

**SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO
(A Private Purpose Trust Fund
of the City of Fresno, California)**

Independent Auditor's Reports,
Financial Statements, and Required Supplementary
Information

For the Year Ended June 30, 2023

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF FRESNO
(A Private Purpose Trust Fund of the City of Fresno, California)
For the Year Ended June 30, 2023

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Independent Auditor's Report

To the City Council of the City of Fresno,
in its capacity as the Successor Agency to
the Redevelopment Agency of the City of Fresno
Fresno, California

Report on the Financial Statements

Opinion

We have audited the financial statements of the Successor Agency to the Redevelopment Agency of the City of Fresno (the Successor Agency), a private purpose trust fund of the City of Fresno, California (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Successor Agency, as of June 30, 2023, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Successor Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Successor Agency and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The Successor Agency's 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Successor Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards*, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Successor Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Successor Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of proportionate share of net pension liability and related ratios and the schedule of contributions, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

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 opinions on the basic financial statements are 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 December 15, 2023, 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 dark ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

Los Angeles, California
December 15, 2023

FINANCIAL STATEMENTS

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF FRESNO
(A Private Purpose Trust Fund of the City of Fresno, California)
Statement of Fiduciary Net Position
June 30, 2023

Assets

Current assets:

Cash and investments	\$ 3,320,962
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Noncurrent assets:

Property held for resale	292,968
Total assets	3,613,930

Deferred Outflows of Resources

Pension related amounts	295,871
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Liabilities

Current liabilities:

Accounts payable	159,963
Accrued interest	15,330
Long-term liabilities due within one year	97,174

Noncurrent liabilities:

Loans payable to the City of Fresno	4,564,977
Long-term liabilities due in more than one year	1,026,613
Net pension liability	693,565
Total liabilities	6,557,622

Deferred Inflows of Resources

Pension related amounts	71,083
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Net position (deficit)

Unrestricted	\$ (2,718,904)
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See accompanying notes to the financial statements.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF FRESNO
(A Private Purpose Trust Fund of the City of Fresno, California)
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2023

Additions:

Property taxes	\$ 2,855,891
Intergovernmental revenue	
Other revenue	84,647
Interest	43,695
Gain on disposal of property held for resale	66,000
Total additions	<u>3,050,233</u>

Deductions:

Redevelopment expenses	54,317
General and administrative expenses	251,528
Tax pass-throughs	8,890
Interest on long-term liabilities and loans payable to the City	105,464
Remittance of proceeds from property held for resale to the County of Fresno	66,000
Remittance to the Housing Successor	20,443
Loss on write-off of accounts receivable	46,485
Total deductions	<u>553,127</u>

Change in net position	2,497,106
Net position (deficit), beginning of year	<u>(5,216,010)</u>
Net position (deficit), end of year	<u><u>\$ (2,718,904)</u></u>

See accompanying notes to the financial statements.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF FRESNO
(A Private Purpose Trust Fund of the City of Fresno, California)**

Notes to the Financial Statements
For the Year Ended June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

On January 26, 2012, the City of Fresno (City) elected to become the Successor Agency to the Redevelopment Agency of the City of Fresno (Successor Agency) in accordance with ABx1 26 (Dissolution Act). An Oversight Board was appointed to oversee the dissolution process. A Private-Purpose Trust Fund, administered by the City, was established to account for the assets and liabilities of the former Redevelopment Agency of the City of Fresno (RDA). The RDA was dissolved on January 31, 2012.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of the Oversight Board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

Successor agencies are only allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the RDA until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The accompanying financial statements are not intended to present fairly the financial position or changes in financial position of the City in conformity with the accounting principles generally accepted in the United States of America.

Measurement Focus

Fiduciary fund financial statements are used to account for assets held in a trustee or agency capacity and cannot be used to support the City's own programs. Trust funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with operation of these funds are included on the statement of fiduciary net position. Additions are recorded when earned and deductions are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Investment Valuation

The Successor Agency reports their investments at fair value, except for highly liquid money market investments, guaranteed investment contracts, and other investments with maturities of one year or less at time of purchase, which are considered cash equivalents and are stated at amortized cost. Market value is used as fair value for those securities for which market quotations are readily available. Changes in fair value are reflected in the revenue of the period in which they occur.

