



## ROSEMEAD HOUSING DEVELOPMENT CORPORATION

FOR THE YEAR ENDED JUNE 30, 2021

BASIC FINANCIAL STATEMENTS

Focused  
on YOU



ROSEMEAD HOUSING  
DEVELOPMENT CORPORATION

A COMPONENT UNIT OF  
THE CITY OF ROSEMEAD, CALIFORNIA

BASIC FINANCIAL STATEMENTS  
(WITH SUPPLEMENTARY INFORMATION)  
AND  
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED  
JUNE 30, 2021

ROSEMEAD HOUSING  
DEVELOPMENT CORPORATION

A COMPONENT UNIT OF  
THE CITY OF ROSEMEAD, CALIFORNIA

BASIC FINANCIAL STATEMENTS  
(WITH SUPPLEMENTARY INFORMATION)  
AND  
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED  
JUNE 30, 2021

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Rosemead Housing Development Corporation  
City of Rosemead, California

### Report on the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities and General Fund of the Rosemead Housing Development Corporation (the Corporation), a component unit of the City of Rosemead, California, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Corporation'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 General Fund of the Rosemead Housing Development Corporation (the Corporation), a component unit of the City of Rosemead, California as of June 30, 2021, 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 (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 City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management 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; 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 City's ability to continue as a going concern for twelve months beyond the date of the financial statements.



To the Board of Directors  
Rosemead Housing Development Corporation  
City of Rosemead, California

### ***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 the 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, 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 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 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 City'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 Reporting Responsibilities***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules for the general fund be 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 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.



To the Board of Directors  
Rosemead Housing Development Corporation  
City of Rosemead, California

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2021, on our consideration of the Corporation'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 Corporation'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 Corporation's internal control over financial reporting and compliance.

*Lance, Soll & Lughard, LLP*

Brea, California  
December 17, 2021

ROSEMEAD HOUSING DEVELOPMENT CORPORATION  
A COMPONENT UNIT OF THE CITY OF ROSEMEAD, CALIFORNIA

STATEMENT OF NET POSITION  
JUNE 30, 2021

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|                                     | <b>Governmental<br/>Activities</b> |
|-------------------------------------|------------------------------------|
| <b>Assets:</b>                      |                                    |
| Cash and investments                | \$ 462,221                         |
| Accounts receivable                 | 7,854                              |
| Capital assets, net of depreciation | 6,439,443                          |
| <b>Total Assets</b>                 | <b>6,909,518</b>                   |
| <b>Liabilities:</b>                 |                                    |
| Accounts payable                    | 7,833                              |
| Deposits payable                    | 44,939                             |
| <b>Total Liabilities</b>            | <b>52,772</b>                      |
| <b>Net Position:</b>                |                                    |
| Investment in capital assets        | 6,439,443                          |
| Unrestricted                        | 417,303                            |
| <b>Total Net Position</b>           | <b>\$ 6,856,746</b>                |

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

ROSEMEAD HOUSING DEVELOPMENT CORPORATION  
A COMPONENT UNIT OF THE CITY OF ROSEMEAD, CALIFORNIA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

| Functions/Programs                   | Expenses            | Program Revenues        |  |  | Net (Expenses)<br>Revenues and<br>Changes in<br>Net Position |
|--------------------------------------|---------------------|-------------------------|--|--|--|
|                                      |                     | Charges for<br>Services | Operating<br>Contributions<br>and Grants | Capital<br>Contributions<br>and Grants | Governmental<br>Activities                                   |
| <b>Governmental Activities:</b>      |                     |                         |  |  |  |
| General Government                   | \$ 1,089,630        | \$ 472,553              | \$ 452,473                               | \$ -                                   | \$ (164,604)   |
| <b>Total Governmental Activities</b> | <b>\$ 1,089,630</b> | <b>\$ 472,553</b>       | <b>\$ 452,473</b>                        | <b>\$ -</b>                            | <b>(164,604)</b>   |
| <b>General Revenues:</b>             |                     |                         |  |  |  |
|                                      |                     |                         |  |  | 13   |
|                                      |                     |                         |  |  | 4,250  |
|                                      |                     |                         |  |  | <b>4,263</b>   |
|                                      |                     |                         |  |  |  |
|                                      |                     |                         |  |  | (160,341)  |
|                                      |                     |                         |  |  | 7,017,087  |
|                                      |                     |                         |  |  | <b>\$ 6,856,746</b>  |

