

# Attachment H1

Number of units lost to the portfolio

**H1** HASA Units Lost



# Attachment H2

Number of units lost to the portfolio

**H2**    CSA Units Lost

ATTACHMENT H2  
 Number of CSA Restricted Units Lost from 7/1/2017 to 6/30/2018

Project Name	Total Units	Restricted Units	Site Address	Site City	Reason
Flores-Miranda, Alfredo	1	1	84510 Corte Alturian	Coachella	Paid off
Gutierrez, Filiberto and Maria	1	1	84095 Avenida Cedrus	Coachella	Trustee Sale
Coachella RDA	1	1	49859 Corte Percebe	Coachella	Paid off
Total	3	3			

# **Attachment I**

Housing Authority of the County of Riverside  
Financial Statements and Independent Auditors' Report  
for Fiscal Year Ending June 30, 2018



**HOUSING AUTHORITY of the COUNTY of RIVERSIDE**



**FINANCIAL STATEMENTS  
JUNE 30, 2018**

**SM&Co**  
**Smith Marion**  
**& Company, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

# Housing Authority of the County of Riverside

Table of Contents  
June 30, 2018

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Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	i
<b>Financial Statements</b>	
Statement of Net Position.....	3
Statement of Revenues, Expenses, and Changes in Net Position.....	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	8
<b>Required Supplemental Information</b>	
Schedule of the Pension Plan's Proportionate Share of the Net Pension Liability (Asset) and Related Ratios.....	39
Schedule of Pension Plan's Contributions .....	40
<b>Supplemental Information</b>	
Schedule of Expenditures of Federal Awards.....	41
Notes to the Schedule of Expenditures of Federal Awards.....	42
<b>Nonfinancial Information</b>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	43
Report on Compliance for Each Major Federal Program; and Report on Internal Control Over Compliance Required by OMB Uniform Guidance.....	45
Schedule of Findings and Questioned Costs.....	47
Summary Schedule of Prior Audit Findings.....	48



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**The Governing Body**

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, 2018, and the related notes to the financial statements, which collectively comprise the Housing Authority of the County of Riverside's basic financial statements as listed in the table of contents.

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

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

**Auditors' 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, 2018, 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.



# Housing Authority of the County of Riverside

Independent Auditors' Report

June 30, 2018

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and required supplementary schedules, as described 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 supplementary information, as described in the table of contents, including the Schedule of Expenditures of Federal Awards, as required by the *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary information is 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 supplementary information are fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2018, on our consideration of the Housing Authority of the County of Riverside'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Housing Authority of the County of Riverside's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the County of Riverside's internal control over financial reporting and compliance.



October 2, 2018

# Housing Authority of the County of Riverside

Management's Discussion and Analysis  
Year Ended June 30, 2018

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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 2018, which started July 1, 2017 and ended June 30, 2018.

## 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 \$166.5 million; deferred outflows of resources of \$6.6 million; liabilities of \$30.4 million; deferred inflows of resources of \$2.5 million; and net position of \$140.2 million, which consisted of \$2.5 million invested in land, buildings and equipment; \$15 million in restricted assets; and \$122.7 million in unrestricted assets.

The ending net position of \$140.2 million represents a decrease in assets of \$1.1 million from the prior fiscal year, which resulted from operating revenues of \$96.6 million, operating expenses of \$98.2 million, and non-operating of \$.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.

## 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.

# Housing Authority of the County of Riverside

Management's Discussion and Analysis  
Year Ended June 30, 2018

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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 3-7 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 8-38 of this report.

# Housing Authority of the County of Riverside

Management's Discussion and Analysis  
Year Ended June 30, 2018

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

### *Condensed Statement of Net Position*

Financial statements, presented as follows, are shown in a condensed format to compare amounts from the current fiscal year (2018) to amounts from the prior fiscal year (2017). These condensed financial statements are accompanied by charts to illustrate selected aspects of financial information, along with brief narrative analyses.

	2018	2017	Change	
			Dollar	Percentage
Current Assets	\$ 60,364,011	\$ 63,248,717	\$ (2,884,706)	-5%
Capital Assets, net	14,737,561	10,810,922	3,926,639	36%
Other Non-Current Assets	91,367,964	88,406,879	2,961,085	3%
Deferred Outflows	6,574,320	4,768,179	1,806,141	38%
Total Assets & Deferred Outflows	<u>\$ 173,043,856</u>	<u>\$ 167,234,697</u>	<u>5,809,159</u>	<u>3.47%</u>
Current Liabilities	\$ 1,801,954	\$ 2,324,557	(522,603)	-22%
Non-Current Liabilities	28,581,273	22,023,851	6,557,422	30%
Deferred Inflows	2,467,093	1,548,369	918,724	59%
Net Position	140,193,536	141,337,920	(1,144,384)	-1%
Total Liabilities, Deferred Inflows, & Net Position	<u>\$ 173,043,856</u>	<u>\$ 167,234,697</u>	<u>\$ 5,809,159</u>	<u>3.47%</u>

As previously illustrated by the Statement of Net Position, the Housing Authority ended the fiscal year of operations with assets of \$166.5 million; deferred outflows of resources of \$6.6 million; liabilities of \$30.4 million; and deferred inflows of resources of \$2.5 million resulting in a net position of \$140.2 million. This net position consists of \$2.5 million (2%) net investment in capital assets such as land, buildings and equipment, net of related debt; \$15 million (11%) in restricted assets; and \$122.7 million (87%) in unrestricted assets.

The ending net position of \$140.2 million represents a decrease in net position of \$1.1 million from the prior fiscal year's ending net position of \$141.3 million.

Total net investment in capital assets (\$2.5 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 (\$15 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 (\$122.7 million) while designated as not having legal or program restrictions include \$38.1 million in capital assets that would either be sold or developed to meet the Housing Authority's mission to increase affordable housing projects within Riverside County, \$3.9 million in cash and cash equivalents, \$2.1 million in receivables (net of allowance) and \$.2 million in investments. Therefore, \$78.5 million (64%) of unrestricted net position is available as working capital for day-to-day operations.

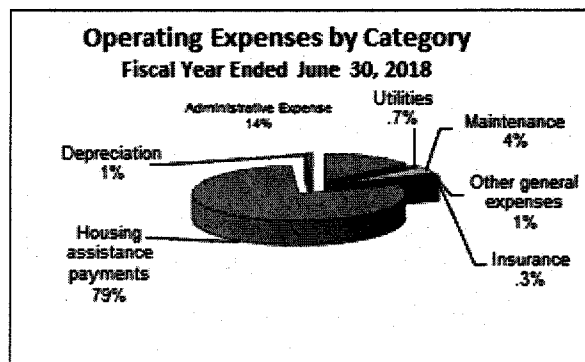
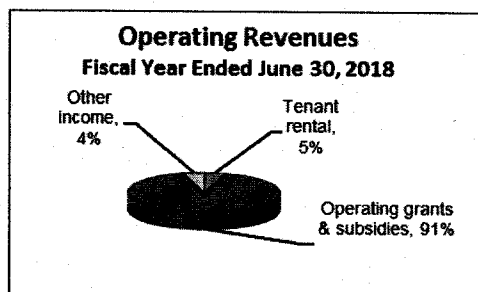
# Housing Authority of the County of Riverside

Management's Discussion and Analysis  
Year Ended June 30, 2018

**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 (2018) to amounts from the prior fiscal year (2017). These condensed financial statements are accompanied by charts to illustrate selected aspects of financial information, along with brief narrative analyses.

