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

COUNTY OF RIVERSIDE MAY 9, 1893

ITEM: 5.5
(ID # 17447)
MEETING DATE:
Tuesday, November 16, 2021

FROM : EXECUTIVE OFFICE:

SUBJECT: EXECUTIVE OFFICE: Receive and File the Riverside County Infrastructure Financing Authority Annual Audit Report for the year ended June 30, 2020, All Districts, [$0]

RECOMMENDED MOTION: That the Board of Directors:

1. Receive and file the Riverside County Infrastructure Financing Authority (IFA) Annual Audit Report for the Year Ended June 30, 2021.

ACTION:Consent

Don Kent, Director of Finance 10/22/2021

MINUTES OF THE BOARD OF DIRECTORS

On motion of Director Jeffries, seconded by Director Perez and duly carried by unanimous vote, IT WAS ORDERED that the above matter is received and filed as recommended.

Ayes:	Jeffries, Spiegel, Washington, Perez and Hewitt
Nays:	None
Absent:	None
Date:	November 16, 2021
xc:	E.O.

Kecia R. Harper
Clerk of the Board
By: ____________
Deputy

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	$ 0	$ 0	$ 0	$ 0
NET COUNTY COST	$ 0	$ 0	$ 0	$ 0
SOURCE OF FUNDS: N/A			Budget Adjustment:	No
			For Fiscal Year:	2020-2021

C.E.O. RECOMMENDATION: Approve

BACKGROUND:
Summary

The Riverside County Infrastructure Financing Authority (IFA), a component unit of the County of Riverside, engages each year an independent auditor to conduct an audit of the basic Financial Statements which consist of the Statement of Net Position, the 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 2020-2021, the Riverside County Infrastructure Financing Authority engaged Brown Armstrong Accountancy Corporation to conduct the audit of its financial statements and transactions for the period July 1, 2020 through June 30, 2021.

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.

At the conclusion of the audit, the independent auditor issued an opinion that the financial statements of the County of Riverside Infrastructure Financing Authority presents fairly (no exceptions noted), in all material respects, the financial position of the County of Riverside Infrastructure Financing Authority as of June 30, 2021, 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.

ATTACHMENTS:

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

1. Riverside County Infrastructure Financing Authority Annual Audit Report Year Ended June 30, 2021.

2. SAS 114 Final Report

Michael Ambolo

Michael Ambolo, Chief Finance Officer 10/26/2021

COUNTY OF RIVERSIDE
INFRASTRUCTURE FINANCING AUTHORITY
(A Blended Component Unit of the
County of Riverside, California)

BASIC FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED JUNE 30, 2021

COUNTY OF RIVERSIDE INFRASTRUCTURE FINANCING AUTHORITY
(A Component Unit of the County of Riverside, California)

FOR THE YEAR ENDED JUNE 30, 2021

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BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

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661-324-4971

INDEPENDENT AUDITOR'S REPORT

Board of Directors
County of Riverside Infrastructure Financing Authority
Riverside, California

Report on the Basic Financial Statements

We have audited the accompanying basic financial statements of the County of Riverside (the County) Infrastructure Financing Authority (IFA), a blended component unit of the County of Riverside, California, as of and for the year ended June 30, 2021, and the related notes to the basic financial statements, which comprise the IFA'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 IFA's preparation and fair presentation of the basic 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 IFA'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 basic financial statements.

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

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Bakersfield, CA 93309
661-324-4971

FRESNO
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Fresno, CA 93720
559-476-3592

STOCKTON
2423 West March Lane, Suite 202
Stockton, CA 95219
209-451-4833

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the IFA as of June 30, 2021, 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 the IFA and are not intended to present fairly the financial position of the County, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2021, on our consideration of the IFA'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the IFA's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
October 4, 2021

COUNTY OF RIVERSIDE INFRASTRUCTURE FINANCING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

The following discussion and analysis of the County of Riverside (the County) Infrastructure Financing Authority's (IFA) financial performance provides an overview of its financial activities for the year ended June 30, 2021. Members of the County Executive Office prepared this discussion and analysis. Please read it in conjunction with the IFA's basic financial statements, which begin on page 6.

