



# **Successor Agency to the Redevelopment Agency of the City of Riverside**

Independent Auditor's Reports and Financial Statements  
June 30, 2020

Prepared by the City of Riverside  
Edward Enriquez, Chief Finance Officer/Treasurer

3900 Main Street, Riverside, California 92522

## Successor Agency to the Redevelopment Agency of the City of Riverside

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Members of the Oversight Board  
Successor Agency to the Redevelopment Agency of the City of Riverside

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Successor Agency to the Redevelopment Agency of the City of Riverside (the Successor Agency), a fiduciary component unit of the City of Riverside, California, (the City) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Successor Agency's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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



To the Honorable Members of the Oversight Board  
Successor Agency to the Redevelopment Agency of the City of Riverside

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Successor Agency to the Redevelopment Agency of the City of Riverside, as of June 30, 2020, and the changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2021 on our consideration of the Successor Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Successor Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Successor Agency's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Lance, Solt &amp; Lughard, LLP". The signature is written in black ink and is positioned above the typed name of the firm.

Brea California  
January 21, 2021

**Successor Agency of the Redevelopment Agency of the City of Riverside**  
**Statement of Fiduciary Net Position/(Deficit)**  
**June 30, 2020**  
(amounts expressed in thousands)

<b>Assets</b>	
Cash and investments	\$ 28,072
Cash and investments with fiscal agent	4,266
Receivables:	
Interest	101
Accounts	44
Intergovernmental	795
Notes	2,391
Direct financing lease receivable	11,680
Deposits	2
Land and improvements held for resale	7,440
Capital assets:	
Land	185
Total assets	<u>54,976</u>
<b>Liabilities</b>	
Accounts payable	192
Retainage payable	153
Accrued interest	2,631
Advances from City of Riverside	3,383
Noncurrent liabilities	
Due within one year	
Long-term obligations	6,814
Due in more than one year	
Long-term obligations	188,150
Total liabilities	<u>201,323</u>
<b>Deferred Inflows of Resources</b>	
Deferred charge on refunding	923
Total deferred inflows of resources	<u>923</u>
<b>Net Position/(Deficit)</b>	
Held by Successor Agency	(147,270)
Total net position/(deficit)	<u>\$ (147,270)</u>

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

**Successor Agency to the Redevelopment Agency of the City of Riverside**  
**Statement of Changes in Fiduciary Net Position/(Deficit)**  
**For the year ended June 30, 2020**  
(amounts expressed in thousands)

**Additions:**

Property tax revenue	\$ 16,139
Rental and investment income	1,729
Contributions from City of Riverside	554
Miscellaneous	692
<b>Total Additions</b>	<b><u>19,114</u></b>

**Deductions:**

Professional services and other deductions	1,682
Redevelopment projects	3,731
Interest expense	6,903
Loss on sale of land held for resale	593
<b>Total Deductions</b>	<b><u>12,909</u></b>

**Change in Net Position**

	<b>6,205</b>
Net position/(deficit) - Beginning of the Year	<u>(153,475)</u>
<b>Net position/(deficit) - Ending of the Year</b>	<b><u>\$ (147,270)</u></b>

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

**Successor Agency to the Redevelopment Agency of the City of Riverside**  
**Notes to Financial Statements**  
**For the year ended June 30, 2020**

(amounts expressed in thousands)

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

**A. Reporting entity:** The Redevelopment Agency of the City of Riverside (Redevelopment Agency) was established in 1967 to provide affordable housing, revitalize communities, eliminate blight, and fuel economic growth through focused reinvestment of local funds back into local projects and programs that supported job growth and private investment.

There are six project areas throughout the City of Riverside (City) including Arlington, Casa Blanca, merged Downtown/Airport Industrial/Hunter Park/Northside, La Sierra/Arlanza, Magnolia Center, and University Corridor/Sycamore Canyon (Project Areas). Over the years, the Redevelopment Agency was active in implementing housing programs, business incentive programs, commercial improvement programs, planning and development of projects, capital improvement projects, and property acquisition in the Project Areas.

