780,982	\$ 37,327,321	\$ (546,339)



### **Long-Term Debt**

The long-term debt of CORAL at June 30, 2020, included \$208,716,923 of outstanding lease revenue bonds, \$27,885,000 of certificates of participation (COPs), and \$330,000 of private placement bonds. The lease revenue bonds, COPs, and private placement bonds will be repaid through lease agreements with the County that are structured to meet principal and interest requirements when due. During the fiscal year, outstanding bonds, COPs, and notes payable were reduced by scheduled principal payments of \$39,936,188.

Additional information on the CORAL's long-term debt can be found in Note 4 of this report.

### **Economic Factors**

The primary purpose of CORAL is to finance public capital needs for the County. Since CORAL derives its operating revenues almost exclusively from rental income paid by the County, any economic impact on the County's operational budget could potentially have an effect on CORAL's revenues and reimbursements to fund its operations. Any reduction in these revenues could affect the ability of the County to pay lease payments to CORAL.

The spread of the novel strain of coronavirus called COVID-19 (COVID-19) is having significant negative impacts throughout the world, including in the County. The ultimate impact on the County's operations and finances is currently unknown.

The County's discretionary revenues are estimated in part on internal projections based on revenue history, and on reports from independent economists hired by the county to provide economic forecasts. The County's FY20-21 adopted budget estimates a year-over-year discretionary revenue of \$856 million. Since revenue is not growing fast enough to meet the growing population's need for services and due to the rapidly changing economic circumstances, the County's budget was developed to provide essential services to signify the county's values and vision to improve the quality of life for all county residents.

### **Request for Information**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of CORAL's finances and to demonstrate CORAL's accountability for the money it receives. If you have any questions concerning any of the information provided in this report or requests for additional financial information, they should be addressed to the County of Riverside, County Executive Office, 4080 Lemon Street, 4<sup>th</sup> Floor, Riverside, California 92501.

**COUNTY OF RIVERSIDE ASSET LEASING CORPORATION**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

**ASSETS**

Current Assets:

Restricted Cash and Cash Equivalents	\$ 36,547,494
Interest Receivable	18,993
Lease Receivables - Facilities	<u>28,024,425</u>
Total Current Assets	<u>64,590,912</u>

Noncurrent Assets:

Lease Receivables - Facilities	208,907,498
Accreted Interest Receivable	71,938,341
Construction in Progress	<u>96,595,081</u>
Total Noncurrent Assets	<u>377,440,920</u>

Total Assets	<u>442,031,832</u>
--------------	--------------------

**DEFERRED OUTFLOWS OF RESOURCES**

Accumulated Decrease in Fair Value of Hedging Activities	21,328,126
Loss on Bond Refunding	<u>1,020,682</u>
	<u>22,348,808</u>

**LIABILITIES**

Current Liabilities:

Interest Payable	1,231,905
Private Placement Bonds	330,000
Lease Revenue Bonds	11,394,425
Certificates of Participation	<u>16,300,000</u>
Total Current Liabilities	<u>29,256,330</u>

Noncurrent Liabilities:

Interest Rate Swap Liability	21,328,126
Accreted Interest Payable	71,938,341
Lease Revenue Bonds	197,322,498
Certificates of Participation	11,585,000
Bond Premium	<u>4,392,733</u>

Total Noncurrent Liabilities	<u>306,566,698</u>
------------------------------	--------------------

Total Liabilities	<u>335,823,028</u>
-------------------	--------------------

**DEFERRED INFLOWS OF RESOURCES**

Deferred Future Lease Revenue	<u>91,776,630</u>
-------------------------------	-------------------

**NET POSITION**

Restricted for:

Debt Service	<u>36,780,982</u>
--------------	-------------------

Total Net Position	<u>\$ 36,780,982</u>
--------------------	----------------------

See accompanying notes to the basic financial statements.

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2020

<b>Operating Revenues</b>	
Base Rents from County - Interest Portion	<u>\$ 17,739,777</u>
Total Operating Revenues	<u>17,739,777</u>
<b>Operating Expenses</b>	
General and Administrative Expenses	<u>3,660,001</u>
Total Operating Expenses	<u>3,660,001</u>
Operating Income	<u>14,079,776</u>
<b>Nonoperating Revenues (Expenses)</b>	
Interest Income	833,476
Interest Expense	(15,771,314)
Premium/Discount	660,037
Deferred Loss on Bond Refunding	(52,567)
Costs of Issuance	<u>(295,747)</u>
Total Nonoperating Revenues (Expenses)	<u>(14,626,115)</u>
Change in Net Position	(546,339)
Net Position, Beginning of Year	<u>37,327,321</u>
Net Position, End of Year	<u><u>\$ 36,780,982</u></u>

See accompanying notes to the basic financial statements.



**COUNTY OF RIVERSIDE ASSET LEASING CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

Cash Flows from Operating Activities:	
Payments Received from County Leases	\$ 44,800,965
Payments for General and Administrative Expenses	<u>(3,955,748)</u>
Net Cash Provided by Operating Activities	<u>40,845,217</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of Assets for Lease	(1,789,470)
Principal Paid on Bonds and Certificates of Participation	(27,061,186)
Interest Paid on Bonds and Certificates of Participation	<u>(15,757,677)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(44,608,333)</u>
Cash Flows from Investing Activities:	
Cash Received from Earnings on Investments	<u>914,855</u>
Net Cash Provided by Investing Activities	<u>914,855</u>
Net Decrease in Restricted Cash and Cash Equivalents	(2,848,261)
Restricted Cash and Cash Equivalents, Beginning of Year	<u>39,395,755</u>
Restricted Cash and Cash Equivalents, End of Year	<u><u>\$ 36,547,494</u></u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating Income	\$ 14,079,776
Changes in Assets and Liabilities:	
Decrease in Lease Receivables - Facilities	27,061,188
Costs of Issuance	<u>(295,747)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 40,845,217</u></u>
Summary of Noncash Financing Activities:	
Accretion on Capital Appreciation Bonds:	
1997 A Hospital Serial Bonds	\$ 6,539,831
Amortization of Loss on Bond Defeasance	\$ (52,567)
Amortization of Bond (Premium) Discount	\$ (660,037)

See accompanying notes to the basic financial statements.

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization**

The County of Riverside Asset Leasing Corporation (CORAL) was established on October 27, 1983, to assist the County of Riverside (the County) by acquiring equipment and facilities financed from the proceeds of borrowings and leasing such equipment and facilities to the County. The County appoints the five-member governing body, and CORAL provides services almost entirely to the County. Accordingly, CORAL is a blended component unit of the County for financial reporting purposes, and CORAL's basic financial statements are included in the County's basic financial statements. CORAL is a nonprofit public benefit corporation and has received tax-exempt status from the Internal Revenue Service and the California Franchise Tax Board.

**B. Basis of Presentation and Accounting**

All activities of CORAL are accounted for within a single enterprise fund. An enterprise fund is used because CORAL's activities are financed with debt that is secured solely by a pledge of lease revenue.

The basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operations are included on the Statement of Net Position. Net position (i.e., total assets and deferred outflows of resources net of total liabilities and deferred inflows of resources) is segregated between amounts restricted for debt service and unrestricted net position.

**C. Use of Estimates**

The preparation of basic financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

**D. Restricted Cash, Cash Equivalents, and Investments**

CORAL considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. This includes deposits and money market mutual funds held in trust. CORAL records investment transactions on the trade date. Investments in nonparticipating interest-earning investment contracts (guaranteed investment contracts) are reported at cost and all other investments are at fair value. Fair value is defined as the amount that CORAL could reasonably expect to receive for an investment in a current sale between a willing buyer and seller and is generally measured by quoted market prices. All of CORAL's restricted cash and investments at June 30, 2020, were held in trust.