The IFA is a joint exercise of powers authority, duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement dated September 15, 2015, by and between the County and the Riverside County Flood Control and Water Conservation District. The IFA is authorized and empowered to issue bonds for the purpose of financing and refinancing public capital improvements of the County. Accordingly, the IFA is a blended component unit of the County for financial reporting purposes, and the IFA's basic financial statements are included in the County's basic financial statements.

Financial Highlights

- The IFA's total assets and deferred outflows of resources exceeded its liabilities at the close of the year 2021 by $18,090,086.
- Revenues from base rents from the County (interest portion) totaled $6,461,382.
- The IFA's cash and investments decreased from $7,156,202 at June 30, 2020, to $1,379,538 at June 30, 2021, as a result of the paying down of current debt.
- The IFA's net position increased $272,389 as a result of current year changes in net position.

Basic Financial Statements

The IFA'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 the IFA 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.

The IFA'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. The IFA is structured as a single enterprise fund for financial reporting purposes.

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

	June 30, 2021	June 30, 2020	Change
Current Assets	$ 8,864,538	$ 14,323,169	$ (5,458,631)
Noncurrent Assets	167,248,968	168,895,389	(1,646,421)
Total Assets	176,113,506	183,218,558	(7,105,052)
Deferred Outflows of Resources	9,106,907	9,776,525	(669,618)
Current Liabilities	8,532,761	8,236,670	296,091
Noncurrent Liabilities	158,597,566	166,940,716	(8,343,150)
Total Liabilities	167,130,327	175,177,386	(8,047,059)
Net Position			
Restricted for			
Debt Service	18,090,086	17,817,697	272,389
Total Net Position	$ 18,090,086	$ 17,817,697	$ 272,389

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

	June 30, 2021	June 30, 2020	Change
Base Rents from County - Interest Portion	$ 6,461,382	$ 6,755,258	$ (293,876)
Investment and Other Revenues	31,733	231,102	(199,369)
Total Revenues	6,493,115	6,986,360	(493,245)
General and Administrative Expenses, Net			
Interest Expense	6,409,259	6,713,332	(304,073)
Other Expense (Revenue)	(188,533)	(188,533)	-
Total Expenses and Transfers	6,220,726	6,524,799	(304,073)
Change in Net Position	272,389	461,561	(189,172)
Net Position, Beginning of Year	17,817,697	17,356,136	461,561
Net Position, End of Year	$ 18,090,086	$ 17,817,697	$ 272,389

Long-Term Debt

The long-term debt of the IFA at June 30, 2021, included $153,130,000 of outstanding lease revenue bonds. The lease revenue bonds will be repaid through lease agreements with the County that are structured to meet principal and interest requirements when due. During the year, outstanding bonds were reduced by a scheduled principal payment of $7,135,000.

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

Economic Factors

The primary purpose of the IFA is to finance public capital needs for the County. Since the IFA 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 the IFA's revenues. As a subdivision of the State of California (the State), the County relies on State revenues and reimbursements to fund its operations. Any reduction in these revenues could impact the ability of the County to pay lease payments to the IFA.

Request for Information

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the IFA's finances and to demonstrate the IFA'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, 4th Floor, Riverside, California 92501.

COUNTY OF RIVERSIDE INFRASTRUCTURE FINANCING AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS	
Current Assets	
Cash, cash equivalents, and investments	$ 1,379,538
Lease receivable	7,485,000
Total Current Assets	8,864,538
Noncurrent Assets	
Construction in progress	21,603,968
Lease receivable	145,645,000
Total Noncurrent Assets	167,248,968
Total Assets	176,113,506
DEFERRED OUTFLOWS OF RESOURCES	
Loss of refunding	9,106,907
LIABILITIES	
Current Liabilities	
Interest payable	1,047,761
Lease revenue bonds	7,485,000
Total Current Liabilities	8,532,761
Noncurrent Liabilities	
Lease revenue bonds	158,597,566
Total Noncurrent Liabilities	158,597,566
Total Liabilities	167,130,327
NET POSITION	
Restricted for debt service	18,090,086
Total Net Position	$ 18,090,086

See accompanying notes to the basic financial statements.