Statutes authorize the Successor Agency to invest in obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper, bankers' acceptances, repurchase agreements, money market mutual funds and the State Treasurer's investment pool.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF FRESNO
(A Private Purpose Trust Fund of the City of Fresno, California)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Held for Resale

Pursuant to Health and Safety Code and within six months after receiving a Finding of Completion from the State Department of Finance, the Successor Agency was required to submit for approval a Long-Range Property Management Plan (LRPMP). The Plan addresses the disposition and use of the real properties of the RDA. The inventory is to present, among other information, the date of acquisition of the property and the value of the property at that time. In addition, the inventory is to include the estimate of the current value of the parcel and if available, any appraisal information.

In fiscal year 2015, the Successor Agency completed its LRPMP. Property held for resale is recorded at the lower of estimated cost or estimated conveyance value. Estimated conveyance value is management's estimate of net realizable value of a property based on current intended use.

Property held for resale may, during the period it is held by the Successor Agency, generate rental income, which is recognized as it becomes earned and is considered collectable.

Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the Statement of Fiduciary Net Position reports a separate section for deferred outflows of resources and deferred inflows of resources, which represent a consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow or inflow of resources (expense/expenditure) until then. The Successor Agency records deferred outflows of resources related to charges on refunding, as well as deferred outflows and deferred inflows of resources related to pension.

The charges on refunding are deferred and amortized over the life of the Successor Agency Tax Allocation Refunding Bonds, Series 2003.

The deferred outflows and deferred inflows of resources related to pension are discussed in detail in Note 5.

Bond Discount

The bond premium and discount is amortized over the life of the Successor Agency Tax Allocation Refunding Bonds Series 2003, using the effective interest method. Bonds payable are reported net of the applicable bond discount.

The bond premium is recorded annually as a reduction of interest expense while the bond discount is recorded annually as an increase to interest expense.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF FRESNO
(A Private Purpose Trust Fund of the City of Fresno, California)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

The Dissolution Act amended the allocation of property tax revenue to successor agencies. Property taxes that formerly would have been apportioned to RDA are deposited into a trust fund with the County of Fresno (County), known as the Redevelopment Property Tax Trust Fund (RPTTF). The County administers the RPTTF on behalf of the RDA debt holders, and taxing entities that receive pass-through payments and property tax distributions. This fund is used to pay obligations listed on the Recognized Obligation Payment Schedule (ROPS), including bond debt service, approved by the Successor Agency's Oversight Board, and the California Department of Finance. Any remaining monies in the RPTTF after the approved amounts listed on the ROPS have been paid are distributed to the appropriate taxing entities.

Net Pension Liability and Related Balances

For purposes of measuring the net pension liability, deferred outflows and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the California Public Employees' Retirement System (CalPERS) Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value by CalPERS and not reported by the Successor Agency. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications (www.calpers.ca.gov). Reported results pertain to liability and asset information within the following defined timeframes:

Valuation Date (VD) - June 30, 2021
Measurement Date (MD) - June 30, 2022
Measurement Period (MP) - July 1, 2021 to June 30, 2022

Net Position

In the fiduciary fund financial statements, net position is categorized as follows:

- *Net Investment in Capital Assets* consists of capital assets, net of accumulated depreciation, reduced by outstanding debt and deferred outflows/inflows attributed to the acquisition, construction or improvement of these assets. The financial statements do not contain a balance for net investment in capital assets.
- *Restricted Net Position* consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets and presents external restricted imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The financial statements do not contain a balance for restricted net position.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF FRESNO
(A Private Purpose Trust Fund of the City of Fresno, California)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position (Continued)

- *Unrestricted Net Position* consists of net position that are not restricted for any project or other purpose and do not meet the definition of net investment in capital assets or restricted net position. As of June 30, 2023, there is a deficit net position of \$2,718,904. The deficit is due to the RDA dissolution occurring on January 11, 2012, resulting in noncurrent liabilities of approximately \$6.3 million that will be paid in future years through future tax increment revenues received as part of the annual ROPS approval process.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New Accounting Pronouncements

During the year ended June 30, 2023, the Successor Agency implemented following GASB:

- GASB Statement No. 91, Conduit Debt Obligations
- GASB 94, Public-Private and Public-Public Partnerships (P3s) and Availability Payment Arrangements (APAs)
- GASB 96, Subscription-Based Information Technology Arrangements
- GASB Statement No. 99, Omnibus 2022 - The requirements related to leases, public-private partnerships, and SBITAs

Implementation of above statements did not have an impact on the Successor Agency's financial statements for the year ended June 30, 2023.