	2018	2017	Change	
			Dollar	Percentage
<b>Operating Revenues</b>				
Tenant rental revenue (net of collection losses)	\$ 4,466,127	\$ 1,618,515	\$ 2,847,612	176%
Operating grants and subsidies	87,934,197	81,878,557	6,055,640	7%
Fee revenue	-	-	-	0%
Other income	4,238,243	4,573,619	(335,376)	(7%)
<b>Total Operating Revenues</b>	<b>96,638,567</b>	<b>88,070,691</b>	<b>8,567,876</b>	<b>10%</b>
<b>Operating Expenses</b>				
Administrative	13,493,643	12,616,146	877,497	7%
Tenant services	-	-	-	0%
Utilities	680,067	587,951	92,116	16%
Maintenance	3,793,769	2,981,524	812,245	27%
Protective services	-	-	-	0%
Insurance premiums	337,046	309,602	27,444	9%
Other general expenses	1,041,727	1,622,406	(580,679)	(36%)
Housing assistance payments	77,723,879	72,476,938	5,246,941	7%
Depreciation	1,149,201	1,295,543	(146,342)	(11%)
<b>Total Operating Expenses</b>	<b>98,219,332</b>	<b>91,890,110</b>	<b>6,329,222</b>	<b>7%</b>
<b>Other Non-Operating</b>				
Investment income	915,717	887,250	28,467	3%
Gain (loss) on disposition of assets	(448,993)	-	(448,993)	0%
Interest expense	(108,489)	(101,147)	(7,342)	7%
Extraordinary items gain (net of losses)	78,146	1,152,385	(1,074,239)	(93%)
<b>Total Other Non-Operating</b>	<b>436,381</b>	<b>1,938,488</b>	<b>(1,502,107)</b>	<b>(77%)</b>
<b>Capital Contributions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0%</b>
<b>Change in Net Position</b>	<b>\$ (1,144,384)</b>	<b>\$ (1,880,931)</b>	<b>\$ 736,547</b>	<b>(39%)</b>



## Housing Authority of the County of Riverside

Management's Discussion and Analysis  
Year Ended June 30, 2018

As shown by the Statement of Revenues, Expenses and Changes in Fund Net Position, the Housing Authority's net position decreased by \$1.1 million from the prior fiscal year, which is attributed to the following:

- Although Total Operating Revenues were higher than the previous fiscal year, there was a significant increase in Operating Expenses.
- Operating Grants increased due to additional funding for the housing assistance revenue of the Housing Choice Voucher Program.
- Operating Expenses increased with additional pension expenses; higher utility rates and insurance policy costs; more rehabilitation and construction expenses as Capital Program Funds were depleted based on a 5-year plan; additional project costs rendered by the Housing Successor Agency as part of the wind-down activities; and more housing assistance payments due to higher payment standards for Section 8 program participants.

### ANALYSIS OF SIGNIFICANT BUDGET VARIANCES

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

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

Overall, the operating budget of \$110.3 million increased by \$88,041 from Original to Final due to additional programs established at the beginning of the fiscal year for the Riverside Community Housing Corp., as illustrated below.

	Budget		Change	
	Final	Original	Dollar	Percentage
<i>Revenues</i>				
Tenant rental				
revenue (net of collection losses)	\$ 4,592,518	\$ 4,588,363	\$ 4,155	0%
Operating grants and subsidies	87,463,318	87,436,763	26,555	0%
Other income	18,334,297	18,276,966	57,331	0%
Total	<u>\$110,390,133</u>	<u>\$110,302,092</u>	<u>\$ 88,041</u>	<u>0%</u>
<i>Expenses</i>				
Administrative	\$ 15,400,298	\$ 15,372,557	\$ 27,741	0%
Utilities	846,598	840,162	6,436	1%
Maintenance	1,154,706	1,135,731	18,975	2%
Insurance	346,317	338,213	8,104	2%
General	414,605	414,375	230	0%
Housing assistance payments	92,227,609	92,201,054	26,555	0%
Depreciation	-	-	-	0%
Total	<u>\$110,390,133</u>	<u>\$110,302,092</u>	<u>\$ 88,041</u>	<u>0%</u>

# Housing Authority of the County of Riverside

Management's Discussion and Analysis  
Year Ended June 30, 2018

**Comparison of Actual Operating Results and Final Budget**

Overall, the actual operating expenses of \$98 million (including depreciation of \$1.1 million not required to be budgeted) were lower than the final budgeted expenses of \$110.4 million by about 11%.

	Actual	Budget	Variance	
		Final	Dollar	Percentage
<b>Revenues</b>				
Tenant rental				
revenue (net of collection losses)	\$ 4,466,127	\$ 4,592,518	\$ (126,391)	(3%)
Operating grants and subsidies	87,934,197	87,463,318	470,879	1%
Other income	4,238,243	18,334,297	(14,096,054)	(77%)
<b>Total</b>	<b>\$ 96,638,567</b>	<b>\$110,390,133</b>	<b>\$ (13,751,566)</b>	<b>(12%)</b>
<b>Expenses</b>				
Administrative	\$ 13,493,643	\$ 15,400,298	\$ (1,906,655)	(12%)
Utilities	680,067	846,598	(166,531)	(20%)
Maintenance	3,793,769	1,154,706	2,639,063	229%
Insurance	337,046	346,317	(9,271)	(3%)
General	1,041,727	414,605	627,122	151%
Housing assistance payments	77,723,879	92,227,609	(14,503,730)	(16%)
Depreciation	1,149,201	-	1,149,201	NA
<b>Total</b>	<b>\$ 98,219,332</b>	<b>\$110,390,133</b>	<b>\$ (12,170,801)</b>	<b>(11%)</b>

**Significant differences between Actuals and Final Budget:**

**Revenues:**

- The budget for Other Income included anticipated drawdown of bond funds for the Housing Successor Agency. Since not all projects were completed in this fiscal year, some of the bond funds were deferred to the next fiscal year to cover construction and rehabilitation on new housing projects.

**Expenses:**

- Administrative Expense included budget for management fees, which were excluded from Actuals as part of the elimination entries in reporting.
- Administrative expenses were higher because the pension expenses and compensated absences were not included in the budget.
- Although utility rates were lower than anticipated, Maintenance and General Expenses were higher than budgeted due to unforeseen rehabilitation for properties owned by Riverside Community Housing Corp funded by Rental Assistance Demonstration Program.
- Housing Assistance Payments included draw down of bond funds for Housing Successor Agency project costs. Many projects were not completed in this fiscal year and deferred to the next fiscal year to cover construction and rehabilitation on new housing projects.
- Depreciation expense was included in the Actuals, but excluded from the Final Budget.

# Housing Authority of the County of Riverside

Management's Discussion and Analysis  
Year Ended June 30, 2018

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

Overall, at June 30, 2018, the Housing Authority's investment in capital assets, consisting of land, buildings, furniture, and equipment is reported at its net value of \$14.7 million, which is derived from the acquisition cost of \$53.1 million, less accumulated depreciation of \$38.4 million. This year, changes in capital assets included the completion of capital projects for the Rental Assistance Demonstration Program and NSP properties not previously recorded.

	2018	2017	Change	
			Dollar	Percentage
Land	\$ 3,631,037	\$ 3,631,037	\$ -	0%
Construction in Progress	-	619,351	(619,351)	(100%)
Buildings and Improvements	48,096,957	42,451,761	5,645,196	13%
Furniture and Equipment	1,421,267	1,489,305	(68,038)	(5%)
Total Capital Assets	53,149,261	48,191,454	4,957,807	10%
Accumulated Depreciation	(38,411,700)	(37,380,532)	(1,031,168)	3%
Capital Assets, net	\$ 14,737,561	\$ 10,810,922	\$ 3,926,639	36%

### Long-Term Debt

At the end of the current fiscal year, the Housing Authority had long-term bonds outstanding of \$200,000. 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 24, Note 6 & Page 25, Note 7).

## CURRENTLY KNOWN FACTS: ECONOMIC FACTORS

Under current law, most Section 8 Housing Choice Voucher participants pay 30 percent of their adjusted income toward rent, and HUD pays the remainder up to the current payment standard for their approved subsidy size. According to a proposed plan, HUD will require participants to pay 35% of their monthly adjusted income toward rent. If passed, nationally 4.7 million families would be impacted and locally 3,035 (35%) households in Riverside County. The average increase per household in Riverside County would be \$353/month.

