



IRWINDALE HOUSING SUCCESSOR IRWINDALE, CALIFORNIA

FOR THE YEAR ENDED JUNE 30, 2023

FINANCIAL STATEMENTS

Focused
on YOU



IRWINDALE HOUSING SUCCESSOR
IRWINDALE, CALIFORNIA

Financial Statements

June 30, 2023

IRWINDALE HOUSING SUCCESSOR
IRWINDALE, CALIFORNIA

Financial Statement

June 30, 2023

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
Irwindale Housing Successor
City of Irwindale, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the governmental fund information of the Housing Successor (the "Housing Successor"), a special revenue fund of the City of Irwindale, California (the "City of Irwindale"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Housing Successor's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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. 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 City 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 opinions.

Emphasis of Matter

Fund Financial Statements

As discussed in Note 1, the financial statements of the Housing Successor are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and the governmental fund information of the Housing Successor that is attributable to the transactions of the Housing Successor. They do not purport to, and do not, present fairly the financial position of the City of Irwindale, as of June 30, 2023 and the changes in its financial position 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

Management is responsible for the preparation and fair presentation of the 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.



To the Honorable Mayor and Members of the City Council
Irwindale Housing Successor
City of Irwindale, California

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 Housing Successor'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 opinions. 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 generally accepted auditing standards 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 there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 the City'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 Housing Successor'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule, as listed on the table of contents, presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards



To the Honorable Mayor and Members of the City Council
Irwindale Housing Successor
City of Irwindale, California

generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Successor's basic financial statements. The Computation of the Housing Successor Excess/Surplus schedule (supplementary information) is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2023, on our consideration of the Housing Successor's internal control over the Housing Successor's 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 Housing Successor's internal control over the Housing Successor's financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Successor's internal control over the Housing Successor's financial reporting and compliance.

A handwritten signature in cursive script that reads "Lance, Soll & Lughard, LLP".

Brea, California
December 13, 2023

IRWINDALE HOUSING SUCCESSOR
Statement of Net Position
June 30, 2023

	Governmental Activities
Assets:	
Cash and investments	\$ 7,031,418
Receivables:	
Notes and loans	14,075,386
Accrued interest	54,546
	<hr/>
Total Assets	21,161,350
	<hr/>
Liabilities:	
Accounts payable	21,705
	<hr/>
Total Liabilities	21,705
	<hr/>
Net Position:	
Restricted for:	
Low and Moderate Housing	21,139,645
	<hr/>
Total Net Position	\$ 21,139,645
	<hr/> <hr/>

IRWINDALE HOUSING SUCCESSOR
Statement of Activities
Year Ended June 30, 2023

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>	
Functions/Programs				
Primary Government:				
Governmental Activities:				
Housing	\$ 1,901,710	\$ -	\$ -	\$ (1,901,710)
Total Governmental Activities	\$ 1,901,710	\$ -	\$ -	(1,901,710)
Use of money and property				170,180
Total General Revenues				170,180
Change in Net Position				(1,731,530)
Net Position at Beginning of Year				22,871,175
Net Position at End of Year				\$ 21,139,645

IRWINDALE HOUSING SUCCESSOR
Balance Sheet
June 30, 2023

	Housing Successor Fund
Assets:	
Pooled cash and investments	\$ 7,031,418
Receivables:	
Notes and loans	14,075,386
Accrued interest	54,546
	<u> </u>
Total Assets	<u><u>\$ 21,161,350</u></u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:	
Liabilities:	
Accounts payable	\$ 21,705
	<u> </u>
Total Liabilities	<u>21,705</u>
Deferred Inflows of Resources:	
Unavailable revenues	14,075,386
	<u> </u>
Total Deferred Inflows of Resources	<u>14,075,386</u>
Fund Balances:	
Restricted for:	
Housing activities	7,064,259
	<u> </u>
Total Fund Balances	<u>7,064,259</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u><u>\$ 21,161,350</u></u>

IRWINDALE HOUSING SUCCESSOR
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2023

Fund balances of governmental funds \$ 7,064,259

Amounts reported for governmental activities in the statement of net position are different because:

Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.

14,075,386

Net Position of Governmental Activities

\$ 21,139,645

IRWINDALE HOUSING SUCCESSOR
Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2023

	Housing Successor Fund
Revenues:	
Use of money and property	\$ 170,180
Total Revenues	170,180
Expenditures:	
Current:	
Housing	365,589
Total Expenditures	365,589
Net Change in Fund Balances	(195,409)
Fund Balances, Beginning of Year	7,259,668
Fund Balances, End of Year	\$ 7,064,259

IRWINDALE HOUSING SUCCESSOR
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Year Ended June 30, 2023

Net change in fund balances - total governmental funds	\$ (195,409)
Amounts reported for governmental activities in the statement of activities are different because:	
Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.	<u>(1,536,121)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (1,731,530)</u></u>

I. SIGNIFICANT ACCOUNTING POLICIES

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Irwindale Housing Successor Fund (Housing Successor) was established on February 1, 2012, pursuant to the California Housing Authority Law codified under the State of California Health and Safety Code, Section 34200 et seq. The restricted resources and assets from the former Irwindale Community Redevelopment Agency's low- and moderate-income housing fund was transferred to the City's Low and Moderate Housing Asset Fund, a fund within the Irwindale's Housing Authority. The City Council became the governing board commissioners of the Housing Authority. The Housing Successor is part of the Irwindale Housing Authority, which was established for the development of low- and moderate-income housing in the City. The Housing Authority was formed for the purposes of construction and management of quality affordable housing within the City.

