



**City of Cudahy
Housing Fund
Audited Financial Statements
For the Year Ended June 30, 2015
with Report of Independent Auditors**

An Independently Owned Member
McGLADREY ALLIANCE



 **Vasquez**
& Company LLP
Certified Public Accountants and Business Consultants

**City of Cudahy
Housing Fund
Audited Financial Statements
*For the Year Ended June 30, 2015
with Report of Independent Auditors***

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Report of Independent Auditors

**The Honorable City Council
City of Cudahy, California**

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Fund of the City of Cudahy California, as of and for the year ended June 30, 2015, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors Responsibility

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

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

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Fund of the City of Cudahy, California as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the Housing Fund and do not purport to, and do not, present fairly the financial position of the City of Cudahy, California, as of June 30, 2015, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Vasquez + Company LLP

**Los Angeles, California
December 28, 2015**

ASSETS

Cash and investments	\$	29,619
Notes receivable (Note 3)		<u>2,399,420</u>
Total assets	\$	<u><u>2,429,039</u></u>

DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE

Deferred inflows of resources

Unavailable revenue	\$	<u>2,399,420</u>
Total deferred inflows of resources		<u>2,399,420</u>

Fund balance

Restricted for housing projects		<u>29,619</u>
Total fund balance		<u>29,619</u>
Total deferred inflows of resources and fund balance	\$	<u><u>2,429,039</u></u>

See notes to financial statements.

City of Cudahy
Housing Fund

Statement of Revenues, Expenditures and Changes in Fund Balance
Year ended June 30, 2015

Revenues

Other Revenue		\$ 32,119
	Total revenues	<u>32,119</u>

Expenditures

Community development services		<u>2,500</u>
	Total expenditures	<u>2,500</u>

		29,619
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Fund balance, beginning of year		<u>-</u>
Fund balance, end of year		<u>\$ 29,619</u>

See notes to financial statements.

**City of Cudahy
Housing Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year ended June 30, 2015**

NOTE 1 GENERAL

The Housing Fund of the City of Cudahy, California (City) accounts for the housing assets and housing related functions of the City's former redevelopment agency. The Housing Fund is a Low and Moderate Income Housing Asset Fund and, as such, the City is required by Senate Bill No. 341, approved by the Governor on October 13, 2013, to provide an independent auditor's report on the financial statements of the Low and Moderate Income Housing Asset Fund within six months after the end of each fiscal year.

Pursuant to the provisions of ABX1 26, on January 17, 2012, the City Council of the City passed and adopted Resolution No. 12-04 creating the Successor Agency to the former Cudahy Community Development Commission (Redevelopment Commission) in accordance with the California Housing Authority Law and other applicable housing-related regulations. As part of Resolution No 12-04, the City declared its intent to serve as the Successor Agency to the former Redevelopment Commission. The City also declared its intent to assume all housing assets and functions of the former Redevelopment Commission. The transfer of the housing assets was made to the Housing Fund on February 1, 2012.

Prior to its dissolution on February 1, 2012, the former Redevelopment Commission's financial activity was reported as a component unit of the City. The Commission's primary purpose was to carry out plans for improvement, rehabilitation and redevelopment of blighted areas within the territorial limits of the City of Cudahy.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Housing Fund accounts for the assets and activities of the former low and moderate income housing fund in accordance with the applicable housing related regulations.

The accounts of the City of Cudahy are organized on the basis of funds and account groups, each of which is considered a separate accounting entity with a self-balancing set of accounts. The Housing Fund is accounted for as a Special Revenue Fund of the City.

As such, the accompanying financial statements present only the Housing Fund and do not purport to, and do not present, fairly the financial position and the changes in financial position of the City of Cudahy, California as of and for the year ended June 30, 2015.

Basis of Accounting

Special Revenue Funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become "susceptible to accrual", that is, measurable and available to finance expenditures of the current period. Expenditures are recorded when the liability is incurred.

**City of Cudahy
Housing Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year ended June 30, 2015**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus

Special Revenue Funds are accounted for on a spending or "financial flow" measurement focus. This means that generally only current assets, current liabilities and deferred inflows and outflows of resources are included on their balance sheets. Statements of revenues, expenditures and changes in fund balances for Special Revenue Funds generally present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Receivables

Receivables represent loans made to provide assistance to external parties in rehabilitating property for affordable housing, and accrued interest thereon. Because interest on these loans is only payable at maturity, it is not available to finance current operations. The amount of interest earnings recognized as revenue under the modified accrual basis of accounting is limited to the amount that is deemed measurable and available. Accordingly, interest on notes receivable is not recognized in the Housing Fund financial statements as a current period revenue.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fund Balance Reporting

Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes the fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The fund balance of the Housing Fund as of June 30, 2015 was restricted for housing projects.

Information regarding the fund balance reporting policy adopted by the City is described in Note 1 to the City of Cudahy's Basic Financial Statements.

City of Cudahy
Housing Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year ended June 30, 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Implementation of New Accounting Pronouncements

During the year ended June 30, 2015, the City adopted the following Governmental Accounting Standards Board (GASB) statements which impacted the City's financial statements:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statements No. 27 and 50*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures of pensions that are provided by local governmental employers through pension plans that are administered through trusts that meet certain conditions. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

GASB Statement No. 71, *Pension Transition for Contributions made subsequent to the Measurement Date - an amendment of GAS Statement No. 68*. This statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

Refer to the City's Basic Financial Statements for additional information.

NOTE 3 NOTES RECEIVABLE

Notes receivable represents loans made for assistance in rehabilitating property for affordable housing, and accrued interest.

Elizabeth West & East L.P.

In November 1995 and May 1997, the Successor Agency (previously Cudahy Community Development Commission) loaned \$220,000 and \$60,000, respectively, to Elizabeth West & East L.P. The note is collateralized by a deed of trust on 5225-27 Elizabeth Street. The note bears compounding interest at 6.55% and all principal and accrued interest is due in November 2025.

**Balance at
June 30, 2015**

\$ 923,924

City of Cudahy
Housing Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year ended June 30, 2015

NOTE 3 NOTES RECEIVABLE (CONTINUED)

5159 Clara Street LLP

In June 1998, February 2000, and September 2000, the Successor Agency loaned \$150,000, \$140,000 and \$210,000, respectively, to 5159 Clara Street LLP for a total loan of \$500,000. The note is collateralized by a deed of trust on 5159 Clara Street. The note bears simple interest at 1% and all principal and accrued interest are due in May 2026.

578,233

Live Oak LLP

During the year ended June 30, 2000, the Successor Agency agreed to loan \$650,000 to Live Oak LLP, of which \$590,000 had been advanced through June 30, 2003. The note is collateralized by a deed of trust on 5203 Live Oak. The note bears interest at 2.5% and all principal and accrued interest are due in August 2029.

		897,263
Total notes receivable	\$	2,399,420

NOTE 4 DEFERRED INFLOWS OF RESOURCES

Pursuant to GASB Statement No. 63, *“Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position”* and GASB Statement No. 65, *“Items Previously Reported as Assets and Liabilities,”* the Housing Fund recognized deferred inflows of resources in the Housing Fund’s financial statements. The deferred inflows of resources, amounting to \$2,399,420, pertain to unavailable revenues which represent notes receivable that are not collectible within the availability period.

NOTE 5 SUBSEQUENT EVENTS

The City of Cudahy has evaluated events subsequent to June 30, 2015 to assess the need for potential recognition or disclosure in the financial statements of the Housing Fund. Such events were evaluated through December 28, 2015, the date the financial statement were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the notes to financial statements of the Housing Fund.



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