

**INGLEWOOD HOUSING AUTHORITY**  
**(A Component Unit of the City of Inglewood, California)**

Independent Auditor's Report,  
Management's Discussion and Analysis,  
Basic Financial Statements and Supplementary Information

For the Fiscal Year Ended September 30, 2007



SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

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The Honorable Mayor and  
Members of the City Council  
Inglewood Housing Authority, California

### Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities of the **Inglewood Housing Authority (Authority)**, a component unit of the City of Inglewood, California (City), as of and for the fiscal year ended September 30, 2007, which collectively comprise the Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Authority as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2009 on our consideration of the Authority'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison schedule identified in the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Simpson &amp; Simpson".

Los Angeles, California  
June 26, 2009

The information presented in the “Management’s Discussion and Analysis” (MD&A) is intended to be a narrative overview of the financial activities of the Inglewood Housing Authority (Authority) for the fiscal year ended September 30, 2007. We encourage readers to consider this information in conjunction with the accompanying financial statements, notes and required supplementary information.

## FINANCIAL HIGHLIGHTS

The Authority’s assets exceeded its liabilities at the close of fiscal year ended September 30, 2007 by \$786,900 (net assets), an increase of \$767,170 (change in net assets) compared to the prior fiscal year. Significant changes in the Authority’s assets and liabilities during the fiscal year are as follows:

- Receivables, net of allowance, increased by \$2,983,450. The increase is primarily due to an increase in receivables from HUD related to the New Construction Program.
- The amount due to the City of Inglewood (City) increased by \$2,085,618. This increase resulted from an additional need for short term funding to cover cash extended on the New Construction Program until reimbursement from HUD.

## FINANCIAL STATEMENT OVERVIEW

This discussion and analysis is intended to serve as an introduction to the Authority’s basic financial statements. The Authority’s basic financial statements are comprised of three components: government-wide financial statements, fund financial statements, and notes to the financial statements.

### Government-wide Financial Statements

The government-wide financial statements are made up of the following two financial statements: the *Statement of Net Assets* and the *Statement of Activities*. Both of these statements are prepared using accounting methods similar to those used by private-sector companies, the economic resources measurement focus and the accrual basis of accounting.

The Statement of Net Assets provides information regarding all of the Authority’s assets and liabilities, with the difference between the two reported as net assets. The Statement of Activities presents information showing the Authority’s revenues and expenses for the fiscal year. All revenues and expenses are reported as soon as the underlying event giving rise to them occurs, regardless of the timing of related cash flows.

The basic services of the Authority are considered to be governmental activities. All Authority activities are primarily funded by federal grants or administrative fees from other cities.

**Fund Financial Statements:** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with legal requirements.

All of the Authority's services are reported in a governmental fund (Housing Special Revenue Fund). This fund is reported using modified accrual accounting, which recognizes increases and decreases in financial resources only to the extent that they reflect near-term inflows or outflows of cash. The governmental fund statements provide a detailed view of the Authority's operations.

The Authority's governmental fund equals its governmental activities shown in the Statement of Net Assets and Statement of Activities.

Notes to basic financial statements: The notes provide information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

Supplementary Information: This section of the report contains a budgetary comparison schedule for the Housing Special Revenue Fund. This section is presented to provide supplementary information required by the Government Accounting Standards Board that is useful to users of these financial statements.

## AUTHORITY-WIDE FINANCIAL ANALYSIS

### Analysis of Net Assets

The following table compares the Authority's net assets as of September 30, 2007 to the amounts at September 30, 2006.

#### Statement of Net Assets

	Governmental Activities	
	2007	2006
	<u>                    </u>	<u>                    </u>
Receivables, net of allowance for doubtful accounts	\$ 4,078,814	\$ 1,095,364
Prepaid rents	552,942	686,099
Total assets	<u>4,631,756</u>	<u>1,781,463</u>
Due to City	3,404,305	1,318,687
Other liabilities	440,551	443,046
Total liabilities	<u>3,844,856</u>	<u>1,761,733</u>
Net assets:		
Unrestricted	<u>786,900</u>	<u>19,730</u>
Total net assets	<u>\$ 786,900</u>	<u>\$ 19,730</u>

The Authority's unrestricted net assets were \$786,900 at the close of this fiscal year.

### Analysis of Activities

Governmental Activities:

Revenues: The Authority's governmental activities are financed by intergovernmental revenues, which comprised the largest revenue source for the Authority. Other revenue included administrative fees from other cities. Total revenues for fiscal year ended September 30, 2007 governmental activities were \$12,628,771, an increase of \$5,960 over the prior year. Funding levels from HUD remained constant.

