SM&Co

Smith Marion & Company, LLP · Certified Public Accountants
Grand Terrace Office · 22365 Barton Road, Suite 108 · Grand Terrace, CA 92313 · (909) 825-6600

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, 2015, 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 Sates 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, 2015, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, and schedule of pension contributions as list in the table of contents 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, 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.

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 2015, which started July 1, 2014 and ended June 30, 2015.

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 $166.4 million; deferred outflow of resources of $1.1 million; liabilities of $19.7 million; deferred inflow of resources of $2.1 million; and net position of $145.7 million, which consisted of $8.4 million invested in land, buildings and equipment; $1.1 million in restricted assets; and $136.2 million in unrestricted assets.

The ending net position of $145.7 million represents a decrease in assets of $20.9 million from the prior fiscal year, which resulted from operating revenues of $86.8 million, operating expenses of $90.9 million, loss from non-operating revenues of $.7 million, and prior period adjustments of $16.1 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. In Fiscal Year 2015, a portion of the largest parcels of land known as North Hemet was sold. 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 iii.

Management Discussion and Analysis (continued)

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 programs, but has combined all of these various programs into three major programs for financial reporting purposes. These three major programs 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 3-5 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 6-30 of this report.

Management Discussion and Analysis (continued)

PRESENTATION OF CONDENSED FINANCIAL INFORMATION WITH ANALYSIS OF OVERALL FINANCIAL POSITION

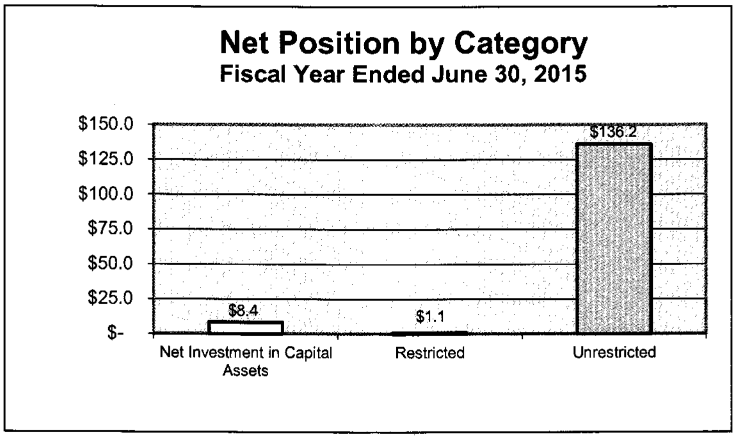
Statement of Net Position

Financial statements, presented as follows, are shown in a condensed format to compare amounts from the current fiscal year (2015) to amounts from the prior fiscal year (2014). 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

	2015	2014
ASSETS		
Current Assets:		
Cash	$ 25,858,739	$ 48,650,416
Accounts Receivable	45,454	154,608
Due From Other Governments	1,338,374	2,351,734
Land Held For Sale	38,825,401	34,379,805
Restricted Investments	206,569	202,187
Total Current Assets	66,274,537	85,738,750
Long-Term Receivables:	84,968,103	73,981,402
Capital Assets:		
Land, Structures, and Equipment	50,061,784	51,910,399
Less Accumulated Depreciation	(34,895,762)	(33,535,233)
Capital Assets, net	15,166,022	18,375,166
Total Assets	**166,408,662**	**178,095,318**
Total Deferred Outflows of Resources	**1,123,605**	**277,751**
LIABILITIES		
Current Liabilities:		
Accounts Payable	59,890	8,872
Other Liabilities	1,747,288	888,911
Accrued Interest Payable	4,167	5,052
Tenants Security Deposits	223,510	204,918
Bonds Payable - Current Portion	165,000	155,000
Total Current Liabilities	2,199,855	1,262,753
Noncurrent Liabilities:		
Other Liabilities	8,616,638	2,223,256
Notes Payable	8,322,295	6,795,110
Bonds Payable	565,000	730,000
Total Noncurrent Liabilities	17,503,933	9,748,366
Total Liabilities	**19,703,788**	**11,011,119**
Total Deferred Inflows of Resources	**2,113,305**	**721,636**
NET POSITION		
Net Investment In Capital Assets	8,370,913	7,173,434
Restricted	1,100,506	23,067,892
Unrestricted	136,243,755	136,398,988
Total Net Position	**$ 145,715,174**	**$ 166,640,314**

Management Discussion and Analysis (continued)



(in thousands)

As previously illustrated by the Statement of Net Position, the Housing Authority ended the fiscal year of operations with assets of $166.4 million; deferred outflow of resources of $1.1 million; liabilities of $19.7 million; and deferred inflow of resources of $2.1 million resulting in a net position of $145.7 million. This net position consisted of $8.4 million (6%) net investment in capital assets such as land, buildings and equipment, net of related debt; $1.1 million (1%) in restricted assets; and $136.2 million (93%) in unrestricted assets.

The ending net position of $145.7 million represents a decrease in net position of $20.9 million from the prior fiscal year's ending net position of $166.6 million.

Total net investment in capital assets ($8.4 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 ($1.1 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 ($136.2 million) while designated as not having legal or program restrictions include $38.8 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 $85 million of Notes Receivables that are deferred for as long as 20-50 years or converted into grants pending completion of project developments. Therefore, $51.2 million (38%) of unrestricted net position is available as working capital for working capital in day-to-day operations.

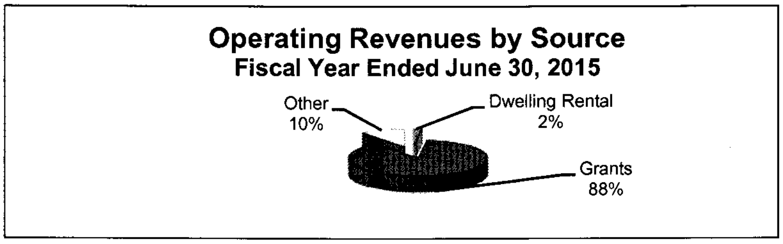
Management Discussion and Analysis (continued)

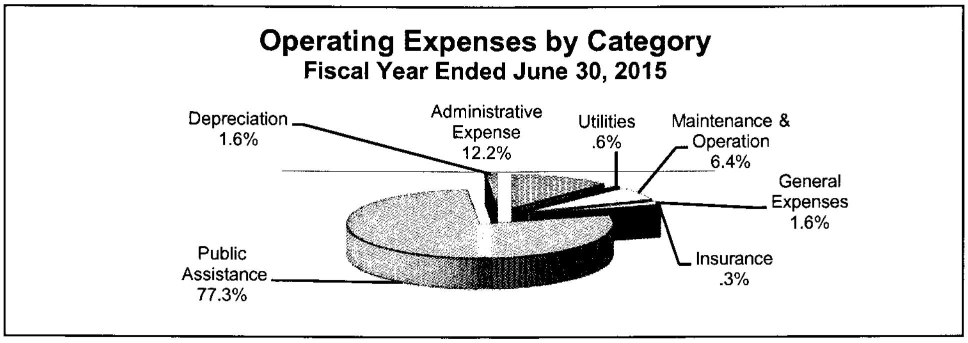
Statement of Revenues, Expenses and Changes in Fund Net Position