## 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

Statement of Net Position

June 30, 2018

## ASSETS

### Current Asset

Cash and cash equivalents	\$ 18,767,179
Receivables (net of allowance)	2,103,118
Investments	1,392,725
Prepaid expenses and other current assets	-
Inventory (net of allowance)	-
Assets held for sale	38,099,206
Total Current Assets	<u>60,362,228</u>

### Non-Current Assets

Capital assets (net of accumulated depreciation)	14,737,561
Receivables (net of current)	91,367,964
Other noncurrent assets	-
Total Non-Current Assets	<u>106,105,525</u>

TOTAL ASSETS 166,467,753

TOTAL DEFERRED OUTFLOWS OF RESOURCES \$ 6,574,320

# Housing Authority of the County of Riverside

Statement of Net Position

June 30, 2018

## LIABILITIES

### Current Liabilities

Accounts payable	\$	26,580
Accrued expenses		1,140,161
Deposits held in trust		366,467
Unearned revenue		68,746
Debt		200,000
Other current liabilities		-
Total Current Liabilities		<u>1,801,954</u>

### Non-Current Liabilities

Debt (net of current)		12,026,295
Accrued expenses (net of current)		1,523,285
Other non-current liabilities		779,243
Net pension liability and other post employment benefits		<u>14,252,450</u>
Total Non-Current Liabilities		<u>28,581,273</u>

TOTAL LIABILITIES 30,383,227

TOTAL DEFERRED INFLOWS OF RESOURCES 2,467,093

## NET POSITION

Net investment in capital assets		2,510,124
Restricted		14,971,065
Unrestricted		<u>122,712,347</u>
TOTAL NET POSITION	\$	<u>140,193,536</u>

# Housing Authority of the County of Riverside

Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2018

Operating Revenues	
Tenant rental revenue (net of collection losses)	\$ 4,466,127
Operating grants and subsidies	87,934,197
Fee revenue	-
Other income	4,238,243
Total Operating Revenues	<u>96,638,567</u>
Operating Expenses	
Administrative	13,493,643
Tenant services	-
Utilities	680,067
Maintenance	3,793,769
Protective services	-
Insurance premiums	337,046
Other general expenses	1,041,727
Housing assistance payments	77,723,879
Depreciation	1,149,201
Total Operating Expenses	<u>98,219,332</u>
	Operating Income (Loss)
	<u>(1,580,765)</u>
Non-operating Revenues (Expenses)	
Investment income	915,717
Gain (loss) on disposition of assets	(448,993)
Interest expense	(108,489)
Extraordinary items gain (net of losses)	78,146
Total Non-operating Revenues (Expenses)	<u>436,381</u>
Capital contributions	<u>-</u>
	Change in Net Position
	(1,144,384)
Beginning Net Position	141,337,920
Prior-period adjustment(s)	-
Ending Net Position	<u>\$ 140,193,536</u>

# Housing Authority of the County of Riverside

Statement of Cash Flows  
Year Ended June 30, 2018

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash receipts from tenants	\$ 4,427,673
Cash receipts from grants	87,763,520
Cash payments to suppliers for goods and services	(89,634,821)
Cash payments for wages and benefits	(5,761,569)
Other cash payments and receipts	<u>3,991,447</u>
Net Cash Provided (Used) by Operating Activities	<u>786,250</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Acquisition and construction of capital assets	(5,065,595)
Disposition of capital assets	-
Capital contributions	-
Debt additions	3,704,000
Debt reductions and interest payments	<u>(299,573)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,661,168)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Funds loaned	(2,052,936)
Investment income	<u>106,132</u>
Net Cash Provided (Used) by Investing Activities	<u>(1,946,804)</u>
	Net Increase (decrease) in Cash and Cash Equivalents
	(2,821,722)
Beginning Cash and Cash Equivalents	<u>21,588,901</u>
Ending Cash and Cash Equivalents	<u>\$ 18,767,179</u>

# Housing Authority of the County of Riverside

Statement of Cash Flows  
Year Ended June 30, 2018

## Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:

Operating Income (Loss)	\$	(1,582,548)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation		1,149,201
Pension related expense		1,800,894
Changes in operating assets and liabilities		
Receivables		(434,799)
Prepaid expenses and other assets		-
Inventory		-
Accounts payable		(604)
Accrued expenses		(153,567)
Deposits held in trust		21,055
Unearned revenue		(40,400)
Other liabilities		27,018
Total adjustments		<u>2,368,798</u>
	Net Cash Provided (Used) by Operating Activities	<u>\$ 786,250</u>
Interest paid	\$	<u>108,489</u>

# Housing Authority of the County of Riverside

Notes to Financial Statements  
Year Ended June 30, 2018

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *Introduction*

The financial statements of Housing Authority of the County of Riverside (Authority, we, us, our) 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 entities 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.

GASB 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

## Housing Authority of the County of Riverside

Notes to Financial Statements

Year Ended June 30, 2018

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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 Corp.- 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.

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 landlords 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. (9,651 vouchers)
- b. *Other Authority Programs* – The Authority operates several other programs that assist or enhance the above programs. (94 units)

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.

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# Housing Authority of the County of Riverside

Notes to Financial Statements  
Year Ended June 30, 2018

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 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, 2018, dwelling income and other rental related fees of \$4,520,757 has been netted with bad debt expense of \$54,630.

**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.



# Housing Authority of the County of Riverside

Notes to Financial Statements  
Year Ended June 30, 2018

## **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:

<u>Asset Class</u>	<u>Estimated Lives</u>
Buildings and Improvements	10-25
Equipment	5-15
Vehicles	10

## Housing Authority of the County of Riverside

Notes to Financial Statements  
Year Ended June 30, 2018

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**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 activity. 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, 2018 was \$6,574,320.

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 \$1,880,430 pension activity and \$586,663 HOPWA grant advances. The balance as of June 30, 2018 was \$2,467,093.

**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 \$1,149,201 has been recognized during the year ended June 30, 2018.

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

# Housing Authority of the County of Riverside

Notes to Financial Statements

Year Ended June 30, 2018

**Interfund Eliminations.** All interfund receivables and payables between program and blended component units have been 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.

**Fair Value Estimate:** The GASB defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. GASB established a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of inputs used to measure fair value are as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs that are observable or can be corroborated by observable market data.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The estimated fair value of the Authority's financial instruments has been determined by management using available market information. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the fair values are not necessarily indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions may have a material effect on the estimated fair value amounts. The carrying amounts of cash and cash equivalents, receivables, payables and accrued liabilities are a reasonable estimate of their fair value, due to their short-term nature and method of computation. All financial assets that are measured at fair value on a recurring basis (at least annually) have been segregated into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date.

**Subsequent Events.** We evaluated subsequent events through October 2, 2018, the date these financial statements were issued.

## **Governance.**

The following table lists our Board of Commissioners as of the year ended June 30, 2018:

Commissioner	Position	Term Ending
John F. Tavaglione	Supervisor	2018
Chuck Washington	Chairman	2020
Kevin Jeffries	Vice Chairman	2020
V. Manuel Perez	Supervisor	2018
Marion Ashley	Supervisor	2018

In addition to the above Commissioners, the Administrator of the Authority is Carrie Harmon, who served as the Deputy Executive Director.

# Housing Authority of the County of Riverside

Notes to Financial Statements

Year Ended June 30, 2018

## 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments as of June 30, 2018 are classified in the accompanying financial statements as follows:

### *Unrestricted*

Petty cash	\$ 1,000
Checking & money market accounts	<u>3,856,153</u>
Total Unrestricted	<u>3,857,153</u>

### *Restricted*

Modernization and development	-
Tenant security deposits	366,467
Restricted for payment of current liabilities	-
Other restricted	<u>14,543,559</u>
Total Restricted	<u>14,910,026</u>

Total Cash and Cash Equivalents \$ 18,767,179

### *Investments*

Unrestricted	\$ 185,976
Other restricted	982,028
Restricted for payment of current liabilities	<u>224,721</u>

Total Investments \$ 1,392,725

### **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.

# Housing Authority of the County of Riverside

Notes to Financial Statements  
Year Ended June 30, 2018

## 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 2018 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, 2018 are identified below.