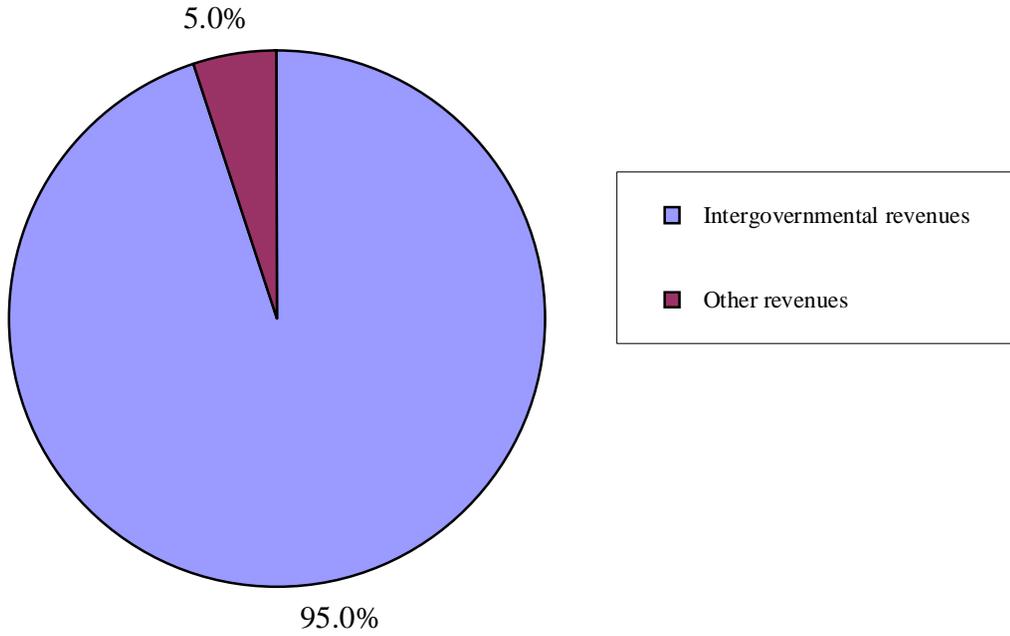
Expenses: Total expenses for fiscal year ended September 30, 2007 governmental activities were \$11,861,601. This amount was spent for housing assistance payments and administration. Expenses decreased by \$1,292,774 from the prior year primarily due to reductions in administrative costs and lower allowance for doubtful accounts charges.

The following table provides summarized information from the Statement of Activities:

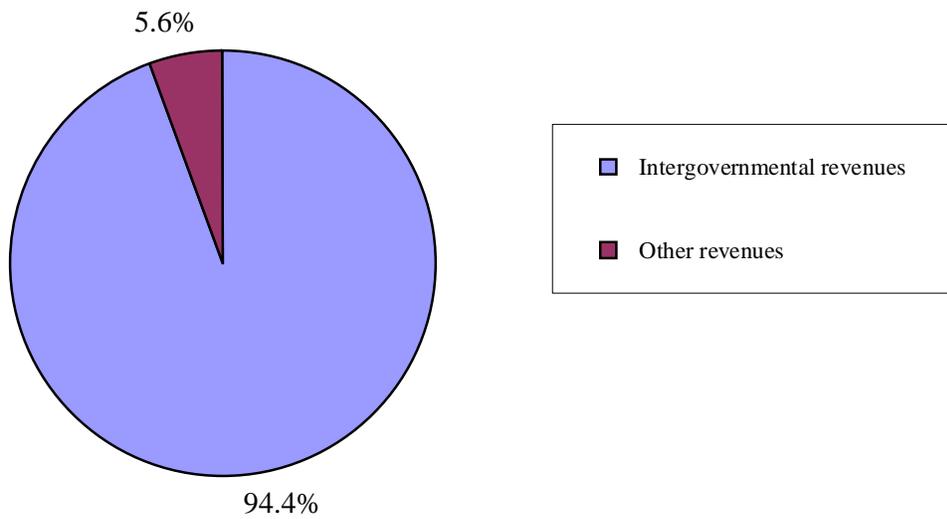
	Governmental Activities	
	2007	2006
<u>Revenues:</u>		
Intergovernmental revenues	\$ 11,993,390	\$ 11,910,197
Other revenues	635,381	712,614
Total revenues	<u>12,628,771</u>	<u>12,622,811</u>
 <u>Expenses:</u>		
Community Development	<u>11,861,601</u>	<u>13,154,375</u>
Total expenses	<u>11,861,601</u>	<u>13,154,375</u>
 Change in net assets	767,170	(531,564)
 Net assets – beginning of the year	<u>19,730</u>	<u>551,294</u>
 Net assets – end of the year	<u>\$ 786,900</u>	<u>\$ 19,730</u>

The following charts present percentage breakdowns of revenues for the fiscal years ended September 30, 2007 and 2006.

### 2007 Revenues by Source - Governmental Activities



### 2006 Revenues by Source - Governmental Activities



## FUND FINANCIAL ANALYSIS

The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental Fund

The governmental fund is accounted for using a current financial resources measurement focus. With this measurement focus, only assets and current liabilities generally are included on the balance sheet. Such information is useful in assessing the Authority's financial requirements. Activities of the Authority are reported in the Housing Special Revenue Fund.

At September 30, 2007, the Authority's governmental fund reported a fund balance of \$786,900, compared to \$19,730 in the prior year. The increase is due to a reduction in expenses, including landlord payments and charges for bad debts. The total fund balance is unreserved and is available for spending at the Authority's discretion.