**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Lease Receivables**

As described in Note 4, debt service on the outstanding bonds and certificates of participation is funded from rents paid by the County to CORAL for the use of equipment and facilities acquired by CORAL. In the agreements relating to the bonds and certificates of participation, the County has covenanted to make rental payments in amounts corresponding to CORAL's debt service requirements and related costs. Lease receivables consist of amounts owed to CORAL from the County for costs incurred by CORAL in acquiring equipment and facilities for the County. The receivable and related debt is reduced by the principal portion of each rental payment made by the County. To the extent that funds are unexpended upon completion of all projects, such funds will be used to retire outstanding debt and the rental payments required from the County will be reduced accordingly. Title to the equipment and facilities will transfer to the County at the end of the respective lease terms.

**F. Deferred Charges-Bond Premium and Deferred Loss on Bond Refunding**

Deferred charges, which consist of bond premiums/discounts, are amortized over the life of the bonds using the effective interest 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 remaining life of the refunded bonds (i.e., the shorter of the remaining life of the refunded or refunding bonds).

**G. Operating/Nonoperating Revenues and Expenses**

CORAL's sole operational purpose is to issue debt to acquire equipment and facilities and lease such property to the County, as well as make debt service payments. As such, CORAL derives its operating revenues almost exclusively from rental income paid by the County, and its operational expenses include general and administrative expenses and the cost of projects leased to the County. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**H. Net Position**

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through constitutional provisions or enabling legislations of other governments when those restrictions are more restrictive than the normal activities of CORAL.

CORAL's restricted net position consists of funds held by the trustee for the repayment of debt principal or interest or as reserves, funds held for the acquisition or construction of equipment and facilities, and administrative expenses.

**I. Governmental Accounting Standards Update**

During the year ended June 30, 2020, CORAL implemented the following Governmental Accounting Standards Board (GASB) standards:

**GASB Statement No. 84 – Fiduciary Activities.** The requirements of this statement are effective for periods beginning after December 15, 2018. There was no impact on the financial statements.

**GASB Statement No. 95 – Postponement of the Effective Dates of Certain Authoritative Guidance.** The requirements of this statement are effective immediately. There was no impact on the financial statements.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Governmental Accounting Standards Update (Continued)**

Recently released standards by GASB affecting future years are as follows:

CORAL has not fully judged the effect of the implementation of these GASBs as of the date of the basic financial statements:

**GASB Statement No. 87 – Leases.** The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

**GASB Statement No. 89 – Accounting for Interest Cost Incurred Before the End of a Construction Period.** The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

**GASB Statement No. 90 – Majority Equity Interests ? An Amendment of GASB Statements No. 14 and No. 61.** The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

**GASB Statement No. 91 – Conduit Debt Obligations.** The requirements of this statement are effective for reporting periods beginning after December 15, 2020.

**GASB Statement No. 92 – Omnibus 2020.** The requirements of this statement are effective as follows:

- The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of GASB Statement No. 73 and No. 74 are effective for reporting periods beginning after June 15, 2021.
- The requirements related to application GASB Statement No. 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

**GASB Statement No. 93 – Replacement of Interbank Offered Rates.** The requirements of this statement are effective for reporting periods beginning after June 15, 2021.

**GASB Statement No. 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements.** The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

**GASB Statement No. 96 – Subscription-Based Information Technology Arrangements.** The requirements of this statement are effective for reporting periods beginning after June 15, 2022.



## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### I. Governmental Accounting Standards Update (Continued)

**GASB Statement No. 97** – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans ? an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. The requirements of this statement are effective as follows:

- The requirements in (1) paragraph 4 of this statement as it applies to defined contribution pension plans, defined contributions OPEB plans, and other employee benefit plans and (2) paragraph 5 of this statement are effective immediately.
- The requirements in paragraphs 6-9 of this statement are effective for reporting periods beginning after June 15, 2021.
- All other requirements of this statement are effective for reporting periods beginning after June 15, 2021.

### J. Stewardship, Compliance, and Accountability

The following bond funds have a deficit net position balance at June 30, 2020:

	Deficit
1990 Monterey Avenue	\$ (7,665)
2011 Monroe Park Building Lease	(974)
2013 Probation and RCIT	(460,827)
2019 Probation and RCIT	(61,161)
	<u>\$ (530,627)</u>

The deficit net position balances are due to timing of the liability accruals at year-end. The deficit in the bond funds will be eliminated by interest income and base rental income in subsequent periods.

## NOTE 2 – RESTRICTED CASH AND INVESTMENTS

Restricted cash and investments at June 30, 2020, are held by the trustee. All restricted cash and investments at June 30, 2020, are stated at fair value. CORAL categorizes its fair value measurements within the fair value hierarchy established by GASB. These principles recognize a three-tiered value hierarchy as follows:

- Level 1: Investments reflect prices quoted in active markets;
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active; and
- Level 3: Investments reflect prices based upon unobservable sources

Cash, cash equivalents, and investments of \$36,547,494 were comprised of money market mutual funds, the State of California Local Agency Investment Fund (LAIF), and the County Treasury Pool, which are all reported at amortized cost as of June 30, 2020.

CORAL participates in LAIF. Investments in the LAIF are governed by state statutes and overseen by a five member Advisory Board. The California State Treasurer's Office operates LAIF. LAIF is available for investment of funds administered by California local governments and special districts and is not registered with the SEC as an investment company. The enabling legislation for the LAIF is Section 16429.1 et seq. of the California Government Code. LAIF operates and reports to participants on an amortized cost basis. For LAIF, the income, gains, and losses, net of administration fees, are allocated based upon the participant's average daily balance. Deposits in LAIF are not insured or otherwise guaranteed by the State of California, and participants share proportionally in any realized gains or losses on investments. The fair value of LAIF investment pool is approximately equal to the value of the pool shares.

## NOTE 2 – RESTRICTED CASH AND INVESTMENTS (Continued)

### 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 4) rather than the general provisions of the California Government Code or CORAL's investment policy. The table below identifies the investment types that are authorized for investments held by the bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risks, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bonds, Notes, Warrants, or Certificates of Indebtedness	3 years	15%	None
Bankers' Acceptances	180 days	30%	None
Commercial Paper	270 days	40%	None
State of California LAIF	3 years	2.5% max, no more than 1.25% per issuer	None
Repurchase Agreements	45 days	40% max, 25% in term repo over 7 days, no more than 20% with one dealer in term repo	None
Negotiable Certificate of Deposits	1 year	25%	None
Collateralized Time Deposits	1 year	2%	None
Reverse Repurchase Agreements	60 days	10%	None
Corporate Notes on U.S. Corporations	2 years	20%	None
Money Market Mutual Funds	Daily	20%	None
Investment Contracts	30 years	None	None

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. CORAL manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity consistent with CORAL's debt service requirements. CORAL monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. CORAL has no specific limitations with respect to this metric.

Investment Type		Maturity Date
Held by Bond Trustee:		
Money Market Mutual Funds	\$ 32,623,790	Not Applicable
County of Riverside Treasury Pool	1,385,656	Not Applicable
LAIF	2,538,048	Not Applicable

### Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

CORAL's investments held by the bond trustee are invested in either highly liquid money market mutual funds or investment contracts with fixed interest rates. By nature, these investments are not highly sensitive to interest rate fluctuations.



## NOTE 2 – RESTRICTED CASH AND INVESTMENTS (Continued)

### Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented on the following table is the minimum rating (where applicable) required by the California Government Code, CORAL's investment policy, or debt agreements, and the actual rating as of June 30, 2020, for each investment type.