### Deposits with Financial Institutions

#### Insured Deposit Accounts

Bank of America	\$ 6,506,603	34.67%
BNY Mellon	12,010,790	64.00%

#### Other Deposit Accounts

County of Riverside	248,786	1.33%
Petty Cash	1,000	0.01%

Total Deposits with Financial Institutions	\$ 18,767,179	100.00%
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### 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)	\$ 885,976	63.61%
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#### Deposits with Financial Institutions

Bank of America	282,028	20.25%
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#### Trustee Indenture Funds

US Bank Debt Service Funds	224,721	16.14%
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Total Investments	\$ 1,392,725	100.00%
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### 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.

# Housing Authority of the County of Riverside

Notes to Financial Statements  
Year Ended June 30, 2018

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## **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.

## Housing Authority of the County of Riverside

Notes to Financial Statements  
Year Ended June 30, 2018

### 3. ACCOUNTS RECEIVABLE

Accounts receivable (net) includes tenant receivables (less allowance for bad debt), interest receivable, and miscellaneous receivables, as following:

PHA projects	\$	196,528
HUD other projects		29,535
Other government		1,216,147
Miscellaneous		443,049
Tenants		508,639
Allowance for doubtful accounts - tenants		(305,564)
Allowance for doubtful accounts - other		-
Notes, loans, and mortgages - current		4,078
Fraud Recovery		-
Allowance for doubtful accounts - fraud		-
Accrued interest receivable		10,706
Current Receivables (net of allowance)	<u>\$</u>	<u>2,103,118</u>

### 4. CAPITAL ASSETS

A summary of capital assets for the year ended June 30, 2018 is as follows:

	2017	Additions	Deletions	2018
<i>Non-Depreciable</i>				
Land	\$ 3,631,037	\$ -	\$ -	\$ 3,631,037
Construction in progress	619,351	339,145	(958,496)	-
<i>Subtotal</i>	<u>4,250,388</u>	<u>339,145</u>	<u>(958,496)</u>	<u>3,631,037</u>
<i>Depreciable</i>				
Buildings & improvements	42,451,761	5,645,196	-	48,096,957
Furniture & equipment	1,489,305	49,995	(118,033)	1,421,267
<i>Subtotal</i>	<u>43,941,066</u>	<u>5,695,191</u>	<u>(118,033)</u>	<u>49,518,224</u>
Total Capital Assets	48,191,454	6,034,336	(1,076,529)	53,149,261
Accumulated Depreciation	<u>(37,380,532)</u>	<u>(1,149,201)</u>	118,033	<u>(38,411,700)</u>
Capital Assets (net)	<u>\$ 10,810,922</u>	<u>\$ 4,885,135</u>	<u>\$ (958,496)</u>	<u>\$ 14,737,561</u>

Depreciation expense for the year ended June 30, 2018 was \$1,149,201.

All land and buildings purchased and/or rehabbed utilizing federal grants are encumbered by a Declaration of Trust in favor of the United States of America as security for obligations guaranteed by the federal government and to protect other interests of the federal government.

## Housing Authority of the County of Riverside

Notes to Financial Statements  
Year Ended June 30, 2018

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### 5. LONG-TERM LOANS RECEIVABLE (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% per year 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, 2018, was \$1,147.

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 was 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 was used to inform potential homebuyers of the homebuyer assistance program. As of June 30, 2018, the balance of these loans was \$364.

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 four 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 is named the Inland Empire Rescue Mission. As of June 30, 2018, the balance of these loans was \$996.

The Manufactured Home Replacement Program (MHRP) provided financial assistance to manufactured home owners with substandard dwellings. 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-year affordability covenant. As of June 30, 2018, the balance of these loans was \$549.

The RDA entered into a Disposition and Development Agreement (DDA) with the Housing Authority of the County of Riverside to acquire two parcels located in the unincorporated community of Home Gardens on Neece Street for constructing two single-family homes. These homeownership opportunities were made available to low-income, first-time homebuyers, 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 interest and principal shall be forgiven at the end of the Affordability Period ending on the 45th anniversary of the Notice of Completion dated May 29, 2008. As of June 30, 2018, the balance on the loan for Anjana Kanda was \$105; and the balance of the loan for Francisco Beltran was \$85.

The RDA entered into a Development Agreement with Meyer Development and Construction for Infill Housing in Downtown Murrieta in 2008. There are four single family infill loans as a result of this agreement. They have a term of 45 years and 0% interest. 1/3 of each loan is to be forgiven every 15 years. As of June 30, 2018, the balance of these loans was \$140.

In 2006-07, the RDA loaned \$1,500,000 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 interest rate is 0% per year. The principal 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. As of June 30, 2018, the balance of the loan was \$1,500.



# Housing Authority of the County of Riverside

Notes to Financial Statements  
Year Ended June 30, 2018

## 5. LONG-TERM LOANS RECEIVABLE (continued)

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 interest rate is 1.5% per year. It is intended that the full amount of the loan to be forgiven in 45 years. As of June 30, 2018, the balance the home loans was \$291.

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 is due in full on March 1, 2065. The interest rate is 1% per year. As of June 30, 2018, the balance of the loan was \$176.

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. As of June 30, 2018, the balance of the home loans and developer loan was \$360.

The RDA entered into a Development Agreement with Riverside Housing Development Corp. for Infill Housing in Jurupa Valley on 37th Street and Wallace Street in 2009. There are three single-family infill loans as a result of this agreement. They have a term of 45 years and 0% interest. 1/3 of each loan is to be forgiven every 15 years. As of June 30, 2018, the balance of these loans was \$12.

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 one single-family property and rent to a very low-income household. As of June 30, 2018, the balance of the loan was \$328.

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% interest per year. All outstanding principal along with accrued interest is due and payable on March 31, 2034. Annual payments are to be paid from available cash flow. Should there be insufficient cash flow within a given annual period, the payment is deferred and the annual interest added to the principal balance. As of June 30, 2018, the balance of the loan was \$800.

In 2006-07, the RDA entered into a loan agreement for \$560,000 with the Angel View 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/Developmentally-Disabled Nursing Facility that provides 24-hour personal care, developmental services, and nursing supervision for infant to three-year-old children with disabilities who have been removed from their homes by court order. The loan interest is 3% per year. The loan term is 55 years. It is intended that the full amount of the loan will be forgiven at its maturity date. As of June 30, 2018, the balance of the loan was \$742.

In 2007-08, the RDA loaned \$1,500,000 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 interest rate is 3% per year. The loan term is 50 years. As of June 30, 2018, the balance of the loan was \$1,928.

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 interest rate is 3% per year. The loan term is 55 years. The interest and principal are fully due and payable in full by December 31, 2065. As of June 30, 2018, the balance of the loan was \$1,898.

## Housing Authority of the County of Riverside

Notes to Financial Statements  
Year Ended June 30, 2018

### 5. LONG-TERM LOANS RECEIVABLE (continued)

In March 2010, the RDA entered into a loan agreement with Operation Safe House, Inc. in the amount of \$1,100,000. The loan interest rate is 0% per year. The repayment of the loan is paid by the Borrower's annual payment of 50% of the operation's residual receipts. This is determined by a residual receipts calculation of the Housing Project each year per the loan agreement. As of June 30, 2018, the balance of the loan was \$1,100.

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 will serve low-income families with affordable rents for a period of 55 years. Funding included a conventional loan from Farmers & Merchant Bank, loan from MHSA, deferred developer fee, and Riverside County Transportation Uniform Mitigation Fee waiver, and the balance from tax credit equity financing. As of June 30, 2018, the balance of the loan was \$7,760.

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. As of June 30, 2018, the balance on the loan was \$7,535.