## CAPITAL ASSET AND DEBT ADMINISTRATION

At September 30, 2007, the Authority had no capital assets or long-term debt.

### Economic Factors and Next Year's Budget and Rates

- California's economy experienced a recession at the end of 2008. The slow economy is expected to continue through 2009.
- California's unemployment rate was 6.1 percent in December 2007. In December 2008, California's unemployment rate was 8.7 percent and 11.6 percent in June 2009. Unemployment is expected to increase due to weakness in the housing and financial services sectors.
- Comparing 2007 with 2006, the assessed values of all taxable property in Inglewood rose 9.9%, while the County of Los Angeles as a whole rose 9.2%. However, the regional housing market is expected to experience declining values through the end of 2009.
- Increasing retirement benefits costs are expected to have an impact on future budgets. It is expected that pension costs and contributions will continue to increase for 2007 and 2008.

All these factors were considered in the preparation of the budget for fiscal year 2008 and future years.

## **Request for Information**

We hope that the preceding information has provided you with a general overview of the Authority's overall financial status. For questions or comments concerning information contained in this report, please contact the City of Inglewood Finance Department, One Manchester Boulevard, P.O. Box 6500, Inglewood, CA 90301.

**INGLEWOOD HOUSING AUTHORITY**

Statement of Net Assets

September 30, 2007

	<u>2007</u>
	<u>Governmental Activities</u>
<b>ASSETS</b>	
Receivables, net of allowance for doubtful accounts	\$ 4,078,814
Prepaid rents	552,942
Total assets	<u>\$ 4,631,756</u>
<b>LIABILITIES</b>	
Accounts/vouchers payable	\$ 314,763
Accrued wages payable	-
Deposits and funds held for others	45,492
Due to HUD	80,296
Due to City	3,404,305
Total liabilities	<u>\$ 3,844,856</u>
<b>NET ASSETS</b>	
Unrestricted	786,900
Total net assets	<u><u>\$ 786,900</u></u>

See accompanying notes to basic financial statements.

**INGLEWOOD HOUSING AUTHORITY**  
Statement of Activities  
For the Fiscal Year Ended September 30, 2007

		Program Revenues	Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets
	Expenses			Governmental Activities
<b>FUNCTION/PROGRAM ACTIVITIES:</b>				
Primary government:				
Community development	\$ 11,861,601	\$ 12,628,771		\$ 767,170
Total governmental activities	<u>\$ 11,861,601</u>	<u>\$ 12,628,771</u>		<u>\$ 767,170</u>
			Change in net assets	\$ 767,170
			NET ASSETS, BEGINNING OF YEAR	<u>19,730</u>
			NET ASSETS, END OF YEAR	<u>\$ 786,900</u>

See accompanying notes to basic financial statements.

**INGLEWOOD HOUSING AUTHORITY**

Balance Sheet  
Governmental Fund  
September 30, 2007

	<u>2007</u>
<b>ASSETS:</b>	
Receivables, net of allowance for doubtful accounts	\$ 4,078,814
Prepaid Rents	552,942
Total assets	<u>\$ 4,631,756</u>
 <b>LIABILITIES AND FUND</b>	
<b>BALANCES:</b>	
Liabilities:	
Accounts payable	\$ 314,763
Accrued wages and benefits	-
Deposits and funds held for others	45,492
Due to HUD	80,296
Due to City	3,404,305
Total liabilities	<u>\$ 3,844,856</u>
 Fund balance:	
Reserved for:	
Encumbrances	\$ 18,023
Prepaid rents	
Unreserved:	
Undesignated	768,877
Total fund balance	<u>\$ 786,900</u>
 Total liabilities and fund balance	 <u>\$ 4,631,756</u>

See accompanying notes to basic financial statements.

**INGLEWOOD HOUSING AUTHORITY**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund  
For the Fiscal Year Ended September 30, 2007

	2007
<b>REVENUES:</b>	
Intergovernmental revenues	\$ 11,993,390
Other revenues	635,381
Total revenues	\$ 12,628,771
<b>EXPENDITURES:</b>	
Personnel services	\$ 1,482,441
Maintenance and operations	10,379,160
Total expenditures	\$ 11,861,601
Excess (deficiency) of revenues over (under) expenditures	\$ 767,170
<b>FUND BALANCES, BEGINNING OF YEAR</b>	19,730
<b>FUND BALANCES, END OF YEAR</b>	\$ 786,900

See accompanying notes to basic financial statements.

**INGLEWOOD HOUSING AUTHORITY**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended September 30, 2007**

**NOTE 1 – NATURE AND OPERATIONS OF THE AUTHORITY**

The Inglewood Housing Authority (Authority) is a separate governmental entity created in 1976 to foster the growth and development of affordable housing for low-income residents of the City of Inglewood (City). The Authority has the responsibility of managing federally subsidized rent programs within the City, including:

- The Housing Choice Voucher Program through which the Authority administers over 1,846 tenant-based vouchers.
- The Section 8 New Construction Program, which provides 500 units of subsidized housing for senior citizens and disabled persons.