The Housing Authority is controlled by the City of Irwindale (City) and, accordingly, the accompanying financial statements are included as a component of the basic financial statements prepared by the City. A component unit is a separate governmental unit, agency or nonprofit corporation which when combined with all other component units, constitutes the reporting entity as defined in the City's basic financial statements.

The Irwindale Housing Successor accounts for transactions related to affordable housing activities. Revenues include bond proceeds held by the Irwindale Successor Agency that will be transferred for use into this fund for affordable housing activities.

B. Basis of Presentation

The Housing Successor's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Housing Successor. Eliminations have been made to minimize the double counting of internal activities. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

While separate government-wide and fund financial statements are presented, they are interrelated.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

D. Assets, Liabilities and Net Position or Equity

Cash and Investments

The Housing Successor's cash, and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For financial statement presentation purposes, cash and cash equivalents are shown as both unrestricted and restricted cash and investments.

Investments are reported at fair value, the value at which a financial instrument could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. The City's policy is generally to hold investments until maturity or until market values equal or exceed cost. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Land Held for Resale

Land purchased for resale is capitalized as inventory at acquisition costs or net realizable value, if lower. Land held for resale is offset by non-spendable fund balance, which indicates that it does not constitute "available spendable resources." Other property held for resale is capitalized as inventory and is recorded at cost.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Housing Successor does not carry an item that qualifies for reporting in this category.

In addition to liabilities, the statement of net position or the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from various sources: taxes, long-term loans, and grant monies. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Equity

In the fund financial statements, government funds report the following fund balance classification:

Nonspendable include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted include amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws of regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

Committed include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest authority, the City Council. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution. The Housing Successor did not have any committed fund balance as of June 30, 2023.

IRWINDALE HOUSING SUCCESSOR
Notes to the Financial Statements
June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assigned include amounts that are constrained by the government’s intent to be used for specific purposes but are neither restricted nor committed. The City Manager is authorized to assign amounts to a specific purpose, which was established by the governing body in Resolution No. 2011-32 approved on June 21, 2011. The Housing Successor did not have any assigned fund balance as of June 30, 2023.

Unassigned include the residual amounts that have not been restricted, committed, or assigned to specific purposes.

An individual governmental fund could include nonspendable resources and amounts that are restricted or unrestricted (committed, assigned, or unassigned) or any combination of those classifications. Restricted amounts are to be considered spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available and committed, assigned, then unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

NOTE 2: CASH AND CASH EQUIVALENTS

As of June 30, 2023, cash and investments were reported in the accompanying financial statements as follows:

Pooled cash and investments	\$ 1,391,266
Investments - LAIF	<u>5,640,152</u>
Total cash and cash equivalents	<u>\$ 7,031,418</u>

The Housing Successor’s fund is pooled with the City of Irwindale’s cash and investments in order to generate optimum interest income. The pooled interest earned is allocated quarterly based on the month end cash balances. 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. Citywide information concerning cash and investments for the year ended June 30, 2023, including authorized investments, custodial credit risk, credit risk, interest rate risk, concentration of investments, and carrying amount and market value of deposits and investments is available in the annual financial report of the City.

NOTE 3: DEFERRED AND LOANS RECEIVABLE

The City’s Former Irwindale Community Redevelopment Agency (Agency) made subsidy and rehabilitation loans that are to be forgiven when agreement covenants are met. As of June 30, 2023, the outstanding amounts for subsidy and rehabilitation loans are \$13,158,930 and \$911,042, respectively. Additionally, there is an outstanding amount of property tax loan receivable of \$5,414. The loans receivables are reported as unavailable revenue at June 30, 2023.

IRWINDALE HOUSING SUCCESSOR
 Budgetary Comparison Schedule
 Housing Successor Fund
 June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 7,259,668	\$ 7,259,668	\$ 7,259,668	\$ -
Resources (Inflows):				
Use of money and property	25,000	25,000	170,180	145,180
Amounts Available for Appropriations	7,284,668	7,284,668	7,429,848	145,180
Charges to Appropriations (Outflow):				
Housing	538,270	611,165	365,589	245,576
Total Charges to Appropriations	538,270	611,165	365,589	245,576
Budgetary Fund Balance, June 30	\$ 6,746,398	\$ 6,673,503	\$ 7,064,259	\$ 390,756

IRWINDALE HOUSING SUCCESSOR
Computation of Low - and Moderate -Income
Housing Fund
Excess/Surplus
June 30, 2023

