



# HOUSING AUTHORITY of the COUNTY of RIVERSIDE



FINANCIAL STATEMENTS  
Proprietary (Enterprise) Fund Type  
AND  
AUDITORS' REPORT

FOR THE YEAR ENDED JUNE 30, 2014



# HOUSING AUTHORITY OF THE COUNTY OF RIVERSIDE

Proprietary (enterprise) Fund Type  
FINANCIAL STATEMENTS AND AUDITORS' REPORT  
FOR THE YEAR ENDED JUNE 30, 2014

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# Attachment H

Number of units lost to the portfolio

**H1** HASA Units Lost

**H2** CSA Units Lost

ATTACHMENT H1  
Number of HASA Restricted Units Lost from 2/1/2012  
to 6/30/2014

| Project Name    | Address              | City             | Total Units | Restricted Units | Reason  |
|-----------------|----------------------|------------------|-------------|------------------|---|
| FTHB            | 91-226 Vista Court   | Mecca            | 1           | 1                | 20-year affordability satisfied. Covenant released. |
| HIP             | 44-019 Lloyd St      | Hemet            | 1           | 1                | Property foreclosed.                                |
| HRP             | 10840 Deerfield Dr.  | Cherry Valley    | 1           | 1                | Loan paid off on 12/12/2013. Covenant released.     |
| HRP             | 3410 Toulon Ct       | Riverside        | 1           | 1                | Property foreclosed                                 |
| HRP             | 69251 Golden West D  | Desert Hot Sprin | 1           | 1                | Property foreclosed                                 |
| HRP             | 25720 Trumble Rd.    | Romoland         | 1           | 1                | Property foreclosed                                 |
| HRP             | 7675 Lakeside Dr     | Riverside        | 1           | 1                | 10-year affordability satisfied. Covenant released. |
| HRP             | 21709 Darby St       | Wildomar         | 1           | 1                | Loan paid off on 9/12/2012. Covenant released.      |
| HRP             | 3450 Burl Dr.        | Riverside        | 1           | 1                | 10-year affordability satisfied. Covenant released. |
| HRP             | 6966 John Dr         | Riverside        | 1           | 1                | 10-year affordability satisfied. Covenant released. |
| HRP             | 31531 Wakefield Ave. | Homeland         | 1           | 1                | 10-year affordability satisfied. Covenant released. |
| RDA1            | 387 Pacific Ave      | Riverside        | 1           | 1                | Loan paid off on 9/6/2012. Covenant released.       |
| RDA-Las Serenas | 91200 Las Serenas    | Mecca            | 1           | 1                | 20-year affordability satisfied. Covenant released. |
| RHP             | 5860 Emery Street    | Riverside        | 1           | 1                | Loan paid off on 7/2/2013. Covenant released.       |
| RHP             | 15524 Rose Street    | Lake Elsinore    | 1           | 1                | Loan paid off on 7/3/2013. Covenant released.       |
| RHP             | 31243 Gabriel Metsu  | Winchester       | 1           | 1                | Loan paid off on 5/14/2012. Covenant released.      |
| RHP             | 43777 C Street       | Hemet            | 1           | 1                | Loan paid off on 2/3/2014. Covenant released.       |
| RHP             | 25950 Emmanuel Lan   | Hemet            | 1           | 1                | Property foreclosed.                                |
| RHP             | 45640 Denizen Height | Hemet            | 1           | 1                | Property foreclosed.                                |
| RHP             | 31816 Delfina Way    | Winchester       | 1           | 1                | Loan paid off on 2/13/13. Covenant released.        |
| RHP             | 9235 Plume Grass Str | Corona           | 1           | 1                | Loanpaid off on 10/15/2013. Covenant released.      |
|                 |                      | <b>Total</b>     | <b>21</b>   | <b>21</b>        |   |

ATTACHMENT H2  
 Number of CSA Restricted Units Lost from 2/1/2012 to 6/30/2014

| Project Name         | Total Units | Restricted Units | Site Address        | Site City | Reason   |
|----------------------|-------------|------------------|---------------------|-----------|--|
| Homebuyer Assistance | 1           | 1                | 84521 Guitron St    | Coachella | Loan paid off on 10/17/2013. Covenant released.      |
| Homebuyer Assistance | 1           | 1                | 52173 Calle Camacho | Coachella | Loan paid off on 5/15/2013. Covenant released.       |
| Homebuyer Assistance | 1           | 1                | 84591 Guitron St    | Coachella | Loan paid off on 6/16/2013. Covenant to be released. |
| Homebuyer Assistance | 1           | 1                | 50210 Mazatlan Dr   | Coachella | Loan paid off on 6/11/2013. Covenant to be released. |
| Total                | 4           | 4                |                     |           |  |



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**Board of Supervisors**  
**Housing Authority of the County of Riverside**  
Riverside, CA

## **INDEPENDENT AUDITORS' REPORT**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of business-type activities of the Housing Authority of the County of Riverside as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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 from material misstatement.

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Housing Authority of the County of Riverside, as of June 30, 2014, and the respective change in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

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### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-10 be presented to supplement the basic financial statements. Such 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. 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.

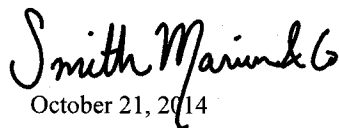
#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Housing Authority of the County of Riverside's financial statements. The combining statement of net position – all programs and combining statement of revenues, expenses and changes in fund net position – all programs are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining statement of net position – all programs and combining statement of revenues, expenses and changes in fund net position – all programs are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statement of net position – all programs and combining statement of revenues, expenses and changes in fund net position – all programs are fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2014, on our consideration of the Housing Authority's internal control over financial reporting and 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* in considering Housing Authority of the County of Riverside's internal control over financial reporting and compliance.

  
October 21, 2014



## **MANAGEMENT'S DISCUSSION & ANALYSIS**

The purpose of this Management's Discussion and Analysis (MD&A) is to provide a narrative overview, financial highlights and analyses of the audited annual financial statements of the Housing Authority of the County of Riverside (the "Housing Authority"). This MD&A section is required by the provisions of the Governmental Accounting Standards Board (GASB) Statement 34, and is presented in conjunction with the accompanying Basic Financial Statements.

The financial statements are reported based on a twelve-month fiscal year, which starts on July 1 of one calendar year and ends on June 30 of the next calendar year; the fiscal year is named by the calendar year in which the fiscal year ends. Therefore, the basic annual financial statements presented in this report are for Fiscal Year 2014, which started July 1, 2013 and ended June 30, 2014.

### **THE PURPOSE OF THE HOUSING AUTHORITY**

The Housing Authority of the County of Riverside (Housing Authority) was established in 1942 under the U.S. Housing Act of 1937 and the State of California Housing Authority Law of 1938. The Housing Authority is a government agency which is chartered by the State of California to administer the development, rehabilitation or financing of affordable housing programs. The area of jurisdiction of the Housing Authority is the entire County of Riverside. Permanent operational offices are maintained in the cities of Riverside and Indio to facilitate the provision of services.

The primary mission of the Housing Authority is to assist low and moderate income families, including elderly and disabled persons, by operating programs which provide them decent, safe and sanitary housing at affordable costs.

### **FINANCIAL HIGHLIGHTS**

The Housing Authority ended the fiscal year of operations with assets of \$178 million; deferred outflow of resources of \$.3 million; liabilities of \$11 million; deferred inflow of resources of \$.7 million; and net position of \$166.6 million, which consisted of \$7.2 million invested in land, buildings and equipment; \$23 million in restricted assets; and \$136.4 million in unrestricted assets.

The ending net position of \$166.6 million represents a decrease in assets of \$3 million from the prior fiscal year, which resulted from operating revenues of \$84.4 million, operating expenses of \$97 million, gain from non-operating revenues of \$8.9 million, and capital contribution of \$.7 million.

On February 1, 2012 all California Redevelopment Agencies were dissolved. Consequently, the Board of Commissioners adopted a resolution authorizing the Housing Authority to accept any and all assets, liabilities, duties, loans, leases, and obligations associated with the housing activities of the former Redevelopment Agency for the County of Riverside. Therefore, in Fiscal Year 2014, the Housing Authority's financial statements reflected the fund assets for the Low and Moderate Income Housing Asset Funds and Housing Bond Proceeds that will continue to be expended for wind-down activities and the development of housing projects on 57 parcels of land, that have a total value of \$34.4 million. Other transferred assets included long-term loans receivables worth \$72 million and other annual revenues. In Fiscal Year 2014, the Housing Authority acquired the housing assets of the former Redevelopment Agency of the City of Coachella. Thus, the financial statements for this period includes long-term loans receivable of \$2.6 million and 4 parcels of land valued at \$4.4 million.

These financial highlights are detailed further in the **Presentation of Condensed Financial Information With Analysis of Overall Financial Position**, as shown on page 5.

## OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The Housing Authority is a special purpose government agency and is a blended component unit of the County of Riverside. The Housing Authority conducts its financial operations in a business-type approach and is defined as a governmental enterprise fund by GASB. Therefore, the Housing Authority is required to present its financial statements in the format of enterprise fund financial statements.

As a blended component unit of a larger governmental body, the Housing Authority provides its financial statements to the County of Riverside, which includes the Housing Authority's financial information in the County's Comprehensive Annual Financial Report (CAFR). Accordingly, the Housing Authority does not issue its own financial statements in the format of government wide statements.

As the major funding source for housing authorities, the U.S. Department of Housing and Urban Development (HUD) established financial reporting requirements and guidelines for presenting the annual basic financial statements. HUD's preference is for housing authorities to report all of their activities in single column format and, if necessary, present combining financial statements to reflect the activity of individual funds. The Housing Authority implemented this approach in Fiscal Year 1999 when it converted its accounting system to Generally Accepted Accounting Principles (GAAP) and continues with the same financial statement presentations in the current fiscal year. Therefore, the Housing Authority's basic financial statements show one enterprise fund, while the combining financial statements are included as supplementary financial information.

For internal tracking and control, the Housing Authority maintains separate funds in its general ledger for all of its multiple enterprise funds, but has combined all of these various funds into three major funds for financial reporting purposes. These three major funds are identified as Authority Funds, HUD Public Housing Funds, and HUD Section 8 Funds. While detailed fund information is not presented in the annual basic financial statements, separate accounts are maintained for each fund and sub-fund to control and manage money for particular purposes and to ensure that the Housing Authority is properly using specific appropriations and grants.

The *enterprise fund financial statements* consist of three documents:

- 1) Statement of Net Position
- 2) Statement of Revenues, Expenses and Changes in Fund Net Position
- 3) Statement of Cash Flows

The *Statement of Net Position* presents information on all of the Housing Authority's assets, deferred inflows of resources, liabilities, and deferred outflows of resources with the difference being reported as net position. The Statement of Net Position replaces the Statement of Net Assets.

The *Statement of Revenues, Expenses and Changes in Fund Net Position* presents information showing how the Housing Authority's net position changed during the fiscal year. All changes in net position are reported in the proprietary (enterprise) fund financial statements based on full accrual of revenues and expenses, regardless of the timing of cash flows. As a result, the accrual of revenues and expenses as reported in this statement would affect cash flow in future fiscal periods. Revenues, whether received or not, are properly recorded in the fiscal period in which they are earned; expenses, whether paid out or not, are properly recorded in the fiscal period in which the related debt obligation is incurred.

The *Statement of Cash Flows* presents information on cash flows from operating activities, capital and related financing activities, and investing activities. The accrual of revenues and expenses from prior fiscal years would affect the cash flow in the current fiscal period.

The proprietary (enterprise) fund financial statements are on pages 11-13 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided by this agency in the proprietary (enterprise) fund financial statements. The notes to the financial statements are on pages 14-32 of this report.

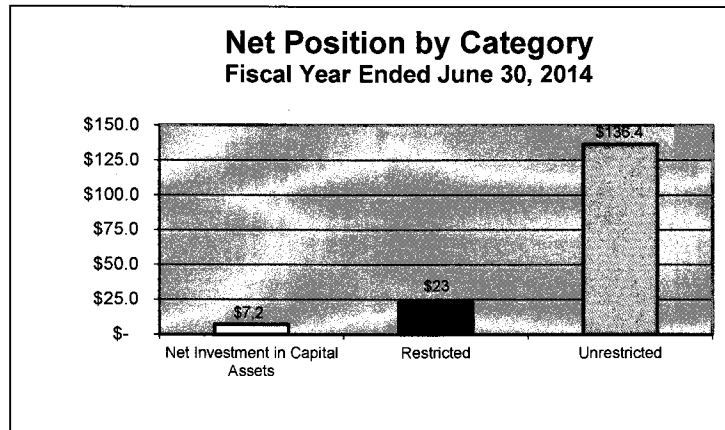
## PRESENTATION OF CONDENSED FINANCIAL INFORMATION WITH ANALYSIS OF OVERALL FINANCIAL POSITION

### Statement of Net Position

Financial statements, presented as follows, are shown in a condensed format to compare amounts from the current fiscal year (2014) to amounts from the prior fiscal year (2013). These condensed financial statements are accompanied by charts to illustrate selected aspects of financial information, along with brief narrative analyses.

#### Housing Authority of the County of Riverside Statement of Net Position (in thousands)

|   | 2014              | 2013              |
|---|-------------------|-------------------|
| <b>ASSETS</b>                               |                   |                   |
| <b>Current Assets:</b>                      |                   |                   |
| Cash  | \$ 48,651         | \$ 54,151         |
| Accounts Receivable                         | 154               | 180               |
| Due From Other Governments                  | 2,352             | 2,165             |
| Land Held For Sale                          | 34,380            | 34,368            |
| Prepaid Expenses                            | -                 | 4                 |
| <b>Total Current Assets</b>                 | <b>85,537</b>     | <b>90,868</b>     |
| <b>Noncurrent Assets:</b>                   |                   |                   |
| Restricted Investments                      | 202               | 3,334             |
| <b>Long-Term Receivables:</b>               | <b>73,981</b>     | <b>72,037</b>     |
| <b>Capital Assets:</b>                      |                   |                   |
| Land, Structures, and Equipment             | 51,911            | 46,842            |
| Less Accumulated Depreciation               | (33,536)          | (32,110)          |
| <b>Capital Assets, net</b>                  | <b>18,375</b>     | <b>14,732</b>     |
| <b>Total Assets</b>                         | <b>178,095</b>    | <b>180,971</b>    |
| <b>Total Deferred Outflows of Resources</b> | <b>278</b>        | <b>347</b>        |
| <b>LIABILITIES</b>                          |                   |                   |
| <b>Current Liabilities:</b>                 |                   |                   |
| Accounts Payable                            | 9                 | 135               |
| Other Liabilities                           | 1,616             | 847               |
| Accrued Interest Payable                    | 5                 | -                 |
| Tenants Security Deposits                   | 205               | 187               |
| Bonds Payable - Current Portion             | 155               | 145               |
| <b>Total Current Liabilities</b>            | <b>1,990</b>      | <b>1,314</b>      |
| <b>Noncurrent Liabilities:</b>              |                   |                   |
| Other Liabilities                           | 1,496             | 1,931             |
| Notes Payable                               | 6,795             | 6,795             |
| Bonds Payable                               | 730               | 885               |
| <b>Total Noncurrent Liabilities</b>         | <b>9,021</b>      | <b>9,611</b>      |
| <b>Total Liabilities</b>                    | <b>11,011</b>     | <b>10,925</b>     |
| <b>Total Deferred Inflows of Resources</b>  | <b>722</b>        | <b>722</b>        |
| <b>NET POSITION</b>                         |                   |                   |
| Net Investment In Capital Assets            | 7,173             | 7,936             |
| Restricted                                  | 23,068            | 30,463            |
| Unrestricted                                | 136,399           | 131,272           |
| <b>Total Net Position</b>                   | <b>\$ 166,640</b> | <b>\$ 169,671</b> |



(in thousands)

As previously illustrated by the Statement of Net Position, the Housing Authority ended the fiscal year of operations with assets of \$178 million; deferred outflow of resources of \$.3 million; liabilities of \$11 million; and deferred inflow of resources of \$.7 million resulting in a net position of \$166.6 million. This net position consisted of the \$7.2 million (4%) net investment in capital assets such as land, buildings and equipment, net of related debt; \$23 million (14%) in restricted assets; and \$136.4 million (82%) in unrestricted assets.