COUNTY OF RIVERSIDE INFRASTRUCTURE FINANCING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

Operating Revenues	
Base rents from County - interest portion	$ 6,461,382
Total Operating Revenues	6,461,382
Operating Expenses	
Interest expense	6,409,259
Amortization of lease revenue bond premium	(858,150)
Amortization of loss on refunding	669,617
Total Operating Expenses	6,220,726
Operating Income	240,656
Nonoperating Revenues and Expenses	
Investment and other revenues	31,733
Total Nonoperating Revenues and Expenses	31,733
Change in Net Position	272,389
Net Position - Beginning of Year	17,817,697
Net Position - End of Year	$ 18,090,086

See accompanying notes to the basic financial statements.

COUNTY OF RIVERSIDE INFRASTRUCTURE FINANCING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Payments received from leases	$ 13,596,382
Principal paid on lease revenue bonds	(7,135,000)
Interest paid on lease revenue bonds	(6,463,168)
Net cash used in operating activities	(1,786)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments for funding capital projects	(5,838,578)
Net cash used in capital and related financing activities	(5,838,578)
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash received from earnings on investments	63,700
Net cash provided by investing activities	63,700
Net decrease in cash, cash equivalents, and investments	(5,776,664)
Cash, cash equivalents, and investments, beginning of year	7,156,202
Cash, cash equivalents, and investments, end of year	$ 1,379,538

RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES	
Operating income	$ 240,656
Adjustments to reconcile operating income to net cash used in operating activities:	
Amortization of loss on refunding	669,617
Amortization of bond premium	(858,150)
Increase in:	
Lease receivable	7,135,000
Decrease in:	
Interest payable	(53,909)
Lease revenue bonds	(7,135,000)
Net cash used in operating activities	$ (1,786)

See accompanying notes to the basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The County of Riverside (the County) Infrastructure Financing Authority (IFA) is a joint exercise of powers authority, duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement dated September 15, 2015, by and between the County and the Riverside County Flood Control and Water Conservation District. The IFA is authorized and empowered to issue bonds for the purpose of financing and refinancing public capital improvements of the County. Accordingly, the IFA is a blended component unit of the County for financial reporting purposes, and the IFA's basic financial statements are included in the County's basic financial statements. The IFA 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 the IFA are accounted for within a single enterprise fund. An enterprise fund is used because the IFA'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 and deferred outflows of resources and 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

The IFA 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. The IFA 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 the IFA 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 the IFA's restricted cash and investments at June 30, 2021, 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 the IFA for the use of equipment and facilities acquired by the IFA. In the agreements relating to the bonds and certificates of participation, the County has covenanted to make rental payments in amounts corresponding to the IFA's debt service requirements and related costs. Lease receivables consist of amounts owed to the IFA from the County for costs incurred by the IFA 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, 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

The IFA'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, the IFA 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 the IFA.

The IFA'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 ending June 30, 2021, the IFA implemented the following Governmental Accounting Standards Board (GASB) standards:

GASB Statement No. 90 – *Major 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, 2019. There was no impact on the implementation of GASB Statement No. 90.

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:

GASB Statement No. 87 – *Leases.* The requirements of this statement are effective for reporting periods beginning after June 15, 2021. The IFA has not fully judged the effect of the implementation of GASB Statement No. 87 as of the date of the basic financial statements.

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, 2020. The IFA has not fully judged the effect of the implementation of GASB Statement No. 89 as of the date of the basic financial statements.

GASB Statement No. 91 – *Conduit Debt Obligations.* The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. The IFA has not fully judged the effect of the implementation of GASB Statement No. 91 as of the date of the basic financial statements.