	<u>Low and Moderate Housing Funds All Project Area July 1, 2022</u>	<u>Low and Moderate Housing Funds All Project Area July 1, 2023</u>
Opening Fund Balance	\$ 7,259,668	\$ 7,064,259
Less Unavailable Amounts:		
Encumbrances (Section 33334.12 (g)(2))	<u>\$ (5,266,515)</u>	<u>\$ (2,390,564)</u>
	(5,266,515)	(2,390,564)
Available Low and Moderate Income Housing Funds	1,993,153	4,673,695
Limitation (greater of \$1,000,000 or four years set-aside)		
Set-Aside for last four years:		
2022 - 2023		170,180
2021 - 2022	(11,782)	(11,782)
2020 - 2021	329,463	329,463
2019 - 2020	2,950,470	2,950,470
2018 - 2019	<u>141,910</u>	<u>n/a</u>
Total	<u>\$ 3,410,061</u>	<u>\$ 3,438,331</u>
Base Limitation	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Greater amount	<u>3,410,061</u>	<u>3,438,331</u>
Computed Excess/Surplus	<u>None</u>	<u>\$ 1,235,364</u>

Please note: In accordance with HSC34176.1(d) If a housing successor has an excess surplus, the housing successor shall encumber the excess surplus for the purposes described in paragraph (3) of subdivision (a) or transfer the funds pursuant to paragraph (2) of subdivision (c) within three fiscal years. If the housing successor fails to comply with this subdivision, the housing successor, within 90 days of the end of the third fiscal year, shall transfer any excess surplus to the Department of Housing and Community Development for expenditure pursuant to the Multifamily Housing Program or the Joe Serna, Jr. Farmworker Housing Grant Program. For purposes of this subdivision, "excess surplus" shall mean an unencumbered amount in the account that exceeds the greater of one million dollars (\$1,000,000) or the aggregate amount deposited into the account during the housing successor's preceding four fiscal years, whichever is greater.



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 Mayor and Members of the City Council
Irwindale Housing Successor
City of Irwindale, 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 City of Irwindale Housing Successor ("the Housing Successor") of the City of Irwindale, California (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Housing Successor's basic financial statements, and have issued our report thereon dated December 13, 2023

Report on Internal Control over Housing Successor Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over the Housing Successor's financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Successor's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the requirements of California Health and Safety Code Applicable to California Housing Successor Agencies, 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 the one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards: 2023-001*. This matter is described in the accompanying schedule of findings and questioned costs.



To the Honorable Mayor and Members of the City Council
Irwindale Housing Successor
City of Irwindale, California

Housing Successor's Response to Findings

The Housing Successor's response to the findings identified in our audit was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

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

Brea, California
December 13, 2023



To the Honorable Mayor and Members of the City Council
Irwindale Housing Successor
City of Irwindale, California

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Late Submission of Annual Progress Report

Reference Number: 2023-001

Evaluation of Finding:
Noncompliance

Criteria:

Senate Bill 341 (SB 341) requires all successor housing entities to comply with annual report requirements. One requirement is for the City to report housing financial and activity information by including specified information with the Annual Progress Report (APR) required to be annually submitted to the Department of Housing and Community Development (HCD) by April 1st of the subsequent year pursuant to the State of California housing law in reporting progress in implementing the housing element.

Condition:

As part of our audit procedures, we noted that the APR for the fiscal year ended June 30, 2022, was submitted to HCD on April 6, 2023.

Cause of Condition:

The Housing Successor's inability to submit the APR timely was due to the timing of the deadline and available staffing at the City. It was noted that April 1st fell on a non-business day, and staff availability rendered the Housing Successor unable to submit the APR by the April 3rd deadline. The report was submitted upon the availability of required personnel.

Effect or Potential Effect of Condition:

The effect is unknown.

Recommendation:

The Housing Successor should implement policies and procedures to ensure timely reporting of the APR to HCD by April 1st of the subsequent year.

Management's Response and Corrective Action:

The Housing Successor has assigned a specific staff member to this report, with the deadline scheduled for the responsible division. Based on available staff resources, the filing will remain an action item and the intent is to submit it by the deadline.



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE

To the Honorable Mayor and Members of the City Council
Irwindale Housing Successor
City of Irwindale, California

Report on Compliance

Opinion

We have audited the Irwindale Housing Successor, California (the "Housing Successor")'s compliance with the types of compliance requirements identified as subject to audit in the California Health and Safety Code sections applicable to California Housing Successor Agencies (the "HSC") for the year ended June 30, 2023.

In our opinion, the Housing Successor complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Housing Successor's compliance with the HSC for the year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the HSC. Our responsibilities under those standards and the HSC are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Housing Successor and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the Program. Our audit does not provide a legal determination of the Housing Successor's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Housing Successor's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the HSC will always detect material noncompliance when it exists.



To the Honorable Mayor and Members of the City Council
Irwindale Housing Successor
City of Irwindale, California

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Housing Successor's compliance with the requirements the HSC as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the HSC, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Housing Successor's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Housing Successor's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the HSC, but not for the purpose of expressing an opinion on the effectiveness of the Housing Successor's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.



To the Honorable Mayor and Members of the City Council
Irwindale Housing Successor
City of Irwindale, California

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the HSC. Accordingly, this report is not suitable for any other purpose.

Lance, Solt & Lughard, LLP

Brea, California
December 13, 2023