The members of the City Council of the City also act as members of the Board of Directors of the Authority. Similarly, the officers of the City serve as officers of the Authority. Facilities, equipment and administrative, financial and legal services are provided to the Authority by the City, for which the City is reimbursed. The primary sources of revenue for the Authority are intergovernmental revenues.

Under Governmental Accounting Standards Board (GASB) Statement No. 14, the Authority is a component unit of the City and its financial activities have been blended with the financial activities of the City for purposes of financial reporting.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

*Government - wide Financial Statements*

The statement of net assets and statement of activities display information about the Authority's activities. These statements include the financial activities of the Authority. These statements present the Authority's *governmental activities*, which normally are supported by intergovernmental revenues.

The statement of activities presents a comparison between program expenses and program revenues for each function of the Authority's governmental activities. Program expenses include such direct expenses that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented instead as general revenues.

When an expense is incurred for a purpose for which both restricted and unrestricted net assets are available, management has discretion as to which resources apply. It is the Authority's policy to use restricted resources before unrestricted resources.

**INGLEWOOD HOUSING AUTHORITY**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended September 30, 2007**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Fund Financial Statements*

The fund financial statements provide information about the Authority's funds. The emphasis of fund financial statements is on the major governmental funds. The financial activities of the Authority are accounted for in a single special revenue fund.

**Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, special assessments, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

Governmental fund type financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues and other governmental fund type financial resources are recognized when they become susceptible to accrual – that is, when they become 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. Property taxes are considered available and are accrued when received within sixty days after fiscal year-end.

Revenue received from expenditure driven (cost-reimbursement) grants, contracts and other nonexchange transactions, as defined by GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, are considered available and accrued if expected to be received within twelve months after fiscal year-end.

**Cash and investments**

The Authority's cash from operations is deposited in the City Treasury. The City pools its funds with other government agencies in the City and invests them as prescribed by the California Government Code. The Authority's deposits in the City pool may be accessed at any time. The Authority is allocated interest income on monies deposited with the City based on its average monthly proportional share of the pooled cash and investments. All pooled investments are carried at fair value.

**INGLEWOOD HOUSING AUTHORITY**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended September 30, 2007**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Assets/Fund Balances**

The government-wide financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

- Invested In Capital Assets, Net of Related Debt - This category groups all capital assets, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Assets – This category represents net assets of the Authority, not restricted for any project or other purpose.

**Reservations/Designations**

In fund financial statements, reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Estimates**

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

**INGLEWOOD HOUSING AUTHORITY**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended September 30, 2007**

**NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

Amounts reported for governmental funds in the balance sheet are the same as those reported for governmental activities in the statement of net assets. The following table compares the governmental fund balance sheet to the statement of net assets:

	Total Governmental Funds	Adjustments Assets	Adjustments Liabilities	Statement of Net Assets Totals
<b>Assets:</b>				
Receivables, net	\$ 4,078,814	\$ -	\$ -	\$ 4,078,814
Prepaid Rents	552,942	-	-	552,942
<b>Total assets</b>	<b>\$ 4,631,756</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,631,756</b>
<b>Liabilities:</b>				
Accounts/vouchers payable	\$ 314,763	\$ -	\$ -	\$ 314,763
Accrued wages payable	-	-	-	-
Deposits and funds held for others	45,492	-	-	45,492
Due to HUD	80,296	-	-	80,296
Due to City	3,404,305	-	-	3,404,305
<b>Total liabilities</b>	<b>\$ 3,844,856</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,844,856</b>
<b>Fund balances / net assets:</b>				
Total fund balances / net assets	\$ 786,900	\$ -	\$ -	\$ 786,900

**NOTE 4 – RECEIVABLES**

As of September 30, 2007, the balance of receivables was as follows:

Due from HUD	\$ 3,468,633
Due from other cities	1,024,795
Accounts receivable - other	223,190
Advances to employees	17,479
	<u>4,734,097</u>
Total Receivables	4,734,097
Less: Allowance for doubtful accounts	<u>(655,283)</u>
	<u>\$ 4,078,814</u>

Receivables, net of allowance for  
doubtful accounts

\$ 4,078,814

**INGLEWOOD HOUSING AUTHORITY**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended September 30, 2007**

**NOTE 5 – SELF-INSURANCE PROGRAM**

In conjunction with the City, the Authority is self-insured for the first \$1,000,000 of general liability claims and for the first \$250,000 of workers' compensation claims. Information pertaining to the amounts accrued for claims payable may be found in the City's Comprehensive Annual Financial Report. The annual premium to the Authority in fiscal year 2007 was approximately \$14,684.