On June 29, 2011, Governor Brown signed Assembly Bill 1X 26 (AB 1X 26) eliminating redevelopment agencies throughout the state. On July 18, 2011, the California Redevelopment Association and the League of California Cities filed a lawsuit against the State of California (State) in response to the passage of AB 1X 26. On December 29, 2011, the California Supreme Court upheld AB 1X 26. The bill provided that upon dissolution of the Redevelopment Agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government.

Pursuant to City Council actions taken on March 15, 2011, and January 10, 2012 the City elected to serve as the Successor Agency to the Redevelopment Agency of the City of Riverside (Successor Agency). The Successor Agency is a separate legal entity, which serves as a custodian for the assets and liabilities of the dissolved Redevelopment Agency pending distribution to the appropriate taxing entities after the payment of enforceable obligations. The activity of the Successor Agency was overseen by an Oversight Board comprised of individuals appointed by various government agencies and the City of Riverside as Successor Agency of the former Redevelopment Agency. In 2018, the oversight was transferred to the Riverside Countywide Oversight Board, as a result of state legislation that consolidated all oversight boards of successor agencies. The Countywide Oversight Board was created to oversee the wind down activities of the various successor agencies in Riverside County.

In 1987, the Riverside Public Financing Authority (Authority), a non-profit corporation, was created as a joint-powers authority between the former Redevelopment Agency and the City to serve as a conduit for the issuance of bonds to fund improvements in various redevelopment project areas. The Authority has issued tax allocation bonds secured by loan agreements between the former Redevelopment Agency and the Authority. These loan agreements are secured by a first pledge of and lien on a portion of property tax revenues within the respective project areas. Financial data of the Authority is included in the activity of the Successor Agency. Separate Authority financial statements may be obtained from the City's Finance Department, 3900 Main Street, Riverside, California 92522.

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation:** The Successor Agency is presented herein as a private-purpose trust fund and is reported using the economic resources measurement focus and the accrual basis of accounting.

Successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former Redevelopment Agency until all enforceable obligations of the former Redevelopment Agency have been paid in full and all assets have been liquidated. Such funds are paid from the Redevelopment Property Tax Trust Fund (RPTTF), which is administered by the County Auditor-Controller of the County of Riverside (County Auditor-Controller). In January and June of each year, the County Auditor-Controller allocates revenue from the RPTTF to each successor agency for payments listed on the Recognized Obligation Payment Schedule (ROPS) for each six month period. Property taxes are recognized as revenues in the year for which they are levied.

### **C. Cash and Investments**

The Successor Agency's cash and investments, except for cash and investments with fiscal agents, are invested in a pool managed by the Treasurer of the City. The Successor Agency does not own specific, identifiable investments of the pool. The pooled interest earned is allocated monthly based on the month end cash balances. The pooled funds are not subject to level 1, 2, or 3 of the fair value hierarchy prescribed by Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*.

The City values its cash and investments in accordance with the provisions of Governmental Accounting Standards Board Statement No. 72 (GASB 72), *Fair Value Measurement and Application*, which requires governmental entities to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach or the income approach.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of assets. Level 1 are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The City does not value any of its investments using Level 3 inputs. The levels of valuation inputs are as follows:

Level 1 – Quoted prices for identical assets or liabilities in an active market

Level 2 – Observable inputs other than quoted market prices; and

Level 3 – Unobservable inputs

Cash accounts of all funds are pooled for investment purposes to enhance safety and liquidity while maximizing interest earnings.

Citywide information concerning cash and investments for the year ended June 30, 2020, including authorized investments, custodial credit risk, credit and interest rate risk for debt securities, and concentration of investments, carrying amount, and market value of deposits and investments may be found in the notes of the City's "Comprehensive Annual Financial Report" at <https://riversideca.gov/finance/cafr/>

### **D. Cash and Investments with Fiscal Agent**

Cash and investments maintained by fiscal agents are considered restricted because their use is limited by applicable bond covenants. Provisions of debt agreements govern investments of debt proceeds held by bond fiscal agents. Permitted investments are specified in the related trust agreements and include the following types of investments:

Investments in money market funds rated in the single highest classification

Investments in the Local Agency Investment Fund

No maximum percentage of the related debt issue or maximum investment in one issuer is specified.