<u>Investment Type</u>		<u>Minimum Legal Rating</u>	<u>Rating as of June 30, 2020</u>
Held by Bond Trustee:			
Money Market Mutual Funds	\$ 32,623,790	AAA/Aaa	AAA/Aaa
County of Riverside Treasury Pool	1,385,656	Aaa	Aaa
LAIF	2,538,048	N/A	Not rated

### Concentration of Credit Risk

The investment policy of CORAL contains certain limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. In accordance with GASB Statement No. 40, Deposit and Investment Risk Disclosures, CORAL should provide information about the concentration of credit risk associated with its investments by disclosing investments in any one issuer that represent 5% or more of CORAL's total investments. However, money market mutual funds are excluded from this disclosure requirement. There were no investments in the current year that met this threshold.

### Custodial Credit Risk

This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. CORAL does not have custodial credit risk policies for investments.

### NOTE 3 – LEASE RECEIVABLES – FACILITIES

The Lease Revenue Bonds and Certificates of Participation are payable by a pledge of revenues consisting primarily of base rental payments payable by the County pursuant to Master Lease Agreements between CORAL and the County for the use of facilities acquired and/or constructed by CORAL. During the year ended June 30, 2020, CORAL received \$44,800,965 in facility lease payments from the County, of which \$17,739,777 was related to the interest portion of the debt service requirement.

The following table shows the future lease payments due from the County as of June 30, 2020, for leased facilities:

<u>Year Ending June 30,</u>	<u>Lease Receivables</u>
2021	\$ 43,103,407
2022	31,602,341
2023	23,750,743
2024	22,557,028
2025	21,218,060
2026-2030	110,915,563
2031-2035	50,453,862
2036-2040	23,003,356
2041-2044	<u>16,676,595</u>
Total Future Minimum Lease Payments to be Received	343,280,955
Less: Unearned Interest Income	<u>(106,349,032)</u>
Total	<u><u>\$ 236,931,923</u></u>

## NOTE 4 – LONG-TERM DEBT

Bonds and certificates of participation payable at June 30, 2020, consist of the following:

Type of Indebtedness (Purpose)	Maturity	Interest Rate	Annual Principal Installments (in thousands)	Original Issue Amount	Outstanding at June 30, 2020
<b>Lease Revenue Bonds</b>					
<b>1997 A (Hospital)</b>					
Serial Capital Appreciation Bonds (net of future capital appreciation of \$130,469,927)	06/01/13 - 06/01/26	5.70% - 6.01%	\$1,080 - \$4,981	\$ 41,170,073	\$ 24,141,923
<b>2008 A Southwest Justice Center</b>					
Refunding Bonds	11/01/14 - 11/01/32	5.16%	\$2,480 - \$6,410	78,895,000	62,040,000
<b>2012 CAC Refunding Project</b>					
Refunding Bonds	11/01/12 - 11/01/31	2.00% - 5.00%	\$1,120 - \$2,435	33,360,000	23,065,000
<b>2012 A &amp; B (Hospital)</b>					
Term Bonds (Series A)	06/01/13 - 06/01/29	2.00% - 5.00%	\$220 - \$12,970	87,010,000	31,135,000
<b>2013 Probation &amp; RCIT</b>					
Term Bonds (Series A)	11/1/14 - 11/1/43	3.00 - 5.25%	\$1,030 - \$4,095	66,015,000	48,055,000
<b>2014 A &amp; B Refunding Court Facilities Projects</b>					
Term Bonds (Series A)	11/1/14 - 11/1/33	2.00% - 5.00%	\$380 - \$690	10,890,000	7,405,000
Term Bonds (Series B)	11/1/14 - 11/1/19	0.55% - 2.73%	\$1,255 - \$1,305	7,605,000	-
				18,495,000	7,405,000
<b>2019 Taxable LRB</b>					
Term Bonds (Series A)	11/1/20 - 11/1/43	1.87 - 3.12%	\$400 - \$740	12,875,000	12,875,000
<b>Total Lease Revenue Bonds</b>				<b>\$ 337,820,073</b>	<b>\$ 208,716,923</b>
<b>Certificates of Participation</b>					
<b>1990 Monterey Ave. Project</b>					
Serial Certificates	11/01/09 - 11/01/20	Variable	\$300 - \$800	\$ 8,800,000	\$ 800,000
<b>2009 Public Safety &amp; Woodcrest Library</b>					
Serial Certificates	11/01/10 - 11/01/39	Variable	\$70 - \$4,200	45,685,000	19,955,000
<b>2009 Larsen Justice Center (LJC)</b>					
Project Refunding					
Serial Certificates	12/01/10 - 12/01/21	2.00% - 5.00%	\$1,050 - \$4,860	24,680,000	7,130,000
<b>Total Certificates of Participation</b>				<b>\$ 79,165,000</b>	<b>\$ 27,885,000</b>
<b>Private Placement Bond</b>					
2011 Monroe Park Building Loan	02/28/21	3.54%	\$180 - \$330	\$ 5,535,000	\$ 330,000



#### NOTE 4 – LONG-TERM DEBT (Continued)

The following is a summary of the changes in long-term debt for the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
<b>Lease Revenue Bonds</b>					
1997 A (Hospital)	\$ 29,123,111	\$ -	\$ 4,981,188	\$ 24,141,923	\$ 4,664,425
2008 A Southwest Justice Center	65,245,000	-	3,205,000	62,040,000	3,410,000
2012 CAC Refunding Projects	24,460,000	-	1,395,000	23,065,000	1,455,000
2012 A & B (Hospital)	31,135,000	-	-	31,135,000	-
2013 Probation & RCIT	60,470,000	-	12,415,000	48,055,000	1,070,000
2014 A & B Court Facilities Project	9,110,000	-	1,705,000	7,405,000	395,000
2019 Taxable LRB	-	12,875,000	-	12,875,000	400,000
Deferred Amounts:					
Premiums	4,980,123	-	628,900	4,351,223	-
<b>Total Lease Revenue Bonds</b>	<b>224,523,234</b>	<b>12,875,000</b>	<b>24,330,088</b>	<b>213,068,146</b>	<b>11,394,425</b>
<b>Certificates of Participation</b>					
1990 Monterey Avenue Project	1,500,000	-	700,000	800,000	800,000
2009 Public Safety & Woodcrest	32,680,000	-	12,725,000	19,955,000	13,230,000
2009 LJC Project Refunding	9,290,000	-	2,160,000	7,130,000	2,270,000
Deferred Amounts:					
Premiums	72,646	-	31,136	41,510	-
Loss on Refunding	(1,073,249)	-	(52,567)	(1,020,682)	-
<b>Total Certificates of Participation</b>	<b>42,469,397</b>	<b>-</b>	<b>15,563,569</b>	<b>26,905,828</b>	<b>16,300,000</b>
<b>Private Placement Bond</b>					
2011 Monroe Park Building Lease	980,000	-	650,000	330,000	330,000
<b>Total</b>	<b>\$ 267,972,631</b>	<b>\$ 12,875,000</b>	<b>\$ 40,543,657</b>	<b>\$ 240,303,974</b>	<b>\$ 28,024,425</b>

The outstanding principal balance on the 2009 Larson Justice Center Refunding Certificates of Participation, or \$7,130,000, is stated net of related unamortized bond premiums of \$41,509, resulting in a net carrying value of \$7,171,509.

The outstanding principal balance on the 2009 Public Safety & Woodcrest Library Refunding Certificates of Participation, or \$19,955,000, is stated net of related loss on refunding of \$1,020,682, resulting in a net carrying value of \$18,934,318.