**NOTE 6 – RETIREMENT PLAN**

The Authority, as part of the City, contributes to the California Public Employees Retirement System (PERS). PERS is an agent multiple-employer defined benefit plan that acts as a common investment and administrative agent for municipalities in California. The Authority pays the City's share of pension costs and Employer Paid Member Contribution, which amounted to \$129,119 and \$73,377, respectively, for the fiscal year ended September 30, 2007. Contribution amounts are based upon rates established by PERS for the City's general employees who have performed services for the Authority. No separate pension benefit obligation is calculated for the Authority; and accordingly, no obligation is presented herein. Further information regarding the City's participation in PERS may be found in the City's Comprehensive Annual Financial Report.

**NOTE 7 – RELATIONSHIP WITH THE CITY OF INGLEWOOD**

The Authority does not have any employees and does not own or use facilities separated from the City. Facilities, equipment and administrative, financial and legal services are provided to the Authority by the City, for which the City is reimbursed. During the fiscal year ended September 30, 2007, the City was reimbursed \$1,467,757 for salaries and benefits, \$435,231 for administration and facilities and \$14,684 for worker's compensation insurance. The City paid the remainder of the Authority's expenditures to third parties.

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**INGLEWOOD HOUSING AUTHORITY**  
**Note to Supplementary Information**  
**For the Fiscal Year Ended September 30, 2007**

**BUDGETARY COMPARISON SCHEDULE**

The Authority adopts an annual budget for all fund types as a management control technique to assist in controlling expenditures and enforcing revenue provisions. The adopted budget is consistent with GAAP except as follows:

Basis Difference - Purchases and sales of land held for resale are recorded as expenditures or revenue, respectively, for budgetary purposes while for GAAP purposes, they are recorded as additions or deletions of assets, respectively.

Timing Difference - Encumbrances, which represent commitments to acquire goods and services, are recorded as the equivalent of expenditures for budgetary purposes while they are recorded as reservations of fund balances for GAAP purposes.

Perspective Difference - Due to the Authority's relationship with the City, operating transfers between the Authority and the City are recorded as other financing sources or other financing uses for budgetary purposes while they are recorded as revenues or expenditures for GAAP purposes.

The Authority's Executive Director has the authority to transfer monies between line items and between and within organizational division, section activity, and program budgets, without restriction as to amount. The Authority's Executive Director may transfer monies between personnel service, maintenance and operation, and capital outlay and improvement accounts up to the amount of \$5,000 without approval of the Authority Board, as set forth in the Inglewood Municipal Code Section 2-235. However, the Authority Board has exclusive authority to approve any transfers exceeding \$5,000.

In order to provide a meaningful comparison of actual results with the budget, reconciliation between the budgetary and GAAP bases has been presented in the accompanying Budgetary Comparison Schedule.

**INGLEWOOD HOUSING AUTHORITY**  
 Budgetary Comparison Schedule  
 For the Fiscal Year Ended September 30, 2007

	Budgeted Amounts		2007 Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Revenues from use of monies and properties	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	13,204,416.00	12,199,000	11,993,390	(205,610)
Other revenues	8,742,000.00	8,600,000	635,381	(7,964,619)
Total revenues	\$ 21,946,416.00	20,799,000	12,628,771	(8,170,229)
<b>EXPENDITURES:</b>				
Personnel services	\$ 1,442,640	\$ 1,713,690	\$ 1,482,441	\$ 231,249
Maintenance and operations	19,954,327	19,522,242	10,379,160	9,143,082
Capital outlay	5,000	-	-	-
Total expenditures	\$ 21,401,967	\$ 21,235,932	\$ 11,861,601	\$ 9,374,331
Excess (deficiency) of revenues over (under) expenditures	\$ 544,449	\$ (436,932)	\$ 767,170	\$ 1,204,102
<b>Reconciliation of GAAP basis fund balances</b>				
Expenditures incurred on prior year's encumbrances	-	-	-	-
Current year encumbrances	-	-	-	-
<b>NET CHANGE IN FUND BALANCE</b>	\$ 544,449	\$ (436,932)	\$ 767,170	\$ 1,204,102
<b>FUND BALANCE, BEGINNING OF YEAR</b>	551,294	972,720	19,730	(952,990)
<b>FUND BALANCE, END OF YEAR</b>	\$ 1,095,743	\$ 535,788	\$ 786,900	\$ 251,112

See accompanying notes to basic financial statements.



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**Report on Compliance With Requirements  
Applicable to Each Major Program and on Internal Control Over  
Compliance in Accordance with OMB Circular A-133**

To the Honorable Mayor and  
Members of the Authority Council  
Inglewood Housing Authority, California

Compliance

We have audited the compliance of the **Inglewood Housing Authority** (Authority), a component unit of the City of Inglewood, California (City), with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended September 30, 2007. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended September 30, 2007.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.





A *control deficiency* in the Authority's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Mayor, City Council, the Authority's management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Simpson &amp; Simpson".

Los Angeles, California

June 26, 2009

**INGLEWOOD HOUSING AUTHORITY**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended September 30, 2007**

**US Department of Housing and Urban Development**

*Direct Programs*

Section 8 New Construction Program	14.182	NC-009, NC-0023	\$	3,479,926
Section 8 Voucher Program	14.871	CA082VO		<u>8,513,464</u>
<b>Total Federal Awards</b>			<b>\$</b>	<b><u><u>11,993,390</u></u></b>

**INGLEWOOD HOUSING AUTHORITY**  
Notes to Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended September 30, 2007

**1. General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Inglewood Housing Authority, California. The Authority's reporting entity is defined in Note 1 to the Authority's basic financial statements. All federal financial awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the schedule.