The Successor Agency is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

- GASB Statement No. 99, *Omnibus 2022* - The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for fiscal year ending June 30, 2024.
- GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, effective for fiscal year ending June 30, 2024.
- GASB Statement No. 101, *Compensated Absences*, effective for fiscal year ending June 30, 2025.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF FRESNO
(A Private Purpose Trust Fund of the City of Fresno, California)

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2023

NOTE 2 – CASH AND INVESTMENTS

At June 30, 2023, cash and investments of the Successor Agency are summarized as follows:

Cash deposits	\$ 3,320,862
Cash on hand	100
Total cash - unrestricted	<u>\$ 3,320,962</u>

Custodial Credit Risk related to Cash Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty 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 California Government Code and the Successor Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, except that the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposit. The collateral pledged to cover the public fund deposits in California is held in the name of the California Collateral Pool Administrator and is held in their name by the Federal Reserve Bank as custodian. Deposits held by financial institutions in the name of the Successor Agency totaled \$3,327,874 at June 30, 2023. As of June 30, 2023, the Successor Agency's deposits with financial institutions in excess of federal depository insurance limits was \$3,077,874 held in accounts collateralized in accordance with State law as described above.

Investment Disclosures

The following is a summary of the Successor Agency's investment policies. As of June 30, 2023, the Successor Agency did not hold any investments.

Investments Authorized by the California Government Code and the City's Investment Policy

The Successor Agency investments are pursuant to investment policy guidelines established by the City Controller/Treasurer, subject to review by the City Council. The objectives of the investment policy are preservation of capital, liquidity, and yield. The policy addresses the soundness of financial institutions in which the City will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity.

California statutes and the City's investment policy authorize investments in obligations of the U.S. Treasury, agencies and instrumentalities, bankers' acceptances, negotiable certificates of deposit, GC53601.8 CD's, repurchase agreements and the State Treasurer's investment fund. The City's investment policy also authorizes reverse repurchase agreements, but the Successor Agency did not enter into any reverse repurchase agreement transactions during fiscal year 2023.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF FRESNO
(A Private Purpose Trust Fund of the City of Fresno, California)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments Authorized by the California Government Code and the City's Investment Policy (Continued)

The following table identifies the investment types that are authorized for the City's Investment Policy by the California Government Code or the City's investment policy, where more restrictive. The City's maximum percent limit of portfolio for government sponsored enterprises agency notes is 70% versus 100% for California Government Code. The table identifies the investment type, the maximum length of time to maturity for each investment, the maximum percentage of the portfolio that can be invested in each type of security and the maximum amount of the portfolio that can be invested in any single issuer of investments.

Authorized Investments	Maximum Maturity	Maximum % Limit of Portfolio	Maximum % Limit of Portfolio Per Single Issuer
City of Fresno Debt	5 Years	100%	100%
U.S. Treasuries	5 Years	100%	100%
California Debt	5 Years	100%	100%
Other 49 States Debt	5 Years	100%	100%
Cal Local Agency Debt	5 Years	100%	100%
Government Sponsored Enterprises Agency Notes	5 Years	70%	50%
Bankers' Acceptances	180 Days	40%	30%
Commercial Paper	270 Days	25%	25%
Certificates of Deposit	5 years	30%	30%
Negotiable CD's	5 Years	30%	30%
Time Deposits	5 Years	100%	100%
Shares of Section 6509.7 JPA's	N/A	100%	100%
GC 53601.8 CD's	5 Year	30%	30%
Repurchase Agreements	1 Year	100%	100%
Reverse Repurchase Agreements	92 Days	20%	N/A
Securities Lending Agreements	92 Days	20%	N/A
Medium-Term Notes	5 Years	30%	20%
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	20%
Mortgage/Asset Backed Debt	5 Years	20%	20%
State Local Agency Investment Fund	N/A	\$75 million	100%
International Bank Recon & Dev	5 Years	30%	30%
International Finance Corp5	5 Years	30%	30%
Inter-American Development Bank	5 Years	30%	30%