**Successor Agency to the Redevelopment Agency of the City of Riverside  
Notes to Financial Statements (Continued)  
For the year ended June 30, 2020**

(amounts expressed in thousands)

Cash and investments with fiscal agent are as follows:

	Total	Remaining Maturity (in Months)		
		12 Months or Less	13 to 24 Months	25 to 60 Months
Money Market Funds	\$ 2,862	\$ 2,862	\$ -	\$ -
Local Agency Investment Fund	1,404	1,404	-	-
Total	\$ 4,266	\$ 4,266	\$ -	\$ -

	Total	Ratings as of Year End		
		AAA	A	Unrated
Money Market Funds	\$ 2,862	\$ 2,862	\$ -	\$ -
Local Agency Investment Fund	1,404	-	-	1,404
Total	\$ 4,266	\$ 2,862	\$ -	\$ 1,404

**E. Land and Improvements Held for Resale**

Land and improvements held for resale were generally acquired for future development projects. The properties are carried at the lower of cost or net realizable value.

**F. Bond Premiums**

Bond premiums are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premiums.

**G. Deferred Inflows of Resources**

The statement of fiduciary net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are *not* recognized as an inflow of resources (revenue) until that time. The deferred amount on refunding is deferred and amortized over the life of the bonds using the effective interest method. The deferred amount on refunding is recorded as a deferred inflow of resources.

**H. Use of Estimates**

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

**Note 2. Notes and Direct Financing Lease Receivable**

Rehabilitation Notes Receivable

Notes receivable consist of \$2,391 of rehabilitation loans. The loans were granted for a period of up to 55 years and bear interest at rates from 0 to 12 percent, which are secured by deeds of trust to individuals and businesses.

Direct Financing Lease Receivable

The former Redevelopment Agency had a direct financing lease arrangement with the State for the California Tower Office Complex, located in the merged Downtown/Airport Industrial/Hunter Park/Northside. The Agreement is for a thirty-year period and at maturity the ownership of California Tower will be transferred to the State. The lease calls for semi-annual payments not less than the debt service

**Successor Agency to the Redevelopment Agency of the City of Riverside**  
**Notes to Financial Statements (Continued)**  
**For the year ended June 30, 2020**

(amounts expressed in thousands)

owed on the related lease revenue bonds issued by the former Redevelopment Agency for the purchase and renovation of the building. The future minimum lease payments to be received are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2021	\$ 2,692
2022	2,724
2023	2,759
2024	2,786
2025	2,823
Total Due	13,784
Less: Amount applicable to interest	(2,104)
Total direct financing lease receivable	<u>\$ 11,680</u>

**Note 3. Long-Term Obligations**

Changes in Long-Term Obligations:

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

	Beginning				Ending	Due Within
	Balance	Additions	Reclassification*	Reductions	Balance	One Year
Lease revenue bonds	\$ 15,802	\$ -	\$ -	\$ (2,012)	\$ 13,790	\$ 2,101
Tax allocations bonds	182,727	-	-	(5,471)	177,256	4,685
Pension obligation bonds	554	-	(554)	-	-	-
Direct borrowings:						
Notes payable	3,918	-	-	-	3,918	28
	<u>\$ 203,001</u>	<u>\$ -</u>	<u>\$ (554)</u>	<u>\$ (7,483)</u>	<u>\$ 194,964</u>	<u>\$ 6,814</u>

\* The 2005 and 2017 Taxable Pension Obligation Bonds outstanding were redistributed to the City of Riverside Governmental Activities and Business-Type Activities.