The outstanding principal balance on the 2012 County Administrative Center (CAC) Refunding Projects Lease Revenue Bonds, or \$23,065,000, is stated net of related unamortized bond premiums of \$1,304,268, resulting in a net carrying value of \$24,369,268.

The outstanding principal balance on the 2012 A & B Hospital Refunding Projects Lease Revenue Bonds, or \$31,135,000, is stated net of related unamortized bond premiums of \$2,355,291, resulting in a net carrying value of \$33,490,291.

The outstanding principal balance on the 2013 Probation & RCIT Lease Revenue Bonds, or \$48,055,000, is stated net of related unamortized bond premiums of \$385,243, resulting in a net carrying value of \$48,440,243.

The outstanding principal balance on the 2014 A & B Court Facilities Project Lease Revenue Bonds, or \$7,405,000, is stated net of related unamortized bond premiums of \$306,422, resulting in a net carrying value of \$7,711,422.

#### NOTE 4 – LONG-TERM DEBT (Continued)

##### Accreted Interest Payable

The accreted interest payable balances at June 30, 2020, represent accreted interest on the 1997 A Hospital Serial Capital Appreciation Bonds originally issued for \$41,170,073. The total accreted value on the bonds upon maturity will be \$171,640,000. Additions of \$6,539,831 accretion less interest paid in the amount of \$14,523,813 result in \$71,938,341 for accumulated accretion and \$20,949,735 for the unaccreted balance for the year ended June 30, 2020.

The following is a summary of the changes in accreted interest payable for the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020
Lease Revenue Bonds: 1997 A (Hospital)	\$ 79,922,323	\$ 6,539,831	\$(14,523,813)	\$ 71,938,341

##### Monterey Avenue Project

During fiscal year 2005-2006, the County Board of Supervisors approved the dissolution of the Desert Facilities Corporation, a component unit of the County, and authorized CORAL to assume the outstanding obligations of the Desert Facilities Corporation, including \$7,000,000 of outstanding Certificates of Participation and \$125,128 of restricted cash and cash equivalents. The Desert Facilities Corporation was established to finance the construction of a courthouse project for use by the County. In fiscal year 1990, the Desert Facilities Corporation issued \$8,800,000 of Certificates of Participation to finance the Monterey Avenue Improvement Project. The 1990 Monterey Avenue Project was issued as a series of seven-day variable rate Certificates of Participation.

Interest requirements for variable rate debt are calculated using the interest rate effective at the end of the reporting year. The variable interest rates for the Certificates of Participation are determined from time to time by the Remarketing Agent, having due regard for prevailing market conditions, as that rate of interest which, if payable during the next rate adjustment period, would be the interest rate, but would not exceed the interest rate, which would enable the Remarketing Agent to remarket the Certificates of Participation on the rate adjustment date at 100% of the principal amount thereof plus accrued interest. The 1990 Certificates of Participation carried a current rate of 0.18% at June 30, 2020.

##### Monroe Park Building Loan

On May 16, 2007, the CORAL Board of Directors authorized the purchase of the Monroe Park Building in Indio, California, for \$16,000,000. The terms of the purchase agreement require the County to contribute \$10,000,000 toward the purchase price of the building and also require CORAL to assume a \$6,000,000 loan associated with the building. CORAL and the County will share ownership of the facility split at 6/16 CORAL and 10/16 County.

The mortgage note assumed by CORAL carries 6.6% interest and early payment penalties apply. Interest escalates to the prime rate plus 1 basis point after December 2012; however, prepayment without any penalty is allowed after December 2010.

On February 28, 2011, CORAL issued \$5,535,000 in new private placement bonds and repaid the previous May 16, 2007, mortgage note. The new bonds have an interest rate of 3.54% and the principal balance outstanding at June 30, 2020, was \$330,000.

#### NOTE 4 – LONG-TERM DEBT (Continued)

##### Defeasance of Debt

In December 2009, CORAL issued \$24,680,000 of Certificates of Participation (2009 Larson Justice Center Project Refunding Certificates of Participation) to provide funds to refund and prepay the Certificates of Participation relating to 1998 Larson Justice Center Project with an outstanding principal amount of \$23,705,000; to fund the reserve fund; and to pay certain cost of issuance incurred in connection with this refunding. The reacquisition price exceeded the net carrying amount of the old debt by \$975,000. This amount is being netted against the new debt and amortized over the new debt's life. The transaction resulted in an economic gain of \$3,695,463 and a reduction of \$1,471,027 in future debt service payments.

In December 2009, CORAL also issued \$48,685,000 of Certificates of Participation (2009 PSEC and Woodcrest Library Projects Refunding Certificates of Participation) to provide funds to refund and redeem the Certificates of Participation relating to 2007 Series B PSEC Project with an outstanding principal amount of \$37,350,000; to provide funds to refund; to retire the series 2006 Certificates of Participation Anticipation Note relating to Woodcrest Library Project with an outstanding principal amount of \$6,000,000; to fund capitalized interest on a portion of the Certificates of Participation through July 1, 2012; to fund a security deposit with respect to Base Rental payable under the Sublease; and to pay certain cost of issuance incurred in connection with this refunding. The reacquisition price exceeded the net carrying amount of the old debts by \$2,335,000. This amount is being netted against the new debt and amortized over the new debt's life. The transaction resulted in an economic gain of \$3,337,388 and an addition of \$6,917,032 in future debt service payments.

On February 28, 2011, CORAL issued \$5,535,000 in private placement bonds (2011 Monroe Building) to provide funds to refund and redeem the notes payable relating to the 2007 Monroe Park Building loan with an outstanding principal amount of \$5,395,904 and to pay certain cost of issuance incurred in connection with this refunding. The reacquisition price exceeded the net carrying amount of the old debt by \$140,000. This amount is being netted against the new debt and amortized over the new debt's life. The transaction resulted in an economic gain of \$527,210 and a reduction of \$339,178 in future debt service payments.

In February 2012, CORAL issued \$33,360,000 in lease revenue bonds (2012 CAC Refunding Projects) to provide funds to refund and prepay the Certificates of Participation relating to 2001 CAC Annex with an outstanding principal amount of \$31,365,000; to fund the reserve fund; to pay certain costs of issuance incurred in connection with this refunding; and to acquire two office buildings located in Indio, California. The reacquisition price exceeded the net carrying amount of the old debt by \$1,995,000. This amount is being netted against the new debt and amortized over the new debt's life. The transaction resulted in an economic gain of \$4,973,947 and a reduction of \$3,613,738 in future debt service payments.

In July 2012, CORAL issued \$90,030,000 in lease revenue bonds (2012 Series A and Taxable Series B County of Riverside Capital Projects) to provide funds to refund and prepay CORAL's Leasehold Revenue Bonds, 1997 Series B with an outstanding principal amount of \$64,390,000; to provide funds (\$30,000,000) for improvements to the Medical Center Campus; deposit funds into the Debt Service Reserve Fund; and to pay certain cost of issuance incurred in connection with this refunding. The refunding resulted in a redemption premium of \$639,350 for the 1997 Series B lease revenue bonds and a net premium of \$6,889,690 for the 2012 Series A and Taxable Series B. The reacquisition price exceeded the net carrying amount of the old debt by \$26,595,000. This amount is being netted against the new debt and amortized over the new debt's life. The transaction resulted in an economic gain of \$7,993,452 and a reduction of \$7,063,783 in future debt service payments.



