
HOUSING AUTHORITY OF THE CITY OF RICHMOND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

HOUSING AUTHORITY OF THE CITY OF RICHMOND
JUNE 30, 2005

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Richmond
Richmond, California

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Housing Authority of the City of Richmond (the Authority) as of and for the year ended June 30, 2005, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Authority, as of June 30, 2005, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2006 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

As described in Note 1 to the basic financial statements, the Authority adopted statement of the Government Accounting Standards Board No. 40, *Deposit and Investment Risk Disclosures*.

The management's discussion and analysis on pages 3 through 10 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods and measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

Patton & Associates

Oakland, California

March 6, 2006

HOUSING AUTHORITY OF THE CITY OF RICHMOND

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Richmond Housing Authority's (the "Authority") Management's Discussion and Analysis is designed to:

- provide an overview of the Authority's financial activity,
- identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges),
- assist the reader in focusing on significant financial issues, and
- identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the attached Authority's financial statements.

FINANCIAL HIGHLIGHTS

The Authority's net assets (or Equity) increased by \$8.4 million or 18% during FY 2005. Since the Authority engages only in enterprise fund-type activities, the increment is all in the category of contributed capital-type (HOPE VI revitalization and Capital Fund) net assets.

Total net assets were \$55.72 million and \$47.27 million for 2005 and 2004, respectively.

The dwelling rental activity revenue (the Authority's owned public housing units) increased by \$.03 million or (2%) during 2005; and was \$1.56 million and \$1.53 million for 2005 and 2004, respectively. The increment is essentially due to increased rental charges. However, total revenue in 2005 was less favorable when compared with 2004 as a result of fewer contributions from Capital Fund to the Low Rent Housing Program.

The total expenses of all Authority programs decreased by approximately .0008 million (or .0002%). The decrease is largely the effect of a reduced Housing Assistance Payments (HAP) to Housing Choice Vouchers Program landlords.

Total expenses were \$28.05 million and \$28.06 million for 2005 and 2004 respectively.

The component unit's Total Assets (or Total Equity) amounted to \$36 million as of June 30, 2005. Total revenue amounted to \$3.5 million during 2005 and operating expenses for the same year summed up to \$2.9 million. The net equity (unrestricted net assets) was a negative of approximately one hundred thousand dollars (\$86,995).

AUTHORITY-WIDE FINANCIAL STATEMENTS

The Authority-wide financial statements are designed to be corporate-like in that all enterprise fund type activities are consolidated into columns, which add to a total for the entire Authority.

The component unit financial statements are discreetly presented and included as part of the aggregate fund information of the City of Richmond Housing Authority as of June 30, 2005, which comprise the Authority's basic financial statements.

These statements include a Statement of Net Assets, which is similar to a Balance Sheet. The Statement of Net Assets reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equal "Net Assets", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

The focus of the Statement of Net Assets is the "Unrestricted Net Assets" which represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority.

Net Assets (formerly equity) are reported in three broad categories:

- Net Assets, Invested in Capital Assets, Net of Related Debt: This component of Net Assets consists of all Capital Assets, reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted Net Assets: This component of Net Assets consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.
- Unrestricted Net Assets: Consists of Net Assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt", or "Restricted Net Assets".

The Authority-wide financial statements also include a Statement of Revenues, Expenses and Changes in Fund Net Assets (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, maintenance, depreciation, and Non-Operating Revenue & Expenses, such as grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Fund Net Assets is the "Change in Net Assets", which is similar to Net Income or Loss.

Finally, a Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

FUND FINANCIAL STATEMENTS

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is now on Major Funds, rather than fund types. The Authority consists of exclusively Enterprise Funds. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

The Department of Housing and Urban Development requires many of the funds maintained by the Authority. Others are segregated to enhance accountability and control.