Lease Revenue Bonds:

Principal Outstanding

\$26,255 State of California Department of General Services Project, 2003 Lease Revenue Refunding Bonds, Series A are secured by lease payments made by the State of California Department of General Services for the California Tower office building; 2% to 5% due in annual installments from \$545 to \$2,230 through October 1, 2024. The bonds are subject to acceleration under the Trust Agreement upon the occurrence of an event of default and with the consent of the Insurer. There is no remedy of acceleration of the total Base Rental over the term of the Lease

\$ 9,785

\$4,810 State of California Department of General Services Project, 2003 Lease Revenue Refunding Bonds, Series B are secured by lease payments made by the State of California Department of General Services for the California Tower office building; \$310 serial bonds 1.20% to 1.42% through October 1, 2004; \$620 term bonds at 3.090% due October 1, 2008; \$1,110 term bonds at 4.340% due October 1, 2014 and \$2,770 term bonds at 5.480% due October 1, 2024. The bonds are subject to acceleration under the Trust Agreement upon the occurrence of an event of default and with the consent of the Insurer. There is no remedy of acceleration of the total Base Rental over the term of the Lease.

1,570

**Successor Agency to the Redevelopment Agency of the City of Riverside  
Notes to Financial Statements (Continued)  
For the year ended June 30, 2020**

(amounts expressed in thousands)

*In 2019, the 2012A Lease Revenue Refunding bonds were distributed between Governmental Activities, Business-Type Activities, and the Successor Agency to properly reflect their proportional share.*

\$41,240 Lease Revenue Refunding Bonds, Series 2012A. The bonds are secured by lease payments on a portion of the City Hall Complex and the Lincoln Police Patrol Center. The bonds were issued to refinance the 2003 Certificates of Participation. Interest on the bonds is payable semi-annually on May 1 and November 1 of each year, commencing May 1, 2013. The rate of interest varies from 2% to 5% per annum depending on maturity date. Principal is payable in annual installments ranging from \$1,295 to \$2,840 commencing November 1, 2013 and ending November 1, 2033. In the event of default, the Trustee may retain the Lease Agreement and hold the City liable for all Base Rental Payments on an annual basis. The rental payments may not be accelerated.

2,190

Subtotal	<u>13,545</u>
Add: Unamortized bond premium	<u>245</u>
Total Lease Revenue Bonds	<u>\$13,790</u>

Remaining debt service will be paid by the Successor Agency from future property tax revenues. Annual debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 2,101	\$ 620	\$ 2,721
2022	2,242	510	2,752
2023	2,399	392	2,791
2024	2,556	267	2,823
2025	2,716	135	2,851
2026-2030	775	251	1,026
2031-2035	756	62	818
Premium	245	-	245
Total	<u>\$ 13,790</u>	<u>\$ 2,237</u>	<u>\$ 16,027</u>

Tax Allocation Bonds:

Principal Outstanding

The Successor Agency Tax Allocation Bonds are secured by tax revenues deposited in the Redevelopment Property Tax Trust Fund for the Agency established and held by the County of Riverside Auditor-Controller pursuant to Section 34813(a)(2) of the Dissolution Act. Upon event of default, the principal due on the Bonds is subject to acceleration.

\$62,980 Subordinate Tax Allocation Refunding Bonds (2014 Series A and B). The bonds were issued to refund certain obligations of the former Redevelopment Agency. Interest is due semi-annually on March 1 and September 1, commencing March 1, 2015. Principal is due in annual installments from \$160 to \$4,745 through September 1, 2034. The rate of interest varies from 0.6% to 5% per annum.

\$42,585

\$114,815 Tax Allocation Refunding Bonds (2018 Series A and B). The bonds were issued to refund the 2007 Riverside Public Financing Authority Redevelopment Agency Tax Allocation Bonds (Series A, B, C and D). Principal is payable in annual installments from \$140 to \$9,180 through September 1,

**Successor Agency to the Redevelopment Agency of the City of Riverside**  
**Notes to Financial Statements (Continued)**  
**For the year ended June 30, 2020**

(amounts expressed in thousands)

2037. The rate of interest varies from 3.125% to 5% per annum. The refunding transaction resulted in a total net present value savings of \$20,000.	114,815
Subtotal	157,400
Add: Unamortized bond premium	19,856
Total Redevelopment Agency Bonds	<u>\$177,256</u>

Remaining debt service will be paid by the Successor Agency from future property tax revenues. Annual debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 4,685	\$ 7,298	\$ 11,983
2022	4,920	7,061	11,981
2023	4,710	6,823	11,533
2024	10,280	6,450	16,730
2025	10,690	5,928	16,618
2026-2030	53,375	21,622	74,997
2031-2035	44,385	9,725	54,110
2036-2040	24,355	1,372	25,727
Premium	19,856	-	19,856
Total	<u>\$ 177,256</u>	<u>\$ 66,279</u>	<u>\$ 243,535</u>