Concentration of Credit Risk

The investment policy of the City contains the following limitations on the amount that can be invested in any one issuer which is more restrictive than those stipulated by the California Government Code. While the State has no limit on the percentage of the Portfolio that can be invested in a single U.S. Government Agency Security, the City's Investment Policy limits investment in any one issuer to 50% of the Portfolio. Also, while the State limits investments to 30% of the Portfolio for any single issuer of Medium-Term Notes, the City's Investment Policy limits investments to 20% of the Portfolio invested in any single issuer.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF FRESNO
(A Private Purpose Trust Fund of the City of Fresno, California)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments Authorized by the California Government Code and the City's Investment Policy (Continued)

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 will be the sensitivity of its fair value to changes in market interest rates. One of the ways that the Successor Agency manages its exposure to interest rate risk is by purchasing shorter term investments to provide immediate cash flow and liquidity needed for operations.

Fair Value Hierarchy

The Successor Agency categorizes its fair value measurements within the fair value hierarchy established by U.S. generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs 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.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Successor Agency will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. At year-end, the Successor Agency's external investment pools and specific investments did not have any securities exposed to custodial credit risk and there was no securities lending.

Credit Risk

The City's investment policy sets forth the minimum acceptable credit ratings for investments from any two of the following nationally recognized statistical rating organizations.

NOTE 3 – PROPERTY HELD FOR RESALE

Property held for resale is recorded at the lower of estimated cost or estimated conveyance value. During fiscal year 2023 the Successor Agency sold property with a \$0 carrying value for \$66,000. This amount was remitted to the County of Fresno. At June 30, 2023, the cost of land and improvements held is \$5,496,094 with an estimated net realizable value of \$292,968.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF FRESNO
(A Private Purpose Trust Fund of the City of Fresno, California)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

NOTE 4 – LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the period July 1, 2022 through June 30, 2023.

	Balance July 1, 2022	Additions	Discount Amortization	Reductions	Balance June 30, 2023	Due Within One Year
Tax Allocation Bonds:						
Series 2003, Mariposa Project Area	\$ 417,652	\$ -	\$ 348	\$ (418,000)	\$ -	\$ -
Notes Payable:						
California Infrastructure Bank	1,136,948	-	-	(77,729)	1,059,219	80,473
Other Long-Term Liabilities:						
Compensated Absences	55,253	16,649		(7,334)	64,568	16,701
Total Long-Term Liabilities	<u>\$ 1,609,853</u>	<u>\$ 16,649</u>	<u>\$ 348</u>	<u>\$ (503,063)</u>	<u>\$ 1,123,787</u>	<u>\$ 97,174</u>

2003 Tax Allocation Refunding Bonds, Series 2003: Mariposa Project Area

2003 Tax Allocation Refunding Bonds, Series 2003 (Mariposa Project Area) were issued on August 22, 2003. Proceeds were used to refund the RDA's 1993 Tax Allocation Bonds, Series A (Mariposa Redevelopment Project). Interest on bonds outstanding is 5.625%. Principal is due in annual installments of \$370,000 to \$418,000 through February 1, 2023; interest is due annually. The bonds were fully paid during the fiscal year ended June 30, 2023.

California Infrastructure and Economic Development Bank Loan

On March 18, 2004, the RDA entered into a thirty-year tax allocation loan from the California Infrastructure and Economic Development Bank in the amount of \$2,118,000. Proceeds were used to complete the Roeding Business Park. Principal is due in semi-annual installments ranging from \$70,047 to \$113,845 through August 1, 2033; interest at 3.53% is due semi-annually.

Repayment of the loan is payable solely from tax increment revenues allocated to the Successor Agency's Roeding Project Area. Revenues are pledged for a total debt service of \$1,394,297 until the year 2034.

During fiscal year 2023, \$119,903 of Roeding Project Area tax increment revenue was recognized, while the debt service was \$116,492.

The annual requirements to amortize outstanding bonds and loans included in the Statement of Fiduciary Net Position as of June 30, 2023, including interest, are as follows:

Year(s) Ending June 30,	California Infrastructure and Economic Development Bank Loan	
	Principal	Interest
2024	\$ 80,473	\$ 35,970
2025	83,314	33,079
2026	86,255	30,086
2027	89,300	26,988
2028	92,452	23,780
2029-2033	513,579	66,674
2034	113,845	2,009
	<u>\$ 1,059,218</u>	<u>\$ 218,586</u>

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF FRESNO
(A Private Purpose Trust Fund of the City of Fresno, California)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

NOTE 5 – RETIREMENT PLAN

Plan Description – The Successor Agency participates in a public agency cost-sharing multiple-employer defined benefit pension plan (the Plan) administered by the California Public Employees’ Retirement System (CalPERS). The Successor Agency is part of the miscellaneous pool.