GASB Statement No. 92 – *Omnibus.* 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 Statements No. 73 and No. 74 are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the application of 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.

The IFA has not fully judged the effect of the implementation of GASB Statement No. 92 as of the date of the basic financial statements.

GASB Statement No. 93 – *Replacement of Interbank Offered Rates.* The requirements of this statement are effective for reporting periods beginning after June 15, 2021. The IFA has not fully judged the effect of the implementation of GASB Statement No. 93 as of the date of the basic financial statements.

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. The IFA has not fully judged the effect of the implementation of GASB Statement No. 94 as of the date of the basic financial statements.

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements.* The requirements of this statement are effective for reporting periods beginning after June 15, 2022. The IFA has not fully judged the effect of the implementation of GASB Statement No. 96 as of the date of the basic financial statements.

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 define contribution pension plans, defined contributions other postemployment benefits (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.

The IFA has not fully judged the effect of the implementation of GASB Statement No. 97 as of the date of the basic financial statements.

NOTE 2 – RESTRICTED CASH, CASH EQUIVALENTS, AND INVESTMENTS

Restricted cash, cash equivalents and investments at June 30, 2021, are held by the trustee. All restricted cash and investments at June 30, 2021, are stated at amortized cost. The IFA 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 are comprised of money market funds that are measured at amortized cost in the amount of $1,379,538 at June 30, 2021.

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 the IFA'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.

NOTE 2 – RESTRICTED CASH AND INVESTMENTS (Continued)

Investments Authorized by Debt Agreements (Continued)

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. The IFA 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 the IFA's debt service requirements. The IFA monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The IFA has no specific limitations with respect to this metric.

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The IFA'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.

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. The minimum rating (where applicable) required by the California Government Code, IFA's investment policy, or debt agreements, and the actual rating as of June 30, 2021, for money market funds is AAA/Aaa and the rating as of June 30, 2021, was AAA/Aaa.

Concentration of Credit Risk

The investment policy of the IFA 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*, the IFA 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 the IFA'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.

NOTE 2 – RESTRICTED CASH AND INVESTMENTS (Continued)

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. The IFA does not have custodial credit risk policies for investments.

NOTE 3 – LEASE RECEIVABLES – FACILITIES

The Lease Revenue Bonds are payable by a pledge of revenues consisting primarily of base rental payments payable by the County pursuant to Master Lease Agreements between the IFA and the County for the use of facilities acquired and/or constructed by the IFA. During the year ended June 30, 2021, the IFA received $13,596,382 in facility lease payments from the County, of which $6,461,382 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, 2021, for leased facilities:

Year Ending June 30,	Lease Receivables
2022	$ 7,485,000
2023	7,870,000
2024	8,270,000
2025	8,675,000
2026	9,125,000
2027-2031	44,635,000
2032-2036	33,805,000
2037-2041	19,955,000
2042-2046	12,725,000
2047	585,000
Total	$ 153,130,000

NOTE 4 – LONG-TERM DEBT

Bonds payable at June 30, 2021, consist of the following:

Type of Indebtedness (Purpose)	Maturity	Interest Rate	Annual Principal Installments (in thousands)	Original Issue Amount	Outstanding at June 30, 2021
Lease Revenue Bonds					
2015 Series A Bonds					
Refunding Bonds	11/01/16 - 11/01/33	2.00% - 5.00%	$2,630 - $4,705	$ 72,825,000	$ 58,120,000
2016 Series A & A-T Bonds					
Refunding Bonds Series A	11/01/17 - 11/01/31	2.00% - 4.00%	$435 - $3,445	36,740,000	31,465,000
Refunding Bonds Series A-T	11/01/17 - 11/01/18	1.18% - 1.34%	$1,620 - $1,625	3,245,000	-
2016 Series A & A-T				39,985,000	31,465,000
2017 Series A Bonds					
Refunding Bonds	11/01/18 - 11/01/44	3.00% - 4.00%	$1,050 - $2,675	46,970,000	43,560,000
2017 Series B & C Bonds					
Refunding Bonds Series B	5/01/18 - 5/01/38	3.00% - 5.00%	$355 - $775	11,595,000	10,020,000
Refunding Bonds Series C	5/01/18 - 5/01/47	3.13% - 5.00%	$60 - $585	10,610,000	9,965,000
2017 Series B & C				22,205,000	19,985,000
Total Lease Revenue Bonds				$ 181,985,000	$ 153,130,000