#### NOTE 4 – LONG-TERM DEBT (Continued)

##### Defeasance of Debt (Continued)

In June 2014, CORAL issued \$18,495,000 in lease revenue bonds (2014 A & B Court Facilities Project) to provide funds mainly to refund the 2003 A Historic Courthouse Project, 2003 B Capital Facilities Project Refunding, and 2003 Bankruptcy Court Project (a County bond) with a total outstanding principal amount of \$20,020,000 and to pay certain cost of issuance incurred in connection with this refunding. The refunding resulted in a premium of \$755,779 for the 2014 A & B Court Facilities Project. The reacquisition price exceeded the net carrying amount of the old debt by \$1,525,000. This amount is being netted against the new debt and amortized over the new debt's life. The transaction resulted in an economic gain of \$4,243,134 and a reduction of \$3,307,355 in future debt service payments.

In September 2019, CORAL issued \$12,875,000 in lease revenue bonds (2019 Taxable LRB) to provide funds to refund a portion of the outstanding CORAL 2013 Probation & RCIT Lease Revenue Bonds and to pay certain cost of issuance incurred in connection with this refunding. The transaction resulted in an economic gain of \$513,000.

All CORAL debt service is to be paid from proceeds received from the various master lease agreements with the County for equipment and facilities acquired or constructed by CORAL and capitalized interest accounts, where applicable. No County assets are pledged to assure repayment of the debts other than assets leased to the County under the master lease agreements. The payments on the bonds are secured by base rental lease payments from the County. The bonds are not obligations of the County. The base rental payments are solely available to the extent that the County prepares an annual appropriation for such amounts. The County has covenanted that annual appropriations will be made.

##### Long-Term Debt Maturity Schedule

The aggregate annual requirements to retire the bonds payable and Certificates of Participation at June 30, 2020, are as follows:

Year Ending June 30,	Lease Revenue Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest
2021	\$ 11,394,425	\$ 14,226,210	\$ 16,300,000	\$ 846,931
2022	11,470,947	13,060,444	6,730,000	340,950
2023	11,579,722	11,820,021	160,000	190,000
2024	11,697,594	10,505,034	170,000	184,400
2025	11,749,652	9,111,008	180,000	177,400
2026-2030	82,119,583	26,968,380	1,060,000	767,600
2031-2035	38,025,000	10,500,962	1,405,000	522,900
2036-2040	15,475,000	5,451,957	1,880,000	196,400
2041-2044	15,205,000	1,471,595	-	-
Total Requirements	<u>\$ 208,716,923</u>	<u>\$ 103,115,611</u>	<u>\$ 27,885,000</u>	<u>\$ 3,226,581</u>
Year Ending June 30,	Private Placement Bond Payable			
	Principal	Interest		
2021	\$ 330,000	\$ 5,841		
Total Requirements	<u>\$ 330,000</u>	<u>\$ 5,841</u>		

#### NOTE 4 – LONG-TERM DEBT (Continued)

##### Interest Rate Swap

**Objective of the Interest Rate Swap.** As a means to lower financing costs and to reduce the risks to CORAL associated with the fluctuation in market interest rates, CORAL entered into an amended and restated interest rate swap in connection with the Southwest Justice Center Series 2008 Leasehold Revenue Refunding Bonds in the notional amount of \$76,300,000. The intention of the swap was to effectively change the variable interest rate on the bonds to a synthetic fixed-rate of 5.155%.

**Terms.** The bonds and the related swap agreement mature on November 1, 2032, and the swap's notional amount of \$76,300,000 approximately matches a portion of the \$78,895,000 variable-rate bonds. The swap was effective at the same time the bonds were issued on May 24, 2000, and was amended and restated as of December 10, 2008. The interest rate swap agreement was novated in January 2012 to substitute Wells Fargo Bank, N.A. as the new counterparty. The notional value of the swap and the principal amount of the associated debt decline starting in fiscal year 2014-2015. Under the amended and restated swap agreement, CORAL pays Wells Fargo Bank, N.A. a fixed rate of 5.155%.

CORAL receives an interest rate equal to an amount not to exceed the maximum interest rate payable on the bonds, expressed as a decimal, equal to 64% of the monthly London Interbank Offered Rate (LIBOR) in the relevant calculation period. Conversely, the bonds' variable-rate coupons have historically been similar to the Bond Market Association Municipal Swap Index (BMA). Under GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, the interest rate swap contract qualifies as a derivative financial instrument and a cash flow hedge. CORAL's net cash outflow or payment under the interest rate swap contract was \$234,317 for the year ended June 30, 2020.

**Fair Value.** As of June 30, 2020, the swap had a negative fair value of \$21,328,126; a decrease in fair value of \$2,731,597 occurred during the fiscal year 2019-20. The fair value was recorded in CORAL's Statement of Net Position as interest rate swap liability and deferred outflow of resources in the assets section. Because the coupons on the Southwest Justice Center Series 2008 Leasehold Revenue Refunding Bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was the quoted market price from Wells Fargo Bank, N.A. at June 30, 2020.

**Credit Risk.** The swap counterparty was rated Aa3 by Moody's, and AA- by Standard & Poor's and Fitch Ratings as of February 2013. The swap agreement specifies that if the long-term senior unsecured debt rating of Wells Fargo Bank, N.A. is withdrawn, suspended, or falls below BBB (Standard & Poor's) or Baa2 (Moody's), a collateral agreement will be executed within 30 days or the fair value of the swaps will be fully collateralized by the counterparty.

**Basis Risk.** The swap exposes CORAL to basis risk should the relationship between LIBOR and BMA converge, changing the synthetic rate on the bonds. If a change occurs that results in the rates moving to convergence, the expected cost savings may not be realized. As of June 30, 2020, CORAL's rate was 64% of LIBOR, or 0.124%, whereas BMA or the reset rate on bonds was 0.06%. The synthetic rate on the bonds at June 30, 2020, was 5.155%.

**Termination Risk.** CORAL always has the right to terminate the swap. Wells Fargo Bank, N.A. is limited in so far as both CORAL and the insurer are not performing. The swap may be terminated by CORAL if Wells Fargo Bank, N.A.'s credit quality rating falls below A- as issued by Standard & Poor's or A3 by Moody's. Additionally, the swaps may be terminated by Wells Fargo Bank, N.A. if CORAL's credit quality rating falls below BBB+ as issued by Standard & Poor's or Baa1 as issued by Moody's if the bonds credit quality ratings fall below BBB+ as issued by Standard & Poor's, or Baa1 as issued by Moody's. If the swaps are terminated, the variable-rate bonds would no longer carry synthetic interest rates. Also, if at the time of termination the swaps had negative fair values, CORAL would be liable to Wells Fargo Bank, N.A. for a payment equal to the swaps' fair values.

#### NOTE 4 – LONG-TERM DEBT (Continued)

##### Interest Rate Swap (Continued)

Swap Payments and Associated Debt. Using rates as of June 30, 2020, debt service requirements of the variable rate debt and net swap payments, assuming current interest rate remains the same for their term, were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30,	Variable-Rate Bonds		Net Swap	Total Interest
	Principal	Interest	Payments	
2021	\$ 3,410,000	\$ 864,732	\$ 2,230,888	\$ 3,095,620
2022	3,620,000	813,864	2,099,656	2,913,520
2023	3,825,000	760,014	1,960,731	2,720,745
2024	4,035,000	703,170	1,814,081	2,517,251
2025	4,135,000	644,226	1,662,014	2,306,240
2026-2030	20,270,000	2,214,906	5,714,150	7,929,056
2031-2033	6,100,000	382,248	980,639	1,362,887
Total Requirements	<u>\$ 45,395,000</u>	<u>\$ 6,383,160</u>	<u>\$ 16,462,159</u>	<u>\$ 22,845,319</u>

#### NOTE 5 – RESTRICTED COVENANTS

The agreements authorizing the issuance of CORAL's outstanding debt include certain covenants pertaining to the disposition of bond proceeds for construction and acquisition, bond and note redemption, and administrative purposes. The amount of cash and investments restricted for such purposes at June 30, 2020, for each of the outstanding debt issued is as follows:

	Acquisition and Construction	Bond and Note Redemption	Administration	Total
1990 Monterey Avenue	\$ -	\$ 645	\$ 3,700	\$ 4,345
1993 Series A & B Bonds	1,502,700	21,422,350	-	22,925,050
1997 A Hospital Project	-	864	-	864
2008 A Southwest Justice Center	-	2,303,684	50,005	2,353,689
2009 Public Safety & Woodcrest Library Refunding	-	550,891	1,548,989	2,099,880
2009 Larson Justice Center	-	1,160,831	800	1,161,631
2012 CAC Refunding Projects	-	2,599,443	4	2,599,447
2012 A & B Hospital Refunding Project	1,267,328	28	-	1,267,356
2013 Probation and RCIT	245,888	1,964,757	-	2,210,645
2014 A Court Facilities Projects	-	1,924,578	-	1,924,578
2019 Taxable LRB	-	9	-	9
Total	<u>\$ 3,015,916</u>	<u>\$ 31,928,080</u>	<u>\$ 1,603,498</u>	<u>\$ 36,547,494</u>

At June 30, 2020, CORAL was in compliance with all significant terms of the debt agreements.

#### NOTE 6 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 9, 2020, which is the date the financial statements were available to be issued, noting no subsequent events.

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. In response, the County of Riverside, followed by the Governor of California, issued a Shelter at Home order effective March 19, 2020, requiring non-essential businesses to temporarily close to the public. At the current time, management is unable to quantify the potential effects of this pandemic on its future financial statements.



## SUPPLEMENTARY INFORMATION

**COUNTY OF RIVERSIDE ASSET LEASING CORPORATION**  
**COMBINING STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

	1990 Monterey Avenue	2008 A Southwest Justice Center	2009 Larson Justice Center	2009 Public Safety & Woodcrest Library Refunding
<b>ASSETS</b>				
<b>Current Assets:</b>				
Restricted Cash and Cash Equivalents	\$ 4,345	\$ 2,353,689	\$ 1,161,631	\$ 2,099,880
Interest Receivable	-	162	79	249
Lease Receivables - Facilities	800,000	3,410,000	2,270,000	13,230,000
Total Current Assets	804,345	5,763,851	3,431,710	15,330,129
<b>Noncurrent Assets:</b>				
Lease Receivables - Facilities	-	58,630,000	4,860,000	6,725,000
Accreted Interest Receivable	-	-	-	-
Construction in Progress	-	-	-	-
Total Noncurrent Assets	-	58,630,000	4,860,000	6,725,000
Total Assets	804,345	64,393,851	8,291,710	22,055,129
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Accumulated Decrease in Fair Value of Hedging Activities	-	21,328,126	-	-
Loss on Bond Refunding	-	-	-	1,020,682
	-	21,328,126	-	1,020,682
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Interest Payable	12,000	266,514	27,683	133,660
Private Placement Bonds	-	-	-	-
Lease Revenue Bonds	-	3,410,000	-	-
Certificates of Participation	800,000	-	2,270,000	13,230,000
Total Current Liabilities	812,000	3,676,514	2,297,683	13,363,660
<b>Noncurrent Liabilities:</b>				
Interest Rate Swap Liability	-	21,328,126	-	-
Accreted Interest Payable	-	-	-	-
Lease Revenue Bonds	-	58,630,000	-	-
Certificates of Participation	-	-	4,860,000	6,725,000
Bond Premium	-	-	41,509	-
Total Noncurrent Liabilities	-	79,958,126	4,901,509	6,725,000
Total Liabilities	812,000	83,634,640	7,199,192	20,088,660
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Future Lease Revenue	-	-	-	-
<b>NET POSITION</b>				
Restricted for:				
Debt Service	(7,655)	2,087,337	1,092,518	2,987,151
Total Net Position	\$ (7,655)	\$ 2,087,337	\$ 1,092,518	\$ 2,987,151

**COUNTY OF RIVERSIDE ASSET LEASING CORPORATION**  
**COMBINING STATEMENT OF NET POSITION (Continued)**  
**JUNE 30, 2020**

	2011 Monroe Park Building	2012 CAC Refunding Projects	2013 Probation & RCIT	2014 A&B Refunding
<b>ASSETS</b>				
Current Assets:				
Restricted Cash and Cash Equivalents	\$ -	\$ 2,599,447	\$ 2,210,645	\$ 1,924,578
Interest Receivable	-	8,756	625	254
Lease Receivables - Facilities	330,000	1,455,000	1,070,000	395,000
Total Current Assets	330,000	4,063,203	3,281,270	2,319,832
Noncurrent Assets:				
Lease Receivables - Facilities	-	21,610,000	46,985,000	7,010,000
Accreted Interest Receivable	-	-	-	-
Construction in Progress	-	3,002,218	64,225,311	-
Total Noncurrent Assets	-	24,612,218	111,210,311	7,010,000
Total Assets	330,000	28,675,421	114,491,581	9,329,832
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Accumulated Decrease in Fair Value of Hedging Activities	-	-	-	-
Loss on Bond Refunding	-	-	-	-
	-	-	-	-
<b>LIABILITIES</b>				
Current Liabilities:				
Interest Payable	974	179,435	497,165	53,304
Private Placement Bonds	330,000	-	-	-
Lease Revenue Bonds	-	1,455,000	1,070,000	395,000
Certificates of Participation	-	-	-	-
Total Current Liabilities	330,974	1,634,435	1,567,165	448,304
Noncurrent Liabilities:				
Interest Rate Swap Liability	-	-	-	-
Accreted Interest Payable	-	-	-	-
Lease Revenue Bonds	-	21,610,000	46,985,000	7,010,000
Certificates of Participation	-	-	-	-
Bond Premium	-	1,304,268	385,243	306,422
Total Noncurrent Liabilities	-	22,914,268	47,370,243	7,316,422
Total Liabilities	330,974	24,548,703	48,937,408	7,764,726
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Future Lease Revenue	-	-	66,015,000	1,513,599
<b>NET POSITION</b>				
Restricted for:				
Debt Service	(974)	4,126,718	(460,827)	51,507
Total Net Position	\$ (974)	\$ 4,126,718	\$ (460,827)	\$ 51,507



**COUNTY OF RIVERSIDE ASSET LEASING CORPORATION**  
**COMBINING STATEMENT OF NET POSITION (Continued)**  
**JUNE 30, 2020**

	2019 Taxable LRB	Hospital Bonds	Total
<b>ASSETS</b>			
<b>Current Assets:</b>			
Restricted Cash and Cash Equivalents	\$ 9	\$ 24,193,270	\$ 36,547,494
Interest Receivable	-	8,868	18,993
Lease Receivables - Facilities	400,000	4,664,425	28,024,425
Total Current Assets	400,009	28,866,563	64,590,912
<b>Noncurrent Assets:</b>			
Lease Receivables - Facilities	12,475,000	50,612,498	208,907,498
Accreted Interest Receivable	-	71,938,341	71,938,341
Construction in Progress	-	29,367,552	96,595,081
Total Noncurrent Assets	12,475,000	151,918,391	377,440,920
Total Assets	12,875,009	180,784,954	442,031,832
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Accumulated Decrease in Fair Value of Hedging Activities	-	-	21,328,126
Loss on Bond Refunding	-	-	1,020,682
	-	-	22,348,808
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Interest Payable	61,170	-	1,231,905
Private Placement Bonds	-	-	330,000
Lease Revenue Bonds	400,000	4,664,425	11,394,425
Certificates of Participation	-	-	16,300,000
Total Current Liabilities	461,170	4,664,425	29,256,330
<b>Noncurrent Liabilities:</b>			
Interest Rate Swap Liability	-	-	21,328,126
Accreted Interest Payable	-	71,938,341	71,938,341
Lease Revenue Bonds	12,475,000	50,612,498	197,322,498
Certificates of Participation	-	-	11,585,000
Bond Premium	-	2,355,291	4,392,733
Total Noncurrent Liabilities	12,475,000	124,906,130	306,566,698
Total Liabilities	12,936,170	129,570,555	335,823,028
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Future Lease Revenue	-	24,248,031	91,776,630
<b>NET POSITION</b>			
<b>Restricted for:</b>			
Debt Service	(61,161)	26,966,368	36,780,982
Total Net Position	\$ (61,161)	\$ 26,966,368	\$ 36,780,982