The ending net position of \$166.6 million represents a decrease in net position of \$3 million from the prior fiscal year's ending net position of \$169.6 million.

Total net investment in capital assets (\$7.2 million) is reported as net of related debt as per GASB requirements, but the capital assets themselves are not the source to pay for any related debt liabilities; instead, the resources to repay such debt come from operating revenues.

The restricted net position (\$23 million) is reported separately to show legal constraints from debt covenants and program restrictions that limit the Housing Authority's ability to use this for day-to-day operations.

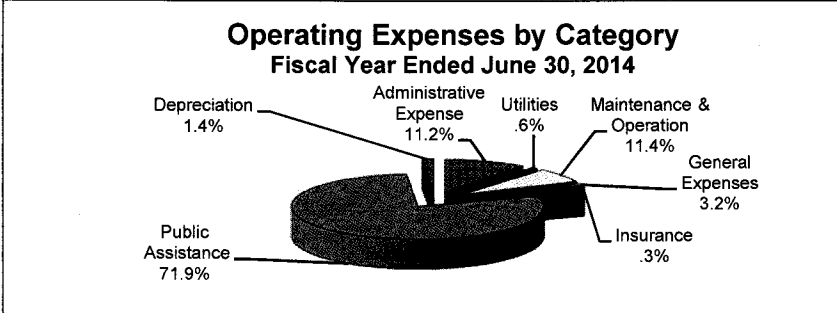
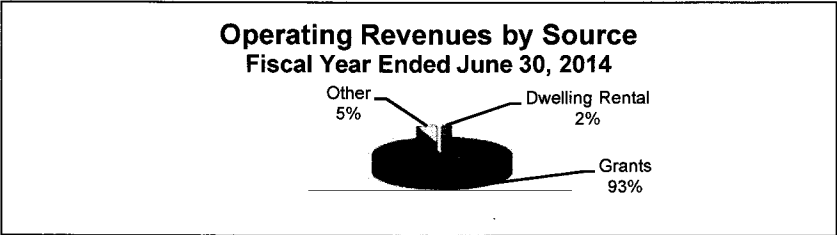
The unrestricted net position (\$136.4 million) while designated as not having legal or program restrictions include \$34.4 million in land assets that would either be sold or developed to meet the Housing Authority's mission to increase affordable housing projects within Riverside County and \$74 million of Notes Receivables that are deferred for as long as 20-50 years or converted into grants pending completion of project developments. Therefore, \$28 million (20%) of unrestricted net position is available as working capital for working capital in day-to-day operations.

*Statement of Revenues, Expenses and Changes in Fund Net Position*

Financial statements, presented as follows, are shown in a condensed format to compare amounts from the current fiscal year (2014) to amounts from the prior fiscal year (2013). These condensed financial statements are accompanied by charts to illustrate selected aspects of financial information, along with brief narrative analyses.

**Housing Authority of the County of Riverside**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
(in thousands)

| <b>Operating Revenues:</b>                   | <b>2014</b>       | <b>2013</b>       |
|--|-------------------|-------------------|
| Dwelling Rental                              | \$ 1,704          | \$ 1,669          |
| Grants                                       | 78,810            | 82,389            |
| Other  | 4,101             | 5,957             |
| <b>Total Operating Revenues</b>              | <b>84,615</b>     | <b>90,015</b>     |
| <br>   |                   |                   |
| <b>Operating Expenses:</b>                   |                   |                   |
| Administrative Expense                       | 10,852            | 9,701             |
| Utilities                                    | 565               | 612               |
| Maintenance & Operation                      | 11,054            | 6,679             |
| General Expenses                             | 1,402             | 827               |
| Insurance                                    | 244               | 366               |
| Public Assistance                            | 69,706            | 71,614            |
| Depreciation                                 | 1,425             | 1,306             |
| <b>Total Operating Expenses</b>              | <b>95,248</b>     | <b>91,105</b>     |
| <br>   |                   |                   |
| <b>Operating Income (Loss)</b>               | <b>(10,633)</b>   | <b>(1,090)</b>    |
| <br>   |                   |                   |
| <b>Nonoperating Revenues (Expenses)</b>      |                   |                   |
| Investment Income                            | 562               | (87)              |
| Interest On Notes And Bonds                  | (134)             | (368)             |
| Extraordinary Item, Net Gain                 | 6,700             | 154,589           |
| <b>Total Nonoperating Revenue (Expenses)</b> | <b>7,128</b>      | <b>154,134</b>    |
| <br>   |                   |                   |
| <b>Capital Contribution</b>                  | <b>475</b>        | <b>638</b>        |
| <b>Change In Net Position</b>                | <b>(3,030)</b>    | <b>153,682</b>    |
| <b>Net Position-Beginning</b>                | <b>169,671</b>    | <b>15,989</b>     |
| <b>Adjustment To Net Position</b>            |                   |                   |
| <b>Restated Net Position - Beginning</b>     | <b>169,671</b>    | <b>15,989</b>     |
| <b>Net Position - Ending</b>                 | <b>\$ 166,640</b> | <b>\$ 169,671</b> |



As shown by the Statement of Revenues, Expenses and Changes in Fund Net Position, the Housing Authority's net position decreased by \$3 million from the prior fiscal year, which is attributed to the following:

- Reduction in Grants Revenue due to HUD's Budget cut on the Section 8 Administrative Revenue. HUD's Calendar Year 2014 Administration Fee Proration started with a 75% allocation and increased to 79% towards the latter part of the Fiscal Year 2014.
- Reduction in Grants because there were no additional funds allocated by HUD for the Capital Fund Program.
- Increase in Administrative Expenses due to additional staff hired to fulfill the required lease-ups for the Section 8 Program; and more staff allocations to support the wind down activities of the Housing Successor Agency.
- Increase in Maintenance and Operation expenses, which are primarily related to the work completed for the projects identified in the Recognized Obligation Schedule of the Housing Successor Agency.

### ANALYSIS OF SIGNIFICANT BUDGET VARIANCES

The Housing Authority's fiscal department works closely with the other departments to monitor the annual operating budget throughout the fiscal year in order to avoid over expenditure of available funds. Monthly and quarterly financial documents are prepared to assist in this process.

#### *Comparison of Original Budget and Final Budget*

Overall, the original operating budget of \$99 million remained the same from the Original Budget to the Final Budget, as illustrated below.

| <b>Housing Authority of the County of Riverside</b> |               |                 |              |  |
|---|---------------|-----------------|--------------|--|
| <b>Budget Comparison</b>                            |               |                 |              |  |
| <b>For the Year Ended June 30, 2014</b>             |               |                 |              |  |
| <b>(in thousands)</b>                               |               |                 |              |  |
|   | Final Budget  | Original Budget | % change     |  |
| <b>Operating Revenues:</b>                          |               |                 |              |  |
| Dwelling Rental                                     | \$ 1,740      | \$ 1,740        | 0.00%        |  |
| Grants  | 81,573        | 81,573          | 0.00%        |  |
| Other   | 16,149        | 16,149          | 0.00%        |  |
| <b>Total Operating Revenues</b>                     | <b>99,462</b> | <b>99,462</b>   | <b>0.00%</b> |  |
| <b>Operating Expenses:</b>                          |               |                 |              |  |
| Administrative Expense                              | 12,779        | 12,779          | 0.00%        |  |
| Utilities   | 639           | 639             | 0.00%        |  |
| Maintenance & Operation                             | 2,045         | 2,045           | 0.00%        |  |
| General Expenses                                    | 1,094         | 1,094           | 0.00%        |  |
| Public Assistance                                   | 82,937        | 82,937          | 0.00%        |  |
| Asset Purchase                                      | -             | -               | 0.00%        |  |
| Depreciation  | -             | -               | 0.00%        |  |
| <b>Total Operating Expenses</b>                     | <b>99,494</b> | <b>99,494</b>   | <b>0.00%</b> |  |
| <b>Operating Income (Loss)</b>                      | <b>(32)</b>   | <b>(32)</b>     | <b>0.00%</b> |  |
| <b>Nonoperating Revenues (Expenses)</b>             |               |                 |              |  |
| Investment Income                                   | -             | -               | 0.00%        |  |
| Interest On Notes And Bonds                         | 32            | 32              | 0.00%        |  |
| <b>Total Nonoperating Revenue (Expenses)</b>        | <b>32</b>     | <b>32</b>       | <b>0.00%</b> |  |
| <b>Change in Net Position</b>                       | <b>\$ -</b>   | <b>\$ -</b>     |              |  |

*Comparison of Actual Operating Results and Final Budget*

Overall, the actual operating expenses of \$97 million (including depreciation of \$1.4 million not required to be budgeted) were lower than the final budgeted expenses of \$99 million by about 2.1%.

**Housing Authority of the County of Riverside  
Actuals vs. Budget  
For the Year Ended June 30, 2014  
(in thousands)**

|   | Actuals    | Final Budget |
|---|------------|--------------|
| <b>Operating Revenues:</b>              |            |              |
| Dwelling Rental                         | \$ 1,704   | \$ 1,740     |
| Grants                                  | 78,604     | 81,573       |
| Other                                   | 4,101      | 16,149       |
| Total Operating Revenues                | 84,409     | 99,462       |
| <b>Operating Expenses:</b>              |            |              |
| Administrative Expense                  | 10,852     | 12,779       |
| Utilities                               | 565        | 639          |
| Maintenance & Operation                 | 11,054     | 2,045        |
| General Expenses                        | 3,147      | 722          |
| Insurance                               | 244        | 372          |
| Public Assistance                       | 69,706     | 82,937       |
| Depreciation                            | 1,425      | -            |
| Total Operating Expenses                | 96,993     | 99,494       |
| <b>Operating Income (Loss)</b>          | (12,584)   | (32)         |
| <b>Nonoperating Revenues (Expenses)</b> |            |              |
| Investment Income                       | 562        | -            |
| Interest On Notes And Bonds             | (134)      | 32           |
| Gain (Loss) On Sale Of Property         | 8,445      | -            |
| Total Nonoperating Revenue (Expenses)   | 8,873      | 32           |
| <b>Capital Contribution</b>             | 681        | -            |
| <b>Change In Net Position</b>           | \$ (3,030) | \$ -         |

The significant differences between the actual operating results and final budgeted amounts are explained as follows:

- The decrease in Grant funding was due to reduction of Federal funding for the Section 8 and Public Housing Programs. After sequestration, HUD has not been able to bring the budget for public assistance and administrative fees back to the maximum requirement to run the programs efficiently.
- The decrease in Administrative Expense was a result of HUD's direction in the elimination of reporting the management fees as part of the consolidated expenses, which were included in the Final Budget.
- The increase in Maintenance & Operation expenses occurred as planned development projects progressed throughout the year for the Housing Successor Agency.
- The decrease in Public Assistance occurred as lease-ups were placed on hold at the beginning of the year due to the reduction of federal funding.
- The expense for Depreciation was included in the Actuals, but excluded from the Final Budget.
- The increase in Investment Income was a result of additional interest booked from the cash and bond proceeds transferred to the Housing Authority as Successor Agency.
- Extraordinary Gain materialized from the additional land assets and loans receivables transferred from the former Redevelopment Agency for the City of Coachella.

- The Capital Contribution category includes revenues received for the Capital Fund Program, which were budgeted under Other Revenue but are shown in a separate line in the Financial Statements.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

Overall, at June 30, 2014, the Housing Authority's investment in capital assets, consisting of land, buildings, furniture, and equipment is reported at its net value of \$18.4 million, which is the acquisition cost of \$51.9 million less accumulated depreciation of \$33.5 million. This year, changes in capital assets were due to the improvements to Public Housing sites through the Capital Fund program; and the purchase of a mobile home to support the Riverside Community Housing Corporation's (RCHC) mission to increase affordable housing projects in Riverside County.

### **Capital Fund Program**

HUD's Capital Fund program provides an annual formula grant to the Housing Authority for major repairs and modernization of HUD affordable housing in the cities of Banning, Beaumont, Desert Hot Springs, Indio, Lake Elsinore, Mecca, Moreno Valley, Perris, Riverside, San Jacinto and Thermal. More detailed information pertaining to capital assets is presented in the notes to the financial statements (Pages 19-20, Note 4).

### **Long-Term Debt**

At the end of the current fiscal year, the Housing Authority had long-term bonds outstanding with a book value of \$885 thousand. Principal and interest payments continue to reduce the total debt outstanding. More detailed information pertaining to long-term debt is presented in the notes to the financial statements (Page 21, Notes 6 & 8).

## **CURRENTLY KNOWN FACTS: ECONOMIC FACTORS**

About 80% of the Housing Authority's funding is derived from the U.S. Department of Housing and Urban Development. This federal allocation includes funding for over 9,000 families in the Section 8 Program and 469 families in the Public Housing Program. The existing strain on the operating funding stream for public assistance and administrative fees has posed challenges to meet 100% lease up and occupancy levels. The shortfall in funding for the Capital Fund Program that enables preventive maintenance and modernization of public housing units constrains the Housing Authority's ability to make needed repairs and maintain affordable housing stock in a state of good repair. However, in spite of the lack of federal funding, the Section 8 program received additional funds for veteran's housing.

Regarding the progress on the Housing Successor Agency activities, most projects identified in the Recognized Obligation Payment Schedule approved by the State of California Department of Finance have been completed.

By Board of Commissioner's approval and direction, the Housing Authority is underway with the transfer of assets of the former Redevelopment Agency of the City of Coachella, with 4 parcels of land to either develop or sell, and about \$2.6 million in long-term notes receivables to manage.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Housing Authority of the County of Riverside's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Fiscal Manager at the Housing Authority of the County of Riverside, 5555 Arlington Avenue, Riverside, CA 92504.



# HOUSING AUTHORITY OF THE COUNTY OF RIVERSIDE

Proprietary (Enterprise) Fund Type

STATEMENT OF NET POSITION

JUNE 30, 2014

*(dollars are in thousands)*

## ASSETS

### Current Assets

|                             |    |               |
|-----------------------------|----|---------------|
| Cash                        | \$ | 24,869        |
| Cash (restricted)           |    | 23,782        |
| <b>Subtotal Cash</b>        |    | <u>48,651</u> |
| Accounts receivable (net)   |    | 154           |
| Due from other governments  |    | 2,352         |
| Land held for sale          |    | 34,380        |
| <b>Total Current Assets</b> |    | <u>85,537</u> |

|                        |  |               |
|------------------------|--|---------------|
| Restricted investments |  | 202           |
| Long term receivables  |  | 73,981        |
| Capital assets (net)   |  | <u>18,375</u> |

**TOTAL ASSETS** 178,095

**TOTAL DEFERRED OUTFLOWS OF RESOURCES** 278

## LIABILITIES

### Current Liabilities

|                                  |  |              |
|----------------------------------|--|--------------|
| Accounts payable                 |  | 9            |
| Other liabilities                |  | 1,616        |
| Tenants security deposits        |  | 205          |
| Accrued interest payable         |  | 5            |
| Bonds payable-current portion    |  | 155          |
| <b>Total Current Liabilities</b> |  | <u>1,990</u> |

### Noncurrent Liabilities

|                                     |  |              |
|-------------------------------------|--|--------------|
| Other liabilities                   |  | 1,496        |
| Bonds payable                       |  | 730          |
| Notes payable                       |  | 6,795        |
| <b>Total Noncurrent Liabilities</b> |  | <u>9,021</u> |

**TOTAL LIABILITIES** 11,011

**TOTAL DEFERRED INFLOWS OF RESOURCES** 722

## NET POSITION

|                                  |  |         |
|----------------------------------|--|---------|
| Net investment in capital assets |  | 7,173   |
| Restricted                       |  | 23,068  |
| Unrestricted                     |  | 136,399 |

**TOTAL NET POSITION** \$ 166,640

# HOUSING AUTHORITY OF THE COUNTY OF RIVERSIDE

Proprietary (Enterprise) Fund Type

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2014

*(dollars are in thousands)*

## REVENUES

### Operating Revenues

|                                 |    |               |
|---------------------------------|----|---------------|
| Dwelling rental (net)           | \$ | 1,704         |
| Grants                          |    | 78,810        |
| Other revenue                   |    | 4,101         |
| <b>Total Operating Revenues</b> |    | <b>84,615</b> |