**2. Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the Authority's basic financial statements. Program expenditures are recognized when incurred and are claimed subject to the approved budget limitations by cost category.

**3. Relationship to Federal Financial Reports**

Expenditures of federal awards are included in the Authority's basic financial statements as expenditure of the fund.

**INGLEWOOD HOUSING AUTHORITY**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended September 30, 2007**

**Section I – Summary of Auditor’s Results**

*Financial Statements*

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes

Noncompliance material to financial statements noted? No

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? No

Type of auditor’s report issued on compliance for major programs:

<u>CFDA No.</u>	<u>Program Title</u>	<u>Type of Opinion</u>
14.182	Section 8 New Construction Program	Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? None

Identification of major program:

<u>CFDA No.</u>	<u>Program Title</u>	<u>Federal Award Expenditure</u>
14.182	Section 8 New Construction Program	\$3,216,036

Dollar threshold used to distinguish between type A and type B programs: \$ 351,885

Auditee qualified as low-risk auditee? No

**INGLEWOOD HOUSING AUTHORITY**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended September 30, 2007**

**Section II – Financial Statement Findings**

**FS-07-01 Audit Adjustments – Material Weakness**

**Criteria**

Pursuant to the Statement on Auditing Standards (SAS) 112, one control deficiency that should be regarded as at least a significant deficiency, and a strong indicator of a material weakness in internal control, is identification by the auditor of a material misstatement in the financial statements that was not initially identified by the entity's internal controls even if management subsequently corrects the misstatement.

**Condition**

During the course of the audit, we identified four material audit adjustments to the City's Governmental Fund financial statements and one material adjustment to the Government wide financial statements. The City made the adjustments which resulted from the need to recognize revenues and expenditures for fiscal year 2006-07 in the Fund financial statements, and properly record a GASB 34 adjustment to the Government wide financial statements.

**Recommendation**

We recommend that the City's Finance Director review the internal controls over financial reporting to improve the detection of misstatements in the financial statements. The controls should include a thorough review of the financial statements prior to the statements being audited.

**Views of Responsible Officials and Planned Corrective Action**

The City agrees with the condition and finding of the auditors. The City expects fewer audit adjustments in the future due to the following corrective action:

1. The City is currently recruiting for the positions of Assistant Finance Director and Internal Auditor. These positions have been difficult to fill. As a result, the City's ability to detect misstatements has been diminished. Once filled, these positions would provide the City greater ability to improve financial reporting and detect recording errors on a timely basis.
  
2. While the recruitment process is ongoing, the City has engaged temporary staff to assist the Finance Director in performing a thorough review of financial information, compiling financial reports and ensuring that errors are detected prior to annual audits.

\* \* \* \* \*

**FS-07-02 Computer Operations Policies and Procedures – Material Weakness**

**Criteria**

Documented computer operational procedures aid with ensuring management's criteria for operating information systems is effectively communicated and adhered to in a consistent manner. Also,

**INGLEWOOD HOUSING AUTHORITY**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended September 30, 2007**

documented procedures help ensure information systems are operated in compliance with an organization's policy.

**Condition**

The City does not have documented procedures for computer operations to include the following:

- Data backup and recovery
- Problem management
- System monitoring and error handling
- Network monitoring

**Effect**

The lack of documented procedures may contribute to the malfunctioning of mission critical accounting application systems that adversely impact City operations.

**Recommendation**

We recommend that IT management fully document their procedures for computer operation functions.

**Views of Responsible Officials and Planned Corrective Action**

The City concurs with the findings of the auditors. Technology-centric policies and procedures are essential components to successful operation. With respect to data backup and recovery, the City's Information Technology and Communications (ITC) Department is currently revising its documentation, which should be completed by July 16, 2009. The City's ITC Department will begin documenting its procedures for problem management, system monitoring, error handling and network monitoring as soon as possible.

\* \* \* \* \*

**FS-07-03 Eden Security Administration - Significant Deficiencies**

**Criteria**

Security reports for financial systems should be generated and reviewed by management periodically to ensure access to sensitive accounting transactions and system privileges is appropriate. Such a process is essential to restricting user access on a "need to know" basis and ensuring proper segregation of duties is enforced by the system. Also, the Security Administration function should be separate from the system's user departments to ensure user access approval (as well as transaction processing) and custody of assets (e.g., data) is properly segregated.

**Condition**

During the course of our audit, we noted the following relative to EDEN security administration:

- There is no documented periodic review of EDEN user access to ensure inappropriate system access is identified and removed in a timely manner.

**INGLEWOOD HOUSING AUTHORITY**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended September 30, 2007**

- The Finance Director has systems administration access for the EDEN system. As a result, this person with the ability to administer user security and process accounting transactions.