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 year. The principal and interest are due to be repaid, in full, 55 years after the first Certificate of Occupancy is recorded. As of June 30, 2018, the balance on the loan was \$3,828.

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 interest rate is 1% per year and the term is 30 years. Payments are not due for 10 years. Payments after 10 years are from the project's residual receipts. During 2000-01, RDA agreed to pay the Elsinore Valley Municipal Water District for sewer connection fees. As of June 30, 2018, the balance of the loan and reimbursement agreement was \$3,266.

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 loan interest rate is 1% per year and the term is 55 years. Annual principal payments plus interest is paid from available net proceeds. In the event that there are insufficient net proceeds, the payment is deferred. As of June 30, 2018, the loan balance was \$795.

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 consists of 91 affordable rental units plus one on-site manager unit. The loan interest rate is 1% per year and the term is 55 years. Payments are 50% of the project residual receipts, paid annually. All outstanding principal and accrued interest are due and payable on July 1, 2063. As of June 30, 2018, the balance of the loan was \$331.

In September 2008, the RDA and Mission Village Senior Apartments, a California limited partnership entered into an Affordable Housing Agreement for a loan with an interest rate of 3% per year. The 102-unit affordable senior apartment complex was constructed in the unincorporated community of Glen Avon. Annual payments are equal to 50% of the residual receipts from the operation. As of June 30, 2018, the balance of the loan was \$13,240.

# Housing Authority of the County of Riverside

Notes to Financial Statements

Year Ended June 30, 2018

## 5. LONG-TERM LOANS RECEIVABLE (continued)

In November 2015, the Housing Authority and Jurupa Valley Vista Rio Partners, LP entered into a loan agreement to help finance the Vista Rio Apartments that will provide a 39-unit multi-family affordable housing complex in Jurupa Valley. The loan provides a maximum amount of \$2,798,000. The loan term is 55 years at 3% interest. As of June 30, 2018, the balance of the loan was \$2,601.

In 2001-02, the RDA loaned \$800,000 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 have a maturity date of July 1, 2056. In 2006, an additional \$70,000 was loaned by RDA. The loan interest rate is 0%. As of June 30, 2018, the balance on the loan was \$870.

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. As of June 30, 2018, the balance of the loan was \$7,824.

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. As of June 30, 2018, the balance of the mobile home loans was \$57.

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. As of June 30, 2018, the balance for these loans was \$199.

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 remain as affordable housing for 45 years, and in the event that a property was sold during this time, the Housing Authority has the first right of refusal to purchase a property at the price agreed to by the parties. As of June 30, 2018, the balance on the loans was \$12,521.

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% to 3% per year. Payments are deferred for the first 10 years of the term. All outstanding principal along with accrued interest are due and payable with a single and final payment in 40 years. For the second 10-years, if there has been no history of default, a prorated amount of the loan principal will be forgiven each year. Additionally, all interest will be forgiven. As of June 30, 2018, the balance of the loans was \$1,371.

## Housing Authority of the County of Riverside

Notes to Financial Statements

Year Ended June 30, 2018

### 5. LONG-TERM LOANS RECEIVABLE (continued)

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 also received a US Department of Agriculture Rural Business Enterprise Grant and the US Department of Agriculture Water and Waste Disposal Loan and Grant Funds. 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, will 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 units installed in permitted sites that replaced existing substandard units. As supplement to the MHTL loan, HCD's Joe Serna Jr. Farm Worker Housing Grant Program was utilized to provide matching funds. It is intended that the properties will remain as affordable for a prescribed length of time, and in the event that a property is sold during this time, the Housing Authority has the first right of refusal to purchase a property at the price agreed to by the parties. This requirement is in effect for 45 years from the date of close of escrow. As of June 30, 2018, the balance of the loans was \$10,589.

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 homebuyers. As of June 30, 2018, the balance of the loans was \$1,500.

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, 2018, the total balance of the loans was \$117.

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 \$500,000 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, 2018, the balance of the loan was \$500.

The former Coachella RDA also entered a loan agreement in 2001 with Simpson Housing Investors, Inc. to help build the El Jardin Apartments. This is an 81-unit low-income apartment project. The loan amount was \$906,000 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, 2018, the balance of the loan was \$1,417.

In August 2015, the Housing Authority and the Coachella Valley Housing Coalition entered into an agreement to construct 39 single-family homes on 9.3 acres of property in the city of Coachella for the Tierra Bonita 39 Homeownership Project. This land was conveyed to CVHC by the Housing Authority. The homes are to be sold to and occupied by low-income first time homebuyers for an affordable purchase price. The Housing Authority is providing a loan of \$1,189,800 to assist qualified low income first time homebuyers pay a portion of the purchase price for the single-family homes. The 45-year loans are 0% interest and will be forgiven. As of June 30, 2018, there have been 15 loans provided for a balance of \$458.

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, 2018, the balance of the loans was \$25.

## Housing Authority of the County of Riverside

Notes to Financial Statements

Year Ended June 30, 2018

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### 5. LONG-TERM LOANS RECEIVABLE (continued)

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, 2018, the balance of the loans was \$535.

These Housing Authority loans provide financing for rehabilitation/replacement of existing mobile homes that will serve low-income households including low-income farm workers of the Coachella Valley. Funding of \$1,500,000 for this program is from the California Department of Housing and Community Development (HCD) under the CalHome Program (12-CalHome-8714). These are 20-year loans at 0% interest and will be forgiven. As of June 30, 2018, there have been 26 loans provided for a balance of \$1,389.

These Riverside Community Housing Corp. Loans provide financing for the replacement of mobile homes for low-income households in the Coachella Valley. Funding of \$135,850 was provided by The California Endowment program. These are 45-year loans at 0% interest. As of June 30, 2018, there have been three loans provided for a balance of \$119.

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# Housing Authority of the County of Riverside

Notes to Financial Statements  
Year Ended June 30, 2018

## 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, 2018 before applying the deferred charge was \$200,000.

*Summary of activity.* The following is a schedule of changes in long-term bonds payable for the year ended June 30, 2018:

	Balance at June 30, 2017	Additions	Deletions	Balance at June 30, 2018	Current Portion
1998 Series A	\$ 390,000	\$ -	\$ (190,000)	\$ 200,000	\$ 200,000

*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. Accrued interest payable balance at June 30, 2018 was \$1,142.

## Housing Authority of the County of Riverside

Notes to Financial Statements  
Year Ended June 30, 2018

*Debt service requirements to maturity.* The annual requirements to amortize outstanding long-term bonds payable of the Authority as of June 30, 2018 are as follows:

Year Ending June 30:	1998 Series A		Total
	Principal	Interest	
2020	200,000	6,850	206,850
Total Debt Service	200,000	6,850	206,850
			(6,850)
			200,000
			(200,000)
			\$ -

### 7. OTHER DEBT

A summary of activity for other debt for the year ended June 30, 2018 is provided below:

	2017	Additions	Deletions	2018	Current Portion
<i>Ripley Migrant Center:</i>					
USDA Rural Development	\$ 3,795,110	\$ -	\$ -	\$ 3,795,110	\$ -
Farmworker Housing Grant	3,000,000	-	-	3,000,000	-
<i>Subtotal</i>	<u>6,795,110</u>	<u>-</u>	<u>-</u>	<u>6,795,110</u>	<u>-</u>
<i>County of Riverside:</i>					
Tres Lagos	1,527,185	-	-	1,527,185	-
Neighborhood Stabilization (NSP)	-	3,704,000	-	3,704,000	-
<i>Subtotal</i>	<u>1,527,185</u>	<u>3,704,000</u>	<u>-</u>	<u>5,231,185</u>	<u>-</u>
Total Other Debt	<u>\$ 8,322,295</u>	<u>\$ 3,704,000</u>	<u>\$ -</u>	<u>\$ 12,026,295</u>	<u>\$ -</u>

#### Notes payable descriptions:

##### ***Ripley Migrant Center - USDA Rural Development & Farmworker Housing Grant***

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.