Financial statements, presented as follows, are shown in a condensed format to compare amounts from the current fiscal year (2015) to amounts from the prior fiscal year (2014). 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

	2015	2014
Operating Revenues:		
Dwelling Rental	$ 1,674,575	$ 1,703,837
Grants	76,044,314	78,810,385
Other	9,052,825	4,100,820
Total Operating Revenues	**86,771,714**	**84,615,042**
Operating Expenses:		
Administrative Expense	11,170,816	10,852,207
Utilities	523,927	565,007
Maintenance & Operation	5,796,742	11,054,033
General Expenses	1,492,806	1,401,189
Insurance	257,673	244,088
Public Assistance	70,314,976	69,706,232
Depreciation	1,412,562	1,425,429
Total Operating Expenses	**90,969,502**	**95,248,185**
Operating Income (Loss)	**(4,197,788)**	**(10,633,143)**
Nonoperating Revenues (Expenses)		
Investment Income	338,440	561,895
Interest On Notes And Bonds	(123,866)	(134,198)
Extraordinary Item, Net Gain	(905,096)	6,699,620
Total Nonoperating Revenue (Expenses)	(690,522)	7,127,317
Capital Contribution	88,504	474,860
Change In Net Position	(4,799,806)	(3,030,966)
Net Position-Beginning	166,640,314	169,671,280
Adjustment To Net Position	(16,125,334)	
Restated Net Position - Beginning	150,514,980	169,671,280
Net Position - Ending	**$ 145,715,174**	**$ 166,640,314**





Management Discussion and Analysis (continued)

As shown by the Statement of Revenues, Expenses and Changes in Fund Net Position, the Housing Authority's net position decreased by $20.9 million from the prior fiscal year, which is attributed to the following:

- Reduction in Grants Revenue due to unexpended funds for the Capital Fund Program; decrease in Administrative Fees for the Housing Voucher Program; and the delay in receiving reimbursement funds from the City of Riverside for the HOPWA Program.

- Prior period adjustments due to the new disclosure and reporting information required under Governmental Accounting Standards Board Statement 68. This Statement required public employers to record net pension liability, pension expense, and deferred outflows/inflows of resources in their financial statements as part of their financial position.

- Prior period adjustments were also done to align the loans receivables and revenues with actual contract and commitment information outlined in the original loan agreements. Adjustments were done to record additional interest receivable; eliminate pre-development loans replaced by subordinate loans; and update unrecorded loans and payments.

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.

Management Discussion and Analysis (continued)

Comparison of Actual Operating Results and Final Budget

Overall, the actual operating expenses of $91 million (including depreciation of $1.4 million not required to be budgeted) were lower than the final budgeted expenses of $98 million by about 7%.

Housing Authority of the County of Riverside
Actuals vs. Budget
For the Year Ended June 30, 2015

	Actuals	Final Budget
Operating Revenues:		
Dwelling Rental	$ 1,674,575	$ 1,324,512
Grants	76,044,314	83,939,572
Other	9,052,825	13,478,300
Total Operating Revenues	**86,771,714**	**98,742,384**
Operating Expenses:		
Administrative Expense	11,170,816	13,639,034
Utilities	523,927	623,553
Maintenance & Operation	5,796,742	12,034,490
General Expenses	1,492,806	132,906
Insurance	257,673	265,047
Public Assistance	70,314,976	71,982,354
Asset Purchase	-	65,000
Depreciation	1,412,562	-
Total Operating Expenses	**90,969,502**	**98,742,384**
Operating Income (Loss)	**(4,197,788)**	-
Nonoperating Revenues (Expenses)		
Investment Income	338,440	
Interest On Notes And Bonds	(123,866)	-
Extraordinary Item, Net Gain	(905,096)	
Total Nonoperating Revenue (Expenses)	**(690,522)**	-
Capital Contribution	88,504	
Change In Net Position	**$ (4,799,806)**	**$ -**

Significant differences between Actuals and Final Budget resulted from the following:

- Budgeted Grant funding was not realized due to the unforeseen 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.
- Administrative Expense included a budget for management fees, which were eliminated by HUD's direction in the actual financial presentation of consolidated expenses.
- Public Assistance funds encumbered for the Emergency Solutions Grant were re-directed to the next fiscal year.
- Depreciation expense was included in the Actuals, but excluded from the Final Budget.
- Extraordinary Loss materialized from adjustments on loan balances of the Housing Successor Agency.

Management Discussion and Analysis (continued)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets
Overall, at June 30, 2015, the Housing Authority's investment in capital assets, consisting of land, buildings, furniture, and equipment is reported at its net value of $15.2 million, which is the acquisition cost of $50 million less accumulated depreciation of $34.8 million. This year, changes in capital assets were due to the improvements to Public Housing sites through the Capital Fund program; transfer of mobile home to the non-profit arm of the Housing Authority; disposal of old vehicles; and purchase of software.

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 15, 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 $730 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 21-22, Notes 6 & 7).

CURRENTLY KNOWN FACTS: ECONOMIC FACTORS

The Appropriations Act for the Calendar Year 2015 Operating Fund stated a funding formula of about 83%. This poses a challenge for the Housing Authority's sustainability in operating its 469 public housing sites; and is exacerbated by the shortage of Capital Fund to address the physical and green conservation needs of all the properties. To attain better revenue streams for its public housing sites, the Housing Authority is working on completing a Financial Plan to submit to HUD in consideration for the Rental Demonstration Program that offers a conversion of operating subsidy to a Section 8 project-based platform.

Congressional Appropriations were finalized, which placed the federal expenditure budget for Federal Fiscal Year 2015 at $1 trillion. While the Section 8 funding for Housing Assistance Payments remains at 100%, the administrative revenue continues to be at a low 79% - 82% for the year.

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, 2015

ASSETS	
Current Assets	
Cash & cash equivalents	
Unrestricted	$ 8,429,000
Restricted	17,429,739
Subtotal	25,858,739
Accounts receivable (net)	40,000
Due from other governments	1,338,374
Accrued interest receivable	-
Notes receivable - current portion	5,454
Restricted investments	206,569
Land held for sale	38,825,401
Total Current Assets	66,274,537
Noncurrent Assets	
Notes receivable	84,968,103
Capital assets (net)	15,166,022
Total Noncurrent Assets	100,134,125
TOTAL ASSETS	**166,408,662**
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**1,123,605**
LIABILITIES	
Current Liabilities	
Accounts payable	59,890
Unearned revenue	644,996
Other liabilities	939,966
Tenants security deposits	223,510
Compensated absences - current portion	162,326
Accrued interest payable	4,167
Bonds payable-current portion	165,000
Total Current Liabilities	2,199,855
Noncurrent Liabilities	
Compensated absences	1,460,947
Other liabilities	889,841
Net pension liability	6,265,850
Bonds payable	565,000
Notes payable	8,322,295
Total Noncurrent Liabilities	17,503,933
TOTAL LIABILITIES	**19,703,788**
TOTAL DEFERRED INFLOWS OF RESOURCES	**2,113,305**
NET POSITION	
Net investment in capital assets	8,370,913
Restricted	1,100,506
Unrestricted	136,243,755
TOTAL NET POSITION	**$ 145,715,174**

