



November 9, 2021

To the Honorable Mayor and Members of the City Council  
City of Riverside, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Riverside, California (the City), for the year ended June 30, 2021. In addition, we also audited the financial statements of the Riverside Public Utilities, comprised of the Electric and Water Utility enterprise Funds, which are major funds of the City; the financial statements of the Riverside Public Financing Authority, a blended component unit of the City; and the financial statements of the Successor Agency of the Redevelopment Agency of the City, a fiduciary component unit of the City. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, 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 May 20, 2021. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings and Other Issues**

#### ***Qualitative Aspects of Significant Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in the notes to the financial statements. As described in Note 1 to the financial statements, the City implemented Statement of Governmental Accounting Standards (GASB Statement) No. 84, *Fiduciary Activities* in fiscal year 2020-2021. Accordingly, the Agency Fund reported in prior fiscal year has been replaced by the Custodial Fund and beginning net position as been restated by \$30,750,000 to reflect the accounting change.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimates of the net pension liability, other post-employment benefits liability and self-insurance liability are based on actuarial valuation specialist assumptions. We evaluated the key factors and assumptions used to develop the net pension liability, the other post-employment benefits liability and the self-insurance liability in determining that they are reasonable in relation to the financial statements taken as a whole.



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

The subsequent event disclosure in Note 24 to the financial statements regarding the Parada II litigation which seek to invalidate, rescind and void under Proposition 26, the Electric System's rates approved by City Council in May 2018. The litigation is in process and the outcome is unknown at this time.

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

### ***Significant Unusual Transactions***

Management is responsible for the policies and practices used to account for significant unusual transactions. No significant unusual transactions have occurred during fiscal year 2020-2021.

### ***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 trivial, and communicate them to the appropriate level of management. No misstatements were found.

### ***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.

### ***Circumstances that Affect the Form and Content of the Auditor's Report***

New auditing standards were implemented in fiscal year 2020-2021 related to Statement of Auditing Standards 134, Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements. This standard updated the form and content of the financial statement auditor's report. The purpose of the change was to present an easier format for users to understand the results of the audit and management's responsibilities.

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated November 9, 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 City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant



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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 Discussed with Management***

We generally discuss a variety of matters, including the significant events or transactions that occurred during the year, business conditions affecting the City and business plans and strategies that may affect the risks of material misstatements, the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### **Net position restatement**

During fiscal year 2020-2021, the City's upgrade to its GIS/CADME system resulted to a change in the calculation of street mileage by adding 18.94 miles of roadways and roads. Consequently, beginning net position in governmental activities are being restated by \$80 million to reflect the additional street mileage as capital assets in governmental activities.

### **Other Matters**

We applied certain limited procedures to management's discussion and analysis, pension schedule of changes in net pension liability and related ratios, schedule of pension plan contributions, and schedule of changes in OPEB liability and related ratios which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

The following new Governmental Accounting Standards Board (GASB) pronouncements were effective for fiscal year 2020-2021 audit:

GASB Statement No. 84, *Fiduciary Activities*.

GASB Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statement Nos. 14 and 61*.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*.



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The following GASB pronouncements are effective in the following fiscal years' audits and should be reviewed for proper implementation by management:

Fiscal year 2022

GASB Statement No. 87, *Leases*.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*.

Fiscal year 2023

GASB Statement No. 91, *Conduit Debt Obligations*.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangement*.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.

**Restriction on Use**

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

Very truly yours,

A handwritten signature in black ink that reads "Lance, Soll &amp; Loughard, LLP". The signature is written in a cursive, flowing style.

Brea, California