The following is a summary of the changes in long-term debt for the year ended June 30, 2021:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Due Within One Year
Lease Revenue Bonds					
2015 Series A	$ 61,330,000	$ -	$ (3,210,000)	$ 58,120,000	$ 3,400,000
2016 Series A	33,700,000	-	(2,235,000)	31,465,000	2,325,000
2017 Series A	44,655,000	-	(1,095,000)	43,560,000	1,135,000
2017 Series B	10,410,000	-	(390,000)	10,020,000	410,000
2017 Series C	10,170,000	-	(205,000)	9,965,000	215,000
Deferred Amounts:					
Premiums	13,810,716	-	(858,150)	12,952,566	-
Total Lease Revenue Bonds	$ 174,075,716	$ -	$ (7,993,150)	$ 166,082,566	$ 7,485,000

2015 Series A

On November 1, 2015, the IFA lease revenue refunding bonds, 2015 Series A (Capital Improvement Project) issued $72,825,000 in lease revenue bonds. The Series 2015 bonds were issued for the purpose of (a) refunding a portion of the 2005 A Capital and Family Refunding Bond, and 2005 B Historic Courthouse Refunding Bond, and (b) defeased 2006 A Capital Improvement Project, in the aggregate principal of $89.3 million. The new bonds have an interest rate of 2% to 5%.

The outstanding principal balance on the 2015 Series A, or $58,120,000, is stated net of related unamortized bond premiums of $5,558,180 and loss on refunding of $6,312,952 resulting in a net carrying value of $57,365,228.

NOTE 4 – LONG-TERM DEBT (Continued)

2016 Series A & A-T

On October 1, 2016, the IFA lease revenue refunding bonds, 2016 Series and 2016 Series A-T issued $39,958,000 in lease revenue bonds. The 2016 Series bonds were issued for the purpose of (i) refunding the outstanding Riverside County Palm Desert Financing Authority Lease Revenues Bonds (County Facilities Projects) 2008 Series A, (ii) finance the acquisition, construction and installation of certain capital improvements to be owned and operated by the County, and (iii) pay the costs incurred in connections with the issuance of the bonds. The new bonds have an interest rate of 1% to 4%.

The outstanding principal balance on the 2016 Series A and A-T, or $31,465,000, is stated net of related unamortized bond premiums of $3,767,035 and loss on refunding of $2,793,955, resulting in a net carrying value of $32,438,080.

2017 Series A

On November 21, 2017, the IFA lease revenue refunding bonds, 2017 Series A issued $46,970,000 in lease revenue bonds. The 2017 Series A bonds were issued for the purpose to (i) refund the outstanding Riverside Community Properties Development, Inc. Lease Revenues Bonds, 2013 (Riverside County Law Building Project) (ii) pay the costs incurred in connections with the issuance of the bonds. The new bonds have an interest rate of 3% to 4%.

The outstanding principal balance on the 2017 Series A, or $43,560,000, is stated net of related unamortized bond premiums of $2,315,076, resulting in a net carrying value of $45,875,076.

2017 Series B & C

On December 14, 2017, the IFA lease revenue bonds, 2017 Series B issued $11,595,000 and 2017 Series C issued $10,610,000 in lease revenue bonds. The 2017 Series B bonds were issued for the purpose to (i) refund the outstanding Southwest Communities Financing Authority 2008 Lease Revenue Bonds Series A (ii) pay the costs incurred in connections with the issuance of the Series B bonds. The new Series B bonds have an interest rate of 3% to 5%. The 2017 Series C bonds were issued for the purpose to (i) provide funds to finance the acquisition and construction of certain capital improvements to be owned and operated by the County (ii) pay the costs incurred in connections with the issuance of the Series C bonds. The new Series C bonds have an interest rate of 3% to 5%.