Pension Obligation Bonds:

Principal Outstanding

*In 2020, the 2005 and 2017 Taxable Pension Obligation Bonds outstanding balances were distributed to the City of Riverside between Governmental Activities and Business-Type Activities. Pension Obligation bonds are not collateralized by assets, nor do they constitute an obligation of the City of Riverside whereby the City is obligated to levy or pledge any form of taxation.*

\$30,000 2005 Taxable Pension Obligation Bonds Series A; 3.85% to 4.78%, due in annual installments \$630 to \$3,860 through June 1, 2020.

\$ -

\$31,960 2017 Taxable Pension Obligation Bonds Series A; 1.25% to 3.125%, due in annual installments from \$2,910 to \$3,580 through June 1, 2027.

-

Total Pension Obligation Bonds

\$ -

Direct Borrowings: Notes Payable:

Principal Outstanding

These notes payable have been issued to promote development and expansion within the City's redevelopment areas.

Pepsi Cola Bottling Company of Los Angeles, 10.5%, payable in net annual installments of \$341, subject to recording of completion. Interest accrues on the outstanding note balance upon issuance of the Certificate of Completion. Principal and interest on the note are payable solely from Project Property Tax Increment. Payments start upon the time sufficient increment is generated in one year to pay the annual principal and interest on the note. Upon 25 years from the first anniversary date of the certificate of completion, all unpaid principal together with any accrued interest will be forgiven.

\$ 2,987

**Successor Agency to the Redevelopment Agency of the City of Riverside**  
**Notes to Financial Statements (Continued)**  
**For the year ended June 30, 2020**

(amounts expressed in thousands)

Smith's Food and Drug Centers Inc., 6% payable in variable installments, subject to payment of annual Community Facilities District assessment. The note is secured under a developer agreement.

931

Total Notes Payable

\$ 3,918

Remaining debt service will be paid by the Successor Agency from future property tax revenues. Annual debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 28	\$ 314	\$ 342
2022	31	310	341
2023	34	307	341
2024	38	304	342
2025-2030	42	300	342
2031-2035	1,217	1,423	2,640
2036-2040	471	1,238	1,709
2041-2045	777	933	1,710
2040-2044	1,280	430	1,710
Total	<u>\$ 3,918</u>	<u>\$ 5,559</u>	<u>\$ 9,477</u>

**Note 4. Advances from the City of Riverside**

The former Redevelopment Agency had entered into various arrangements with the City. The State of California, Department of Finance had concluded that certain loans were not enforceable obligations, which would have resulted in the repayment of only 80 percent of the loans. The City sued the State of California, Department of Finance and in July 2013, a Sacramento County Superior Court ruled that the loans are enforceable obligations and therefore must be repaid in full. The outstanding Advances from the City of Riverside at June 30, 2020 was \$3,383, which is related to the Riverside Golf Course acquisition (\$2,946) and the Reid Park acquisition (\$437). The Advances from the City of Riverside will be paid with future property tax revenues.

**Note 5. Net Position/(Deficit)**

The deficit in the Successor Agency Trust Fund will be reduced over the years as the related debt is paid-off with funds received from the RPTTF, which is administered by the County Auditor-Controller.



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

To the Honorable Members of the Oversight Board  
Successor Agency to the Redevelopment Agency of the City of Riverside

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 Successor Agency to the Redevelopment Agency of the City of Riverside (the Successor Agency), a fiduciary component unit of the City of Riverside, California (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Successor Agency's basic financial statements, and have issued our report thereon dated January 21, 2021.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Successor Agency'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 Successor Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Successor Agency's internal control.

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

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

### **Compliance and Other Matters**

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





To the Honorable Members of the Oversight Board  
Successor Agency to the Redevelopment Agency of the City of Riverside

**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 Successor Agency'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 Successor Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Lance, Solt & Lughard, LLP*

Brea, California  
January 21, 2021