See notes to financial statements

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, 2015

REVENUES	
Operating Revenues	
Dwelling rental (net)	$ 1,674,575
Grants	76,044,314
Other revenue	9,052,825
Total Operating Revenues	86,771,714
EXPENSES	
Operating Expenses	
Administrative	11,170,816
Utilities	523,927
Maintenance & operation	5,796,742
General expenses	1,492,806
Insurance	257,673
Housing assistance payments	70,314,976
Depreciation	1,412,562
Total Operating Expenses	90,969,502
Operating Income (Loss)	**(4,197,788)**
Nonoperating Revenues (Expenses)	
Investment income	338,440
Interest expense on notes & bonds	(123,866)
Extraordinary items, net gain (loss)	(905,096)
Total Nonoperating Revenues (Expenses)	(690,522)
Other Financing Sources (Uses)	
Capital contributions	88,504
Total Other Financing Sources (Uses)	88,504
Change in Net Position	**(4,799,806)**
Net Position - beginning	166,640,314
Adjustment to beginning net position	(16,125,334)
Net Position - ending	**$ 145,715,174**

HOUSING AUTHORITY OF THE COUNTY OF RIVERSIDE
Proprietary (Enterprise) Fund Type

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$	1,766,166
Receipts from grants		76,981,034
Payments to suppliers		(10,672,275)
Payments to and for the benefit of employees		(9,162,486)
Payments for housing assistance		(70,314,976)
Other receipts and payments		9,052,825
Net Cash Provided (Used) By Operating Activities		(2,349,712)
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES		
Outflow of cash related to reclaimed RDA funds (See Note 15)		(16,397,591)
Net Cash Provided (Used) By Non-Capital and Related Financing Activities		(16,397,591)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets (net of soft costs) and assets held for sale		(4,766,411)
Proceeds from sale of capital assets and assets held for sale		2,117,397
Proceeds from capital contribution grant		88,504
Principal paid on debt		(165,000)
Interest paid on debt		(122,576)
Net Cash Provided (Used) By Capital and Related Financing Activities		(2,848,086)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of restricted investments		(4,382)
Inflows from the issuance of debt		1,527,185
Proceeds from collections of notes receivable		(3,057,531)
Investment income		338,440
Net Cash Provided (Used) By Investing Activities		(1,196,288)
Net Increase (Decrease) In Cash		(22,791,677)
CASH AND CASH EQUIVALENTS - Beginning of Year		48,650,416
CASH AND CASH EQUIVALENTS - Ending of Year	$	25,858,739

Reconciliation of Operating Income (Loss) to Net Cash Provided

(Used) by Operating Activities

Operating Income (Loss)	$	(4,197,788)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation		1,412,562
Changes in assets, liabilities, and deferred inflows of resources:		
(Increase) decrease accounts receivable		110,183
(Increase) decrease due from other governments		1,013,360
(Increase) decrease deferred outflows of resources		(984,730)
Increase (decrease) accounts payable		7,023
Increase (decrease) other liabilities		213,418
Other		76,260
Total Adjustments		1,848,076
Net cash used by operating activities	$	(2,349,712)

Noncash Activities		
Long term notes receivable as sucessory agency	$	(3,057,531)
Total noncash activities	$	(3,057,531)

See notes to financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The financial statements of Housing Authority of the County of Riverside (the "Authority") have been prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The Authority has previously implemented GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis-for State and Local Governments.* Certain significant changes in the statements are as follows: The financial statements will include a Management's Discussion and Analysis (MD&A) section providing an analysis of the Authority's overall financial position and results of operations.

Housing Authority of the County of Riverside is a special-purpose government engaged only in business-type activities and, therefore, presents only the financial statements required for proprietary (enterprise funds), in accordance with GASB Statement 34, paragraph 138 and GASB 63. For these governments, basic financial statements and required supplemental information consist of:

- Management Discussion and Analysis (MD&A)
- Enterprise fund financial statements consisting of:
  - Statement of Net Position
  - Statement of Revenues, Expenses & Changes in Net Position
  - Statement of Cash Flows
- Notes to Financial Statements
- Required supplemental information other than MD&A

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) has direct responsibility for administering low income housing programs in the United States. Accordingly, HUD has contracted with the Authority to administer certain HUD funds.

A. Reporting Entity

GASB established criteria for determining the governmental reporting entitys status as either a primary government or component unit of a primary government. Under provisions of this statement, Housing Authority of the County of Riverside is considered a component unit of the County of Riverside (the "County"), although it is a legally separate special-purpose government, it does not have a separately elected governing body from that of the County and is not fiscally independent of other state and local governments. Fiscally independent means that the Authority may, without the approval or consent of another governmental entity, determine or modify its own budget, control collection and disbursements of funds, maintain responsibility for funding deficits and operating deficiencies, and issue bonded debt.

The main programs of the Authority are as follows:

a. *Housing Choice Vouchers Program-* Designed to aid very low-income families in obtaining decent, safe, and sanitary rental housing. The Authority administers contracts with independent land-lords that own property and rent that property to families that have applied for housing assistance through the Authority. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of household income. (9,142 vouchers)

b. *Low Rent Public Housing Program* – Under the Conventional Public Housing Program, Crossville Housing Authority operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides and operating subsidy to enable the Authority to provide the housing at a rent that is based upon 30% of household income. (469 units)

c. *Other Authority Programs* – The Authority operates several other programs that assist or enhance the above programs. (94 units)

GASB Statement No. 61 establish criteria for determining which, if any, component units should be considered part of Housing Authority of the County of Riverside for financial reporting purposes. The basic criteria for including a potential component unit organization within the Authority's reporting entity includes whether:

- The organization is legally separate (can be sued in their own name)
- The Housing Authority holds the corporate powers of the organization
- The Housing Authority appoints a voting majority of the organization's board
- The Housing Authority is able to impose its will on the organization
- The organization has the potential to impose a financial burden/benefit on the Housing Authority
- There is a fiscal dependency by the organization on the Housing Authority

Based on the aforementioned criteria, and the control and relationship between Housing Authority of the County of Riverside and the component units, the Authority has determined that the following entities are considered blended component units of Housing Authority of the County of Riverside and are required to be blended within the Authority's financial statements:

Riverside Community Housing Corporation- The Corporation is a 501(c) (3) tax exempt not for profit corporation, organized to assist low and moderate income families with housing needs. This assistance may include but not be limited to development housing for rental or home ownership, providing assistance with homeownership through down payment assistance grants and owner occupied housing rehabilitation grants or loans. This entity is considered to be a blended component unit. There are separately issued audited financial statements which can be obtained from the Authority staff at the Authority's office.

B. Basic Financial Statements/Funds

All activities of Housing Authority of the County of Riverside are reported in proprietary fund types. The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is secured by the Authority's capital assets and by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

In the Statement of Net Position, equity is classified as net position and displayed in three components:

a) Net Investment in capital assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of any notes or other borrowings attributable to those capital assets.

b) Restricted net position – Consists of net assets with constraints placed on the use either by external groups, such as grantors or laws and regulations of other governments, or law through constitutional provisions or enabling legislation.
c) Unrestricted net position – All other assets that do not meet the definition of "restricted" or "net investment in capital assets".