**Effect**

The lack of user access review/certification and adequate segregation of security administration capabilities could result in unauthorized system access and the processing of accounting transactions.

**Recommendation**

We recommend that the City management generate and periodically (i.e., semi-annually) review user access for Eden system administration and transaction access. We also recommend that the systems administration function be separated from the Financial Director position and organized/placed within the Information Technology department.

**Views of Responsible Officials and Planned Corrective Action**

The City concurs with the findings of the auditors in that reviews of Eden user access should be separated from the Finance Director and performed by authorized network administrators and executive management within our ITC Department. This would provide the necessary checks and balances, as well as a level of security control at the transaction-level. ITC currently has this ability to perform these functions and will work with the City Administration to create a set of policies and procedures for periodically generating and reviewing these reports independent of the Finance Department and Finance Director.

\* \* \* \* \*

**FS-07-04 Information Security Policies and Procedures – Significant Deficiency**

**Criteria**

Documented information security policies and procedures govern the administration of security for an organization's mission critical systems (e.g., accounting systems). Such procedures establish management's standards for user account provisioning, data/transaction user access and information protection requirements.

**Condition**

Although the City is in the process of developing an information security policies and procedures manual, it is not yet completed. Such documentation ensures that appropriate security controls are in place to prevent unauthorized access to sensitive financial data and transactions. The security policy should include procedures for user account setup and termination provisions, password requirements, lockout controls, configuration standards, and user access review.

**Effect**

The lack of documented security administration procedures could result in the granting of inappropriate access to system users and inadvertent or intentional unauthorized changes to financial reporting data.

**INGLEWOOD HOUSING AUTHORITY**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended September 30, 2007**

**Recommendation**

We recommend that information security policies and procedures be documented.

**Views of Responsible Officials and Planned Corrective Action**

The City's ITC Department is in the process of documenting security protocols and procedures as they relate to network access. The City will ensure that its ITC and Finance Departments coordinate and implement a clear and concise set of Eden-related security policies.

\* \* \* \* \*

**FS-07-05 – Password Security - Significant Deficiency**

**Criteria**

Stringent security over password management is vital to ensuring system access is effectively controlled. Password controls include the aging of passwords to force their periodic change and password complexity to prevent the guessing of passwords by a system intruder.

**Condition**

The City does not enforce password complexity for network passwords and passwords are not aged to required periodic forced password changing.

**Effect**

The combination of these conditions creates a risk of a system intruder easily guessing a user's password to gain unauthorized access to sensitive data or system resources.

**Recommendation**

We recommend that the City implement a domain wide strong password policy with the following requirements:

- Password history of 10 passwords
- Maximum password age of 60 days; Minimum password age of 30 days
- Passwords meet the following complexity requirements:
  - Not contain significant portions of the user's account name or full name
  - Be at least six to eight characters in length
  - Contain characters from three of the following four categories:
    - a. English uppercase characters (A through Z)
    - b. English lowercase characters (a through z)
    - c. Base 10 digits (0 through 9)
    - d. Non-alphabetic characters (for example, !, \$, #, %)

**INGLEWOOD HOUSING AUTHORITY**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended September 30, 2007**

**Views of Responsible Officials and Planned Corrective Action**

The City concurs with the findings of the Auditor in this regard and will work to implement this policy at the user level as soon as possible. In addition, the City's ITC Department is looking into purchasing password key toggles for high-security ITC personnel.

\* \* \* \* \*

**FS -07-06 Ineffective Oversight of the City's Financial Reporting by Those Charged with Governance – Significant Deficiency**

**Criteria**

Pursuant to Statement on Auditing Standards (SAS) 112, a control deficiency that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control, is ineffective oversight of the organization's financial reporting and internal control by those charged with governance.

**Condition**

The annual audited financial reports of the City for Fiscal Years ending September 30, 2005, 2006 and 2007 have been issued twelve to nineteen months after year-end. The Single Audit reports required by OMB A-133 for Federal Grants have been issued twelve to thirteen months after the required due date of nine months after year-end. The late submission of the financial statements resulted from lack effective oversight by the City's management.

**Effect**

The delay in providing financial reports in a timely manner has impacted the City in the following ways:

- a) Funding by some federal, state and county grantors has been held up/or suspended due to non compliance with financial reporting;
- b) The City is not in compliance with its bond covenants due to non compliance with their submission of financial reports;
- c) Stale financial reports affect the ability of those responsible for financial oversight to effectively govern.

**Recommendation**

We recommend that those charged with governance implement internal reporting policies and procedures to ensure that accurate and timely financial information and related preparation of financial statements are submitted timely to various stakeholders. Accounting and financial information is the language of business and must be properly assessed and comprehended in order to allow for management to guide and direct an entity into the future.

**Views of Responsible Officials and Planned Corrective Action**

1. Creation of an Audit Committee of the City Council. This committee will be responsible for reviewing the City's Comprehensive Annual Financial Report (CAFR) and results of audits with the City Administrator, Finance Director and Auditors.