CalPERS is governed by the Board of Administration (the Board), which consists of 13 members; two elected by CalPERS members, one elected by active State members, one elected by active CalPERS school members, one elected by active CalPERS public agency members, one elected by retired members of CalPERS, two appointed by the Governor, one public representative appointed jointly by Speaker of the Assembly and Senate Rules Committee and four ex officio members: State Treasurer, State Controller, Director of California Department of Human Resources and Designee of the State Personnel Board. The Board of Administration is responsible for the management and control of CalPERS, including the exclusive control of the administration and investment of the Plan. CalPERS acts as the common investment and administrative agency for the Plan.

The Plan was established to provide retirement, death and disability benefits, and the benefit provisions for Plan employees are established by statute. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

Contributions – In January 2013, the California Public Employees' Pension Act (PEPRA) took effect which changes the way CalPERS retirement and health benefits are applied, and places compensation limits on members. Individuals hired on or after January 2013 are under PEPRA. All members, who do not fall under this category, are considered classic members. Classic members will retain existing benefit levels for future service with the same employer.

Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS’ annual actuarial valuation process. The Plan’s actuarially determined rate is based on the estimated amount necessary to pay the Plan’s allocated share of the risk pool’s costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the fiscal year ended June 30, 2023, the active employee contribution rate was 6.92 percent of annual pay while the employer’s contributions rate was 10.87 percent of annual payroll.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF FRESNO
(A Private Purpose Trust Fund of the City of Fresno, California)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

NOTE 5 – RETIREMENT PLAN (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability – The net pension liability for the Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2022 (the measurement date), using an annual actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. Both the June 30, 2021, total pension liability and the June 30, 2022, total pension liability were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	6.90% net of pension plan administrative expenses
Mortality Rate Table ¹	Derived using CalPERS’ Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter

¹ The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2015, including updates to salary increase, mortality and retirement rates. The experience study report can be obtained at CalPERS’ website under Forms and Publications.

Discount Rate – The discount rate used to measure the total pension liability was 6.90 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 6.90 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 6.90 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS considered both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF FRESNO
(A Private Purpose Trust Fund of the City of Fresno, California)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

NOTE 5 – RETIREMENT PLAN (Continued)

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Assumed Asset Allocation
Global Equity - Cap-weighted	30.00%
Global Equity Non-Cap-weighted	12.00%
Private Equity	13.00%
Treasury	5.00%
Mortgage-backed Securities	5.00%
Investment Grade Corporates	10.00%
High Yield	5.00%
Emerging Market Debt	5.00%
Private Debt	5.00%
Real Assets	15.00%
Leverage	(5.00)%

Pension Plan Fiduciary Net Position – The plan fiduciary net position disclosed in the Successor Agency’s GASB 68 accounting valuation report may differ from the plan assets reported in the Successor Agency’s funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and other postemployment benefits expense included in fiduciary net position. These amounts are excluded for rate setting purposes in the Successor Agency’s funding actuarial valuation. In addition, differences may result from timing of financial reporting by CalPERS and final reconciled reserves.

Allocation of Net Pension Liability and Pension Expense to Individual Plans – The Successor Agency’s net pension liability for the plan is measured as the proportionate share of the net pension liability. The Successor Agency’s proportion of the net pension liability was based on a projection of the Successor Agency’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Successor Agency’s proportionate share of the net pension liability for the plan as of June 30, 2023, was as follows:

At June 20, 2022 (MD)	
Net Pension Liability	\$ 693,565
Proportion	0.01482%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 6.90 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
Plan's Net Pension Liability	\$ 1,049,416	\$ 693,565	\$ 400,787

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF FRESNO
(A Private Purpose Trust Fund of the City of Fresno, California)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

NOTE 5 – RETIREMENT PLAN (Continued)

Recognition of Gains and Losses – Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5-year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of participants (active, inactive and retired) in PERF C.

The EARSL for PERF C for the measurement period ending June 30, 2022 is 3.7 years, which was obtained by dividing the total service years of 574,665 (the sum of remaining service lifetimes of the active employees) by 153,587 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Pension Expense and Deferred Outflows and Deferred Inflows – For the measurement period ended June 30, 2022 (the measurement date), the Successor Agency incurred a pension expense of \$(14,110) for the Plan. Pension expense is recorded as part of general and administrative expense.