When both restricted and unrestricted net positions are available for use, generally it is the Authority's policy to use restricted resources first.

C. Accrual Basis of Accounting

Basis of accounting refers to the point at which revenues or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

D. Budgetary Data

Enterprise fund service delivery levels are determined by the extent of consumer demand. Because enterprise fund revenues and expenses fluctuate with changing service delivery levels, generally accepted accounting principles do not require the financial statements to include budgetary comparisons and, accordingly, these comparisons have not been included.

Budgets are prepared for regulatory purposes in accordance with Housing Authority of the County of Riverside's contract with HUD. The Authority prepares annual budgets for each program. Prior to the beginning of each budget year, the Authority's annual budget is approved by its governing body. Budgetary amendments require approval by the governing body. All budgetary appropriations lapse at the end of each year. Budgets for Capital Fund Programs are approved in the Authority's 5-year and annual plans.

E. Financial Statement Accounts & Other Accounting Matters

Revenues. All Housing Authority of the County of Riverside revenues are accrued. These revenues consist of user charges for rents, utilities, repairs and other miscellaneous charges. Monies received from customers for security deposits are recorded as a liability upon receipt. Subsidies and grants, which finance current operations, are reported as operating revenues. Subsidies and grants, which finance capital operations, gain/loss on sale of fixed assets, and interest income/expense, are reported as non-operating revenues.

Revenues for government-mandated and voluntary exchange transactions, are recorded when all applicable eligibility requirements, including time requirements, are met. Resources received before all eligibility requirements are met are reported as deferred inflows of resources or unearned revenues.

In accordance with GASB standards, for the fiscal year ended June 30, 2015, dwelling income and other rental related fees of $1,766,442 has been netted with bad debt expense of $(91,867).

Expenditures. Expenditures are recognized when the liability is incurred. Inventory costs are reported in the period when inventory items are purchased due to triviality of inventory balances.

Cash and Equivalents, and Investments.

a. Cash and Equivalents. The Authority defines cash to include certificates of deposit, money market funds, savings accounts, demand deposits, and other short-term securities with original maturities of three months or less; consequently, the cost, carrying value, and market value are equivalent.

b. Investments. Investments, if any, would be carried at fair market value, except for U.S. Treasury Bills, which would be canceled at amortized cost.

All deposits of the Authority are made in board-designated official depositories and are secured by HUD regulations. The annual contribution contract authorizes the Authority to invest in the following types of securities:

1. Obligations of the Federal Government which are backed by the full faith and credit of the Federal Government.
2. Obligations of any agency or instrumentality of the Federal Government if the payment of interest and principal on such obligations is fully guaranteed by the Federal Government.
3. Obligations of the Federal Intermediate Credit Banks, the Federal Home Loan Banks, the Federal National Mortgage Association, the Bank for Cooperatives, and the Federal Land Banks which mature no later than 18 months after the date of purchase.

During the fiscal year and at year-end, all cash was held in the form of interest bearing accounts. The deposits and the above described investments with an original maturity of 90 days or less are considered cash and cash equivalents for the Statement of Cash Flows.

Restricted Cash. Restricted cash consists of cash set aside by HUD for the Housing Choice Voucher Program, cash and investments that are held in trust, reserves and escrows, as well as other cash and investments that are restricted for specific purposes.

Accounts Receivable. Accounts receivable consists of all amounts earned at year end and not yet received. Allowances for uncollectible accounts are based upon historical trends and periodic aging of accounts receivable.

Capital Assets. Capital assets purchased or acquired with an original cost of $5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation of exhaustible capital assets is charged as an expense against operations utilizing the straight-line method. Accumulated depreciation is reported on the Statement of Fund Net Position. The estimated useful lives for each major class of depreciable fixed assets are as follows:

Asset Class	Estimated Lives
Buildings	20-25
Equipment	5-15

Compensated Absences. Compensated absences are absences for which employees will be paid, i.e., vacation and other approved leaves, with the exception of those employees that are terminated on grounds of gross misconduct. The Authority accrues the liability for those absences for which the employee has earned the rights to the benefits. Accrued amounts are based on the current salary rates. 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.

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

Tenant Security Deposits. Security deposits consist of amounts held in trust with Housing Authority of the County of Riverside in order for tenants to secure apartment leases.

Unearned Revenue. Unearned revenues, if any, consist of rental payments made by tenants in advance of their due date, and rental supplements to be paid to owners of private dwellings during the first month of the next fiscal year as well as grant advances that are only subject to performance milestones in order to recognize revenues.

Deferred Inflows/Outflows of Resources. In accordance with GASB 63, in addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources,* represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Authority had deferred outflows of resources consisting of pension contributions subsequent to the measurement date of June 30, 2014 of $915,292 and defeasance of debt of$208,313. 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 balance as of June 30, 2015 was $1,123,605.

Also, in addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources,* represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Authority deferred inflows of resources consist of net differences between projected and actual earnings of pension plan. The balance as of June 30, 2015 was $2,113,305.

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Pension Plans (CEPP) and additions to/deductions from CEPP's fiduciary net position have been determined on the same basis as they are reported by the California Public Employee's Retirement System (CalPERS) Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Depreciation. Depreciation expense of $1,412,562 has been recognized during the year ended June 30, 2015.

Income Taxes. The Authority is not subject to federal or state income taxes.

Interfund Eliminations. All interfund receivables and payables between program and blended component units have ben eliminated in the financial statements. As have any inter-program or company revenues and expenses.

Leasing Activities. The Authority is the lessor of dwelling units to eligible residents. The rents under the leases are determined generally by the residents' income as adjusted for eligible deductions regulated by HUD, although the residents may opt for a flat rent. Leases may be cancelled at any time or renewed annually. The Authority may cancel the leases only for a cause. Revenues associated with these leases are recorded in the accompanying financial statements and related schedules within dwelling rent revenue.

Impact of Recently Issued Accounting Standard.
GASB 67/68 Financial Reporting for Pension Plans - Amendment of GASB 25. In June 2012, the GASB issued *GASB Statement No. 68 – ACCOUNTING AND FINANCIAL REPORTING FOR PENSIONS—AN AMENDMENT OF GASB STATEMENT NO. 27.* The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared.

GASB 68 is effective for the Authority's fiscal year ended June 30, 2015. As a result, the Authority is required to make a prior period adjustment to book the Net Pension Liability of $7,656,913 and an equal corresponding reduction in Net Position

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.

Subsequent Events. Housing Authority of the County of Riverside adopted the Subsequent Events topic of the GASB Accounting Standards, which requires disclosure of the date through which subsequent events have been evaluated. Management performed an evaluation of the Authority's activity through, the audit report date, and has concluded that the following pertinent information should be disclosed.

The Housing Authority is currently working on applications to take part in the Rental Assistance Demonstration Program (RAD), which is a voluntary program of the Department of Housing and Urban Development (HUD). RAD seeks to preserve public housing by providing Public Housing Agencies, such as the Housing Authority, with access to more stable funding to make needed improvements to properties. RAD provides a way to rehabilitate, or repair, units without depending on additional money from the public sector.