## EXPENSES

### Operating Expenses

|                                 |  |                 |
|---------------------------------|--|-----------------|
| Administrative expense          |  | 10,852          |
| Utilities                       |  | 565             |
| Maintenance & operation         |  | 11,054          |
| General expenses                |  | 1,402           |
| Insurance expenses              |  | 244             |
| Housing assistance payments     |  | 69,706          |
| Depreciation                    |  | 1,425           |
| <b>Total Operating Expenses</b> |  | <b>95,248</b>   |
| <b>Operating Income (Loss)</b>  |  | <b>(10,633)</b> |

### Nonoperating Revenues (Expenses)

|   |  |              |
|---|--|--------------|
| Investment income                             |  | 562          |
| Interest expense on notes and bonds           |  | (134)        |
| Extraordinary items, net gain                 |  | 6,700        |
| <b>Total Nonoperating Revenues (Expenses)</b> |  | <b>7,128</b> |

### Capital Contribution

|  |  |     |
|--|--|-----|
|  |  | 475 |
|--|--|-----|

**Change in net position** (3,030)

Net Position - beginning 169,671

**Net Position - ending** \$ 166,640

# HOUSING AUTHORITY OF THE COUNTY OF RIVERSIDE

Proprietary (Enterprise) Fund Type  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2014

(dollars are in thousands)

## CASH FLOWS FROM OPERATING ACTIVITIES

|   |    |                |
|---|----|----------------|
| Receipts from customers and users                       | \$ | 5,813          |
| Receipts from grants                                    |    | 78,623         |
| Payments to suppliers                                   |    | (15,011)       |
| Payments to employees for services                      |    | (9,498)        |
| Payments for housing assistance                         |    | (69,706)       |
| <b>Net Cash Provided (Used) By Operating Activities</b> |    | <b>(9,779)</b> |

## CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

|   |  |              |
|---|--|--------------|
| Purchase of capital assets (net of soft costs)          |  | (649)        |
| Proceeds from capital contribution grant                |  | 475          |
| Principal paid on debt                                  |  | (145)        |
| Interest paid on debt                                   |  | (134)        |
| <b>Net Cash Provided (Used) By Financing Activities</b> |  | <b>(453)</b> |

## CASH FLOWS FROM INVESTING ACTIVITIES

|   |  |              |
|---|--|--------------|
| Proceeds from sale of restricted investments            |  | 3,132        |
| Proceeds from collections of notes receivable           |  | 1,039        |
| Investment income                                       |  | 561          |
| <b>Net Cash Provided (Used) By Investing Activities</b> |  | <b>4,732</b> |

**Net Increase (Decrease) In Cash** (5,500)

**CASH AND CASH EQUIVALENTS - Beginning of Year** 54,151

**CASH AND CASH EQUIVALENTS - Ending of Year** \$ 48,651

## Reconciliation of Operating Income (Loss) to Net Cash Provided

### (Used) by Operating Activities

|  |           |                |
|--|-----------|----------------|
| <b>Operating Income (Loss)</b>   | \$        | (10,633)       |
| Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities: |           |                |
| Depreciation   |           | 1,425          |
| Changes in assets, liabilities, and deferred inflows of resources:                                   |           |                |
| (Increase) decrease accounts receivable  |           | 26             |
| (Increase) decrease due from other governments   |           | (187)          |
| (Increase) decrease prepaid expenses   |           | 4              |
| (Increase) decrease deferred outflows of resources   |           | 69             |
| Increase (decrease) accounts payable   |           | (126)          |
| Increase (decrease) other liabilities  |           | (339)          |
| Other  |           | (18)           |
| <b>Total Adjustments</b>   |           | <b>854</b>     |
| <b>Net cash used by operating activities</b>   | <b>\$</b> | <b>(9,779)</b> |

## Noncash Activities

|   |           |              |
|---|-----------|--------------|
| Long term notes receivable as sucessory agency    | \$        | 4,014        |
| Land and assets held for sale as sucessory agency |           | 4,431        |
| <b>Total noncash activities</b>                   | <b>\$</b> | <b>8,445</b> |

See notes to financial statements

**HOUSING AUTHORITY OF THE COUNTY OF RIVERSIDE**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Reporting Entity**

The Housing Authority of the County of Riverside (Authority), a component unit of the County of Riverside, operates as a public authority whose primary goal is to provide decent, safe and sanitary housing in a suitable living environment for families that cannot afford private housing that comply with housing quality standards.

The Authority as a reporting entity operates the following programs:

*Public Housing Authority (PHA) Owned Housing Program* - Annual Contribution Contract SF-68 (469 Units)

*Section 8 Housing Assistance Payment Program* – Annual Contribution Contract SF-528 (9,021 units)

*Authority Programs* – Various housing developments with the assistance of bond and grant funding (94 units)

**(b) Basis of Accounting**

The books of accounts are maintained on the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized in the period incurred.

**(c) Proprietary Fund Type**

Proprietary funds use the economic resources measurement focus. The accounting objectives are determination of net income, financial position, and cash flows. All assets, deferred inflows and outflows of resources, and liabilities associated with a proprietary fund's activities are included on its statement of net position.

In addition, the accounting records of the Authority are organized on the basis of funds. Each of the Authority's programs is accounted for in a separate fund.

The basic accounting and reporting entity is a "fund." A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts, including resources, related liabilities, obligations, reserves and equities segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

**(d) Revenues**

Operating revenues are recognized in the accounting period in which they are earned and become measurable. Intergovernmental grant revenue received for capital acquisitions or construction is reported as operating revenues. Revenues are also derived from dwelling rental income and operating subsidies from HUD.

**(e) Expenses**

Expenses are recognized in the accounting period in which the related liability is incurred.

**(f) Insurance Coverage**

For apartment managers and temporary employees, the Authority is insured for workers' compensation claims by California Housing Workers' Compensation Authority. Under this program, the pool provides coverage for all claims in accordance with worker's compensation state laws. For permanent Authority employees who are County employees, the County of Riverside self-insures for workers' compensation.

**(g) Cash and Investments**

Investments are reported in the accompanying statement of net assets at fair value, except for certain 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 rate.

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

The Authority pools cash and investments of all funds, except for assets held by fiscal agents. Investment income earned by the pooled investments is allocated to certain funds based on those funds' average investment balance.

**(h) Capital Assets**

Land, structures, equipment, development projects, and modernization costs are stated at cost. Depreciation is recorded using the straight-line method over the estimated useful life of the asset. Capital assets that cost \$5 or more are capitalized.

| <u>Asset Class</u> | <u>Estimated Lives</u> |
|--------------------|------------------------|
| Buildings          | 20-25                  |
| Equipment          | 5-15                   |

**(i) Employee Leave Benefits**

Permanent Authority employees earn from 10 to 20 vacation days a year, depending upon their length of employment, and 13 sick days a year. Employees can carry forward up to the equivalent number of vacation days earned in the immediately preceding thirty-six month period and an unlimited number of unused sick leave days.

Upon termination or retirement, permanent employees are entitled to receive compensation at their current base salary for all unused vacation leave. If an employee retires, the employee is entitled to a portion of accumulated sick leave hours. In no event, however, shall the total payment exceed a sum equal to 960 hours. It is the policy of the Authority to reflect the employee vacation leave benefits liability in the financial statements, and an estimated portion of the sick leave liability.

**(j) Cash Equivalents**

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have a maturity date at time of purchase of three months or less. Restricted investments are considered cash equivalents as defined above.

**(k) 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.

**(l) Deferred outflows of resources**

The deferred outflow of resources consists of defeasance of debt. The defeasance balance is systematically amortized over the remaining life of the old debt. The amortization is recognized as a component of interest expense. The remaining balance as of June 30, 2014 was \$278.

**(m) Deferred inflows of resources**

The deferred inflow of resources consist of grant funds received in advance. The balance as of June 30, 2014 was \$722.

2. **CASH AND INVESTMENTS**

Cash and investments as of June 30, 2014 are classified in the accompanying financial statements as follows:

**Combined Statement of Net Assets:**

|                                   |                         |
|-----------------------------------|-------------------------|
| Cash                              | \$ 24,869               |
| Restricted cash                   | 23,782                  |
| Restricted investments            | 201                     |
| <b>Total cash and investments</b> | <b><u>\$ 48,852</u></b> |

**Cash and investments consisted of the following:**

|                                      |                         |
|--------------------------------------|-------------------------|
| Deposits with financial institutions | \$ 26,241               |
| Local Agency Investment Fund         | 2,507                   |
| Investment firms                     | 20,104                  |
| <b>Total cash and investments</b>    | <b><u>\$ 48,852</u></b> |

**Required Note Disclosures**

Acknowledging that deposits and investments of state and local governments are subject to various risks, the Governmental Accounting Standards Board Statement 40 (GASB 40) requires note disclosures about investment policies and five deposit and investment risks identified as custodial credit risk, credit risk, concentration of credit risk, interest rate risk and foreign currency risk. Since the County of Riverside elected to implement GASB 40 in Fiscal year 2004, the Housing Authority, a component unit of the County of Riverside, was required to implement GASB 40 for Fiscal Year 2004 as well.

**Investment Policy**

In October 1999 (Fiscal Year 2000), the Board of Commissioners of the Housing Authority formally adopted the Investment Policy, which was updated and approved on July 27, 2010. This Investment Policy identifies the specific types of deposits and investments which are authorized by that Investment Policy, by the Department of Housing and Urban Development (HUD) and by the California Government Code (CGC).

The Investment Policy of the Housing Authority does not name the five specific deposit and investment risks identified by GASB 40, but this Investment Policy does address these risks in principal by stating that it shall be the policy of the Housing Authority to invest funds in a manner which will provide the maximum safety, liquidity and reasonable investment return while meeting the daily cash flow demands of the Housing Authority and conforming to all statutes governing the investment of Housing Authority funds.

**Authorized Types of Deposits and Investments**

All types of deposits with financial institutions and all types of investments made by the Housing Authority during Fiscal Year 2014 were authorized by its own Investment Policy, by HUD and by the CGC. The type and value of these deposits with financial institutions and investments as of June 30, 2014 are identified below.

**Deposits with Financial Institutions**

**Insured Demand Deposit Accounts**

|                 |          |        |
|-----------------|----------|--------|
| Bank of America | \$ 3,732 | 14.22% |
|-----------------|----------|--------|

**Other Deposit Accounts**

|                     |        |        |
|---------------------|--------|--------|
| County of Riverside | 22,141 | 84.38% |
| Petty Cash          | 1      | 0.00%  |

**Insured Money Market Deposit Accounts**

|                               |                         |                       |
|-------------------------------|-------------------------|-----------------------|
| Bank of America               | 367                     | 1.40%                 |
| <b>Total Insured Deposits</b> | <b><u>\$ 26,241</u></b> | <b><u>100.00%</u></b> |

**Disclosure Required for Risks Related to Deposits with Financial Institutions**

**Custodial Credit Risk**

For deposits, custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The Investment Policy of the Housing Authority, HUD and the California Government Code do not address legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure such deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

**Investments**

**State Depository Funds**

|                                     |                  |               |
|-------------------------------------|------------------|---------------|
| Local Agency Investment Fund (LAIF) | \$ 2,507         | 11.1%         |
| Trustee Indenture Funds             |                  |               |
| US Bank Debt Service Funds          | 202              | 0.9%          |
| Bank of New York Redevelopment Fund | 19,902           | 88.0%         |
| <b>Total Investments</b>            | <b>\$ 22,611</b> | <b>100.0%</b> |

**Disclosure Required for Risks Related to Investments**

**State Depository Funds**

All Housing Authority funds on deposit with the Local Area Investment Fund (LAIF) are subject to the California Government Code (CGC). All securities purchased by the LAIF are purchased under the authority of CGC Section 16430 and 16480.4. CGC Section 16429.3 states that money placed with the state treasurer for deposit in the LAIF shall not be subject to transfer, loan or impoundment by any state official or state agency. CGC Section 16429.4 states that the right of a qualified government agency to withdraw its deposited money from the LAIF upon demand may not be altered, impaired, or denied in any way by any state official or state agency based upon the State's failure to adopt a State Budget by July 1 of each new fiscal year.

**Trustee Indenture Funds**

All Housing Authority funds in the possession of US Bank, designated bond trustee, are subject to written debt agreements. US Bank, by written agreement with the Housing Authority, is required to put all available debt service funds of the Housing Authority into their First American Treasury Obligations Fund (Money Market Class Y Shares), which is invested exclusively in short-term US Treasury obligations and repurchase agreements secured by US Treasury obligations.

**Custodial Credit Risk**

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

All Housing Authority funds invested in LAIF and in Trustee Indenture Funds are subject to the California Government Code and to written debt agreements, respectively, and are not subject to any significant degree of custodial credit risk.

**Credit Risk**

For **investments**, **credit risk** is the risk that an issuer of an **investment** will not fulfill its obligation to the holder of the investment.

All Housing Authority funds invested in LAIF and in Trustee Indenture Funds are subject to the California Government Code and to written debt agreements, respectively, and are not subject to any significant degree of credit risk.

**Concentration of Credit Risk**

For **investments**, **concentration of credit risk** is the risk associated with the Authority having 5% or more of total investments with any one issuer. As show on the investment table on the previous page the Authority has two investments that exceed the 5% threshold.

**Interest Rate Risk**

For **investments**, **interest rate risk** is the risk that changes in market interest rates will adversely affect the fair value of or cash flow from an investment.

All Housing Authority funds invested in LAIF and any required cash flows from LAIF are subject to the California Government Code and are not subject to any significant degree of interest rate risk.

All Housing Authority funds invested in Trustee Indenture Funds are subject to written debt agreements and are not subject to any significant degree of interest rate risk.

**Foreign Currency Risk**

For **investments**, **foreign currency risk** is the risk that changes in the value of foreign currency will adversely affect the fair value of an investment.

All Housing Authority funds invested in LAIF and in Trustee Indenture Funds are subject to the California Government Code and to written debt agreements, respectively, and are not subject to any significant degree of foreign currency risk.



**3. ACCOUNTS RECEIVABLE**

Accounts receivable (net) includes tenant receivables (less allowance for bad debt), interest receivable, miscellaneous receivables, and other receivables which include due from other funds (internal) and due from other governments, as following:

**Accounts receivable (net)**

|  |    |       |                  |
|--|----|-------|------------------|
| Tenant receivables                     |    |       |                  |
| Current tenants                        | \$ | 26    |                  |
| Noncurrent tenants                     |    | 112   |                  |
| Gross tenant receivable                |    | 138   |                  |
| Less: allowance for bad debt           |    | (112) |                  |
| Net tenant receivables                 |    | 26    |                  |
| Interest receivable                    |    | 3     |                  |
| Miscellaneous receivables              |    | 125   |                  |
| <b>Total accounts receivable (net)</b> |    |       | <b>154</b>       |
| <b>Other receivables</b>               |    |       |                  |
| Due from other governments             |    |       | 2,352            |
| Long term receivables                  |    |       | 73,981           |
| <b>Grand Total Receivables (net)</b>   |    |       | <b>\$ 76,487</b> |

**4. CAPITAL ASSETS**

A summary of the land, structures and equipment for the year ended June 30, 2014 is as follows:

|  | Beginning<br>Balance | Additions       | Deletions         | Ending<br>Balance |
|--|----------------------|-----------------|-------------------|-------------------|
| <b>Non-depreciable Capital Assets:</b> |                      |                 |                   |                   |
| Land                                   | \$ 3,631             | \$ 4,419        | \$ -              | \$ 8,050          |
| Development work-in-progress           | 1,672                | 1,142           | (1,504)           | 1,310             |
| Subtotal                               | 5,303                | 5,561           | (1,504)           | 9,360             |
| <b>Depreciable Capital Assets:</b>     |                      |                 |                   |                   |
| Buildings and improvements             | 40,152               | 1,012           | -                 | 41,164            |
| Equipment                              | 1,386                | -               | -                 | 1,386             |
| Subtotal                               | 41,538               | 1,012           | -                 | 42,550            |
| <b>Total Capital Assets</b>            | <b>46,841</b>        | <b>6,573</b>    | <b>(1,504)</b>    | <b>51,910</b>     |
| <b>Accumulated depreciation</b>        |                      |                 |                   |                   |
| Buildings                              | (31,137)             | (1,292)         | -                 | (32,429)          |
| Equipment                              | (972)                | (134)           | -                 | (1,106)           |
| Subtotal                               | (32,109)             | (1,426)         | -                 | (33,535)          |
| <b>Total</b>                           | <b>\$ 14,732</b>     | <b>\$ 5,147</b> | <b>\$ (1,504)</b> | <b>\$ 18,375</b>  |

Depreciation expense for the year ended June 30, 2014 was \$1,425.