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



ROSEMEAD HOUSING DEVELOPMENT CORPORATION  
A COMPONENT UNIT OF THE CITY OF ROSEMEAD, CALIFORNIA

BALANCE SHEET  
GOVERNMENTAL FUND  
JUNE 30, 2021

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|   | <u>General Fund</u>      |
|---|--------------------------|
| <b>Assets:</b>                            |                          |
| Cash and investments                      | \$ 462,221               |
| Accounts receivable                       | 7,854                    |
| <b>Total Assets</b>                       | <b><u>\$ 470,075</u></b> |
| <b>Liabilities and Fund Balance:</b>      |                          |
| <b>Liabilities:</b>                       |                          |
| Accounts payable                          | \$ 7,833                 |
| Deposits payable                          | 44,939                   |
| <b>Total Liabilities</b>                  | <b><u>52,772</u></b>     |
| <b>Fund Balances:</b>                     |                          |
| Unassigned                                | 417,303                  |
| <b>Total Fund Balances</b>                | <b><u>417,303</u></b>    |
| <b>Total Liabilities and Fund Balance</b> | <b><u>\$ 470,075</u></b> |

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

ROSEMEAD HOUSING DEVELOPMENT CORPORATION  
A COMPONENT UNIT OF THE CITY OF ROSEMEAD, CALIFORNIA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2021

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|   |                            |
|---|----------------------------|
| Fund balances of governmental funds   | \$ 417,303                 |
| Amounts reported for governmental activities in the statement of net position are different because:            |                            |
| Capital assets net of depreciation have not been included as financial resources in governmental fund activity. | <u>6,439,443</u>           |
| <b>Net Position of Governmental Activities</b>  | <b><u>\$ 6,856,746</u></b> |

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

ROSEMEAD HOUSING DEVELOPMENT CORPORATION  
A COMPONENT UNIT OF THE CITY OF ROSEMEAD, CALIFORNIA

STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED JUNE 30, 2021

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|  | <u>General Fund</u>      |
|--|--------------------------|
| <b>Revenues:</b>                                 |                          |
| Intergovernmental                                | \$ 452,473               |
| Rental Income                                    | 472,553                  |
| Investment Income                                | 13                       |
| Other  | 4,250                    |
| <b>Total Revenues</b>                            | <u><b>929,289</b></u>    |
| <b>Expenditures:</b>                             |                          |
| Current:   |                          |
| Operating  | 451,157                  |
| Administrative services paid to City of Rosemead | 232,300                  |
| Facility rent paid to City of Rosemead           | 183,400                  |
| <b>Total Expenditures</b>                        | <u><b>866,857</b></u>    |
| Net Change in Fund Balance                       | 62,432                   |
| Fund Balance at the Beginning of the Year        | 354,871                  |
| <b>Fund Balance at the End of the Year</b>       | <u><b>\$ 417,303</b></u> |

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

ROSEMEAD HOUSING DEVELOPMENT CORPORATION  
A COMPONENT UNIT OF THE CITY OF ROSEMEAD, CALIFORNIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

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Net change in fund balances - total governmental funds \$ 62,432

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

(222,773)

**Change in Net Position of Governmental Activities** \$ (160,341)

ROSEMEAD HOUSING DEVELOPMENT CORPORATION  
A COMPONENT UNIT OF THE CITY OF ROSEMEAD, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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**Note 1: Summary of Significant Accounting Policies**

**a. Reporting Entity**

The Rosemead Housing Development Corporation (the Corporation) is a nonprofit corporation whose purpose is to provide assistance to the Rosemead Community Development Commission (the Commission) to account for the construction, financing and operations of low- and moderate-income housing for the benefit of the City of Rosemead (the City). The Corporation currently maintains the Angelus and Garvey Senior Housing facilities. The Corporation is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code (IRC) and applicable state statutes.

Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's Board and either (a) the primary government has the ability to impose its will or (b) the possibility exists that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Since the Board of Directors of the Commission and the Council members also serve as the Board of Directors of the Corporation, the Commission and the City, in effect, have the ability to influence and control operations. Therefore, the City has oversight responsibility for the Corporation. Accordingly, in applying the criteria of GASB Statement No. 14, the financial statements of the Corporation are included in the City's financial reports.