##### ***County of Riverside – Tres Lagos***

The Housing 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 20, 2017. Due to the unanticipated extension of negotiations and due diligence periods relating to the sale of Authority-owned properties pledged to repay the County loan, the County has agreed to extend the loan for an additional 36-month period, with an expiration date of November 24, 2019.

# Housing Authority of the County of Riverside

Notes to Financial Statements

Year Ended June 30, 2018

## **County of Riverside – Neighborhood Stabilization Program (NSP)**

On September 13, 2016, The Riverside Community Housing Corporation assumed a Rancho Housing Alliance loan for \$3,204,000 funded by the Neighborhood Stabilization Program (NSP). An additional NSP loan of \$500,000 for rehabilitation costs, unpaid property taxes and operating reserves was acquired increasing the original loan of \$3,204,000 to \$3,704,000. The NSP loan shall be the first to occur of July 1, 2067 or fifty-five (55) years from the issuance of the Certificate of Occupancy.

## **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 will not be payable from the general revenues of the issuer and in no event, will 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, 2018, the outstanding balances of these Revenue Bonds are as follows:

Description	Issued	Matures	Amount of Issue	Balance at June 30, 2018
Tyler Village, Series C	1999	2027	\$ 9,000,000	\$ 6,400,000
Ridgecrest, Series B	1999	2032	5,300,000	4,345,000
Wildomar, Series A	1999	2029	6,700,000	4,515,000
Mission Village, Series A-1	2008	2040	3,019,918	2,645,809
			<u>\$ 24,019,918</u>	<u>\$ 17,905,809</u>

## **9. ARBITRAGE REBATE TO FEDERAL AGENCY**

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

Every fifth year, until the last revenue bond is paid or redeemed, an arbitrage calculation is required and an installment is due. At least ninety percent of the arbitrage calculation is required to be paid at the installment due date.

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.



# Housing Authority of the County of Riverside

Notes to Financial Statements  
Year Ended June 30, 2018

## 10. PENSION PLAN

### *Summary of Significant Accounting Policies of the Plan*

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 Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date: June 30, 2016

Measurement Date: June 30, 2017

Measurement Period: July 1, 2016 to June 30, 2017

### *General Information about the Pension Plan*

*Plan description, benefits provided and employees covered.* Through the County of Riverside, the Authority contracts with the CalPERS to provide retirement benefits to its employees. Under GASB Statement No. 68, both the County and the Authority are agent multiple-employer defined benefit pension plans due to their pooling composite.

The Plan is an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the Plan's June 30, 2016 Annual Actuarial Valuation Report (funding valuation). Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website.

*Contributions.* Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

Listed below is a table with the retirement options and provisions.

	Plan	EPMC	Earliest Retirement Age	PEPRA Compensation Limits	Final Compensation	Effective Date
Tier I	3% at 60	Yes	50	N/A	12 Months	N/A
Tier II	2% at 60	No	50	N/A	36 Months	08/23/2012
Tier III	2% at 62	No	52	\$117,020	36 Months	01/01/2013
(PEPRA)						

## Housing Authority of the County of Riverside

Notes to Financial Statements  
Year Ended June 30, 2018

### 10. PENSION PLAN (continued)

The County and Authority are required to contribute the actuarially determined annual required contributions necessary to fund the plans. For fiscal year 2017-2018, 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%

*Actuarial Methods and Assumptions Used to Determine Total Pension Liability.* The June 30, 2016 valuation was rolled forward to determine the June 30, 2017 total pension liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefits Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter
<p>* The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.</p>	

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report may be accessed on the CalPERS website at [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

*Change of Assumptions* In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

*Discount rate.* The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the 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. The tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. 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.

# Housing Authority of the County of Riverside

Notes to Financial Statements

Year Ended June 30, 2018

## 10. PENSION PLAN (continued)

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 (Public Employees' Retirement 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. The target allocation shown was adopted by the Board effective on July 1, 2016.

Asset Class	Current Target Allocation	Real Return Years 1-10 <sup>1</sup>	Real Return Years 11+ <sup>2</sup>
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.20%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%

<sup>1</sup>An expected inflation of 2.5% used for this period

<sup>2</sup>An expected inflation of 3.0 used for this period

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

*Amortization of Deferred Outflows and Deferred Inflows of Resources.* Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

## Housing Authority of the County of Riverside

Notes to Financial Statements  
Year Ended June 30, 2018

### 10. PENSION PLAN (continued)

The amortization period differs depending on the source of the gain or loss:

Net Difference between projected and actual earnings on pension plan investments	5-year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period

#### **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.

At 6/30/2018, proportionate shares of net pension liability (asset) by plan(s):

	<b>Proportionate Share of Net Pension Liability</b>
Total	\$ 14,252,450

We had a pension cost of \$1,148,593.

## Housing Authority of the County of Riverside

Notes to Financial Statements  
Year Ended June 30, 2018

### 10. PENSION PLAN (continued)

Sensitivity of the Proportionate Share of the Net Pension Liability/(Asset) to Changes in the Discount Rate:

	Discount Rate -1% 6.15%	Current Discount Rate 7.15%	Discount Rate +1% 8.15%
Employer's Net Pension Liability/(Asset)	\$ 16,622,753	\$ 14,252,450	\$ 6,359,516

6/30/2018 reported deferred outflows of resources and deferred inflows of resources related to pensions:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 2,352,649	\$ (204,898)
Differences between Expected and Actual Experience	1,222,129	-
Differences between Projected and Actual Investment Earnings	1,874,409	(1,675,532)
Differences between Employer's Contributions and Proportionate Share of Contributions	-	-
Change in Employer's Proportion		
Pension Contributions Made Subsequent to Measurement Date	1,125,133	-
	\$ 6,574,320	\$ (1,880,430)

Other deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expenses as follows:

Fiscal Year Ending June 30:	Total
2019	\$ 931,460
2020	1,507,091
2021	1,116,919
2022	13,287
2023	-
Thereafter	-
	\$ 3,568,757

*Payable to the Pension Plan.* At June 30, 2018, 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, 2018:

# Housing Authority of the County of Riverside

Notes to Financial Statements

Year Ended June 30, 2018

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## 11. ECONOMIC DEPENDENCY

The Authority receives approximately 68% of operating funds used for affordable housing activities from the U.S. Department of Housing and Urban Development.

## 12. 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, 2018, there were no liabilities to be reported.

As of June 30, 2018, 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.

## 13. 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.

## Housing Authority of the County of Riverside

Notes to Financial Statements  
Year Ended June 30, 2018

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### 13. HOUSING AUTHORITY SUCCESSOR AGENCY (Continued)

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.

In March 31, 2009, the former Redevelopment Agency, the RDA and Developer entered into an MOU allowing use of loan proceeds to explore the development of a multifamily rental housing complex at the northeast corner of Larue Street and Mission Blvd. The Developer expended \$681,000 for the acquisition of the project site but was not able to meet the obligations under the Development Agreement. Therefore, the Development Agreement was terminated and the land was transferred back to the Housing Authority in lieu of forgiving the loan. In FY 2016, the total of the purchase price was booked as a capital asset.

### 14. LEASES

In 2016, the Housing Authority entered into a master lease agreement with Enterprise Fleet Management for three vehicles. The term of the agreement is for 60 months or five (5) years. The total capitalized amount is \$57,492 includes price of the vehicles, an initial license fee and a pricing plan delivery charge. At the end of the 60 month lease period, the total book value will be reduced by \$10,924. The depreciation reserve is calculated at the rate 1.3500 percent equal to \$9,313 annually. The annual rental payments of the vehicles total \$14,899. At the expiration or early termination of the agreement or upon demand by Enterprise Fleet Management if default, Housing Authority at its risk and expense will return vehicles.