**COUNTY OF RIVERSIDE ASSET LEASING CORPORATION**  
**COMBINING STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	1990 Monterey Avenue	2008 A Southwest Justice Center	2009 Larson Justice Center	2009 Public Safety & Woodcrest Library Refunding
<b>OPERATING REVENUES</b>				
Base Rents from County - Interest Portion	\$ -	\$ 3,759,134	\$ 220,100	\$ 760,854
Total Operating Revenues	-	3,759,134	220,100	760,854
<b>OPERATING EXPENSES</b>				
General and Administrative Expenses	-	1,055,391	-	161,162
Total Operating Expenses	-	1,055,391	-	161,162
Operating Income (Loss)	-	2,703,743	220,100	599,692
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest Income	704	34,408	24,024	38,118
Interest Expense	(16,705)	(2,758,512)	(376,123)	(187,440)
Premium/Discount	-	-	31,137	-
Deferred Loss on Bond Refunding	-	-	-	(52,567)
Costs of Issuance	-	-	-	-
Total Nonoperating Revenues (Expenses)	(16,001)	(2,724,104)	(320,962)	(201,889)
Change in Net Position before Transfers	(16,001)	(20,361)	(100,862)	397,803
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Change in Net Position	(16,001)	(20,361)	(100,862)	397,803
Net Position, Beginning of Year	8,346	2,107,698	1,193,380	2,589,348
Net Position, End of Year	\$ (7,655)	\$ 2,087,337	\$ 1,092,518	\$ 2,987,151

**COUNTY OF RIVERSIDE ASSET LEASING CORPORATION**  
**COMBINING STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET POSITION (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	2011 Monroe Park Building	2012 CAC Refunding Projects	2013 Probation & RCIT	2014 A&B Refunding
<b>OPERATING REVENUES</b>				
Base Rents from County - Interest Portion	\$ 29,028	\$ 1,047,695	\$ 3,044,999	\$ 1,716,989
Total Operating Revenues	29,028	1,047,695	3,044,999	1,716,989
<b>OPERATING EXPENSES</b>				
General and Administrative Expenses	-	-	17,956	2,391,611
Total Operating Expenses	-	-	17,956	2,391,611
Operating Income (Loss)	29,028	1,047,695	3,027,043	(674,622)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest Income	-	54,805	34,157	35,937
Interest Expense	(27,111)	(1,102,768)	(3,003,904)	(336,940)
Premium/Discount	-	215,178	29,358	46,398
Deferred Loss on Bond Refunding	-	-	-	-
Costs of Issuance	-	-	-	-
Total Nonoperating Revenues (Expenses)	(27,111)	(832,785)	(2,940,389)	(254,605)
Change in Net Position before Transfers	1,917	214,910	86,654	(929,227)
Transfers In	-	-	-	-
Transfers Out	-	-	(315,537)	-
Change in Net Position	1,917	214,910	(228,883)	(929,227)
Net Position, Beginning of Year	(2,891)	3,911,808	(231,944)	980,734
Net Position, End of Year	\$ (974)	\$ 4,126,718	\$ (460,827)	\$ 51,507



**COUNTY OF RIVERSIDE ASSET LEASING CORPORATION**  
**COMBINING STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET POSITION (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	2019 Taxable LRB	Hospital Bonds	Elimination Column	Total
<b>OPERATING REVENUES</b>				
Base Rents from County - Interest Portion	\$ 199,236	\$ 6,961,742	\$ -	\$ 17,739,777
Total Operating Revenues	199,236	6,961,742	-	17,739,777
<b>OPERATING EXPENSES</b>				
General and Administrative Expenses	-	33,881	-	3,660,001
Total Operating Expenses	-	33,881	-	3,660,001
Operating Income (Loss)	199,236	6,927,861	-	14,079,776
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest Income	176	611,147	-	833,476
Interest Expense	(280,363)	(7,681,448)	-	(15,771,314)
Premium/Discount	-	337,966	-	660,037
Deferred Loss on Bond Refunding	-	-	-	(52,567)
Costs of Issuance	(295,747)	-	-	(295,747)
Total Nonoperating Revenues (Expenses)	(575,934)	(6,732,335)	-	(14,626,115)
Change in Net Position before Transfers	(376,698)	195,526	-	(546,339)
Transfers In	315,537	20,758,236	(21,073,773)	-
Transfers Out	-	(20,758,236)	21,073,773	-
Change in Net Position	(61,161)	195,526	-	(546,339)
Net Position, Beginning of Year	-	26,770,842	-	37,327,321
Net Position, End of Year	\$ (61,161)	\$ 26,966,368	\$ -	\$ 36,780,982

**COUNTY OF RIVERSIDE ASSET LEASING CORPORATION**  
**COMBINING STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	1990 Monterey Avenue	2008 A Southwest Justice Center	2009 Larson Justice Center	2009 Public Safety & Woodcrest Library Refunding
<b>Cash Flows from Operating Activities:</b>				
Payment Received from County Leases	\$ 700,000	\$ 6,964,134	\$ 2,380,100	\$ 13,485,854
Payments for General and Administrative Expenses	-	(1,055,391)	-	(161,162)
<b>Net Cash Provided by Operating Activities</b>	<b>700,000</b>	<b>5,908,743</b>	<b>2,380,100</b>	<b>13,324,692</b>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Transfers Received	-	-	-	-
Transfers Paid	-	-	-	-
<b>Net Cash Used in Noncapital Financing Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Purchase of Assets for Lease	-	-	-	-
Principal Paid on Bonds and Certificates of Participation	(700,000)	(3,205,000)	(2,160,000)	(12,725,000)
Interest Paid on Bonds and Certificates of Participation	(21,205)	(2,576,083)	(386,200)	(272,876)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(721,205)</b>	<b>(5,781,083)</b>	<b>(2,546,200)</b>	<b>(12,997,876)</b>
<b>Cash Flows from Investing Activities:</b>				
Cash Received from Earnings on Investments	704	34,246	24,627	40,983
<b>Net Cash Provided by Investing Activities</b>	<b>704</b>	<b>34,246</b>	<b>24,627</b>	<b>40,983</b>
<b>Net Increase (Decrease) in Restricted Cash and Cash Equivalents</b>	<b>(20,501)</b>	<b>161,906</b>	<b>(141,473)</b>	<b>367,799</b>
<b>Restricted Cash and Cash Equivalents, Beginning of Year</b>	<b>24,846</b>	<b>2,191,783</b>	<b>1,303,104</b>	<b>1,732,081</b>
<b>Restricted Cash and Cash Equivalents, End of Year</b>	<b>\$ 4,345</b>	<b>\$ 2,353,689</b>	<b>\$ 1,161,631</b>	<b>\$ 2,099,880</b>
 <b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
Operating Income (Loss)	\$ -	\$ 2,703,743	\$ 220,100	\$ 599,692
Changes in Assets and Liabilities:				
Decrease in Lease Receivable - Facilities	700,000	3,205,000	2,160,000	12,725,000
Costs of Issuance	-	-	-	-
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 700,000</b>	<b>\$ 5,908,743</b>	<b>\$ 2,380,100</b>	<b>\$ 13,324,692</b>
 <b>Summary of Noncash Financing Activities:</b>				
Accretion on Capital Appreciation Bonds	\$ -	\$ -	\$ -	\$ -
Amortization of Loss on Bond Defeasance	\$ -	\$ -	\$ -	\$ (52,567)
Amortization of Bond (Premium) Discount	\$ -	\$ -	\$ (31,137)	\$ -