Implementation of Governmental Accounting Standards Board (GASB) Pronouncements:

Governmental Accounting Standards Board No. 51 Accounting and Financial Reporting for Intangible Assets. This Statement requires the inclusion of intangible assets as capital assets for accounting and financial reporting purposes.

The Housing Authority does not possess any assets that may be considered intangible assets, whether purchased or internally-generated. Therefore, this GASB Statement has no financial impact to the Housing Authority's financial statements.

In Fiscal Year 2010, the Housing Authority purchased for \$1 a bank-owned property located in Geordie Way, in the City of Riverside. Site planning has started and is set to take place in Fiscal Year 2013. The Housing Authority plans to either sell the home to first time homebuyers or rent it to low or moderate-income families.

In Fiscal Year 2011, the Housing Authority purchased three (3) homes using its Unrestricted Net Position of the Section 8 Program to increase affordable housing stock for the benefit of the Section 8 participants. All of the homes were completely rehabilitated and are currently occupied as single-family rental units by income-eligible participants of the Section 8 Program.

In FY 2013, the Board of Commissioners accepted and designated the Housing Authority as Successor Agency for the housing functions of the former Redevelopment Agency of the County of Riverside. Consequently, the title transfer of 57 land parcels was completed pursuant to Health and Safety Code Sections 34177 and 34181.

At the end of FY 2013, the Board of Commissioners accepted and designated the Housing Authority as Successor Agency for the housing functions of the former Redevelopment Agency of the City of Coachella. The transfer of the loans and land parcels was completed in FY 2014.

**5. REVENUE BONDS PAYABLE**

**Refunding Revenue Bonds 1998 Series A**

On January 27, 1998, the Authority issued \$2,405 of Refunding Revenue Bonds, 1998 Series A (Corona Project). The bonds were issued to provide a portion of the funds needed to advance refund \$52,270 of outstanding Revenue Bonds, Issue A of 1988. The net proceeds of this bond issue were used, together with \$45,675 received from the sale of certain property plus certain reserve and sinking fund monies, to purchase U.S. Government Securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt services payments on the Revenue Bonds, Issue A of 1988. As a result, the Revenue Bonds, Issue A of 1988, are considered to be defeased and the liability for those bonds has been removed from the Authority Project's statement of net position.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,389. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2018 using the straight-line method. The economic gain or loss that resulted from this advance refunding is not available.

The 1998 bonds consist entirely of term bonds of which \$780 of the term bonds matured on December 1, 2007 and accrued interest at 6.25%. The remaining \$1,625 of term bonds mature on December 1, 2018 and accrue interest at 6.85%. Interest on the bonds is payable semiannually on June 1 and December 1 of each year, commencing June 1, 1998. The bonds maturing December 1, 2007 and December 1, 2018 are subject to mandatory sinking fund redemption beginning on December 1, 1998 in amounts ranging from \$80 to \$200. The redemption price is equal to the principal amount thereof to be redeemed, without premium, plus accrued interest thereon to the date of redemption.

Regarding "GASB 48: Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues".

The bonds are secured by an agreement with the City of Corona, which has pledged to pay \$218 to the Housing Authority each year until the bonds are redeemed in their entirety on December 1, 2018. The bond indenture requires the Housing Authority to remit the entire \$218 received each year to the bond trustee to pay for the bond's annual debt service payments, which in Fiscal year 2013 were \$135 (Principal) and \$83 (Interest). The Housing Authority reports the \$218 received each year as revenue. In Fiscal Year 2014, the \$218 represented about .06% of the total expenses of the Housing Authority. MBIA Insurance Corporation has issued a surety bond in lieu of a cash funded reserve. The outstanding balance as of June 30, 2014 before applying the deferred charge was \$885.

**6. DEBT SERVICE REQUIREMENTS TO MATURITY**

The annual requirements to amortize outstanding long-term bonds payable of the Authority as of June 30, 2014 are as follows:

| Year ending<br>June 30  | 1998<br>Series A |
|-------------------------|------------------|
| 2015                    | \$ 210           |
| 2016                    | 209              |
| 2017                    | 208              |
| 2018                    | 210              |
| 2019                    | 207              |
| 2019-2020               | -                |
| Total Debt Service      | <u>1,044</u>     |
| Less: Interest payments | <u>(159)</u>     |
| Outstanding Principal   | 885              |
| Less: Current portion   | <u>(155)</u>     |
| Balance Long Term       | <u>\$ 730</u>    |

**7. INTEREST PAYABLE**

The accrued interest payable consists of unpaid interest accrued on outstanding bonds and notes that are due and payable within one year of the balance sheet date. Below is a summary of the accrued interest payable balance at June 30, 2014:

|                               |             |
|-------------------------------|-------------|
| Revenue Bonds – 1998 Series A | <u>\$ 5</u> |
|-------------------------------|-------------|

**8. LONG-TERM BONDS PAYABLE**

The following is a schedule of changes in long-term bonds payable for the year ended June 30, 2014:

|                      | Balance at    | Principal       |             | Balance at    |
|----------------------|---------------|-----------------|-------------|---------------|
|                      | June 30, 2013 | Additions       | Deletions   | June 30, 2014 |
| 1998 Series A        | \$ 1,030      | \$ -            | \$ (145)    | \$ 885        |
| Less current portion | (145)         | (155)           | 145         | (155)         |
| Totals               | <u>\$ 885</u> | <u>\$ (155)</u> | <u>\$ -</u> | <u>\$ 730</u> |

**9. ARBITRAGE REBATE TO FEDERAL AGENCY**

The Internal Revenue Code of 1986, Sections 103 and 141 through 150, details the amount of interest earnings an issuer of tax-exempt bonds can earn on the proceeds. The interest earnings rate cannot exceed the yield on the tax-exempt revenue bonds. The issuer is required to rebate to the federal government any excess earnings.

Every fifth year, until the last revenue bond is paid or redeemed, an arbitrage calculation is required and an installment is due. At least ninety percent of the arbitrage calculation is required to be paid at the installment due date. As of June 30, 2014, no arbitrage payments were owed; therefore, none were paid.

**10. NOTES PAYABLE**

In Fiscal Year 2006, the ownership of the Ripley Migrant Center property was transferred from the State of California to the Housing Authority. Title of the property was granted to the Housing Authority in consideration of a Note Payable to the U.S. Department of Agriculture (USDA) for \$3,795 and another Note Payable to the State Farmer Housing Grant Program for the award of \$3,000. The total Notes Payable of \$6,795, which was set as the value of the buildings, is not subject to any liens and encumbrances as long as the construction, development, rehabilitation and operation of the rental units are fulfilled for a period of 20 years.

|                          |    |              |
|--------------------------|----|--------------|
| USDA Rural Development   | \$ | 3,795        |
| Farmworker Housing Grant |    | 3,000        |
| Total                    | \$ | <u>6,795</u> |

In Fiscal Year 2007, the Housing Authority received a grant of \$1,000 from the Riverside County Redevelopment Agency (RDA) as contribution to the rehabilitation cost of the Ripley Migrant Center.

In addition, the RDA agreed to loan \$7,500 to the Housing Authority for the construction, rehabilitation and maintenance of the Ripley Migrant Center. In FY 2008, the Board of Commissioners approved the conversion of the RDA loan to a grant for the full amount.

As of June 30, 2009 the rehabilitation of the Ripley Migrant Center, renamed as Desert Rose Apartments, was 100% complete. In Fiscal Year 2014, the waiting list was kept open for lease-up.

**11. BOND CONDUIT FINANCING**

The Authority is associated with the issuance of the following tax exempt Mortgage Revenue Bonds (Bonds) that were issued for various development firms. The Bonds are not and will never become general obligations of the issuer but are limited obligations of the issuer and are payable solely from the sources set forth in the indenture. The Bonds and the premium, if any, and interest thereon do not and never shall constitute a debt or an indebtedness or an obligation of the issuer or the State of California (State) or any other political subdivision of the State or a loan of the faith or credit or the taxing power of any of them, within the meaning of any constitutional or statutory provisions, nor shall the Bonds be construed to create any moral obligation on the part of the issuer, the State or any other political subdivision of the State with respect to the payment of the Bonds. The Bonds shall not be payable from the general revenues of the issuer and in no event shall the Bonds be payable out of any funds or properties other than those specifically pledged therefor. The issuer has no taxing power. As of June 30, 2014, the outstanding balances of these Revenue Bonds are as follows:

| Description                 | Issue Date | Final Maturity Date | Amount of Issue  | Outstanding Balance June 30, 2014 |
|-----------------------------|------------|---------------------|------------------|-----------------------------------|
| Tyler Village, Series C     | 1999       | 2027                | \$ 9,000         | \$ 7,900                          |
| Victoria Springs, Issue C   | 1989       | 2019                | 9,600            | 9,000                             |
| Ridgecrest, Series B        | 1999       | 2032                | 5,865            | 5,160                             |
| Wildomar, Series A          | 1999       | 2029                | 6,700            | 4,800                             |
| Mission Village, Series A-1 | 2008       | 2040                | 3,020            | 2,847                             |
| Total Issuances             |            |                     | <u>\$ 34,185</u> | <u>\$ 29,707</u>                  |

**12. RETIREMENT PLANS**

The Authority contributes through the County of Riverside to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee **defined benefit pension plan**. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public agencies within the State of California.

All full-time, part-time and seasonal benefited County employees are eligible to participate in the system. Benefits are vested after five years of service. Eligible County employees who retire at or after fifty years of age with five years of credited service are entitled to an annual retirement benefit, payable monthly for life. The County makes the contribution required of County employees hired prior to January 9, 1992 on their behalf and for their account. Miscellaneous County employees hired after the above date make their own contributions for the first five years.

On May 22, 2001 the County Board of Supervisors approved and authorized action to transition employees of the Authority to become County employees retroactive to May 3, 2001. These employees became subject to the provisions of the PERS retirement plan with no carry over vesting in years of service from the prior retirement plan. On May 17, 2006, employees of the Housing Authority who were hired prior to May 3, 2001 were 100% vested in the PERS retirement plan after 5 years of uninterrupted service.

In Fiscal Year 2012, the County Board of Supervisors amended the PERS retirement plan contribution to require all employees to assume their share of PERS costs. Any employee not vested in PERS as of July 1, 2012 will pay the full employee portion of the PERS contribution for the term of their employment. New hires will be under a 2% at 60 formula with retirement based on the average of the employee's 3 highest paid years.

The following information summarizes plan activity for the fiscal year ending June 30, 2014:

|   |          |
|---|----------|
| Total Authority Gross Salaries:                   | \$ 7,608 |
| Total Authority Regular Salaries Subject to PERS: | \$ 5,843 |
| Total Authority Contributions Required and Paid:  | \$ 1,124 |

Before Authority employees became County employees, the Authority fully funded a **defined contribution pension plan** on behalf of qualified employees and for their account. During the current fiscal year, the Authority participated in the PERS plan through the County of Riverside and was not required and did not make any contributions to the prior plan. In August 2002 the prior pension plan was formally terminated and plan assets were distributed to the entitled employees in accordance with written instructions as specified by each current or former employee.

**Implementation of Governmental Accounting Standards Board (GASB) Pronouncements:**

Governmental Accounting Standards Board No. 45 Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This Statement requires that the state and local governmental employers recognize the annual cost of other nonpension benefits (OPEB) in the same manner they do for pensions. Disclosure requirements include funding policy followed, the actuarial valuation process and assumptions.

The Housing Authority does not offer postemployment healthcare to current staff. As employees of Riverside County, Housing Authority employees receive retirement benefits through PERS, as disclosed in the County of Riverside's Comprehensive Annual Financial Report (CAFR).

Governmental Accounting Standards Board No. 50 Pension Disclosures.

The County of Riverside has implemented GASB 50 and its effect is on the County's financial statements. The required disclosures are included in the County of Riverside's CAFR, since such information is unavailable to the Housing Authority.

**13. OTHER LIABILITIES**

Other liabilities activity is as follows:

|   | Beginning<br>Balance | Additions     | Deletions       | Ending<br>Balance |
|---|----------------------|---------------|-----------------|-------------------|
| Unearned revenue                            | \$ 19                | \$ 703        | \$ -            | \$ 722            |
| Due to HUD                                  | 14                   | 30            | -               | 44                |
| Compensated absences                        | 116                  | 29            | -               | 145               |
| Interest payable                            | 6                    | -             | (1)             | 5                 |
| Accrued expenses and payroll                | 487                  | 197           | -               | 684               |
| FSS Escrow                                  | 205                  | -             | (113)           | 92                |
| <b>Total Other Current Liabilities</b>      | <b>\$ 847</b>        | <b>\$ 959</b> | <b>\$ (114)</b> | <b>\$ 1,692</b>   |
| Compensated absences                        | \$ 1,042             | \$ 264        | \$ -            | \$ 1,306          |
| FSS Escrow                                  | 889                  | 28            | -               | 917               |
| <b>Total Other Non- Current Liabilities</b> | <b>\$ 1,931</b>      | <b>\$ 292</b> | <b>\$ -</b>     | <b>\$ 2,223</b>   |

**Family Self-Sufficiency Program Escrow**

With the consent of the U.S. Housing and Urban Development (HUD), the Housing Authority manages a Family Self-Sufficiency (FSS) Program that allows eligible low-income families who have Section 8 vouchers to join an employment and savings program. The program offers case management services that help participants pursue employment and other goals, and escrow accounts into which the Housing Authority deposits the increased rental charges that the families pay as their earnings rise. When families complete the program after five years (with an option of a 2 year extension), they can withdraw the funds from escrow for any purpose. As of June 30, 2014, there were 534 participants with escrow amounts totaling \$917.

It is estimated that in the next fiscal year, about 10% of the escrowed savings accounts will be disbursed to families and individuals who have already met their objectives, or need a portion of the money during the term of the contract to enable them to complete an interim goal such as education or other employment related needs.

**14. OTHER PROGRAM AWARDS**

The Neighborhood Stabilization Program (NSP) was enacted under Title III of Division B of the Housing and Economic Recovery Act of 2008 (HERA) and appropriated under Community Development Block Grant (CDBG) funds for the purpose of assisting in the redevelopment of abandoned and foreclosed homes. The intent of NSP is to stabilize neighborhoods in areas with greatest need and to stem the decline of house values of neighborhood homes in the County of Riverside.

On November 25, 2008, the Board of Supervisors approved the activity of acquisition, rehabilitation, and resale of housing units as a component of NSP. The 2008-2009 One Year Action Plan of the 2004-2009 Five year Consolidated Plan calls for the County of Riverside to partner with eligible public and private non-profit organizations.

The County's Economic Development Agency (EDA), through its CDBG program, was awarded \$48 million in NSP funding. EDA publicized a Notice of Funding Availability (NOFA) on March 17, 2009 for the purpose identified above.

The Housing Authority applied for and was awarded a total of \$5.4 million of NSP funds. The total award consists of \$2.4 million designated for Cathedral City, and \$3 million for Target Areas within Lake Elsinore, Canyon Lake, Temecula, Beaumont, Rubidoux, Murrieta, San Jacinto, Home Gardens, and French Valley.

In Fiscal Year 2010, the Housing Authority purchased 26 homes for a total of \$4.1 million, which were paid for directly by EDA to the escrow company. The Housing Authority received \$433 thousand as reimbursement for planning and construction costs expended during the rehabilitation of some of the homes. As of Fiscal Year 2011, there were 16 homes sold, 3 homes pending close of escrow, 2 with purchase offers, and 5 homes undergoing negotiations.

In Fiscal Year 2011, the Housing Authority was awarded by the County to receive \$1 million in NSP program income funds to continue to purchase foreclosed homes, rehabilitate, and resale to moderate first-time homebuyers. By the end of the fiscal year, the Housing Authority purchased 3 homes, with a 4<sup>th</sup> one pending close of escrow. The rehabilitation of the homes began in conjunction with the process of searching for qualified potential buyers.

In Fiscal Year 2012, of the 26 homes purchased in 2010, 1 remaining home was in escrow and scheduled to close early next fiscal year. In addition, of the 4 homes purchased in 2011, 3 were sold in 2012 to eligible households with 1 remaining property in escrow for sale as of June 30, 2012.