The Housing Authority currently owns and operates 469 units of affordable housing within the County of Riverside. Funding to maintain these units is derived from the Public Housing Program. The Public Housing Program has continued to be underfunded through the years with additional budget cuts to the Capital Fund Program that provides the income source for the modernization of public housing units. This dilemma has forced the Housing Authority to make tough choices between maximizing the funding for repairs or focusing on preventive maintenance. Therefore, the RAD would provide an opportunity for the Housing Authority to convert projects funded under the Public Housing Program to long-term, project-based Section 8 rental assistance contracts, through the Project-Based Voucher component of the RAD.

2. CASH AND INVESTMENTS

Cash and investments as of June 30, 2015 are classified in the accompanying financial statements as follows:

Combined Statement of Net Position:	
Cash	$ 8,429,000
Restricted cash	17,429,739
Restricted investments	206,569
Total cash and investments	**$ 26,065,308**

Cash and investments consisted of the following:	
Deposits with financial institutions	$ 8,552,277
Local Agency Investment Fund	1,679,512
Investment firms	15,833,519
Total cash and investments	**$ 26,065,308**

Required Note Disclosures

Acknowledging that deposits and investments of state and local governments are subject to various risks, the Governmental Accounting Standards Board Statement 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.

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, 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 2015 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, 2015 are identified below.

Deposits with Financial Institutions		
Insured Demand Deposit Accounts		
Bank of America	$ 8,169,032	95.52%
Other Deposit Accounts		
County of Riverside	14,780	0.17%
Petty Cash	1,000	0.01%
Insured Money Market Deposit Accounts		
Bank of America	367,465	4.30%
Total Insured Deposits	**$ 8,552,277**	**100.00%**

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)	$ 1,679,512	9.6%
Trustee Indenture Funds		
US Bank Debt Service Funds	206,569	1.2%
Bank of New York Redevelopment Fund	15,626,950	89.2%
Total Investments	**$ 17,513,031**	**100.0%**

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, and miscellaneous receivables, as following:

Accounts receivable (net)			
Tenant receivables			
	Current tenants	$ 7,589	
	Noncurrent tenants	204,458	
	Gross tenant receivable	212,047	
	Less: allowance for bad debt	(204,246)	
	Net tenant receivables	7,801	
Interest receivable		3,103	
Miscellaneous receivables		29,096	
	Total accounts receivable (net)		**$ 40,000**

4. CAPITAL ASSETS

A summary of the land, structures and equipment for the year ended June 30, 2015 is as follows:

	Beginning Balance	Additions	Deletions & Transfers	Ending Balance
Non-depreciable Capital Assets:				
Land	$ 8,049,657	$ -	$ (1,418,621)	$ 6,631,036
Development work-in-progress	1,310,421	265,997	(643,581)	932,837
Subtotal	9,360,078	265,997	(2,062,202)	7,563,873
Depreciable Capital Assets:				
Buildings and improvements	41,164,677	-	(59,999)	41,104,678
Equipment	1,385,644	54,818	(47,229)	1,393,233
Subtotal	42,550,321	54,818	(107,228)	42,497,911
Total Capital Assets	**51,910,399**	**320,815**	**(2,169,430)**	**50,061,784**
Accumulated depreciation	(33,535,233)	(1,412,562)	52,033	(34,895,762)
Total	**$ 18,375,166**	**$ (1,091,747)**	**$ (2,117,397)**	**$ 15,166,022**

Depreciation expense for the year ended June 30, 2015 was $1,412,562.

In Fiscal Year 2015, work in progress included improvements to the Public Housing sites to meet energy conservation initiatives. These include the conversion of light poles and fixtures to solar panels in Rubidoux; installation of water pressure reducing valves at the Jackson Apartments; and new attic insulation for the Lake Elsinore properties.

5. LONG-TERM LOANS RECEIVABLES (in thousands)

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, 2015 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, 2015, 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, 2015, 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, 2015, 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 45th anniversary from the recordation of the Notice of Completion dated May 29, 2008. At June 30, 2015 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, 2015 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, 2015, 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, 2015, 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, 2015, 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, 2015 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, 2015, 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, 2015 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, 2015 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, 2015 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, 2015 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, 2015 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, 2015 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, 2015 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, 2015 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, 2015 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, 2015 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, 2015 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, 2015 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, 2015 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, 2015 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, 2015 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, 2015 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, 2015 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, 2015 the total balance of the loans was $1,141.

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, 2015, the balance of the loan was $1,280.

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, 2015 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, 2015 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, 2015, 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, 2015, 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, 2015, 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, 2015, the balance of the loan was $500.

6. REVENUE BONDS PAYABLE

Refunding Revenue Bonds 1998 Series A

On January 27, 1998, the Authority issued $2,405,000 of Refunding Revenue Bonds, 1998 Series A (Corona Project). The bonds were issued to provide a portion of the funds needed to advance refund $52,270,000 of outstanding Revenue Bonds, Issue A of 1988. The net proceeds of this bond issue were used, together with $45,674,896 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 $1,388,754. 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 $780,000 of the term bonds matured on December 1, 2007 and accrued interest at 6.25%. The remaining $1,625,000 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 $80,000 to $200,000. The redemption price is equal to the principal amount thereof to be redeemed, without premium, plus accrued interest thereon to the date of redemption.

The bonds are secured by an agreement with the City of Corona, which has pledged to pay $218,000 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 $218,000 received each year to the bond trustee to pay for the bond's annual debt service payments. The Housing Authority reports the $218,000 received each year as revenue. MBIA Insurance Corporation has issued a surety bond in lieu of a cash funded reserve. The outstanding balance as of June 30, 2015 before applying the deferred charge was $730,000.

Summary of activity. The following is a schedule of changes in long-term bonds payable for the year ended June 30, 2015:

	Balance at June 30, 2014	Principal Additions	Principal Deletions	Balance at June 30, 2015
1998 Series A	$ 885,000	$ -	$ (155,000)	$ 730,000
Less current portion	(155,000)	(165,000)	155,000	(165,000)
Totals	$ 730,000	$ (165,000)	$ -	$ 565,000

Interest payable. The accrued interest payable consists of unpaid interest accrued on outstanding bonds 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, 2015:

Revenue Bonds – 1998 Series A	$ 4,167

Debt service requirements to maturity. The annual requirements to amortize outstanding long-term bonds payable of the Authority as of June 30, 2015 are as follows:

Year ending June 30	1998 Series A Principal	Interest	Total
2016	$ 165,000	$ 44,354	$ 209,354
2017	175,000	32,709	207,709
2018	190,000	20,208	210,208
2019	200,000	6,850	206,850
Total Debt Service	730,000	104,121	834,121
Less: Interest payments			(104,121)
Outstanding Principal			730,000
Less: Current portion			(165,000)
Balance Long Term			$ 565,000

7. NOTES PAYABLE

The Authority had notes payable as of June 30, 2015 as follows:

USDA Rural Development	$ 3,795,110
County of Riverside	1,527,185
Farmworker Housing Grant	3,000,000
Total	$ 8,322,295

Notes payable descriptions.