**INGLEWOOD HOUSING AUTHORITY**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended September 30, 2007**

2. The City Administration, the Mayor and City Council are actively involved in recruiting for the positions of Assistant City Administrator – Chief Financial Officer, Assistant Finance Director and Internal Auditor. These positions have been difficult to fill. As a result, the City’s ability to prepare financial information on a timely basis has been diminished. Once filled, these positions would provide the City greater ability to improve accuracy and timeliness of financial statements and strengthen internal controls.
3. While the recruitment process is ongoing, the City has engaged temporary staff to assist the Finance Director in improving timeliness of financial reports and ensuring that financial information is accurate.
4. An Administrative Policy will be developed requiring the Finance Department to complete the Annual CAFR in time to meet the requirements of Federal, State and local funding Agencies.
5. An Administrative Policy will be developed to ensure the Finance Department manages the City’s financial system in a manner to ensure accurate and timely submittal of financial statements and reports to the City Council, City Administrator and relevant funding agencies.

\* \* \* \* \*

**Section III – Federal Award Findings and Questioned Costs**

**07.01 – Single Audit Report not submitted timely**

<b>Program Title:</b>	Section 8 New Construction Program
<b>CFDA number:</b>	14.182
<b>Contract Number:</b>	NC-009, NC-0023, NC-007, NC-002
<b>Federal Department/Pass-Through Entities:</b>	U.S. Department of Housing and Urban Development
<b>Compliance Requirement:</b>	Reporting

**Criteria**

OMB Circular A-133 Subpart C-§ \_\_.320 states **Report submission:**

*“(a) General. The audit shall be completed and the data collection form described in paragraph; (b) of this section and reporting package described in paragraph (c) of this section shall be submitted*

**INGLEWOOD HOUSING AUTHORITY**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended September 30, 2007**

*within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit”.*

**Condition**

Due to the delays in the completion of the City’s financial audit for the fiscal year ended September 30, 2007, the Single Audit was also not completed within the reporting deadline as required by the OMB Circular A-133. Therefore, the Single Audit Reporting Package which includes the financial statements and Schedule of Expenditures of Federal Awards, Summary Schedule of Prior Audit Findings; auditor’s reports and corrective action plans were not completed and submitted to the Federal Audit Clearinghouse.

**Questioned Costs**

None

**Cause and Effect**

The City has been experiencing staffing shortages at the highest levels in the Finance Department, including the position of Accounting Manager and Assistant Finance Director. Difficulties in filling these positions have resulted in delays in completing our Single Audits. The City has been in the process of resolving these staffing issues.

**Recommendation**

We recommended that the City complete their annual audits timely and submit their on-line data collection form and Single Audit Report to the Federal Clearinghouse within the earlier of 30 days after receipt of the Single Audit Report or nine months after the end of the its fiscal year end.

**Views of Responsible Officials and Planned Corrective Action**

The City is making the following efforts to ensure timely submissions of the Single Audit:

- Creation of an Audit Committee of the City Council. This committee will be responsible for monitoring the status of audits and reviewing the results with the City Administrator, Finance Director and Auditors.
- Recruitment for the positions of Assistant City Administrator – Chief Financial Officer, Assistant Finance Director and Internal Auditor. These positions have been vacant and difficult to fill. As a result, the City’s ability to submit audits on a timely basis has been diminished. Once filled, these positions would provide the City greater ability to improve timeliness of submission of reports.
- While the recruitment process is ongoing, the City has engaged temporary staff to assist the Finance Director in improving timeliness of Single Audit Reports.

\* \* \* \* \*

**INGLEWOOD HOUSING AUTHORITY**  
**Summary of Prior Audit Findings**  
**For the Fiscal Year Ended September 30, 2007**

**06.04 – Single Audit Report not submitted timely**

**Condition**

Due to the delays in the completion of the City's financial audit for the fiscal year ended September 30, 2006, the Single Audit was also not completed within the reporting deadline as required by the OMB Circular A-133. Therefore, the Single Audit Reporting Package which includes the Financial Statements and Schedule of Expenditures of Federal Awards, Summary Schedule of Prior Audit Findings; auditor's reports and corrective action plans were not completed and submitted to the Federal Audit Clearinghouse.

**Questioned Costs**

None

**Recommendation**

We recommended that the City complete their annual audits timely and submit the data collection form and Single Audit Report to the Federal Clearinghouse within the earlier of 30 days after receipt of the Single Audit Report or nine months after the end of the its fiscal year end.

**Views of Responsible Officials and Planned Corrective Action**

The City has experienced significant staffing shortages at the highest levels in the Finance Department, including the position of Accounting Manager and Assistant Finance Director. Difficulties in filling these positions have resulted in delays in completing our Single Audits. The City has been in the process of resolving these staffing issues. The position of Accounting Manager has been filled. The position of Assistant Finance Director should be filled within a few weeks. We expect that this additional help at the higher levels will allow us to complete our FY 07 by August 15, 2008. We expect that the City will be able to resume submitting audits on a timely basis in the future.

\* \* \* \* \*

**Status**

Not implemented. See current year finding #07.01.