The Housing Authority was contracted by the EDA to administer Homelessness Prevention and Rapid Re-Housing Program (HPRP). The primary purpose of the HPRP is to provide homelessness prevention assistance and services to households that would otherwise become homeless, many due to economic circumstances, and to provide assistance to rapidly “re-house” and stabilize those that are homeless. In March 2009, the U.S. Department of Housing and Urban Development (HUD) awarded \$4.3 million of HPRP funds from the American Recovery and Reinvestment Act of 2009 (ARRA). This program has serviced a total of 170 families. The grant funding for this program expired during the first quarter of FY 2013.

**15. IMPLEMENTATION OF OTHER GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) PRONOUNCEMENTS**

GASB Board No. 60 Accounting and Financial Reporting for Service Concession Arrangements.

This statement addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. The Housing Authority does not have any long-term arrangements to operate major capital assets. Therefore, this Statement does not apply to the Housing Authority.

GASB Board No. 61 The Financial Reporting Entity: Omnibus and Amendment of GASB Statements No. 14 and No. 34.

This Statement is designed to improve financial reporting for governmental entities by amending the requirements of Statement No. 14, The Financial Reporting Entity, and No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively.

GASB Board No. 62 Codification of Accounting and Financial Reporting Guidance.

This Statement is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements.

GASB Board No. 63 Deferred Outflows and Inflows of Resources.

This Statement requires that certain defined transactions that do not qualify for treatment as either assets or liabilities be accounted for and reported as either deferred outflows of resources (a separate subheading following asset but before liabilities) or deferred inflows of resources (a separate subheading following liabilities but before equity). The Housing Authority has updated its financial reports to adhere to the requirements of this pronouncement.

GASB Board No. 65 Other Deferred Outflows and Inflows of Resources.

This Statement revises the treatment of a variety of transactions previously reported as either assets or liabilities on the statement of financial position to classification as either deferred outflows/inflows of resources or recognition as revenue or expense. The Housing Authority has updated its financial reports to adhere to the requirements of this pronouncement. The Housing Authority continues to adhere to GASB Standards in its operations, reporting, and internal controls. The Housing Authority is also subject to review by its auditors in accordance with Government Auditing Standards.

GASB 66 Technical Corrections

This Statement was issued to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements 54 and 62. The Housing Authority continues to adhere to GASB Standards in its operations, reporting, and internal controls. The Housing Authority is also subject to review by its auditors in accordance with Government Auditing Standards.

GASB 67/68 Financial Reporting for Pension Plans - Amendment of GASB 25

This Statement was issued to improve accounting and financial reporting for a governmental financial reporting entity

GASB 70 Accounting and Financial Reporting For Nonexchange Financial Guarantees

The Housing Authority did not extend financial guarantees for obligations of another government, a no-profit agency, or a private entity. Therefore, this Statement does not apply.

**16. LONG-TERM LOANS RECEIVABLES**

The former Redevelopment Agency for the County of Riverside (RDA) made numerous loans as part of the **Redevelopment Housing Program (RHP)** and for various Infill Programs. The interest rates vary from 0% to 3% and the terms vary as well. The funds for this program were used for down payment assistance to low- and moderate-income households that have not owned homes within a three year period. RHP was available for households with an annual income that were not greater than 120% of the area median income as published by the CA Department of Housing and Community Development (HCD); and provided up to 20% of the purchase price with a 45 year affordability period as a "silent second" loan. The balance of these loans as of June 30, 2014 was \$1,590.

The **First Time Home Buyer Program (FTHB)** provided HOME funds for down-payment assistance to low- and very low-income households that have not owned homes within a three-year period. The program was available for households with an annual income that were no greater than 80% of the area median income as published by HUD. The FTHB Program provided up to 20% of the purchase price with a 15-year affordability period as a "silent second" loan. A variety of media were used to inform the public and potential homebuyers of the homebuyer assistance program. At June 30, 2014, the balance of these loans was \$340.

The RDA awarded a developer a grant to carry out its obligation to help eliminate blight and provide safe and decent affordable housing to its residents. The developer acquired 4 bank owned single family homes at a 1% discount, rehabilitated, and rented them to very low-income residents. All four homes were restricted to low-income households for a period of 55 years. The project was named the **Inland Empire Rescue Mission**. At June 30, 2014, the balance of these loans was \$996.

The **Manufactured Replacement Home Program (MHRP)** provided financial assistance to manufactured home owners for substandard dwelling units. The funds were disbursed to low-, very low-, and extremely low-income households for replacement and ancillary infrastructure improvements. The units were restricted by a 45 affordability covenant. At June 30, 2014, the balance of these loans was \$455.



The RDA entered into a Disposition and Development Agreement (DDA) with the Housing Authority of the County of Riverside to acquire 2 parcels located in the unincorporated community of **Home Gardens on Neece Street** for the purpose of constructing 2 single family homes. These homeownership opportunities were made available to low-income, first-time home buyers, and were occupancy-restricted for a minimum period of 45 years. The development loans were each secured by a Subordinate Deed of Trust. All accrued and unpaid interest and principal shall be forgiven, discharged and excused after the end of the Affordability Period ending on the 45<sup>th</sup> anniversary from the recordation of the Notice of Completion dated May 29, 2008. At June 30, 2014 the balance on the loan for **Anjana Kanda** was \$105; and the balance of the loan for **Francisco Beltran** was \$85.

In September 2002, the RDA entered into a loan agreement with **Mission Larue Limited** for a project known as **Mission Palms Senior Housing Project**, which provided construction and permanent financing of a 109-unit rental housing complex for independent living seniors in the Jurupa Valley. The loan is to be amortized over 55 years at 1% per annum. All outstanding principal along with accrued interest shall be due and payable on March 31, 2034. 29 equal payments shall be due each year until the term date. Annual payments are to be paid from available cash flow. Should there be insufficient cash flow within a given annual period, said annual payment is to be deferred and the annual interest will be added to the principal balance. At June 30, 2014 the balance of the loan was \$651.

In 2006-07, the RDA entered into a loan agreement for \$560 with the **Angel View Crippled Children's Foundation** for the development and construction of a single-family group home near Desert Hot Springs. The home was licensed by the California Department of Developmental Services as an Intermediate Care Facility/Developmentally Disabled -Nursing Facility that provides 24-hour personal care, developmental services, and nursing supervision for zero to three year old infants with disabilities who have been removed from their homes by court order. The loan shall accrue simple interest at 3% per annum on December 30, 2063. It is intended that the full amount of the loan will be forgiven at 55 years from the Certificate of Occupancy. At June 30, 2014, the balance of the loan was \$560.

In 2006-07, the RDA loaned \$1,500 to Coachella Valley Housing Coalition to assist in the development of 275 single family units of **Nuestro Orgullo Homes** designated to low-income residents. The principal of the loan bears interest at zero percent per annum and will be transferred to individual homebuyers as mortgage assistance in the form of a silent deed of trust forgiven in 45 years. It is intended that the full amount of the loan will be reduced by the mortgage assistance subsidies given to the low-income buyers. At June 30, 2014, the balance of the loan was \$1,500.

In 2007-08, the RDA loaned \$1,500 in low- and moderate-income housing funds to MCFA Partners, a California Limited Partnership, to help finance the development and construction of a rental housing complex know as **Clinton Family Apartments**, in the community of Mecca. The principal is to be amortized over 50 years at an interest rate of 3%. At June 30, 2014, the balance of the loan was \$1,500.

In November 2008, the RDA entered into a loan agreement with Paseo Housing Associates, L.P. to construct a 52-unit-for-rent mobile home park in the community of Mecca, known as **Paseo De Los Heroes II**. The principal of the loan is to be amortized over 55 years at 3% interest per annum, due and payable in full by December 31, 2065. At June 30, 2014 the balance of the loan was \$1,525.

With an allocation of CalHFA HELP Funds, RDA entered into a revolving loan agreement with CVHC for a 45 single family home affordable housing project, known as **Valencia Homes**, located in the community of Mecca. The term of the loan shall accrue simple interest at 1.5% per annum. It is intended that the full amount of the loan be forgiven in 45 years. At June 30, 2014, the balance of the loan was \$748.

In September 2009, the RDA entered into an agreement for the infill construction of a single family home in **North Shore**. The term of the loan is 55 years and shall be due in full on March 1, 2065. The principal of the loan is to be amortized at 1% per annum. At June 30, 2014 the balance of the loan was \$184.

In September 2006, the RDA entered into a loan agreement with a non-profit affordable housing developer to construct 10 single-family homes, known as the **Ripley/Mesa Verde Infill Housing Project**. The loan was converted to down-payment assistance for low-income first-time homebuyers with an affordability restriction of 45 years. At June 30, 2014 the balance of the homes was \$74.

In September 1999, the RDA entered into an agreement with a developer to improve and rehabilitate the **La Pena Mobile Home Park** in the community of Mecca. The debt obligation shall be fully amortized at an annual percentage rate of 3%. The term of the Promissory Note shall mature of December 1, 2030 and all of the then outstanding principal and interest shall be due and payable. At June 30, 2014 the balance on the loan was \$504.

In March 2010, the RDA entered into an agreement with **Operation Safe House, Inc.** in the amount of \$1,100. The loan bears no interest rate. The repayment of the loan shall be paid by the Borrower's annual payment of an amount equal to 50% of the residual receipts from operation of the Housing Project as determined by a residual receipts calculation from the operation of the Housing Project during the preceding calendar year and shall be paid within 90 days of each year-end. At June 30, 2014 the balance of the loan was \$400.

In June 2010, the RDA approved funding assistance to acquire and develop a site for a gated 80-unit affordable, multi-family community, known as **Legacy Apartments**. In February 2011, the funding allocation was memorialized through a loan agreement. The units serve low-income families with affordable rents for a period of 55 years. Funding included a conventional loan from Farmers & Merchant Bank; a loan from MHSA; a deferred developer fee; and Riverside County Transportation Uniform Mitigation Fee waiver; and the balance from tax credit equity financing. At June 30, 2014 the balance of the loan was \$7,300.

The RDA purchased a 7.43 acre parcel located in the unincorporated community of **Highgrove** to carry out its obligation to help eliminate blight and provide a safe and decent affordable housing to its residents. A public library has since been built on a section of the parcel and a housing project is being proposed for the balance on the parcel. RDA approved a loan for pre-development expenses related to entitlements of an affordable housing project. At June 30, 2014 the balance on the loan was \$398.

In February 2011, the RDA entered into an agreement with **Menifee Vineyards Limited Partnership** to acquire approximately 4.8 acres of land for the development and construction of an 81-unit apartment complex for low-income senior households in the City of Menifee. The term of the agreement is 55 years with an interest rate of 1% per annum. The principal and interest are due to be repaid in full force 55 years after the recordation of the first Certificate of Occupancy. At June 30, 2014 the balance on the loan was \$3,600.

In 1998-99, the RDA entered into a loan agreement with Wildomar Senior Partner, LP. To help finance the development of a low-income senior apartment complex, known as **Amber Thralls Sr. Apartments**. The loan terms provide for an amortization of principal at 1% interest for 30 years with an initial 10-year deferral after which time payments are due from the project's residual receipts. During 2000-01, RDA agreed to pay the Elsinore Valley Municipal Water District for sewer connection fees. At June 30, 2014 the balance of the loan and reimbursement agreement was \$3,068.

In 1996-97, the RDA sold the North Hemet parcel of land and received a note for Phase I and Phase II of the **Hemet Vistas project**. The note was amended to include the development portion of the note receivable. The principal is to be amortized over 55 years at an interest rate of 1%. Annual principal payments plus interest shall be paid from available net proceeds. In the event that there are insufficient net proceeds, the payment shall be deferred pursuant to the note. At June 30, 2014 the loan balance was \$1,581.

In May 2006, the RDA provided a loan for the development and construction of **Phase II of the Mission Palms Senior Apartments**. Phase II is located at the corner of La Rue Street and Mission Boulevard and was completed in June 2007. It consisted of 91 affordable rental units plus one on-site manager unit. The principal of the loan is to be amortized over 55 years and bears simple interest of 1% per annum. All Project Residual Receipts shall be paid 50% to Borrower and 50% to the Lender until the Promissory Note is paid in full. All outstanding principal along with accrued interest shall be due and payable on July 1, 2063. At June 30, 2014 the balance of the loan was \$394.

In September 2008, the RDA and **Mission Village Senior Apartments**, a California limited partnership entered into an Affordable Housing Agreement for a loan that bears simple interest at 3% per annum based on the amount advanced by RDA. The 102-unit affordable senior apartment complex was constructed in the unincorporated community of Glen Avon. The loan shall be paid annually equal to 50% of the residual receipts from the operation of issuance of a Certificate of Occupancy for all units. At June 30, 2014 the balance of the loan was \$10,474.

In January 2009, the RDA entered into an agreement for a pre-development loan with a developer, Northtown Housing Development Corporation, to obtain entitlements to the property for the **Cottonwood Mobile Home Park** project. At June 30, 2014 the balance of the loans was \$100.

In October 2009, the RDA entered into an agreement with **Inspire Life Skills Training, Inc.** for the use of low- and moderate-income housing set-aside funds to improve and increase the supply of affordable housing in the unincorporated area of Riverside County. The funds were also used to acquire and rehabilitate 1 single-family property and rent to a very low-income household. At June 30, 2014 the balance of the loan was \$328.

In 2001-02, the RDA loaned \$800 in low- and moderate-income housing funds to the **Mecca Family Housing Associates**, A California Limited Partnership, to assist in financing the Mecca Family Housing Development. The loan terms provide for payment on demand, or if no demand is made, the loan shall be deferred for a period of 660 months and shall have a maturity date of July 1, 2056. In 2006, an additional \$70 was loaned by RDA. The loan carries a zero percent interest rate. At June 30, 2014 the balance on the loan was \$870.

The RDA made numerous loans as part of the **Home Improvement Program (HIP)** and First Time Home Buyer's Program. Each loan is to be repaid in a single payment upon sale, conveyance, alienation or transfer of the property to other than the present owner of record or surviving joint tenant. The loans bear no interest and the payoff amount is equal to the principal amount plus the proportionate share of the equity in the property. June 30, 2014 the total balance for these loans was \$260.

The RDA purchased the **Date Palm Mobile Home Park** located outside the city limits of Indio in the unincorporated area of the County for the purpose of carrying out its obligation to help eliminate blight and provide safe and decent affordable housing to its residents. RDA relocated the residents that were living in the park and demolished all structures on site. The RDA then provided a pre-development loan for expenses related to entitlements for a new 80-unit affordable housing complex with numerous amenities. On June 29, 2010, RDA approved a loan to fill the financing gap related to construction. Other funding sources include a loan from the State of California Department of Housing and Community Development Multifamily Housing Program, and a tax credit equity contribution. A total of 68-assisted units were reserved for low-income households for an affordability period of at least 55 years. At June 30, 2014 the balance of the loan was \$7,698.

The **Mobile Home Tenant Loan (MHTL) Program** was established to improve substandard living conditions of mobile home owners living in un-permitted mobile home parks. This program provided financial assistance to mobile home owners with a 0% interest loan. The funds were used to purchase a unit that replaced the existing substandard unit, which were installed in a permitted site. As supplement to the MHTL loan, HCD's Joe Serna Jr. Farm Worker Housing Grant Program was utilized to provide a matching source of funds. It is intended that the properties would remain as affordable for a prescribed length of time, and in the event that a property was sold during this time, the Housing Authority has a right of first refusal to purchase the said property at a price agreed to between the parties. This requirement is in effect for 45 years from the date of close of escrow. At June 30, 2014 the total balance on the loans was \$11,957.

The RDA made housing loans as part of the **Agricultural Housing Loan (AGHL) Program** for the Coachella Valley. The loans bear various interest rates ranging from 0% interest to a 3% fixed rate. Payments shall be deferred for the initial 10 years of the term. All outstanding principal along with accrued interest shall be due and payable with a single and final payment due and payable in 40 years. At maturity if it is determined that the borrower is not currently in default nor has been in default at any time prior to the review then a prorated amount shall be forgiven and reduced from the total principal and all interest through the date of the review shall also be forgiven. At June 30, 2014 the total balance of the loans was \$1,141.