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 $3,795,000 and another Note Payable to the State Farmer Housing Grant Program for the award of $3,000,000. The total Notes Payable of $6,795,000, 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.

The Authority requested a loan of $1,600,000 from the County of Riverside to pay off outstanding principal and interest on predevelopment loans for entitlements, land carrying costs, design, architecture and engineering costs attributable to Tres Lagos Senior Apartments in the City of Wildomar. This loan amount includes transaction fees to consummate the transfer of the vacant property from Wildomar Tres Lagos Limited Partnership to the Housing Authority. The balance of the loan was $1,527,185 as of June 30, 2015. The Housing Authority plans to pay off the County loan from the sale of Housing Authority land assets in Fiscal Year 2015-2016.

8. 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, 2015, the outstanding balances of these Revenue Bonds are as follows:

Description	Issue Date	Final Maturity Date	Amount of Issue	Outstanding Balance June 30, 2015
Tyler Village, Series C	1999	2027	$ 9,000,000	$ 7,600,000
Ridgecrest, Series B	1999	2032	5,300,000	4,970,000
Wildomar, Series A	1999	2029	6,700,000	4,735,000
Mission Village, Series A-1	2008	2040	3,019,918	2,800,763
Total Issuances			$ 24,019,918	$ 20,105,763

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.

Since the Housing Authority's 1998 Series A Bond is taxable at the Federal level, it has been deemed that this bond is not subject to arbitration rebate.

This Space Intentionally Left Blank

10. PENSION PLAN

General Information about the Pension Plan

Plan descriptions. Through the County of Riverside, the Authority contracts with the CalPERS to provide retirement benefits to its employees. CalPERS is a common investment and administrative agent for participating public entities within the State of California. State statutes governed by the Public Employees' Retirement Law (PERL), have established benefit provisions as well as other requirements. The County may select from a variety of optional benefit provisions offered by CalPERS. Upon selecting the benefit provisions and entering into a contractual agreement with CalPERS, the benefit provisions may be adopted through local ordinance. CalPERS issues a comprehensive annual financial report (CAFR) which details its plan assets, liabilities, and plan activity. The County receives an annual actuarial valuation report which summarizes plan assets, liabilities, and employer rates for its plans. Under GASB Statement No. 68, both the County and the Authority are agent multiple-employer defined benefit pension plans due to their pooling composite. Copies of the CalPERS CAFR may be obtained from: California Public Employees' Retirement System, 400 Q Street, P.O. Box 942701, Sacramento, CA 94229-2701.

Benefits provided. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and plan beneficiaries. County of Riverside has three retirement Tiers through the CalPERS. Tier I – Applicable to employees hired prior to 8/23/2012. Formula is 3% at age 60. Tier II – Applicable to employees hired on or after 8/23/2012 through 12/31/2012. Formula is 2% at age 60. Tier III – Applicable to new CalPERS members hired on or after 01/01/2013 as a result of Public Employees' Pension Reform Act of 2013(PEPRA), new lower retirement benefit formulas, final compensation periods, and contribution requirements were implemented. Formula is 2% at age 62. Listed below is a table with the new retirement options and provision changes.

	Plan	EPMC	Earliest Retirement Ages	PEPRA Comp. Limits	Final Comp.	Effective Date
Tier I	3% at 60	Yes	50	NA	12 Months	NA
Tier II	2% at 60	No	50	NA	36 Months	8/23/2012
Tier III (PEPRA)	2% at 62	No	52	$117,020	36 Months	1/1/2013

Contributions. Active plan members in CalPERS may be required to contribute up to 8% of their annual covered salary as specified in the governing Memorandum of Understanding (MOU) or as provided by state statue. The employer contribution rate is established and may be amended by CalPERS. The actuarial methods and assumptions used to establish the employer contribution rate are adopted by the CalPERS Board of Administration. The County and Authority are required to contribute the actuarially determined annual required contributions necessary to fund the plans.

For fiscal year 2014-15, the employer and employee contribution rates were:

Contribution rates:	County	Members
Tier I	14.5%	8.0%
Tier II	14.5%	7.0%
Tier III	14.5%	6.5%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Allocation of Net Pension Liability and Pension Expense to Individual Plans. Pools where contribution rates within the pool are based on separate relationships, the proportional allocation should reflect those relationships. The allocation method utilized by CalPERS determines the employer's share by reflecting these relationships through the plans they sponsor within the risk pool. Plan liability and asset-related information are used where available, and proportional allocations of individual plan amounts as of the valuation date are used where not available.

Please refer to the CalPERS Public Agency Cost-Sharing Allocation Methodology Report that can be obtained at CalPERS' website under the GASB 68 section, and see Appendix D of this report for the calculation of the plan's proportionate share of total pension liability.

The plans' proportionate share of risk pool pension expense is developed as the sum of the related proportionate shares of the components of the aggregate pension expense.

The following table shows the Plans' proportionate share of the risk pool collective net pension liability over the measurement period.

	Plan Total Pension Liability [a]	Plan Fiduciary Net Position [b]	Plan Net Pension Liability (Asset) [c] = [a]-[b]
Balance at June 30, 2013	$ 34,868,370	$ 26,281,268	$ 8,587,102
Changes for the year:			
Service cost	1,092,442	-	1,092,442
Interest on total pension liability	2,605,478	-	2,605,478
Contributions -employer	-	930,188	(930,188)
Contributions -employee	-	482,605	(482,605)
Net investment income	-	4,606,379	(4,606,379)
Benefit payments, including refunds of employee contributions	(1,349,772)	(1,349,772)	-
Balance at June 30, 2014	**$ 37,216,518**	**$ 30,950,668**	**$ 6,265,850**

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.50 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Plan Net Pension Liability (Assets)	$ 11,535,367	$ 6,265,850	$ 1,924,131

For the measurement period ended June 30, 2014 (the measurement date), the Authority incurred a pension expense/ (income) of $29,824 (the pension expense for the risk pool for the measurement period is $239,824,465).

As of June 30, 2015, the Authority reports other amounts for the Plans as deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings on pension plan	$ -	$ 2,113,305
Contributions subsequent to the measurement date of June 30, 2014	915,292	-
Totals	$ 915,292	$ 2,113,305

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future pension expense as follows by measurement period ended June 30:

2015	$ (528,326)
2016	(528,326)
2017	(528,326)
2018	(528,326)
2019	-
Thereafter	-
	$ (2,113,304)

Subsequent Events Related to Pension. There were no subsequent events that would materially affect the results presented in this disclosure.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability. The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2013-14 were from the June 30, 2011 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For detail, see June 30, 2011 Funding Valuation Report
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2011 Funding Valuation Report.
Inflation	2.75%
Salary Increases	Varies by entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension plan Investment and Administrative Expenses; including Inflation.
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of project mortality improvement using Scale AA published by the Society of Actuaries.