As of June 30, 2023, the Successor Agency reports other amounts for the Plan as deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 60,839	\$ -
Change in assumptions	71,070	-
Difference between expected and actual experience	13,928	9,328
Net difference between projected and actual earnings on plan investments	127,043	-
Changes in employer's proportion	22,991	-
Difference between the employer's contributions and the employer's proportionate share of contributions	-	61,755
	<u>\$ 295,871</u>	<u>\$ 71,083</u>

The amounts above are net of outflows and inflows recognized in the 2021-22 measurement period expense.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF FRESNO
(A Private Purpose Trust Fund of the City of Fresno, California)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

NOTE 5 – RETIREMENT PLAN (Continued)

In addition to the figures shown in the table above, each employer is required to recognize an employer-specific expense item and a deferred outflow or deferred inflow of resources related to pensions. This is derived from the difference between actual contributions made by the employer and the employer's proportionate share of the risk pool's total contributions. At July 1, 2022, this difference was \$61,755 and is reported as a deferred outflow of resources as the actual contributions of the Successor Agency exceed the employer's proportionate share of the risk pool's total contributions recognized by the Plan.

\$60,839 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30,	Deferred Outflows/ (Inflows) of Resources
2024	\$ 32,347
2025	33,155
2026	20,743
2027	77,704
	\$ 163,949

NOTE 6 – LOANS FROM THE CITY OF FRESNO

Loans over the years between the City and the former RDA were made to provide funds to eliminate blight and to develop, construct, rehabilitate and revitalize Fresno's inner-city neighborhood, downtown and industrial areas. The loans were all secured by and payable from the incremental property tax revenues of the redeveloped properties. Interest rates varied between 5% and 9% with payments on the loan and related interest based upon budgetary priority as approved by the former RDA. Redevelopment Agencies were structured such that incremental property tax revenues would continue to be received during the period that the debt remained outstanding.

With the dissolution of the former RDA under ABx1 26, the State established a process whereby Successor Agencies (SAs) are required to draft a Recognized Obligation Payments Schedule (ROPS) delineating enforceable obligations of former RDAs and their source of payment. These schedules are subject to the approval of the local oversight board. Once approved by the oversight board, they are submitted to the Department of Finance (DOF).

On June 2, 2014, the former RDA received a letter from the State Department of Finance in which they notified the former RDA that they had completed their Finding of Completion for the Successor Agency. They noted that they had concluded their review of the Successor Agency's documentation and related supporting schedules submitted to substantiate or confirm former RDA's transactions with its sponsoring entity, the City of Fresno. The letter went on to authorize the Successor Agency to place the loan agreements between the former RDA and the City on the ROPS as an enforceable obligation, provided that the Oversight Board made a finding that loans were for legitimate redevelopment purposes pursuant to Health and Safety Code (HSC) Section 34191.4(b)(1). It went on to further state that loan repayments would be governed by criteria in HSC Section 34191.4(a)(2). The letter also authorized the use the bond proceeds related to bonds issued prior to January 1, 2011, in a manner consistent with the original bond covenants per HSC Section 34191.4(c).

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF FRESNO
(A Private Purpose Trust Fund of the City of Fresno, California)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

NOTE 6 – LOANS FROM THE CITY OF FRESNO (Continued)

In May 2022, the Successor Agency was determined unsuccessful in its lawsuit against the Department of Finance resulting in the Court of Appeals upholding judgement supporting the Department of Finances disallowance of \$6,162,288 of the loans owed to the City, including accrued interest. These loans and were removed from the Successor Agency's financial statements as of June 30, 2022; however, the effect was \$0 as the loans had an allowance for disallowance recorded due to the uncertainty of results of this lawsuit.

As of June 30, 2023, the Department of Finance has approved \$4,564,977 of the outstanding loan balance. The Successor Agency requests and receives tax increment as part of the annual ROPS approval process to fund loan repayments. During fiscal year 2023, the Successor Agency used tax increment in the amount of \$2,335,172 to repay in interest, respectively.