# Housing Authority of the County of Riverside

Notes to Financial Statements  
Year Ended June 30, 2018

## 15. COMBINING STATEMENTS

### Combining Statements of Net Positions June 30, 2018

	Housing Authority of the County of Riverside	Blended Component Unit		Eliminations	Primary Government Total
		Riverside	Community Housing Corporation		
<b>ASSETS</b>					
Current Asset					
Cash and cash equivalents	\$ 17,978,570	\$ 788,609	\$ -	\$ -	\$ 18,767,179
Receivables (net of allowance)	3,865,491	934,618	(2,696,991)	-	2,103,118
Investments	1,392,725	-	-	-	1,392,725
Prepaid expenses and other current assets	-	-	-	-	-
Inventory (net of allowance)	-	-	-	-	-
Assets held for sale	38,099,206	-	-	-	38,099,206
<b>Total Current Assets</b>	<b>61,335,992</b>	<b>1,723,227</b>	<b>(2,696,991)</b>		<b>60,362,228</b>
<b>Non-Current Assets</b>					
Capital assets (net of accumulated depreciation)	5,020,397	9,717,164	-	-	14,737,561
Receivables (net of current)	91,248,629	119,335	-	-	91,367,964
Other noncurrent assets	-	-	-	-	-
Total Non-Current Assets	96,269,026	9,836,499	-	-	106,105,525
<b>TOTAL ASSETS</b>	<b>157,605,018</b>	<b>11,559,726</b>	<b>(2,696,991)</b>		<b>166,467,753</b>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 5,383,747</b>	<b>\$ 1,190,573</b>	<b>\$ -</b>		<b>\$ 6,574,320</b>



**Housing Authority of the County of Riverside**  
Notes to Financial Statements  
Year Ended June 30, 2018

**15. COMBINING STATEMENTS**  
**Combining Statements of Net Positions (continued)**  
June 30, 2018

	Blended Component Unit				Eliminations	Primary Government Total
	Housing Authority of the County of Riverside	Community Housing Corporation	Riverside	Riverside		
<b>LIABILITIES</b>						
Current Liabilities						
Accounts payable	\$ 1,847,867	\$ 875,704	\$ (2,696,991)	\$	26,580	1,140,161
Accrued expenses	981,930	158,231	-	-	366,467	68,746
Deposits held in trust	37,795	328,672	-	-	-	200,000
Unearned revenue	176	68,570	-	-	-	-
Debt	200,000	-	-	-	-	-
Other current liabilities	-	-	-	-	-	-
Total Current Liabilities	<u>3,067,768</u>	<u>1,431,177</u>	<u>(2,696,991)</u>	<u>-</u>	<u>1,801,954</u>	<u>-</u>
Non-Current Liabilities						
Debt (net of current)	8,322,295	3,704,000	-	-	12,026,295	-
Accrued expenses (net of current)	1,229,210	294,075	-	-	1,523,285	-
Other non-current liabilities	779,243	-	-	-	779,243	-
Net pension liability and other post employment benefits	11,710,210	2,542,240	-	-	14,252,450	-
Total Non-Current Liabilities	<u>22,040,958</u>	<u>6,540,315</u>	<u>-</u>	<u>-</u>	<u>28,581,273</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>25,108,726</u>	<u>7,971,492</u>	<u>(2,696,991)</u>	<u>-</u>	<u>30,383,227</u>	<u>-</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>2,134,486</u>	<u>332,607</u>	<u>-</u>	<u>-</u>	<u>2,467,093</u>	<u>-</u>
<b>NET POSITION</b>						
Net investment in capital assets	(3,503,040)	6,013,164	-	-	2,510,124	-
Restricted	14,971,065	-	-	-	14,971,065	-
Unrestricted	124,277,528	(1,565,181)	-	-	122,712,347	-
<b>TOTAL NET POSITION</b>	<u>\$ 135,745,553</u>	<u>\$ 4,447,983</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 140,193,536</u>	<u>\$ -</u>

# Housing Authority of the County of Riverside

Notes to Financial Statements  
Year Ended June 30, 2018

**15. COMBINING STATEMENTS**  
**Combining Statements of Revenues, Expenses, and Changes in Net Positions**  
 Year Ended June 30, 2018

	Blended Component Unit				Primary Government Total
	Housing Authority of the County of Riverside	Community Housing Corporation	Eliminations	Government Total	
<b>Operating Revenues</b>					
Tenant rental revenue (net of collection losses)	\$ 361,267	\$ 4,104,860	\$ -	\$ -	\$ 4,466,127
Operating grants and subsidies	87,687,282	245,132	-	-	87,932,414
Fee revenue	1,882,119	-	(1,882,119)	-	-
Other income	4,169,794	68,449	-	-	4,238,243
<b>Total Operating Revenues</b>	<b>94,100,462</b>	<b>4,418,441</b>	<b>(1,882,119)</b>	<b>(1,882,119)</b>	<b>96,636,784</b>
<b>Operating Expenses</b>					
Administrative	13,660,779	1,714,983	(1,882,119)	-	13,493,643
Tenant services	-	-	-	-	-
Utilities	127,009	553,058	-	-	680,067
Maintenance	1,799,774	1,993,995	-	-	3,793,769
Protective services	-	-	-	-	-
Insurance premiums	80,616	256,430	-	-	337,046
Other general expenses	884,779	156,948	-	-	1,041,727
Housing assistance payments	77,576,562	147,317	-	-	77,723,879
Depreciation	432,665	716,536	-	-	1,149,201
<b>Total Operating Expenses</b>	<b>94,562,184</b>	<b>5,539,267</b>	<b>(1,882,119)</b>	<b>(1,882,119)</b>	<b>98,219,332</b>
<b>Operating Income (Loss)</b>	<b>\$ (461,722)</b>	<b>\$ (1,120,826)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,582,548)</b>

# Housing Authority of the County of Riverside

Notes to Financial Statements  
Year Ended June 30, 2018

**15. COMBINING STATEMENTS**  
**Combining Statements of Revenues, Expenses, and Changes in Net Positions (continued)**  
Year Ended June 30, 2018

	Blended Component Unit				Primary Government Total
	Housing Authority of the County of Riverside	Community Housing Corporation	Riverside	Eliminations	
Non-operating Revenues (Expenses)					
Investment income	\$ 915,590	\$ 127	\$ -	\$ -	\$ 915,717
Gain (loss) on disposition of assets	(453,295)	4,302	-	-	(448,993)
Interest expense	(108,489)	-	-	-	(108,489)
Extraordinary items gain (net of losses)	78,146	-	-	-	78,146
Total Non-operating Revenues (Expenses)	<u>431,952</u>	<u>4,429</u>	<u>-</u>	<u>-</u>	<u>436,381</u>
Capital contributions	-	-	-	-	-
Change in Net Position	(29,770)	(1,114,614)	-	-	(1,144,384)
Beginning Net Position	135,775,323	5,562,597	-	-	141,337,920
Prior-period adjustment(s)	-	-	-	-	-
Ending Net Position	<u>\$ 135,745,553</u>	<u>\$ 4,447,983</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 140,193,536</u>

# Housing Authority of the County of Riverside

Notes to Financial Statements  
Year Ended June 30, 2018

**15. COMBINING STATEMENTS**  
**Condensed Combining Statements of Cash Flows**  
Year Ended June 30, 2018

	Housing Authority of the County of Riverside	Blended Component Unit		Eliminations	Primary Government Total
		Riverside Community Housing	Housing		
Net cash provided (used) by:					
Operating Activities	\$ 578,202	\$ 208,048	\$ -	\$ -	\$ 786,250
Capital and Related Financing Activity	(1,326,325)	(334,843)	-	-	(1,661,168)
Investing Activity	(1,946,931)	127	-	-	(1,946,804)
Net Increase (Decrease) in Cash	<u>(2,695,054)</u>	<u>(126,668)</u>	<u>-</u>	<u>-</u>	<u>(2,821,722)</u>
Beginning Cash and Cash Equivalents	20,673,624	915,277	-	-	21,588,901
Ending Cash and Cash Equivalents	<u>\$ 17,978,570</u>	<u>\$ 788,609</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,767,179</u>

## Housing Authority of the County of Riverside

Schedule of the Pension Plan's Proportionate Share of the Net  
Pension Liability (Asset) and Related Ratios  
Year Ended June 30, 2018

### SCHEDULE OF THE PENSION PLAN'S PORPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AND RELATED RATIOS \*

Plan Measurement Date under GASB 68 as of June 30	Proportion of Pension Liability	Proportionate share of Net Pension Liability	Covered Employee Payroll**	Proportionate share of the Net Pension Liability as a percentage of covered- employee payroll	Plan Fiduciary Net Position as a percentage of the Total Pension Liability***
2015	0.65984%	\$ 6,265,850	\$ 5,842,527	107.25%	83.16%
2016	0.67935%	\$ 7,675,338	\$ 6,280,156	122.22%	80.89%
2017	0.63998%	\$ 10,977,476	\$ 6,593,265	166.50%	74.51%
2018	0.61656%	\$ 14,252,450	\$ 7,384,689	193.00%	71.59%

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

\*\*Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of the retirement benefits are included.