Expected Rate of Return. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10*	Real Return Years 11+**
Global Equity	47%	5.25%	5.71%
Global Fixed income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	12%	6.83%	6.95%
Real Estate	11%	4.50%	5.13%
Infrastructure and Forestland	3%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
	100%		

* An expected inflation of 2.5% used for this period

** An Expected inflation of 3.0% used for this period

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

According to the Statement, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan. However, employers may determine the impact at the plan level for their own financial reporting purposes.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for the calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

Payable to the Pension Plan. At June 30, 2015, Housing Authority of the County of Riverside reported a payable of $0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

11. OTHER NON-CURRENT LIABILITIES

The following is a schedule of changes in non-current liabilities for the year ended June 30, 2015:

	Beginning Balance	Additions	Deletions	Ending Balance
Compensated absences	$ 1,306,602	$ 171,497	$ (17,152)	$ 1,460,947
Other liabilities	916,654	26,813	(53,626)	889,841
Net pension liability	-	6,265,850	-	6,265,850
Total Other Non- Current Liabilities	$ 2,223,256	$ 6,464,160	$ (70,778)	$ 8,616,638

12. ECONOMIC DEPENDENCY

The Authority receives approximately 91% of operating funds used for affordable housing activities from the U.S. Department of Housing and Urban Development.

13. CONTINGENCIES

A. Risk Management

The Authority is exposed to various risk of losses related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. There were no claims in excess of commercial coverage during the previous three years. These losses include an estimate of claims that have been incurred but not reported. At June 30, 2015, there were no liabilities to be reported.

As of June 30, 2015, the Authority was a participating member of the Housing Authorities Risk Retention Pool (HARRP), a risk-management pool, which provides the following coverage: property; general liability; official's liability; auto liability; employee liability for dishonesty or forgery; and employee liability for theft, disappearance and destruction.

For apartment managers and temporary employees, the Authority is insured for workers compensation claims by California Housing Workers' Compensation Authority (CHWCA) as well as an excess liability policy which provides coverage for claims in excess of the CHWCA policy limits.

For permanent Authority employees who are County employees, the County of Riverside self-insures for workers' compensation.

B. Government Examinations

The Authority is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Authority in the current and prior years.

14. HOUSING AUTHORITY 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 AB x 26, the County of Riverside Board of Supervisors adopted Resolution No. 2012-35 on January 10, 2012, which designated the Housing Authority of the County Riverside as the Successor Agency for the redevelopment housing functions. On the same date, the Housing Authority accepted, via adoption of Resolution 2012-001, the responsibility of performing all activities as the successor to the redevelopment housing functions. On February 1, 2012 all California redevelopment agencies were eliminated and the Housing Authority assumed all the former redevelopment housing functions previously performed by the redevelopment Agency for the County of Riverside including all rights, powers, assets, liabilities, duties, and obligations associated with the housing activities.

On July 3, 2012 the Board of commissioners adopted Resolution 2012-005 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 upon approval by the Oversight Board.

On July 17, 2012 the Board of Commissioners adopted Resolution No. 2012-009 to accept the release and transfer of fund assets from the Successor Agency to the Redevelopment Agency for the County Riverside to the Housing Authority. The fund assets include the Low and Moderate Income Housing Funds identified in the July through December 2012 Recognized Payment Obligation Schedule (ROPS) and the Housing Bond Proceeds, held by the Bank of New York Mellon as trustee, for draw downs and reimbursement of enforceable obligations, subject to approval by the Oversight Board.

The transfer of assets that were disclosed in the financial statements of Fiscal Year Ending June 30, 2013 included 57 parcels of land, leases, and deferred loans receivable, which collectively resulted in an extraordinary gain of $155 million.

In Fiscal Year 2015, a portion of the North Hemet Property was sold for $220,000, of which the Housing Authority realized a gain of $185,583.

This Space Intentionally Left Blank

15. PRIOR PERIOD ADJUSTMENTS & CHANGES IN ACCOUNTING PRINCPALS

Housing Authority of the County of Riverside financial statements for the year ended June 30, 2015 required a prior period adjustment to net position due to a determination that several of the notes receivable were not recorded in prior years as part of the absorption of the redevelopment agency and required to be added. This resulted in an increase of beginning net position. In addition, the State of California reclaimed a significant portion of the cash transferred to the Authority during the absorption of the redevelopment agency which had been recognized as contributions in the prior fiscal year. This reduction of cash resulted in an equal reduction of net position during the current fiscal year ended June 30, 2015.

Additionally, the Authority implemented changes in accounting principles as required by GASB Statement No. 68. This resulted in the booking of deferred outflows of resources, deferred inflows of resources, and a net pension liability. The net effect was a decrease in net position.

The above adjustments to net position are summarized as follows:

Establish beginning net pension liability	$ (7,656,913)
Reclaimed cash by the State of California	(16,397,591)
Correction of notes receivable from redevelopment agency	7,929,170
	$ (16,125,334)

REQUIRED SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF THE COUNTY OF RIVERSIDE

REQUIRED SCHEDULES OF THE PENSION PLAN
AS OF MEASUREMENT DATE JUNE 30, 2014

SCHEDULE OF THE PENSION PLAN'S PORPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AND RELATED RATIOS AS OF THE MEASUREMENT DATE

Plan's Porportion of the Net Pension Liability (Asset)		0.659839%
Plan's Porportionate Share of the Net Pensionn Liability (Asset)	$	6,265,850
Plan's Covered-Employee Payroll	$	5,842,527
Plan's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered-Employee Payroll		107.25%
Plan's Proportionate Share of the Fiduciary Net Postion as a Percentage of the Plan's Total Pension Liability		83.16%
Plan's Porportionate Share of the Aggregate Employer Contributions	$	722,239

SCHEDULE OF THE PENSION PLAN'S CONTRIBUTIONS AS OF MEASUREMENT DATE

Actuarially determined contribution	$	1,124,130
Contributions in relation to actuarially determined contribution		1,124,130
Contribution deficiency (excess)		-
Covered-employee payroll	$	5,842,527
Contribution as a percentage covered-employees payroll		19.24%

Notes to Schedule:

Change in Benefits	**None**
Change in Assumptions	**None**

This is a 10-year schedule; however, the information in this schedule is not required ot be presented retroactively.
Years will be added to this schedule in the future fiscal years until 10 years of information is available.