**COUNTY OF RIVERSIDE ASSET LEASING CORPORATION**  
**COMBINING STATEMENT OF CASH FLOWS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	2011 Monroe Park Building	2012 CAC Refunding Projects	2013 Probation & RCIT	2014 A&B Refunding
<b>Cash Flows from Operating Activities:</b>				
Payment Received from County Leases	\$ 679,028	\$ 2,442,695	\$ 15,459,999	\$ 3,421,989
Payments for General and Administrative Expenses	-	-	(17,956)	(2,391,611)
<b>Net Cash Provided by Operating Activities</b>	<b>679,028</b>	<b>2,442,695</b>	<b>15,442,043</b>	<b>1,030,378</b>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Transfers Received	-	-	-	-
Transfers Paid	-	-	(315,537)	-
<b>Net Cash Used in Noncapital Financing Activities</b>	<b>-</b>	<b>-</b>	<b>(315,537)</b>	<b>-</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Purchase of Assets for Lease	-	-	-	-
Principal Paid on Bonds and Certificates of Participation	(650,000)	(1,395,000)	(12,414,999)	(1,705,000)
Interest Paid on Bonds and Certificates of Participation	(29,028)	(1,108,000)	(3,014,362)	(345,498)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(679,028)</b>	<b>(2,503,000)</b>	<b>(15,429,361)</b>	<b>(2,050,498)</b>
<b>Cash Flows from Investing Activities:</b>				
Cash Received from Earnings on Investments	-	62,528	38,385	44,510
<b>Net Cash Provided by Investing Activities</b>	<b>-</b>	<b>62,528</b>	<b>38,385</b>	<b>44,510</b>
<b>Net Increase (Decrease) in Restricted Cash and Cash Equivalents</b>	<b>-</b>	<b>2,223</b>	<b>(264,470)</b>	<b>(975,610)</b>
<b>Restricted Cash and Cash Equivalents, Beginning of Year</b>	<b>-</b>	<b>2,597,224</b>	<b>2,475,115</b>	<b>2,900,188</b>
<b>Restricted Cash and Cash Equivalents, End of Year</b>	<b>\$ -</b>	<b>\$ 2,599,447</b>	<b>\$ 2,210,645</b>	<b>\$ 1,924,578</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
Operating Income (Loss)	\$ 29,028	\$ 1,047,695	\$ 3,027,043	\$ (674,622)
Changes in Assets and Liabilities:				
Decrease in Lease Receivable - Facilities	650,000	1,395,000	12,415,000	1,705,000
Costs of Issuance	-	-	-	-
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 679,028</b>	<b>\$ 2,442,695</b>	<b>\$ 15,442,043</b>	<b>\$ 1,030,378</b>
<b>Summary of Noncash Financing Activities:</b>				
Accretion on Capital Appreciation Bonds	\$ -	\$ -	\$ -	\$ -
Amortization of Loss on Bond Defeasance	\$ -	\$ -	\$ -	\$ -
Amortization of Bond (Premium) Discount	\$ -	\$ (215,178)	\$ (29,358)	\$ (46,398)



**COUNTY OF RIVERSIDE ASSET LEASING CORPORATION**  
**COMBINING STATEMENT OF CASH FLOWS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	2019 Taxable LRB	Hospital Bonds	Elimination Column	Total
Cash Flows from Operating Activities:				
Payment Received from County Leases	\$ (12,675,764)	\$ 11,942,930	\$ -	\$ 44,800,965
Payments for General and Administrative Expenses	(295,747)	(33,881)	-	(3,955,748)
Net Cash Provided by Operating Activities	(12,971,511)	11,909,049	-	40,845,217
Cash Flows from Noncapital Financing Activities:				
Transfers Received	315,537	20,758,236	(21,073,773)	-
Transfers Paid	-	(20,758,236)	21,073,773	-
Net Cash Used in Noncapital Financing Activities	315,537	-	-	-
Cash Flows from Capital and Related Financing Activities:				
Purchase of Assets for Lease	-	(1,789,470)	-	(1,789,470)
Principal Paid on Bonds and Certificates of Participation	12,875,000	(4,981,187)	-	(27,061,186)
Interest Paid on Bonds and Certificates of Participation	(219,193)	(7,785,232)	-	(15,757,677)
Net Cash Used in Capital and Related Financing Activities	12,655,807	(14,555,889)	-	(44,608,333)
Cash Flows from Investing Activities:				
Cash Received from Earnings on Investments	176	668,696	-	914,855
Net Cash Provided by Investing Activities	176	668,696	-	914,855
Net Increase (Decrease) in Restricted Cash and Cash Equivalents	9	(1,978,144)	-	(2,848,261)
Restricted Cash and Cash Equivalents, Beginning of Year	-	26,171,414	-	39,395,755
Restricted Cash and Cash Equivalents, End of Year	\$ 9	\$ 24,193,270	\$ -	\$ 36,547,494
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ 199,236	\$ 6,927,861	\$ -	\$ 14,079,776
Changes in Assets and Liabilities:				
Decrease in Lease Receivable - Facilities	(12,875,000)	4,981,188	-	27,061,188
Costs of Issuance	(295,747)	-	-	(295,747)
Net Cash Provided by Operating Activities	\$ (12,971,511)	\$ 11,909,049	\$ -	\$ 40,845,217
Summary of Noncash Financing Activities:				
Accretion on Capital Appreciation Bonds	\$ -	\$ 6,539,831	\$ -	\$ 6,539,831
Amortization of Loss on Bond Defeasance	\$ -	\$ -	\$ -	\$ (52,567)
Amortization of Bond (Premium) Discount	\$ -	\$ (337,966)	\$ -	\$ (660,037)

## OTHER REPORT

BROWN  
ARMSTRONG

CERTIFIED  
PUBLIC  
ACCOUNTANTS

**BAKERSFIELD OFFICE  
(MAIN OFFICE)**

4200 TRUXTON AVENUE  
SUITE 300  
BAKERSFIELD, CA 93309  
TEL 661.324.4971  
FAX 661.324.4997  
EMAIL [info@bacpas.com](mailto:info@bacpas.com)

**FRESNO OFFICE**

10 RIVER PARK PLACE EAST  
SUITE 208  
FRESNO, CA 93720  
TEL 559.476.3592

**STOCKTON OFFICE**

1919 GRAND CANAL BLVD  
SUITE C6  
STOCKTON, CA 95207  
TEL 888.565.1040

[WWW.BACPAS.COM](http://WWW.BACPAS.COM)

REGISTERED with the Public Company  
Accounting Oversight Board and  
MEMBER of the American Institute of  
Certified Public Accountants

## BROWN ARMSTRONG

*Certified Public Accountants*

### INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors  
County of Riverside Asset Leasing Corporation  
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 County of Riverside Asset Leasing Corporation (CORAL), a component unit of the County of Riverside, California, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise CORAL's basic financial statements, and have issued our report thereon dated October 9, 2020.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CORAL'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 CORAL's internal control. Accordingly, we do not express an opinion on the effectiveness of CORAL'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 CORAL's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### Purpose of this Report

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

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

Bakersfield, California  
October 9, 2020