The Corporation has the same fiscal year as the City. These financial statements contain information for the Corporation only. The City's financial report may be obtained by contacting the Financial Department of the City.

As a result of the Assembly Bill X1 26 signed into law as part of the State of California's budget package on June 29, 2011, the Rosemead Community Development Commission ceased to exist as of February 1, 2012. On January 10, 2012, the City Council elected to serve as the successor agency to the Commission and retain the housing assets and functions previously held and performed by the Commission.

**b. Basis of Accounting and Measurement Focus**

The *basic financial statements* of the Corporation are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government (including its blended component units), as well as its discretely presented component units. The Corporation has no business-type activities or discretely presented component units.

ROSEMEAD HOUSING DEVELOPMENT CORPORATION  
A COMPONENT UNIT OF THE CITY OF ROSEMEAD, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

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**Note 1: Summary of Significant Accounting Policies (Continued)**

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) *economic* resources and obligations of the reporting government are reported in the government-wide financial statements. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

Program revenues include charges for services and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

Fund Financial Statements

The underlying accounting system of the Corporation is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds. Fiduciary statements include financial information for fiduciary funds and similar component units. Fiduciary funds primarily represent assets held by the Corporation in a custodial capacity for other individuals or organizations. The Corporation has no enterprise funds or fiduciary funds.

Governmental Funds

In the fund financial statements, governmental funds and agency funds are presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available*. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The Corporation uses a sixty day availability period.

ROSEMEAD HOUSING DEVELOPMENT CORPORATION  
A COMPONENT UNIT OF THE CITY OF ROSEMEAD, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

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**Note 1: Summary of Significant Accounting Policies (Continued)**

Revenue recognition is subject to the *measurable* and *available* criteria for the governmental funds in the fund financial statements. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e., when the related goods or services are provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. *Imposed non-exchange* transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated and voluntary nonexchange transactions* are recognized as revenues when all applicable eligibility requirements have been met.

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources," since they do not represent net current assets. Recognition of governmental fund type revenues represented by noncurrent receivables are deferred until they become current receivables.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an *other financing source* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

**c. Major Fund**

The Corporation reports the General Fund as its major fund.

ROSEMEAD HOUSING DEVELOPMENT CORPORATION  
A COMPONENT UNIT OF THE CITY OF ROSEMEAD, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

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**Note 1: Summary of Significant Accounting Policies (Continued)**

**d. Cash and Investments**

Cash includes amounts in demand and time deposits. Investments, if any, are reported in the accompanying balance sheet at fair value, except for certain money market and investment contracts that are reported at cost because they are not transferable, and they have terms that are not affected by changes in market interest rates.

Changes in fair value that occur during a fiscal year are recognized as income from property and investments reported for that fiscal year. Income from property and investments includes interest earnings, changes in fair value, any gains or losses realized upon the liquidation, maturity or sale of investments, property rentals, and the sale of City-owned property.

**e. Capital Assets**

Capital assets, which include buildings and improvements, and furniture and equipment, are reported as part of governmental activities in the government-wide financial statements. Capital assets are defined by the Corporation as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized.

Costs associated with construction in progress are recorded in their respective capital assets category upon approval by the Corporation's governing board, which approximates the completion date.

Depreciation is charged to operations using the straight-line method based on the estimated useful life of an asset. The estimated useful lives of depreciable assets are as follows:

|                         |          |
|-------------------------|----------|
| Buildings               | 50 years |
| Improvement             | 15 years |
| Furniture and equipment | 7 years  |

**f. Income Taxes**

The Corporation is exempt from federal income taxes under Section 501(c)(3) of the IRC and a similar exemption under state law.

**g. Fund Balance**

The Corporation reports fund balance in classifications that describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.



**ROSEMEAD HOUSING DEVELOPMENT CORPORATION  
A COMPONENT UNIT OF THE CITY OF ROSEMEAD, CALIFORNIA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021**

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**Note 1: Summary of Significant Accounting Policies (Continued)**

- Restricted – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions or by enabling legislation.
- Committed – amounts constrained to specific purposes by a government itself, using the highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- Assigned – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned – amounts that are for any purpose; positive amounts are reported only in a general fund.

The Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. The Board designates the Finance Director and City Manager as the Corporation officials to determine, define, and make the necessary account or fund transfers for the amounts to those components of fund balance that are classified as “Assigned Fund Balance.”

When both restricted and unrestricted resources are available for use when an expenditure is incurred, it is the Corporation’s policy to use restricted resources first, then unrestricted resources as they are needed. It is the Corporation’s policy to consider committed amounts as being reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**h. Rental Income**

A management company collects rent payments on the first day of the month and the corporation recognizes revenue in the month due. Monthly rental income per unit ranges from \$250 to \$450 and is approved by the annual budget.

**i. Use of Estimates**

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

**ROSEMEAD HOUSING DEVELOPMENT CORPORATION**  
**A COMPONENT UNIT OF THE CITY OF ROSEMEAD, CALIFORNIA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2021**

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**Note 2: Cash and Investments**

Cash and investments at June 30, 2021 consisted of demand deposits with financial institutions and the Corporation's share in the pooled cash of the City of Rosemead's investments. The carrying amount and the bank balance of the Corporation's demand deposits was \$462,221.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in 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 Corporation maintains its bank accounts at financial institutions that are collateralized with securities held by the pledging financial institution, or by its Trust Department or agent, but not in the Corporation's name. The primary difference between the carrying amount and the bank balance are deposits in transit and outstanding checks. In accordance with state statutes, the Corporation maintains deposits at those depository institutions insured by the FDIC. The California Government Code (the Code) requires California banks and savings and loan associations to collateralize the deposits of governmental entities by pledging government securities as collateral. The market value of pledge securities must equal at least 110% of those deposits. California law also allows financial institutions to secure the deposits of governmental entities by pledging first trust deed mortgage notes having a collateral value of 150% of a corporation's total deposits. As of June 30, 2021, the Corporation had no deposits with financial institutions in excess of federal depository insurance limits.

**Note 3: Reimbursement Agreements and Related Party Transactions**

The Corporation has entered into a reimbursement agreement with the City for the Corporation's administrative services. The Corporation paid \$232,300 for administrative services to the City during the year ended June 30, 2021. The Corporation is funded, in part, by contributions from the Successor Agency.

The Corporation has also entered into a 55-year lease agreement with the City for the Angelus Senior Housing facility at \$60,000 annually, expiring June 2047. The Corporation has also entered into a 55-year lease agreement with the City for the Garvey Senior Housing facility at \$72,000 annually, expiring November 2057. The lease amounts are to increase by 2% per year or by the percentage increase in CPI, whichever is higher. The Corporation paid \$91,200 and \$92,200 in lease payments to the City during the year ended June 30, 2021 for the Angelus and Garvey Senior Housing facilities, respectively.

**ROSEMEAD HOUSING DEVELOPMENT CORPORATION**  
**A COMPONENT UNIT OF THE CITY OF ROSEMEAD, CALIFORNIA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2021**

**Note 4: Capital Assets**

During the year ended June 30, 2021, the changes in capital assets were as follows:

|  | Balance at<br>June 30, 2020 | Additions    | Deletions | Balance at<br>June 30, 2021 |
|--|-----------------------------|--------------|-----------|-----------------------------|
| Governmental Activities:                       |                             |              |           |                             |
| Capital assets being depreciated:              |                             |              |           |                             |
| Building and improvements                      | \$ 11,042,597               | \$ -         | \$ -      | \$ 11,042,597               |
| Furniture and equipment                        | 128,544                     | -            | -         | 128,544                     |
| Total Capital Assets,<br>Being Depreciated     | 11,171,141                  | -            | -         | 11,171,141                  |
| Less accumulated depreciation:                 |                             |              |           |                             |
| Building and improvements                      | (4,380,381)                 | (222,773)    | -         | (4,603,154)                 |
| Furniture and equipment                        | (128,544)                   | -            | -         | (128,544)                   |
| Total Accumulated<br>Depreciation              | (4,508,925)                 | (222,773)    | -         | (4,731,698)                 |
| Governmental Activities<br>Capital Assets, Net | \$ 6,662,216                | \$ (222,773) | \$ -      | \$ 6,439,443                |

Depreciation expense is allocated to the general government function in the statement of activities.