HOUSING AUTHORITY OF THE COUNTY OF RIVERSIDE

COMBINING STATEMENT OF NET POSITION - ALL PROGRAMS
JUNE 30, 2015

	Public Housing Program	Section 8 Program	Authority Program
ASSETS			
Current Assets			
Cash & cash equivalents			
Unrestricted	$ 785,023	$ 1,354,035	$ 6,224,518
Restricted	202,852	1,211,814	16,015,073
Subtotal	987,875	2,565,849	22,239,591
Accounts receivable (net)	9,813	22,410	7,777
Interfund receivables	548,897	342	1,006,379
Due from other governments	7,428	248,166	1,082,780
Accrued interest receivable	-	-	-
Notes receivable - current portion	-	-	5,454
Restricted investments	-	-	206,569
Land held for sale	-	-	38,825,401
Total Current Assets	1,554,013	2,836,767	63,373,951
Noncurrent Assets			
Notes receivable	-	-	84,908,104
Capital assets (net)	7,300,511	1,978	7,863,533
Total Noncurrent Assets	7,300,511	1,978	92,771,637
TOTAL ASSETS	**8,854,524**	**2,838,745**	**156,145,588**
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**159,809**	**502,770**	**461,026**
LIABILITIES			
Current Liabilities			
Accounts payable	-	59,820	70
Interfund payables	620,002	342	913,568
Due to other governments	-	-	582,372
Other liabilities	181,881	386,056	370,570
Tenants security deposits	202,852	-	20,658
Compensated absences - current portion	30,145	48,763	83,418
Accrued interest payable	-	-	4,167
Bonds payable-current portion	-	-	165,000
Total Current Liabilities	1,034,880	494,981	2,139,823
Noncurrent Liabilities			
Compensated absences	271,318	438,864	750,765
Other liabilities	-	889,841	-
Net pension liability	1,094,018	3,441,832	1,730,000
Bonds payable	-	-	565,000
Notes payable	-	-	8,322,295
Total Noncurrent Liabilities	1,365,336	4,770,537	11,368,060
TOTAL LIABILITIES	**2,400,216**	**5,265,518**	**13,507,883**
TOTAL DEFERRED INFLOWS OF RESOURCES	**368,983**	**1,160,839**	**583,483**
NET POSITION			
Net investment in capital assets	7,300,511	1,978	1,068,424
Restricted	-	526,472	574,034
Unrestricted	(1,055,377)	(3,613,292)	140,872,790
TOTAL NET POSITION	**$ 6,245,134**	**$ (3,084,842)**	**$ 142,515,248**

See notes to financial statements

HOUSING AUTHORITY OF THE COUNTY OF RIVERSIDE

COMBINING STATEMENT OF NET POSITION - ALL PROGRAMS
JUNE 30, 2015

	Blended Component Unit	Eliminating Entries	Totals
ASSETS			
Current Assets			
Cash & cash equivalents			
Unrestricted	$ 65,424	$ -	$ 8,429,000
Restricted	-	-	17,429,739
Subtotal	65,424	-	25,858,739
Accounts receivable (net)	-	-	40,000
Interfund receivables	-	(1,555,618)	-
Due from other governments	-	-	1,338,374
Accrued interest receivable	-	-	-
Notes receivable - current portion	-	-	5,454
Restricted investments	-	-	206,569
Land held for sale	-	-	38,825,401
Total Current Assets	65,424	(1,555,618)	66,274,537
Noncurrent Assets			
Notes receivable	59,999	-	84,968,103
Capital assets (net)	-	-	15,166,022
Total Noncurrent Assets	59,999	-	100,134,125
TOTAL ASSETS	**125,423**	**(1,555,618)**	**166,408,662**
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	-	**1,123,605**
LIABILITIES			
Current Liabilities			
Accounts payable	-	-	59,890
Interfund payables	21,706	(1,555,618)	-
Due to other governments	62,624	-	644,996
Other liabilities	1,459	-	939,966
Tenants security deposits	-	-	223,510
Compensated absences - current portion	-	-	162,326
Accrued interest payable	-	-	4,167
Bonds payable-current portion	-	-	165,000
Total Current Liabilities	85,789	(1,555,618)	2,199,855
Noncurrent Liabilities			
Compensated absences	-	-	1,460,947
Other liabilities	-	-	889,841
Net pension liability	-	-	6,265,850
Bonds payable	-	-	565,000
Notes payable	-	-	8,322,295
Total Noncurrent Liabilities	-	-	17,503,933
TOTAL LIABILITIES	**85,789**	**(1,555,618)**	**19,703,788**
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	**2,113,305**
NET POSITION			
Net investment in capital assets	-	-	8,370,913
Restricted	-	-	1,100,506
Unrestricted	39,634	-	136,243,755
TOTAL NET POSITION	**$ 39,634**	**$ -**	**$ 145,715,174**

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, 2015

	Public Housing Program	Section 8 Program	Authority Program
REVENUES			
Operating Revenues			
Dwelling rental (net)	$ 1,429,012	$ -	$ 245,563
Grants	1,788,179	72,027,965	2,228,170
Management fees	-	-	1,705,359
Other revenue	181,624	418,116	8,219,787
Total Operating Revenues	3,398,815	72,446,081	12,398,879
EXPENSES			
Operating Expenses			
Administrative	1,146,834	6,527,703	5,190,056
Utilities	461,770	-	62,157
Maintenance & operation	1,862,221	85,233	3,849,288
General expenses	89,837	886,496	512,589
Insurance	202,145	3,628	50,900
Housing assistance payments	-	67,768,501	2,438,403
Depreciation	1,022,442	9,224	380,896
Total Operating Expenses	4,785,249	75,280,785	12,484,289
Operating Income (Loss)	**(1,386,434)**	**(2,834,704)**	**(85,410)**
Nonoperating Revenues (Expenses)			
Investment income	1,383	4,906	332,151
Interest expense on notes & bonds	-	-	(123,866)
Extraordinary items, net gain (loss)	-	17,716	(922,812)
Total Nonoperating Revenues (Expenses)	1,383	22,622	(714,527)
Other Financing Sources (Uses)			
Capital contributions	88,504	-	-
Transfers	-	-	50,000
Total Other Financing Sources (Uses)	88,504	-	50,000
Change in Net Position	**(1,296,547)**	**(2,812,082)**	**(749,937)**
Net Position - beginning	8,878,578	3,933,183	153,847,679
Adjustments to beginning net postion	(1,336,897)	(4,205,943)	(10,582,494)
Net Position - ending	**$ 6,245,134**	**$ (3,084,842)**	**$ 142,515,248**

See notes to financial statements

HOUSING AUTHORITY OF THE COUNTY OF RIVERSIDE

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	Blended Component Unit	Eliminating Entries	Totals
REVENUES			
Operating Revenues			
Dwelling rental (net)	$ -	$ -	$ 1,674,575
Grants	-	-	76,044,314
Management fees	-	(1,705,359)	-
Other revenue	233,298	-	9,052,825
Total Operating Revenues	233,298	(1,705,359)	86,771,714
EXPENSES			
Operating Expenses			
Administrative	11,582	(1,705,359)	11,170,816
Utilities	-	-	523,927
Maintenance & operation	-	-	5,796,742
General expenses	3,884	-	1,492,806
Insurance	1,000	-	257,673
Housing assistance payments	108,072	-	70,314,976
Depreciation	-	-	1,412,562
Total Operating Expenses	124,538	(1,705,359)	90,969,502
Operating Income (Loss)	**108,760**	**-**	**(4,197,788)**
Nonoperating Revenues (Expenses)			
Investment income	-	-	338,440
Interest expense on notes & bonds	-	-	(123,866)
Extraordinary items, net gain (loss)	-	-	(905,096)
Total Nonoperating Revenues (Expenses)	-	-	(690,522)
Other Financing Sources (Uses)			
Capital contributions	-	-	88,504
Transfers	(50,000)	-	-
Total Other Financing Sources (Uses)	(50,000)	-	88,504
Change in Net Position	**58,760**	**-**	**(4,799,806)**
Net Position - beginning	(19,126)	-	166,640,314
Adjustments to beginning net postion	-	-	(16,125,334)
Net Position - ending	**$ 39,634**	**$ -**	**$ 145,715,174**

See notes to financial statements