



Successor Agency to the Redevelopment Agency of the City of Riverside

Independent Auditor's Reports and Financial Statements
June 30, 2019

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

Contents

Independent Auditor's Report	1
Financial Statements	
Statement of Fiduciary Net Position/(Deficit)	3
Statement of Changes of Fiduciary Net Position/(Deficit)	4
Notes to Financial Statements	5
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 <i>Government Auditing Standards</i>	12



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, 2019, 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, 2019, and the respective 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 November 7, 2019 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, Soll & Lughard, LLP".

Brea, California
November 7, 2019

Successor Agency of the Redevelopment Agency of the City of Riverside
Statement of Fiduciary Net Position/(Deficit)
June 30, 2019
(amounts expressed in thousands)

Assets	
Cash and investments	\$ 25,911
Cash and investments with fiscal agent	6,718
Receivables:	
Interest	109
Accounts	25
Notes	2,565
Direct financing lease receivable	13,490
Deposits	2
Land and improvements held for resale	8,992
Capital assets:	
Land	185
Total assets	<u>57,997</u>
Liabilities	
Accounts payable	714
Retainage payable	159
Accrued interest	2,760
Advances from City of Riverside	3,803
Noncurrent liabilities	
Due within one year	
Long-term obligations	6,323
Due in more than one year	
Long-term obligations	196,678
Total liabilities	<u>210,437</u>
Deferred Inflows of Resources	
Deferred amount on refunding	1,035
Total deferred inflows of resources	<u>1,035</u>
Net Position/(Deficit)	
Held by Successor Agency	(153,475)
Total net position/(deficit)	<u>\$ (153,475)</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, 2019
(amounts expressed in thousands)

Additions

Property tax revenue	\$ 10,738
Rental and investment income	<u>1,557</u>
Total additions	<u>12,295</u>

Deductions

Professional services and other deductions	2,697
Redevelopment projects	5,789
Interest expense	5,211
Long-term obligation transfer from the City	<u>2,415</u>
Total deductions	<u>16,112</u>

Change in Net Position	(3,817)
Net position/(deficit) - beginning	<u>(149,658)</u>
Net position/(deficit) - ending	<u>\$ (153,475)</u>

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

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 is 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 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 1 and 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, 2019, 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 (State Investment Pool)

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

Cash and investments with fiscal agent are as follows:

**Successor Agency to the Redevelopment Agency of the City of Riverside
Notes to Financial Statements (Continued)
For the year ended June 30, 2019**

(amounts expressed in thousands)

	Total	Remaining Maturity (in Months)		
		12 Months or Less	13 to 24 Months	25 to 60 Months
Money Market Funds	\$ 2,913	\$ 2,913	\$ -	\$ -
State Investment Pool	3,805	3,805	-	-
Total	<u>\$ 6,718</u>	<u>\$ 6,718</u>	<u>\$ -</u>	<u>\$ -</u>

	Total	Ratings as of Year End		
		AAA	A	Unrated
Money Market Funds	\$ 2,913	\$ 2,913	\$ -	\$ -
State Investment Pool	3,805	-	-	3,805
Total	<u>\$ 6,718</u>	<u>\$ 2,913</u>	<u>\$ -</u>	<u>\$ 3,805</u>

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 \$2,565 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 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:

**Successor Agency to the Redevelopment Agency of the City of Riverside
Notes to Financial Statements (Continued)
For the year ended June 30, 2019**

(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Amount</u>
2020	\$ 2,659
2021	2,692
2022	2,724
2023	2,759
2024	2,786
Thereafter	<u>2,823</u>
Total Due	16,443
Less: Amount applicable to interest	<u>(2,953)</u>
Total direct financing lease receivable	<u><u>\$ 13,490</u></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:

	<u>Balance</u>	<u>Additions</u>	<u>Reclassification*</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
Lease revenue bonds	\$ 15,263	\$ -	\$ 2,415	\$ (1,876)	\$ 15,802	\$ 1,965
Tax allocations bonds	192,096	129,574		(138,943)	182,727	4,330
Pension Obligation Bonds payable	554	-	-	-	554	-
Direct borrowings:						
Notes payable	<u>4,338</u>	<u>-</u>	<u>-</u>	<u>(420)</u>	<u>3,918</u>	<u>28</u>
	<u>\$ 212,251</u>	<u>\$ 129,574</u>	<u>\$ 2,415</u>	<u>\$ (141,239)</u>	<u>\$ 203,001</u>	<u>\$ 6,323</u>

* Reclassification of the 2012A Lease Revenue Refunding bonds from Governmental Activities to properly reflect the Successor Agency's proportional share.

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

\$ 11,365

\$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.

1,840

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

**Successor Agency to the Redevelopment Agency of the City of Riverside
Notes to Financial Statements (Continued)
For the year ended June 30, 2019**

(amounts expressed in thousands)

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.

2,305

Subtotal

15,510

Add: Unamortized bond premium

292

Total Lease Revenue Bonds

\$15,802

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
2020	\$ 1,965	\$ 723	\$ 2,688
2021	2,101	620	2,721
2022	2,242	510	2,752
2023	2,399	392	2,791
2024	2,556	267	2,823
2025-2029	3,321	351	3,672
2030-2034	926	96	1,022
Premium	292	-	292
Total	<u>\$ 15,802</u>	<u>\$ 2,959</u>	<u>\$ 18,761</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.

\$46,915

\$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, 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

161,730

Add: Unamortized bond premium

20,997

Total Redevelopment Agency Bonds

\$182,727

Successor Agency to the Redevelopment Agency of the City of Riverside
Notes to Financial Statements (Continued)
For the year ended June 30, 2019

(amounts expressed in thousands)

Fiscal Year	Principal	Interest	Total
2020	\$ 4,330	\$ 7,519	\$ 11,849
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
2025-2029	53,635	24,281	77,916
2030-2034	45,705	11,835	57,540
2035-2039	33,465	2,532	35,997
Premium	20,997	-	20,997
Total	<u>\$ 182,727</u>	<u>\$ 73,799</u>	<u>\$ 256,526</u>

Pension Obligation Bonds:

Principal Outstanding

In 2018, the 2005 and 2017 Taxable Pension Obligation Bonds were distributed between Governmental Activities, Business-Type Activities, and the Successor Agency to properly reflect their proportional share. 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; \$133 relates to the Successor Agency.

\$133

\$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; \$421 relates to the Successor Agency.

421

Total Pension Obligation Bonds

\$ 554

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

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:

Successor Agency to the Redevelopment Agency of the City of Riverside
Notes to Financial Statements (Continued)
For the year ended June 30, 2019

(amounts expressed in thousands)

Fiscal Year	Principal	Interest	Total
2020	\$ 28	\$ 314	\$ 342
2021	31	310	341
2022	34	307	341
2023	38	304	342
2024	42	300	342
2025-2029	1,217	1,423	2,640
2030-2034	471	1,238	1,709
2035-2039	777	933	1,710
2040-2044	1,280	430	1,710
Total	\$ 3,918	\$ 5,559	\$ 9,477

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, 2019 was \$3,803, which is related to the Riverside Golf Course acquisition (\$3,311) and the Reid Park acquisition (\$492). 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, 2019, 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 November 7, 2019.

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) to determine the 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 determination of financial statement amounts. 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*.





CPAs AND ADVISORS

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, Soll & Lughard, LLP

Brea, California
November 7, 2019