The outstanding principal balance on the 2017 Series B, or $10,020,000, is stated net of related unamortized bond premiums of $829,984, resulting in a net carrying value of $10,849,984.

The outstanding principal balance on the 2017 Series C, or $9,965,000, is stated net of related unamortized bond premiums of $482,291, resulting in a net carrying value of $10,447,291.

All of IFA 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 the IFA and capitalized interest accounts, where applicable. No County assets are pledged to ensure 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.

NOTE 4 – LONG-TERM DEBT (Continued)

Long-Term Debt Maturity Schedule

The aggregate annual requirements to retire the Bonds Payable at June 30, 2021, are as follows:

Year Ending June 30,	Lease Revenue Bonds	
	Principal	Interest
2022	$ 7,485,000	$ 6,217,369
2023	7,870,000	5,874,919
2024	8,270,000	5,514,519
2025	8,675,000	5,135,369
2026	9,125,000	4,737,419
2027-2031	44,635,000	17,538,618
2032-2036	33,805,000	9,703,975
2037-2041	19,955,000	4,142,094
2042-2046	12,725,000	1,212,725
2047	585,000	20,475
Total Requirements	$ 153,130,000	$ 60,097,482

NOTE 5 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 4, 2021, which is the date the financial statements were available to be issued.

In September 2021, the Board of Supervisors authorized the Execution and Delivery of a Ground Lease, a Lease Agreement, an Indenture and a Bond Purchase Agreement in connection with the Issuance of Riverside County Infrastructure Financing Authority Lease Revenue Refunding Bonds, Series 2021A and Riverside County Infrastructure Financing Authority Series 2021B (Federally Taxable).

The Series 2021 Riverside County Infrastructure Authority bonds will refund seven lease revenue bonds into one single refunding issue, which given the current low interest rates, will produce significant interest cost savings. The interest rates on these securities range from 4.0% to 5.01% with an average interest rate of 4.87%. The all-in true interest rate in the current market for the proposed refunding issue is 2.80%. The refunding will also release $14.6 million in debt service reserve funds, which will further reduce bond debt, and increase cashflow savings. Under current market conditions, total cashflow savings are estimated to be $71 million over the life of the bonds with net present value savings (NPV) estimated at $40 million, or, 8.4% of the bonds refunded. Additionally, the refunding of the CORAL Series 2008A variable rate bonds will allow for a conversion from the current synthetic fixed rate structure to a lower fixed interest rate. The Series 2021 Riverside County Infrastructure Authority bonds will be issued in October 2021.

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 Infrastructure Financing Authority
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 basic financial statements of County of Riverside Infrastructure Financing Authority (IFA), a blended component unit of the County of Riverside, California as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the IFA's basic financial statements, and have issued our report thereon dated October 4, 2021.

Internal Control Over Financial Reporting

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the IFA's basic 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 the IFA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the IFA'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 4, 2021

Board of Directors
County of Riverside Infrastructure Financing Authority
Riverside, California

We have audited the basic financial statements of the County of Riverside (the County) Infrastructure Financing Authority (IFA), a blended component unit of the County of Riverside, as of and for the year ended June 30, 2021. 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 April 13, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the IFA are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the IFA adopted Governmental Accounting Standards Board (GASB) Statement No. 90 – *Major Equity Interests – An Amendment of GASB Statements No. 14 and No. 61* during the year ended 2021. We noted no transactions entered into by the IFA 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.

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. We identified no such misstatements during our audit.

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 4, 2021.

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 the IFA's basic 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 the IFA'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's 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.

Restriction on Use

This information is intended solely for the information and use of the IFA, 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 4, 2021