In April 2008, the RDA provided Desert Empire Homes funding to develop a 398-space mobile home park, **Mountain View Estates**, situated on approximately 50 acres. The project received RDA set-aside funds and private financing. The project received US Department of Agriculture Rural Business Enterprise Grant and the US Department of Agriculture Water and Waste Disposal Loan and Grant Funds Program. The project was planned for two phases. The first phase consisted of 180 spaces plus one manager's unit and a community center. The second phase to be built in the future would include the remaining mobile home spaces. A minimum of 90 mobile home park spaces in the development were set aside for very low-income households for a period of at least 55 years. The MHTL program provided financial assistance to mobile home owners with a 0% interest loan. The funds were used to purchase a unit that replaced the existing substandard unit, which were installed in a permitted site. As supplement to the MHTL loan, HCD's Joe Serna Jr. Farm Worker Housing Grant Program was utilized to provide a matching source of funds. It is intended that the properties would remain as affordable for a prescribed length of time, and in the event that a property was sold during this time, the Housing Authority has a right of first refusal to purchase the said property at a price agreed to between the parties. This requirement is in effect for 45 years from the date of close of escrow. At June 30, 2014 the total balance of the loans was \$9,395.

In July 2009, the RDA entered into an agreement with **SL-Imperial, LLC**. The purpose of the loan agreement was to fund a pilot program, whereby SL-Imperial would acquire foreclosed homes, repair and rehabilitate the homes, then sell them to first-time home buyers whose income was less than 120% of the county are median income. Upon sale of the homes, the pre-development and construction loans were converted to a grant and the proceeds were used for the down payment assistance to eligible home buyers. At June 30, 2014 the total balance of the loans was \$1,557.

The former Coachella RDA, whose loans the Housing Authority of the County of Riverside now services, made a number of **Affordable Housing Loans**. These loans were made between 2002 and 2007 and have a 1% to 3% annual interest rate. The loans all have 30 year terms and no payment due until the maturity date. As of June 30, 2014, the total balance of the loans was \$47.

The former Coachella RDA also made a number of **First Time Homebuyer Down Payment Assistance Program** loans. These loans were made between 2008 and 2009 and all have a 1% annual interest rate. The loans all have 30 year terms and no payment due until the maturity date. As of June 30, 2014, the balance of the loans was \$788.

The former Coachella RDA also made a number of **First Time Homebuyer** loans. These loans were made between 1997 and 1998 and all have a 7% annual interest rate. These loans all have 30 year terms and monthly payments are currently due. As of June 30, 2014, the balance of the loans was \$28.

The former Coachella RDA also entered a loan agreement in 2009 with **Coachella Leased Housing Association** to help build the **Desert Palms Apartments**. This is a 111 unit low income apartment project. The loan amount was \$500 and has a 55 year term. The interest rate is 0% per year. There is no payment due until the end of the term at which time the entire principal is due. As of June 30, 2014, the balance of the loan was \$500.

The former Coachella RDA also entered a loan agreement in 2001 with **Simpson Housing Investors, Inc.** to help build the **El Jardin Apartments**. This is an 81 unit low income apartment project. The loan amount was \$906 and has a 30 year term. The interest rate is 3% per year for the first 15 years and prime plus 2% per year for the second 15 years. Payments are due annually per available cash flow analysis per loan requirements. As of June 30, 2014, the balance of the loan was \$1,280.

**17. SUBSEQUENT**

The Housing Authority expects to fully engage its mission of providing transitional rental subsidies through its non-profit arm, the Riverside Housing Corporation (RCHC), which received a grant of \$135 from the California Endowment. The focus of this endeavor will be to serve residents of the eastern Coachella Valley who need affordable, safe, decent, and sanitary housing opportunities, and supportive programs that foster economic opportunities. Another grant for \$50 is expected to be received from the Coachella Valley Air Quality Enhancement (CVAQ) Project, which would support RCHC's housing objective.

Further, through the RCHC, funds for the Emergency Solutions Grant (ESG) will be directed towards the expansion of eligible activities for emergency shelter and homelessness prevention activities, which include short-term and medium-term rental assistance and services to stabilize and rapidly re-house individuals and households who are homeless or at risk of becoming homeless. ESG funds are provided by the Department of Housing and Urban Development through the Riverside County's Economic Development Agency and the City of Riverside.

**18. DWELLING RENT**

A major portion of the Authorities revenues are generated by renting property to tenants. The gross rent and the bad debt of those rental activates have been netted on the basic financial statements.

|                       |                 |
|-----------------------|-----------------|
| Gross dwelling rental | \$ 1,717        |
| less: bad debt        | (13)            |
| Dwelling rental (net) | <u>\$ 1,704</u> |

**19. LOSS CONTINGENCIES**

A joint claim of Mohamed E. Gaffour; Max Jasmin Properties, LLC; and French Quarter, LLC was filed, arising out of alleged damages for failure to record covenant. The County of Riverside's Office of the County Counsel represented the Housing Authority with the denial of the claim as management intends to vigorously defend these allegations and believes any payment of penalty is not probable.

**20. COACHELLA SUCCESSOR AGENCY**

On June 28, 2011, Governor Brown signed AB 1 x 26, the Assembly Bill to dissolve redevelopment agencies throughout the State of California, and AB 1 x 27, the companion bill to allow redevelopment agencies to continue activities after making payment to the state. On December 29, 2011, the California Supreme Court announced its decision to uphold AB 1 x 26 and strike down AB 1 x 27, which eliminated redevelopment agencies.

Pursuant to Part 1.85, Chapter 2, Section 34716(b)(2) of the Health and Safety Code as enacted by AB 26, if a city, county, or city and county does not elect to retain the responsibility for performing housing functions previously performed by a redevelopment agency, all rights, powers, assets, liabilities, duties and obligations associated with the housing activities of the agency shall be transferred to the local housing authority in the territorial jurisdiction of the former redevelopment agency when there is one local housing authority.

On January 25, 2011, pursuant to Health and Safety Code 34176(b)(2), the City of Coachella (City) elected not to retain responsibility for the housing assets and functions of the former Coachella Redevelopment Agency, thus transferring these assets and functions to the Housing Authority of the County of Riverside (Housing Authority).

The Housing Authority and City have been working to reach a consensus on whether, and how to transfer the housing activities of the former RDA. On June 6, 2013, the Board of Commissioners approved a Memorandum of Understanding (MOU) between the HACR and the City that transfers the housing assets and functions to the Housing Authority.

In Fiscal Year 2014, the Housing Authority continued to work with the City to accept the transfer of all the files and documents associated with the housing loan portfolio of the former RDA, which includes the following:

- Various Affordable Housing Loans
- First-Time Home Buyer Down Payment Assistance Loan and Grant Program;
- Coachella Leased Housing Association Loan for the Desert Palms Apartments;
- Simpson Housing Investors, Inc. loan for the El Jardin Apartments.

The Housing Authority accepted the transfer of the following real property in the City of Coachella:

- Tierra Bonita Subdivision: 40 single family lots North of Avenue 53, East of Frederick Street;
- 5<sup>th</sup> Street property west of Palm Avenue: 7,813 square feet of land area;
- Calle Verde: 5 acres of land area;
- Calle Verde: 4.44 acres of land area.

The Housing Authority accepted the transfer of the lawsuits between the City of Coachella and Rancho Housing Alliance, et al, which culminated with the discharge or housing debts.

Out of the combined transfer of assets, the Coachella Successor Agency ended the fiscal year with land of \$4,419, assets held for sale of \$12, loans receivable of \$2,269, and an extraordinary gain of \$6,700.

**SUPPLEMENTARY FINANCIAL INFORMATION**

**HOUSING AUTHORITY OF THE COUNTY OF RIVERSIDE**

COMBINING STATEMENT OF NET POSITION- ALL PROGRAMS

JUNE 30, 2014

|                                       | Public Housing<br>Program | Section 8<br>Program | Authority<br>Program  | Inter-Program<br>Eliminating<br>Entries | Totals                |
|---------------------------------------|---------------------------|----------------------|-----------------------|---|-----------------------|
| <b>ASSETS</b>                         |                           |                      |                       |   |                       |
| Cash                                  | \$ 1,083,558              | \$ 1,030,860         | \$ 22,754,405         | \$ -                                    | \$ 24,868,823         |
| Restricted cash                       | -                         | 3,369,053            | 20,412,540            | -                                       | 23,781,593            |
| Accounts receivable (Net)             | 20,818                    | 118,774              | 15,016                | -                                       | 154,608               |
| Due from other funds                  | 346,040                   | -                    | 1,093,383             | (1,439,423)                             | -                     |
| Due from other governments            | 75,879                    | 1,141,414            | 1,134,441             | -                                       | 2,351,734             |
| Prepaid expenses                      | -                         | -                    | -                     | -                                       | -                     |
| Restricted investments                | -                         | -                    | 202,187               | -                                       | 202,187               |
| Notes receivable                      | -                         | -                    | 73,981,402            | -                                       | 73,981,402            |
| Land available for sale               | -                         | -                    | 34,379,805            | -                                       | 34,379,805            |
| Capital assets                        | 35,709,406                | 487,922              | 15,713,071            | -                                       | 51,910,399            |
| Accumulated Depreciation              | (27,474,961)              | (476,720)            | (5,583,552)           | -                                       | (33,535,233)          |
| <b>TOTAL ASSETS</b>                   | <b>9,760,740</b>          | <b>5,671,303</b>     | <b>164,102,698</b>    | <b>(1,439,423)</b>                      | <b>178,095,318</b>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b> | -                         | -                    | 277,751               | -                                       | 277,751               |
| <b>LIABILITIES</b>                    |                           |                      |                       |   |                       |
| Accounts payable                      | -                         | -                    | 8,872                 | -                                       | 8,872                 |
| Unearned income                       | -                         | -                    | -                     | -                                       | -                     |
| Due to other funds                    | 346,042                   | -                    | 1,093,381             | (1,439,423)                             | -                     |
| Due to HUD                            | -                         | 43,995               | -                     | -                                       | 43,995                |
| Other liabilities                     | 110,308                   | 1,217,908            | 288,173               | -                                       | 1,616,389             |
| Tenants security deposits             | 181,092                   | -                    | 23,826                | -                                       | 204,918               |
| Accrued interest payable              | -                         | -                    | 5,052                 | -                                       | 5,052                 |
| Compensated absences payable          | 244,720                   | 476,217              | 730,844               | -                                       | 1,451,781             |
| Bonds payable                         | -                         | -                    | 885,000               | -                                       | 885,000               |
| Notes payable                         | -                         | -                    | 6,795,110             | -                                       | 6,795,110             |
| <b>TOTAL LIABILITIES</b>              | <b>882,162</b>            | <b>1,738,120</b>     | <b>9,830,258</b>      | <b>(1,439,423)</b>                      | <b>11,011,117</b>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  | -                         | -                    | 721,636               | -                                       | 721,636               |
| <b>NET POSITION</b>                   |                           |                      |                       |   |                       |
| Net investment in capital assets      | 8,234,494                 | 11,202               | (1,072,213)           | -                                       | 7,173,483             |
| Restricted                            | -                         | 2,453,165            | 20,614,727            | -                                       | 23,067,892            |
| Unrestricted                          | 644,084                   | 1,468,816            | 134,286,041           | -                                       | 136,398,941           |
| <b>TOTAL NET POSITION</b>             | <b>\$ 8,878,578</b>       | <b>\$ 3,933,183</b>  | <b>\$ 153,828,555</b> | <b>\$ -</b>                             | <b>\$ 166,640,316</b> |



# HOUSING AUTHORITY OF THE COUNTY OF RIVERSIDE

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION-ALL PROGRAMS  
FOR THE YEAR ENDED JUNE 30, 2014

|   | Public Housing<br>Program | Section 8<br>Program | Authority<br>Program  | Inter-Program<br>Eliminating<br>Entries | Totals                |
|---|---------------------------|----------------------|-----------------------|---|-----------------------|
| <b>REVENUES</b>                                   |                           |                      |                       |   |                       |
| <b>Operating Revenues</b>                         |                           |                      |                       |   |                       |
| Dwelling rental (net)                             | \$ 1,428,696              | \$ -                 | \$ 275,141            | \$ -                                    | \$ 1,703,837          |
| Grants  | 1,629,192                 | 73,723,469           | 3,457,724             | -                                       | 78,810,385            |
| Management fees                                   | -                         | -                    | 1,731,072             | (1,731,072)                             | -                     |
| Other revenue                                     | 146,046                   | 1,004,988            | 2,949,786             | -                                       | 4,100,820             |
| <b>Total Operating Revenues</b>                   | <b>3,203,934</b>          | <b>74,728,457</b>    | <b>8,413,723</b>      | <b>(1,731,072)</b>                      | <b>84,615,042</b>     |
| <b>EXPENSES</b>                                   |                           |                      |                       |   |                       |
| <b>Operating Expenses</b>                         |                           |                      |                       |   |                       |
| Administrative expenses                           | 847,206                   | 6,702,083            | 5,033,990             | (1,731,072)                             | 10,852,207            |
| Utilities   | 484,066                   | -                    | 80,941                | -                                       | 565,007               |
| Maintenance & operation                           | 1,470,871                 | 95,004               | 9,488,156             | -                                       | 11,054,031            |
| General expenses                                  | 17,645                    | 175,716              | 1,207,828             | -                                       | 1,401,189             |
| Insurance expenses                                | 197,348                   | 2,783                | 43,957                | -                                       | 244,088               |
| Housing assistance payments                       | -                         | 68,216,901           | 1,489,331             | -                                       | 69,706,232            |
| Depreciation                                      | 924,633                   | 36,594               | 464,202               | -                                       | 1,425,429             |
| <b>Total Operating Expenses</b>                   | <b>3,941,769</b>          | <b>75,229,081</b>    | <b>17,808,405</b>     | <b>(1,731,072)</b>                      | <b>95,248,183</b>     |
| <b>Operating Income (Loss)</b>                    | <b>(737,835)</b>          | <b>(500,624)</b>     | <b>(9,394,682)</b>    | <b>-</b>                                | <b>(10,633,141)</b>   |
| <b>Nonoperating Revenues (Expenses)</b>           |                           |                      |                       |   |                       |
| Investment income                                 | 1,287                     | 3,908                | 556,700               | -                                       | 561,895               |
| Interest expense on notes<br>and bonds            | -                         | -                    | (134,198)             | -                                       | (134,198)             |
| Extraordinary items, net gain                     | -                         | -                    | 6,699,620             | -                                       | 6,699,620             |
| Transfers   | -                         | -                    | -                     | -                                       | -                     |
| <b>Total Nonoperating Revenues<br/>(Expenses)</b> | <b>1,287</b>              | <b>3,908</b>         | <b>7,122,122</b>      | <b>-</b>                                | <b>7,127,317</b>      |
| <b>Capital Contribution</b>                       | <b>474,860</b>            | <b>-</b>             | <b>-</b>              | <b>-</b>                                | <b>474,860</b>        |
| <b>Change in net position</b>                     | <b>(261,688)</b>          | <b>(496,716)</b>     | <b>(2,272,560)</b>    | <b>-</b>                                | <b>(3,030,964)</b>    |
| Net Position - Beginning                          | 9,140,266                 | 4,429,899            | 156,101,115           | -                                       | 169,671,280           |
| Transfers   | -                         | -                    | -                     | -                                       | -                     |
| <b>Net Position - Ending</b>                      | <b>\$ 8,878,578</b>       | <b>\$ 3,933,183</b>  | <b>\$ 153,828,555</b> | <b>\$ -</b>                             | <b>\$ 166,640,316</b> |



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To the Board of Directors  
Housing Authority of the County of Riverside  
Riverside, CA

## **AUDITORS COMMUNICATION**

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Dear Members of the Board:

We have audited the financial statements of Housing Authority of the County of Riverside as of and for the year ended June 30, 2014, and have issued our report thereon dated October 21, 2014. Professional standards require that we advise you of the following matters relating to our audit.

### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Housing Authority of the County of Riverside solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

### **Qualitative Aspects of the Entity's Significant Accounting Practices**

#### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Housing Authority of the County of Riverside is included in Note [1] to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2014. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

## AUDITORS COMMUNICATION (continued)

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### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are described below:

- Allowance for doubtful accounts – Management estimate of allowance for doubtful accounts is based on historical collections data and amounts collected soon after year-end. We evaluated key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements.
- Useful lives of fixed assets – Management estimate of useful lives is based on expectation of usefulness of the asset. We evaluated key factors and assumptions used to develop the useful lives in determining that it is reasonable in relation to the financial statements.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. We evaluated the key factors and assumptions used to develop the above estimates and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Housing Authority of the County of Riverside's financial statements relate to:

- Capital assets
- Allowance for bad debt

### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. The attached schedule summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

See Adjusting Journal Entry Report (attached)

AUDITORS COMMUNICATION (continued)

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**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Housing Authority of the County of Riverside's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

**Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

**Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with Housing Authority of the County of Riverside, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Housing Authority of the County of Riverside's auditors.