Twenty percent of any loan repayment received by the City must be deducted from the loan repayment amount and be paid to the City's Low and Moderate Income Housing Asset Special Revenue Fund (Housing Successor). Payments to the City's Low and Moderate Income Housing Asset Special Revenue Fund are required under Senate Bill (SB) 107 and are subject to the reporting requirements of subdivision (f) of Section 34176.1. In fiscal year 2023, this amount totaled \$467,034.

NOTE 7 – REMITTANCE TO THE HOUSING SUCCESSOR

The Successor Agency transferred excess bond proceeds from the 2003 Tax Allocation Refunding Bonds, Series 2003 (Mariposa Project Area) (originally the 1993 Tax Allocation Bonds, Series A), to the Housing Successor pursuant to HSC Section 34191.4(c) and the Bond Proceeds Expenditure Agreement between the Successor Agency and City, and approved by the Countywide Oversight Board for the County of Fresno. The transfer was in the amount of \$20,443 and will be used consistent with the original bond covenants and applicable provisions of the HSC.

REQUIRED SUPPLEMENTARY INFORMATION

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF FRESNO
(A Private Purpose Trust Fund of the City of Fresno, California)

Required Supplementary Information
For the Year Ended June 30, 2023

SCHEDULE OF THE PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY AND RELATED RATIOS
Eight Fiscal Years¹

Fiscal Year End Measurement Date	6/30/2023 6/30/2022	6/30/2022 6/30/2021	6/30/2021 6/30/2020	6/30/2020 6/30/2019	6/30/2019 6/30/2018	6/30/2018 6/30/2017	6/30/2017 6/30/2016	6/30/2016 6/30/2015
Successor Agency's Proportion of the Net Pension Liability/(Asset)	0.00600%	0.00587%	0.00528%	0.01303%	0.00490%	0.00485%	0.00463%	0.44100%
Successor Agency's Proportionate Share of the Net Pension Liability/(Asset)	\$ 693,565	\$ 317,599	\$ 574,573	\$ 523,185	\$ 472,565	\$ 480,547	\$ 400,742	\$ 302,845
Successor Agency's Covered Payroll ²	\$ 95,414	\$ 92,208	\$ 89,962	\$ 202,040	\$ 199,563	\$ 195,701	\$ 189,299	\$ 322,826
Successor Agency's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	726.90%	344.44%	638.68%	258.95%	236.80%	245.55%	211.70%	93.81%
Successor Agency's Proportionate Share of the Fiduciary Net Position as a Percentage of Successor Agency's Total Pension Liability	76.68%	88.29%	75.10%	75.26%	75.26%	73.31%	74.06%	78.40%

SCHEDULE OF CONTRIBUTIONS
Eight Fiscal Years¹

Fiscal Year Ended	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contributions (actuarially determined) (CRC)	\$ 60,839	\$ 52,957	\$ 45,298	\$ 39,237	\$ 39,980	\$ 33,442	\$ 30,464	\$ 30,464
Contributions in relation to the CRC	(60,839)	(52,957)	(45,298)	(39,237)	(39,980)	(33,442)	(30,464)	(30,464)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 100,391	\$ 95,414	\$ 92,208	\$ 89,962	\$ 202,040	\$ 199,563	\$ 195,701	\$ 189,299
Contributions as a percentage of covered payroll	60.60%	55.50%	49.13%	43.62%	19.79%	16.76%	15.57%	16.09%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Covered Payroll represents total pensionable payroll of employees that are provided pensions through the pension plan.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF FRESNO
(A Private Purpose Trust Fund of the City of Fresno, California)
Required Supplementary Information (Continued)
For the Year Ended June 30, 2023

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Change in Benefit Terms – There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees such as Golden Handshakes, service purchases, and other prior service costs. Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities. These employers should consult with their auditors. Additionally, the figures above do not include any liability impact that occurred after the June 30, 2021 valuation date, unless the liability impact is deemed to be material to the Public Agency Pool.

Change in Assumptions – Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

**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***

To the City Council of the City of Fresno,
in its capacity as the Successor Agency to
the Redevelopment Agency of the City of Fresno
Fresno, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Successor Agency to the Redevelopment Agency of the City of Fresno (the Successor Agency), a private purpose trust fund of the City of Fresno, California (the City) as of and for the year ended June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated December 15, 2023.

Report on 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 the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 Successor Agency'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.

Report on 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*.

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.

A handwritten signature in black ink that reads "Macias Gini E O'Connell LEP". The signature is written in a cursive, flowing style.

Los Angeles, California
December 15, 2023