\*\*\* The Plan Fiduciary Net Position as a percentage of the Total Pension Liability is the same for all General employers because neither the Plan Fiduciary Net Position nor the Total Pension Liability have been maintained separately for each of those employers. The same is also the case for all Safety

## Housing Authority of the County of Riverside

Schedule of Pension Plan's Contributions

Year Ended June 30, 2018

Plan Measurement Date under GASB 68 as of June 30	Actuarially determined contribution  [A]	Contributions in relation to actuarially determined contribution  [B]	Contribution deficiency (excess)  [C]=[A]-[B]	Covered- employee payroll	Contribution as a percentage covered- employees payroll
2015	\$ 907,429	\$ 930,188	\$ (22,759)	\$ 5,842,527	15.92%
2016	\$ 917,015	\$ 917,015	\$ -	\$ 6,280,156	14.60%
2017	\$ 992,227	\$ 992,227	\$ -	\$ 6,593,265	15.05%
2018	\$ 1,015,366	\$ 1,015,366	\$ -	\$ 7,384,689	13.75%

**Notes to Required Supplementary Information Schedules:**

Change in Benefits:                      There were no changes to benefit terms that applied to all members of the Public Agency Pool.

Change in Assumptions:                In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

**Housing Authority of the County of Riverside**  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2018

FEDERAL PROGRAM	CFDA No.	Direct	Indirect	Total Expenditures
<b>US Department of Housing and Urban Development (HUD)</b>				
<i>Section 8 Project-Based Cluster</i>				
Lower Income Housing Assistance Program -Section 8	14.856	\$ 744,114	-	\$ 744,114
Moderate Rehabilitation		744,114	-	744,114
<i>Total Section 8 Project-Based Cluster</i>				
<i>Housing Voucher Cluster</i>				
Section 8 Housing Choice Voucher	14.871	82,682,383	-	82,682,383
<i>Total Housing Voucher Cluster</i>				
<i>CDBG - Entitlement Grants Cluster</i>				
Community Development Block Grant [3]	14.218	-	42,500	42,500
<i>Total CDBG - Entitlement Grants Cluster</i>				
<i>Non-cluster Programs</i>				
Resident Opportunity and Supportive Services	14.870	97,047	-	97,047
Supportive Housing for Persons with Disabilities	14.181	307,022	-	307,022
Housing Opportunities for Persons With AIDS [1]	14.241	-	2,295,246	2,295,246
HOME Investment Partnerships Program [1]	14.239	-	289,663	289,663
Continuum of Care [2]	14.267	-	1,098,477	1,098,477
Shelter Plus Care [2]	14.238	-	87,505	87,505
<i>Total Non-cluster Programs</i>				
		404,069	3,770,891	4,174,960
<b>Total US Department of HUD</b>				
		83,830,566	3,813,391	87,643,957
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				
		<b>\$ 83,830,566</b>	<b>\$ 3,813,391</b>	<b>\$ 87,643,957</b>

**Legend:**

- [1] Pass-through from the City of Riverside.
- [2] Pass-through from the Riverside County DPSS.
- [3] Pass-through from the County of Riverside.

# Housing Authority of the County of Riverside

Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2018

## **(1) Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards**

### *Basis of Presentation*

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal awards activity of the Authority under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of our operations, it is not intended to and does not present our financial position, changes in net positions, or cash flows.

Riverside Community Housing Corporation, a blended component unit of the Housing Authority of the County of Riverside, is excluded from the Schedule and is subject to a separate audit in compliance with OMB Uniform Guidance.

### *Summary of Significant Accounting Policies*

The expenditures on the Schedule are reported on an accrual basis of accounting, such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited for reimbursement.

## **(2) Subrecipients**

During the fiscal year ended June 30, 2018, the Authority disbursed a portion of the HOPWA funds to subrecipients. Below is a schedule of subrecipients for the fiscal year ended June 30, 2018.

Agency	
Catholic Charities	\$40,959
Foothill Aids Project	\$83,334
Desert Aids Project	\$234,172
TruEvolution	\$39,180

## **(3) Indirect Cost Rate**

We have elected not to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance, Section 414.





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**The Governing Body**

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

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**INDEPENDENT AUDITORS' REPORT**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Housing Authority of the County of Riverside, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Housing Authority of the County of Riverside's basic financial statements, and have issued our report thereon dated October 2, 2018.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Housing Authority of the County of Riverside's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the County of Riverside's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the County of Riverside's internal control.

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

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

## Housing Authority of the County of Riverside

Independent Auditors' Report

June 30, 2018

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

As part of obtaining reasonable assurance about whether the Housing Authority of the County of Riverside's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority of the County of Riverside's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



October 2, 2018



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**The Governing Body**

Housing Authority of the County of Riverside  
Riverside, CA

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB UNIFORM GUIDANCE**

**INDEPENDENT AUDITORS' REPORT**

***Report on Compliance for Each Major Federal Program***

We have audited Housing Authority of the County of Riverside's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Housing Authority of the County of Riverside's major federal programs for the year ended June 30, 2018. Housing Authority of the County of Riverside's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Housing Authority of the County of Riverside's major federal programs based on our audit of the type of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Housing Authority of the County of Riverside's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Housing Authority of the County of Riverside's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Housing Authority of the County of Riverside complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

## Housing Authority of the County of Riverside

Independent Auditors' Report  
Year Ended June 30, 2018

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### ***Report on Internal Control Over Compliance***

Management of Housing Authority of the County of Riverside is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Housing Authority of the County of Riverside's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Housing Authority of the County of Riverside's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



October 2, 2018

# Housing Authority of the County of Riverside

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2018

## SECTION I - Summary of Auditors' Results

### Financial Statements

1. Type of Auditor Report on the financial statements: Unmodified.
2. Internal control over financial reporting:
- a. Material weakness identified  yes  no
- b. Significant deficiencies identified that are not considered to be material weaknesses?  yes  none reported
3. Noncompliance material to financial statements?  yes  no

### Federal Awards

4. Internal control over major programs:
- a. Material weakness identified  yes  no
- b. Significant deficiencies identified that are not considered to be material weaknesses?  yes  none reported
5. Type of auditors' report on compliance for major programs: Unmodified.
6. Audit findings noted which are required to be reported in accordance with 2 CFR 200.516(a)?  yes  no
7. Identification of Major Programs:

CFDA No.	Name of Federal Program(s)
14.871	Section 8 Housing Choice Vouchers

8. The Dollar Threshold Used to Distinguish Between Type A and Type B Programs: \$2,629,319
9. Auditee qualified as a low-risk auditee?  yes  no

## SECTION II – Financial Statement Findings

None noted.

## SECTION III – Federal Award Findings and Questioned Costs

There are no auditor findings to be reported in accordance with 2 CFR 200.516(a).

**Housing Authority of the County of Riverside**

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2018

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No findings noted for year ended June 30, 2017.