**Other Information in Documents Containing Audited Financial Statements**

Pursuant to professional standards, our responsibility as auditors for other information in documents containing Housing Authority of the County of Riverside's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have:

Read management's discussion and analysis and considered whether it, or the manner of its presentation, was materially inconsistent with its presentation in the financial statements.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

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This report is intended solely for the information and use of the individuals charged with governance, and management of Housing Authority of the County of Riverside and is not intended to be and should not be used by anyone other than these specified parties.

*Smith Marinick G*

October 21, 2014



Client: 1368 - Housing Authority of the County of Riverside  
 Engagement: #1368 - A - 06/30/14  
 Period Ending: 6/30/2014  
 Trial Balance: FYBTD - Govt Fund Trial Balance  
 Worksheet: Combined Journal Entries Report  
 Fund Level: All  
 Index: All

| Account                                 | Description                            | WIP Ref | Debit            | Credit           |
|---|--|---------|------------------|------------------|
| <b>Adjusting Journal Entries</b>        |  |         |                  |                  |
| <b>Adjusting Journal Entries JE # 1</b> |  |         |                  |                  |
| 603                                     |  |         |                  |                  |
| PBC                                     |  |         |                  |                  |
| 101-1111-041                            | CASH BOFA UNRESTRICTED                 |         | 2,144.00         |                  |
| 101-4110-006                            | CONTRACT TEMP                          |         | 277.00           |                  |
| 101-4110-006                            | CONTRACT TEMP                          |         | 111.00           |                  |
| 101-4113-006                            | CONTRACT TEMP                          |         | 99.00            |                  |
| 101-4110-006                            | CONTRACT TEMP                          |         | 115.00           |                  |
| 101-4110-006                            | CONTRACT TEMP                          |         | 43.00            |                  |
| 101-4190-041                            | COUNTY COMPUTER SVC                    |         | 1,370.00         |                  |
| 101-4190-100                            | HUMAN RESOURCES SERVICES               |         | 84.00            |                  |
| 212-4130-010                            | COUNTY COUNSEL                         |         | 47.00            |                  |
| 101-1111-041                            | CASH BOFA UNRESTRICTED                 |         |                  | 24.00            |
| 101-1111-041                            | CASH BOFA UNRESTRICTED                 |         |                  | 1,370.00         |
| 101-1111-041                            | CASH BOFA UNRESTRICTED                 |         |                  | 277.00           |
| 101-1111-041                            | CASH BOFA UNRESTRICTED                 |         |                  | 111.00           |
| 101-1111-041                            | CASH BOFA UNRESTRICTED                 |         |                  | 99.00            |
| 101-1111-041                            | CASH BOFA UNRESTRICTED                 |         |                  | 115.00           |
| 101-1111-041                            | CASH BOFA UNRESTRICTED                 |         |                  | 49.00            |
| 101-1111-041                            | CASH BOFA UNRESTRICTED                 |         |                  | 2,144.00         |
| 101-1111-042                            | COR OASIS PAYROLL                      |         |                  | 47.00            |
| 212-1111-041                            | CASH BOFA UNRESTRICTED                 |         |                  | 47.00            |
| Total                                   |  |         | <u>4,287.00</u>  | <u>4,287.00</u>  |
| <b>Adjusting Journal Entries JE # 2</b> |  |         |                  |                  |
| 603                                     |  |         |                  |                  |
| PBC                                     |  |         |                  |                  |
| 101-1135-095                            | A/R - EDA-ADMIN                        |         | 2,123.00         |                  |
| 101-1135-095                            | A/R - EDA-ADMIN                        |         | 2,123.00         |                  |
| 101-1135-095                            | A/R - EDA-ADMIN                        |         | 2,232.00         |                  |
| 101-3404-120                            | GRANTS - EDA                           |         |                  | 2,123.00         |
| 101-3404-120                            | GRANTS - EDA                           |         |                  | 2,123.00         |
| 101-3404-120                            | GRANTS - EDA                           |         |                  | 2,232.00         |
| Total                                   |  |         | <u>6,478.00</u>  | <u>6,478.00</u>  |
| <b>Adjusting Journal Entries JE # 3</b> |  |         |                  |                  |
| 603                                     |  |         |                  |                  |
| PBC                                     |  |         |                  |                  |
| 101-1111-042                            | COR OASIS PAYROLL                      |         | 25,042.00        |                  |
| 300-1111-041                            | CASH BOFA UNRESTRICTED                 |         | 25,042.00        |                  |
| 300-4112-001                            | ADMIN SALARIES                         |         | 20,173.00        |                  |
| 300-4112-001                            | ADMIN PAYROLL BENEFITS                 |         | 4,869.00         |                  |
| 101-1111-041                            | CASH BOFA UNRESTRICTED                 |         |                  | 25,042.00        |
| 300-1111-045                            | County of Riverside HASA Projects (DD) |         |                  | 25,042.00        |
| 300-4110-001                            | ADMIN SALARIES                         |         |                  | 20,173.00        |
| 300-4112-001                            | ADMIN PAYROLL BENEFITS                 |         |                  | 4,869.00         |
| Total                                   |  |         | <u>75,126.00</u> | <u>75,126.00</u> |
| <b>Adjusting Journal Entries JE # 4</b> |  |         |                  |                  |
| 603                                     |  |         |                  |                  |
| PBC                                     |  |         |                  |                  |
| 101-1111-042                            | COR OASIS PAYROLL                      |         | 23,357.00        |                  |
| 300-1111-041                            | CASH BOFA UNRESTRICTED                 |         | 23,357.00        |                  |
| 300-4112-001                            | ADMIN SALARIES                         |         | 18,753.00        |                  |
| 300-4112-001                            | ADMIN PAYROLL BENEFITS                 |         | 4,588.00         |                  |
| 101-1111-041                            | CASH BOFA UNRESTRICTED                 |         |                  | 23,357.00        |
| 300-1111-045                            | County of Riverside HASA Projects (DD) |         |                  | 23,357.00        |
| 300-4110-001                            | ADMIN SALARIES                         |         |                  | 18,753.00        |
| 300-4112-001                            | ADMIN PAYROLL BENEFITS                 |         |                  | 4,588.00         |
| Total                                   |  |         | <u>70,071.00</u> | <u>70,071.00</u> |
| <b>Adjusting Journal Entries JE # 5</b> |  |         |                  |                  |
| 603                                     |  |         |                  |                  |
| PBC                                     |  |         |                  |                  |
| 101-4990-010                            | RIV COUNTY MGMT FEES                   |         | 4,614.00         |                  |
| 101-1111-042                            | COR OASIS PAYROLL                      |         |                  | 4,614.00         |
| Total                                   |  |         | <u>4,614.00</u>  | <u>4,614.00</u>  |
| <b>Adjusting Journal Entries JE # 6</b> |  |         |                  |                  |
| 603                                     |  |         |                  |                  |
| PBC                                     |  |         |                  |                  |
| 101-1111-042                            | COR OASIS PAYROLL                      |         | 93.00            |                  |
| 310-1111-045                            | County of Riverside HASA Projects (DD) |         | 992.00           |                  |
| 101-4130-010                            | COUNTY COUNSEL                         |         |                  | 93.00            |
| 310-4130-010                            | COUNTY COUNSEL                         |         |                  | 992.00           |
| Total                                   |  |         | <u>1,085.00</u>  | <u>1,085.00</u>  |
| <b>Adjusting Journal Entries JE # 7</b> |  |         |                  |                  |
| 603                                     |  |         |                  |                  |

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| PBC          |  |  |                 |                 |
| 101-4130-010 | COUNTY COUNSEL                         |  | 2,542.00        |                 |
| 310-1111-045 | County of Riverside HASA Projects (DD) |  | 155.00          |                 |
| 101-1111-042 | COR OASIS PAYROLL                      |  |                 | 2,542.00        |
| 310-4130-010 | COUNTY COUNSEL                         |  |                 | 155.00          |
| <b>Total</b> |  |  | <u>2,697.00</u> | <u>2,697.00</u> |

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| <b>Adjusting Journal Entries JE # 8</b> |  |  |                 |                 |
| PBC                                     |  |  |                 |                 |
| 101-4130-010                            | COUNTY COUNSEL                         |  | 2,511.00        |                 |
| 300-4130-010                            | COUNTY COUNSEL                         |  | 31.00           |                 |
| 310-4130-010                            | COUNTY COUNSEL                         |  | 6,541.00        |                 |
| 101-1111-042                            | COR OASIS PAYROLL                      |  |                 | 2,511.00        |
| 300-1111-045                            | County of Riverside HASA Projects (DD) |  |                 | 31.00           |
| 310-1111-045                            | County of Riverside HASA Projects (DD) |  |                 | 6,541.00        |
| <b>Total</b>                            |  |  | <u>9,083.00</u> | <u>9,083.00</u> |

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| <b>Adjusting Journal Entries JE # 9</b> |  |  |                 |                 |
| PBC                                     |  |  |                 |                 |
| 101-1111-042                            | COR OASIS PAYROLL                      |  | 1,922.00        |                 |
| 310-1111-045                            | County of Riverside HASA Projects (DD) |  | 4,573.00        |                 |
| 101-4130-010                            | COUNTY COUNSEL                         |  |                 | 1,922.00        |
| 310-4130-010                            | COUNTY COUNSEL                         |  |                 | 4,573.00        |
| <b>Total</b>                            |  |  | <u>6,495.00</u> | <u>6,495.00</u> |

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| <b>Adjusting Journal Entries JE # 10</b> |                        |  |                 |                 |
| PBC                                      |                        |  |                 |                 |
| 101-1111-041                             | CASH BOFA UNRESTRICTED |  | 3,893.00        |                 |
| 101-4110-007                             | EDA SALARIES           |  | 1,136.00        |                 |
| 101-4112-007                             | EDA - BENEFITS         |  | 393.00          |                 |
| 101-4130-010                             | COUNTY COUNSEL         |  | 149.00          |                 |
| 101-4130-010                             | COUNTY COUNSEL         |  | 1,294.00        |                 |
| 101-4130-010                             | COUNTY COUNSEL         |  | 248.00          |                 |
| 101-4130-010                             | COUNTY COUNSEL         |  | 233.00          |                 |
| 101-4140-000                             | TRAINING EXPENSE       |  | 25.00           |                 |
| 101-1111-041                             | CASH BOFA UNRESTRICTED |  |                 | 149.00          |
| 101-1111-041                             | CASH BOFA UNRESTRICTED |  |                 | 1,534.00        |
| 101-1111-041                             | CASH BOFA UNRESTRICTED |  |                 | 248.00          |
| 101-1111-041                             | CASH BOFA UNRESTRICTED |  |                 | 233.00          |
| 101-1111-041                             | CASH BOFA UNRESTRICTED |  |                 | 1,534.00        |
| 101-1111-041                             | CASH BOFA UNRESTRICTED |  |                 | 25.00           |
| 101-1111-042                             | COR OASIS PAYROLL      |  |                 | 3,683.00        |
| <b>Total</b>                             |                        |  | <u>7,367.00</u> | <u>7,367.00</u> |

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| <b>Adjusting Journal Entries JE # 11</b> |                      |  |                 |                 |
| PBC                                      |                      |  |                 |                 |
| 101-1111-042                             | COR OASIS PAYROLL    |  | 4,514.00        |                 |
| 101-4130-010                             | COUNTY COUNSEL       |  | 93.00           |                 |
| 101-4130-010                             | COUNTY COUNSEL       |  | 1,922.00        |                 |
| 101-4130-010                             | COUNTY COUNSEL       |  | 1,922.00        |                 |
| 101-1111-042                             | COR OASIS PAYROLL    |  |                 | 93.00           |
| 101-1111-042                             | COR OASIS PAYROLL    |  |                 | 1,922.00        |
| 101-1111-042                             | COR OASIS PAYROLL    |  |                 | 1,922.00        |
| 101-4030-010                             | RIV COUNTY MGMT FEES |  |                 | 4,514.00        |
| <b>Total</b>                             |                      |  | <u>8,351.00</u> | <u>8,351.00</u> |

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| <b>Adjusting Journal Entries JE # 12</b> |                        |  |                  |                  |
| PBC                                      |                        |  |                  |                  |
| 101-1250-010                             | A/R DUE FROM           |  | 6,299.00         |                  |
| 101-1111-041                             | CASH BOFA UNRESTRICTED |  | 6,299.00         |                  |
| 101-1111-041                             | CASH BOFA UNRESTRICTED |  |                  | 6,299.00         |
| 101-2195-000                             | A/R DUE TO             |  |                  | 6,299.00         |
| <b>Total</b>                             |                        |  | <u>12,598.00</u> | <u>12,598.00</u> |

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| <b>Adjusting Journal Entries JE # 13</b> |                         |  |       |       |
| PBC                                      |                         |  |       |       |
| 101-1111-041                             | CASH BOFA UNRESTRICTED  |  | 2.00  |       |
| 101-1111-041                             | CASH BOFA UNRESTRICTED  |  | 4.00  |       |
| 101-9110-000                             | INTERFUND TRANSFER OUT  |  | 28.00 |       |
| 101-3111-000                             | INTERFUND TRANSFER OUT  |  | 23.00 |       |
| 103-1135-018                             | A/R-DPSS (S+C)          |  | 2.00  |       |
| 103-9111-000                             | INTERFUND TRANSFER OUT  |  | 2.00  |       |
| 124-1111-041                             | CASH BOFA UNRESTRICTED  |  | 28.00 |       |
| 124-3404-081                             | GRANT6-DPSS (S+C) ADMIN |  | 28.00 |       |
| 125-1111-041                             | CASH BOFA UNRESTRICTED  |  | 23.00 |       |
| 125-3404-081                             | GRANT6-DPSS (S+C) ADMIN |  | 23.00 |       |
| 131-1135-018                             | A/R-DPSS (S+C)          |  | 4.00  |       |
| 131-9111-000                             | INTERFUND TRANSFER OUT  |  | 4.00  |       |
| 101-1111-041                             | CASH BOFA UNRESTRICTED  |  |       | 28.00 |
| 101-1111-041                             | CASH BOFA UNRESTRICTED  |  |       | 23.00 |
| 101-9110-000                             | INTERFUND TRANSFER IN   |  |       | 2.00  |
| 101-9110-000                             | INTERFUND TRANSFER IN   |  |       | 4.00  |