**Note 5: Risk Management**

The Corporation is exposed to various risks of loss related to torts, thefts of, damage to and destruction of assets, errors and omissions, and natural disasters. The Corporation, through the City, carries commercial liability insurance coverage. The Corporation carries no insurance coverage for natural disasters. Since the Corporation does not have any employees (it uses employees from the City), it is not liable for injury to employees, workers' compensation, or employee health and accident insurance. The City has had no reduction in insurance coverage, nor did the City have any settlements that were in excess of insurance coverage in any of the three preceding years.

**Note 6: Property Management and Operations**

The Corporation has two agreements with a management company, dated July 1994 and April 2002, to operate the development housing. These agreements are automatically renewed for successive periods of one year, unless terminated by the Corporation. The management company is responsible for collecting rents and receipts, employing an on-site manager and maintaining financial records. Total fees paid to the management company were \$25,092 for the Angelus Senior Housing facility and \$35,424 for the Garvey Senior Housing facility during fiscal year ended June 30, 2021.

**ROSEMEAD HOUSING DEVELOPMENT CORPORATION  
A COMPONENT UNIT OF THE CITY OF ROSEMEAD, CALIFORNIA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2020**

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**Note 1:     Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the governmental fund. All annual appropriations lapse at fiscal year-end.

On or before the last day in March of each year, all agencies of the government submit requests for appropriations to the government's manager so that a budget may be prepared. Before the first Thursday of June, the proposed budget is presented to the Corporation's governing board for review. The governing board holds public hearings and a final budget must be prepared and adopted no later than June 30.

The appropriated budget is prepared by fund, function and department. The Corporation's department directors, with approval of the Finance Director and City Manager, may make transfers of appropriations within the department and between departments within a fund. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

ROSEMEAD HOUSING DEVELOPMENT CORPORATION  
A COMPONENT UNIT OF THE CITY OF ROSEMEAD, CALIFORNIA

BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2021

|  | Budget Amounts    |                   | Actual            | Variance with    |
|--|-------------------|-------------------|-------------------|------------------|
|  | Original          | Final             | Amounts           | Final Budget     |
|  |                   |                   |                   | Positive         |
|  |                   |                   |                   | (Negative)       |
| Budgetary Fund Balance, July 1                   | \$ 354,871        | \$ 354,871        | \$ 354,871        | \$ -             |
| <b>Resources (Inflows):</b>                      |                   |                   |                   |                  |
| Intergovernmental                                | 665,700           | 665,700           | 452,473           | (213,227)        |
| Rental income                                    | 460,600           | 460,600           | 472,553           | 11,953           |
| Investment income                                | -                 | -                 | 13                | 13               |
| Miscellaneous                                    | 3,500             | 3,500             | 4,250             | 750              |
| <b>Amounts Available for Appropriations</b>      | <b>1,484,671</b>  | <b>1,484,671</b>  | <b>1,284,160</b>  | <b>(200,511)</b> |
| <b>Charges to Appropriations (Outflows):</b>     |                   |                   |                   |                  |
| Operating costs                                  | 708,800           | 708,800           | 451,157           | 257,643          |
| Administrative services paid to City of Rosemead | 237,600           | 237,600           | 232,300           | 5,300            |
| Facility rent paid to City of Rosemead           | 183,400           | 183,400           | 183,400           | -                |
| <b>Total Charges to Appropriations</b>           | <b>1,129,800</b>  | <b>1,129,800</b>  | <b>866,857</b>    | <b>262,943</b>   |
| <b>Budgetary Fund Balance (Deficit), June 30</b> | <b>\$ 354,871</b> | <b>\$ 354,871</b> | <b>\$ 417,303</b> | <b>\$ 62,432</b> |

The notes to required supplementary information are an integral part of this schedule.



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 Board of Directors  
Rosemead Housing Development Corporation  
City of Rosemead, 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 General Fund of the Rosemead Housing Development Corporation (the Corporation), a component unit of the City of Rosemead, California, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated December 17, 2021.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over 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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Fund'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*.





To the Board of Directors  
Rosemead Housing Development Corporation  
City of Rosemead, California

### **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 Corporation'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 Corporation'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 &amp; Lughard, LLP". The signature is written in a cursive, flowing style.

Brea, California  
December 17, 2021