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| 123-1111-041   | CASH BOFA UNRESTRICTED                 |                     | 2.00                |  |
| 123-3404-091   | GRANTS-DPSS (S+C) ADMIN.               |                     | 2.00                |  |
| 124-1135-018   | AVR-DPSS (S+C)                         |                     | 29.00               |  |
| 124-0119-000   | Interfund Transfer In                  |                     | 28.00               |  |
| 125-1135-018   | AVR-DPSS (S+C)                         |                     | 23.00               |  |
| 125-0113-000   | Interfund Transfer In                  |                     | 23.00               |  |
| 131-1111-041   | CASH BOFA UNRESTRICTED                 |                     | 4.00                |  |
| 131-3404-091   | GRANTS-DPSS (S+C) ADMIN.               |                     | 4.00                |  |
| <b>Total</b>   |  | <b>171.00</b>       | <b>171.00</b>       |  |
| <b>Adjusting Journal Entries JE # 14</b>                                     |  |                     |                     |  |
| PDC  |  |                     |                     |  |
| 310-4150-090   | MEMBERSHIP/SUBSCRIPTIONS               | 4,614.00            |                     |  |
| 310-1111-045   | County of Riverside HASA Projects (DD) |                     | 4,614.00            |  |
| <b>Total</b>   |  | <b>4,614.00</b>     | <b>4,614.00</b>     |  |
| <b>Adjusting Journal Entries JE # 15</b>                                     |  |                     |                     |  |
| PBC  |  |                     |                     |  |
| 301-1122-000   | Long-Term Receivables - HASA           | 13,590.00           |                     |  |
| 301-3500-019   | COACHELLA LOANS-INTEREST               |                     | 13,590.00           |  |
| <b>Total</b>   |  | <b>13,590.00</b>    | <b>13,590.00</b>    |  |
| <b>Adjusting Journal Entries JE # 18</b>                                     |  |                     |                     |  |
| PBC  |  |                     |                     |  |
| 301-3500-010   | Contribution from Non-County Agencies  | 360,135.00          |                     |  |
| 301-3500-019   | COACHELLA LOANS-INTEREST               |                     | 360,135.00          |  |
| <b>Total</b>   |  | <b>360,135.00</b>   | <b>360,135.00</b>   |  |
| <b>Adjusting Journal Entries JE # 18</b>                                     |  |                     |                     |  |
| PBC  |  |                     |                     |  |
| 101-1111-043   | OASIS PIR-CONTRA CASH                  | 2,767.00            |                     |  |
| 310-1111-043   | CONTRA CASH                            | 50,719.00           |                     |  |
| 131-3431-000   | Investment Income-Oasis                |                     | 2,767.00            |  |
| 310-3431-000   | INVESTMENT REVENUE - RESTRICTED        |                     | 50,719.00           |  |
| <b>Total</b>   |  | <b>53,486.00</b>    | <b>53,486.00</b>    |  |
| <b>Adjusting Journal Entries JE # 19</b>                                     |  |                     |                     |  |
| To correct minor rounding issues   |  |                     |                     |  |
| 802-4190-140   | MISCELLANEOUS                          | 774.00              |                     |  |
| 804-4190-140   | MISCELLANEOUS                          | 1,227.00            |                     |  |
| 810-4190-140   | MISCELLANEOUS                          | 407.00              |                     |  |
| 802-4190-992   | BOOKKEEPING FEE                        |                     | 285.00              |  |
| 802-4190-994   | SECTION 8 MANAGEMENT FEE               |                     | 489.00              |  |
| 804-4190-992   | BOOKKEEPING FEE                        |                     | 495.00              |  |
| 804-4190-994   | SECTION 8 MANAGEMENT FEE               |                     | 772.00              |  |
| 810-4190-992   | BOOKKEEPING FEE                        |                     | 150.00              |  |
| 810-4190-994   | SECTION 8 MANAGEMENT FEE               |                     | 257.00              |  |
| <b>Total</b>   |  | <b>2,408.00</b>     | <b>2,408.00</b>     |  |
| <b>Adjusting Journal Entries JE # 100</b>                                    |  |                     |                     |  |
| To correct beginning equity  |  |                     |                     |  |
| 101-3630-000   | OTHER SUNDRY REVENUE                   | 1.00                |                     |  |
| 211-2808-000   | RETAINED EARNINGS                      | 2.00                |                     |  |
| 251-3401-030   | MODERNIZATION GRANT                    | 1.00                |                     |  |
| 101-2806-000   | RETAINED EARNINGS                      |                     | 1.00                |  |
| 211-3630-000   | OTHER INCOME                           |                     | 2.00                |  |
| 251-2808-000   | RETAINED EARNINGS                      |                     | 1.00                |  |
| <b>Total</b>   |  | <b>4.00</b>         | <b>4.00</b>         |  |
| <b>Adjusting Journal Entries JE # 101</b>                                    |  |                     |                     |  |
| To correct ESGTBRA grant revenue and transfers                               |  |                     |                     |  |
| 126-5111-000   | Interfund Transfer Out                 | 33,365.00           |                     |  |
| 102-3424-120   | Grants-EDA/EGG                         | 33,365.00           |                     |  |
| 126-3424-040   | GRANTS-RIVERSIDE CITY                  |                     | 33,365.00           |  |
| 102-9110-000   | INTERFUND TRANSFER IN                  |                     | 33,365.00           |  |
| <b>Total</b>   |  | <b>66,730.00</b>    | <b>66,730.00</b>    |  |
| <b>Adjusting Journal Entries JE # 102</b>                                    |  |                     |                     |  |
| To correct HASA loan beginning balance and write off amount as uncollectible |  |                     |                     |  |
| 310-1122-030   | Long-Term Receivables - HASA           | 438,868.00          |                     |  |
| 310-4571-000   | Notes Receivable Write Off             | 438,869.00          |                     |  |
| 310-1122-030   | Long-Term Receivables - HASA           |                     | 438,868.00          |  |
| 310-3500-001   | Coahoma                                |                     | 438,868.00          |  |
| <b>Total</b>   |  | <b>877,736.00</b>   | <b>877,736.00</b>   |  |
| <b>Adjusting Journal Entries JE # 104</b>                                    |  |                     |                     |  |
| To record Coahoma Notes receivable in total                                  |  |                     |                     |  |
| 301-1122-030   | Long-Term Receivables - HASA           | 6,178,381.00        |                     |  |
| 301-3500-010   | Contribution from Non-County Agencies  |                     | 6,178,381.00        |  |
| <b>Total</b>   |  | <b>6,178,381.00</b> | <b>6,178,381.00</b> |  |
| <b>Adjusting Journal Entries JE # 105</b>                                    |  |                     |                     |  |
| J010   |  |                     |                     |  |



|  |                              |                      |                      |
|--|------------------------------|----------------------|----------------------|
| To write off bankrupt notes and record land received |                              |                      |                      |
| 301-1400-000   | Land                         | 4,430,621.00         |                      |
| 301-4571-000   | Bad debt wrt-off             | 1,745,760.00         |                      |
| 301-1122-030   | Long-Term Receivables - HASA |                      | 6,176,381.00         |
| <b>Total</b>   |                              | <u>6,176,381.00</u>  | <u>6,176,381.00</u>  |
| <b>Total Adjusting Journal Entries</b>               |                              | <u>13,940,088.00</u> | <u>13,940,088.00</u> |

|   |               |             |             |
|---|---------------|-------------|-------------|
| <b>Reclassifying Journal Entries</b>                  |               |             |             |
| <b>Reclassifying Journal Entries JE # 201</b>         |               | 68005       |             |
| To reclassify due to rounding for reporting purposes. |               |             |             |
| 212-4130-140  | MISCELLANEOUS | 2.00        |             |
| 212-1205-010  | AVR DUE FROM  |             | 2.00        |
| <b>Total</b>  |               | <u>2.00</u> | <u>2.00</u> |

|   |                        |              |              |
|---|------------------------|--------------|--------------|
| <b>Reclassifying Journal Entries JE # 202</b> |                        | SI FS lab    |              |
| to be rounding at fund level report           |                        |              |              |
| 111-4110-001                                  | ADMIN SALARIES         | 1.00         |              |
| 120-4110-001                                  | ADMIN SALARIES         | 1.00         |              |
| 127-2806-000                                  | RETAINED EARNINGS      | 1.00         |              |
| 150-2806-000                                  | RETAINED EARNINGS      | 1.00         |              |
| 211-4110-001                                  | ADMIN SALARIES         | 1.00         |              |
| 212-2806-000                                  | RETAINED EARNINGS      | 1.00         |              |
| 213-4110-001                                  | ADMIN SALARIES         | 2.00         |              |
| 214-4110-001                                  | ADMIN SALARIES         | 1.00         |              |
| 221-2806-000                                  | RETAINED EARNINGS      | 1.00         |              |
| 222-4110-001                                  | ADMIN SALARIES         | 1.00         |              |
| 225-4110-001                                  | ADMIN SALARIES         | 2.00         |              |
| 231-2806-000                                  | RETAINED EARNINGS      | 2.00         |              |
| 232-2806-000                                  | RETAINED EARNINGS      | 2.00         |              |
| 233-2806-000                                  | RETAINED EARNINGS      | 2.00         |              |
| 249-4110-001                                  | ADMIN SALARIES         | 1.00         |              |
| 251-2806-000                                  | RETAINED EARNINGS      | 1.00         |              |
| 300-2806-000                                  | RETAINED EARNINGS      | 2.00         |              |
| 310-4112-001                                  | ADMIN PAYROLL BENEFITS | 2.00         |              |
| 111-2806-000                                  | RETAINED EARNINGS      |              | 1.00         |
| 120-2806-000                                  | RETAINED EARNINGS      |              | 1.00         |
| 127-4110-001                                  | ADMIN SALARIES         |              | 1.00         |
| 150-4110-003                                  | MAINTENANCE SALARIES   |              | 1.00         |
| 211-2806-000                                  | RETAINED EARNINGS      |              | 1.00         |
| 212-4110-001                                  | ADMIN SALARIES         |              | 1.00         |
| 213-2806-000                                  | RETAINED EARNINGS      |              | 2.00         |
| 214-2806-000                                  | RETAINED EARNINGS      |              | 1.00         |
| 221-4110-001                                  | ADMIN SALARIES         |              | 1.00         |
| 222-2806-000                                  | RETAINED EARNINGS      |              | 1.00         |
| 225-2806-000                                  | RETAINED EARNINGS      |              | 2.00         |
| 231-4110-001                                  | ADMIN SALARIES         |              | 2.00         |
| 232-4110-001                                  | ADMIN SALARIES         |              | 2.00         |
| 233-4110-001                                  | ADMIN SALARIES         |              | 2.00         |
| 249-2806-000                                  | RETAINED EARNINGS      |              | 1.00         |
| 251-4110-001                                  | SALARIES - ADMIN       |              | 1.00         |
| 300-4112-001                                  | ADMIN PAYROLL BENEFITS |              | 2.00         |
| 310-2806-000                                  | RETAINED EARNINGS      |              | 2.00         |
| 223-2806-000                                  | RETAINED EARNINGS      |              |              |
| 223-4110-001                                  | ADMIN SALARIES         |              |              |
| <b>Total</b>                                  |                        | <u>25.00</u> | <u>25.00</u> |

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|--|---------------------------------------|------------|-----------|
| <b>Reclassifying Journal Entries JE # 203</b>  |                                       | 601        |           |
| To identify and eliminate expenses allocated to other funds that the Admin Building was reimbursed for |                                       |            |           |
| 111-4193-020   | RENT EXPENSE REIMB                    | 330,446.00 |           |
| 111-3454-201   | Grant Revenue - Facilities Management |            | 1,691.00  |
| 111-4110-001   | ADMIN SALARIES                        |            | 33,780.00 |
| 111-4110-006   | TEMP CONTRACT                         |            | 1,222.00  |
| 111-4112-001   | PAYROLL BENEFITS                      |            | 3,304.00  |
| 111-4130-010   | COUNTY COUNSEL                        |            | 171.00    |
| 111-4140-000   | TRAINING EXPENSE                      |            | 20,626.00 |
| 111-4193-020   | COMMUNICATION EXPENSE                 |            | 24,319.00 |
| 111-4193-041   | COUNTY COMPUTER SVC                   |            | 1,819.00  |
| 111-4190-100   | OFFICE SUPPLIES                       |            | 17,779.00 |
| 111-4190-110   | PAYROLL PROCESSING FEES               |            | 366.00    |
| 111-4190-140   | MISCELLANEOUS                         |            | 5,714.00  |
| 111-4190-150   | EXPENDABLE EQUIPMENT                  |            | 1,170.00  |
| 111-4190-160   | HUMAN RESOURCES SERVICES              |            | 938.00    |
| 111-4310-000   | WATER EXPENSE                         |            | 6,474.00  |
| 111-4320-000   | ELECTRICITY EXPENSE                   |            | 49,109.00 |
| 111-4330-000   | GAS EXPENSE                           |            | 381.00    |
| 111-4390-000   | SEWER EXPENSE                         |            | 2,403.00  |
| 111-4420-020   | GROUPS MATERIALS                      |            | 155.00    |
| 111-4420-030   | EQUIPMENT MATERIALS                   |            | 639.00    |
| 111-4430-010   | BUILDING SERVICES                     |            | 5,570.00  |
| 111-4430-040   | CONTRACTS-ELEVATOR                    |            | 1,104.00  |
| 111-4430-050   | CONTRACTS-LANDSCAPE                   |            | 6,789.00  |

|   |                             |                      |                   |                      |
|---|-----------------------------|----------------------|-------------------|----------------------|
| 111-4430-050  | CONTRACTS-EXTERMINATION     |                      | 269 00            |                      |
| 111-4430-100  | CONTRACT-JANITORIAL         |                      | 48 754 00         |                      |
| 111-4430-120  | CONTRACTS-MISC              |                      | 70 883 00         |                      |
| 111-4431-000  | GARBAGE REMOVAL             |                      | 1 365 00          |                      |
| 111-4518-050  | INSURANCE EXPENSE           |                      | 9 821 00          |                      |
| 111-4518-000  | INSURANCE EXPENSE LIAB      |                      | 8 065 00          |                      |
| 111-4520-000  | OTHER GENERAL EXPENSE       |                      | 254 00            |                      |
| <b>Total</b>  |                             | <u>330,446.00</u>    | <u>330,446.00</u> |                      |
| <br>  |                             |                      |                   |                      |
| Reclassifying Journal Entries JE # 204                                      |                             | FDS                  |                   |                      |
| To reclassify credit balance compensated expense for FDS reporting purposes |                             |                      |                   |                      |
| 101-4120-000  | COMPENSATED ABSENCES EXP    |                      | 28 070 00         |                      |
| 101-4110-001  | ADMIN SALARIES              |                      |                   | 28 070 00            |
| <b>Total</b>  |                             | <u>28,070.00</u>     |                   | <u>28,070.00</u>     |
| <br>  |                             |                      |                   |                      |
| Reclassifying Journal Entries JE # 205                                      |                             |                      |                   |                      |
| To reclass property for sale  |                             |                      |                   |                      |
| 301-1401-050  | AFS Property                | 12 000 00            |                   |                      |
| 301-2006-000  | RETAINED EARNINGS           | 12 000 00            |                   |                      |
| 301-1400-050  | Land                        |                      | 12 000 00         |                      |
| 301-2801-000  | Equity in Cap Assets        |                      | 12 000 00         |                      |
| <b>Total</b>  |                             | <u>24,000.00</u>     |                   | <u>24,000.00</u>     |
| <br>  |                             |                      |                   |                      |
| Reclassifying Journal Entries JE # 206                                      |                             | 605.206              |                   |                      |
| To recess HCV restricted cash per Sharon Email on 8/27/14                   |                             |                      |                   |                      |
| 801-1111-051  | CASH BOFA RESTRICTED        | 1 469 423 00         |                   |                      |
| 801-1111-041  | CASH BOFA UNRESTRICTED      |                      |                   | 1 469 423 00         |
| <b>Total</b>  |                             | <u>1,469,423.00</u>  |                   | <u>1,469,423.00</u>  |
| <br>  |                             |                      |                   |                      |
| Reclassifying Journal Entries JE # 207                                      |                             | See 601 207          |                   |                      |
| Per Mindy minor rounding issue to correct balances                          |                             |                      |                   |                      |
| 223-4430-120  | CONTRACTS-MISC              |                      | 1 00              |                      |
| 253-4430-120  | CONTRACTS - MISC            |                      | 1 00              |                      |
| 223-2896-000  | RETAINED EARNINGS           |                      |                   | 1 00                 |
| 253-1459-000  | SOFT FWARD COST CONTRA      |                      |                   | 1 00                 |
| <b>Total</b>  |                             | <u>2.00</u>          |                   | <u>2.00</u>          |
| <br>  |                             |                      |                   |                      |
| Reclassifying Journal Entries JE # 208                                      |                             | 001.208              |                   |                      |
| To split out hard vs soft revenue from CFP programs                         |                             |                      |                   |                      |
| 251-3401-930  | MODERNIZATION GRANT         | 75 879 00            |                   |                      |
| 252-3401-030  | MODERNIZATION GRANT         | 129 981 00           |                   |                      |
| 251-3401-730  | CFP soft cost grant revenue |                      | 75 879 00         |                      |
| 252-3401-730  | CFP soft cost grant revenue |                      | 129 981 00        |                      |
| <b>Total</b>  |                             | <u>205,860.00</u>    |                   | <u>205,860.00</u>    |
| <br>  |                             |                      |                   |                      |
| <b>Total Reclassifying Journal Entries</b>                                  |                             | <u>2,057,828.00</u>  |                   | <u>2,057,828.00</u>  |
| <br>  |                             |                      |                   |                      |
| <b>Total All Journal Entries</b>  |                             | <u>15,987,916.00</u> |                   | <u>15,987,916.00</u> |