The component unit of the City of Richmond Housing Authority is a Joint Power Authority, a separate entity, created by and between the Authority and the City of Richmond, both public agencies, for the sole purpose of acquiring, owning and operating rental properties in order to maintain and increase the long-term supply of affordable and/or publicly owned housing. The component unit owns and operates "The Westridge at Hilltop Apartments", a 401-unit housing complex, purchased on August 22, 2003, located within the jurisdictions of the Authority and the City of Richmond.

THE AUTHORITY'S FUNDS

Business Type Funds

Low Rent Public Housing – Under the Low Rent Public Housing Program, the Authority rents units that it owns to low-income households. The Low Rent Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income. The Low Rent Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's properties.

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. 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.

Hope VI Revitalization Grant – a grant program funded by the Department of Housing and Urban Development to redevelop the Authority's Easter Hill Village housing project.

Other Non-major Funds – In addition to the major funds above, the Authority also maintains the following non-major funds. Non-major funds are defined as funds that have assets, liabilities, revenues, or expenses of less than 10% of the Authority's combined enterprise funds.

Capital Fund Program - a grant program funded by the Department of Housing and Urban Development for capital acquisitions and improvements.

Lead-Based Paint – a grant program funded by the Department of Housing and Urban Development to assist rental housing on Lead Based Paint Hazard Control.

Local Fund – The Authority maintains a Local Fund for low-income housing development.

AUTHORITY-WIDE STATEMENT

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets compared to prior year. The Authority is engaged in Business-Type Activities only. It also includes the condensed Statement of Net Assets of RHA Properties' operations as of, and for the fiscal year ended June 30, 2005. The component unit is engaged only in Business-Type Activities.

TABLE 1

STATEMENT OF NET ASSETS

	The Authority		RHA Properties	
	2005	2004	2005	2004
Current and Other Assets	\$ 6,517,458	\$ 5,532,965	\$ 3,014,188	\$ 3,248,899
Capital Assets, Net	54,778,968	44,732,198	32,804,809	33,664,867
Total Assets	61,296,426	50,265,163	35,818,997	36,913,766
Current Liabilities	2,382,942	975,084	1,481,541	964,091
Long-term Liabilities	3,190,000	2,023,829	33,730,000	34,185,000
Total Liabilities	5,572,942	2,998,913	35,211,541	35,149,091
Net Assets:				
Invested in Capital Assets, Net of Related Debt	54,778,968	44,732,199	(1,380,191)	(1,055,133)
Restricted	171,906		2,074,642	2,187,505
Unrestricted	772,610	2,534,051	(86,995)	632,303
Total Net Assets	\$ 55,723,484	\$ 47,266,250	\$ 607,456	\$ 1,764,675

For more detailed information, see Statement of Net Assets.

Major Factors Affecting the Statement of Net Assets

Current and other assets increased by \$984,493 due primarily to accrued receivable from HUD for HOPE VI subsidies. Current liabilities increased by \$1,407,858, as more accruals (Vendor Payables) were booked as of June 30, 2005.

Investments in Capital Assets increased by \$10,046,770, from \$44,732,198 in 2004 to \$54,778,968 in 2005 mainly from capitalized (hard) costs of HOPE VI revitalization and Capital Fund projects.

Current Assets of the component unit consist of \$2.10 million cash impound accounts and restricted cash as debt service reserve funds and unrestricted cash of \$146,892.

Investments in Capital Assets of the component unit of \$32.80 million represents acquisition costs of land and buildings financed by Senior Lien Variable Rate Demand Multifamily Housing Revenue Bonds 2003 Series A ("the Senior Bonds") in the amount of \$23 million, and Subordinate Lien Lease Housing Revenue Bonds 2003 Series A-S ("the Subordinate Bonds") in the amount of \$12 million.

Table 2 below presents details on the change in Unrestricted Net Assets

TABLE 2
CHANGE IN UNRESTRICTED NET ASSETS

	<u>The Authority</u>	<u>RHA Properties</u>
Unrestricted Net Assets 6/30/04	\$ 2,534,050	\$ 632,303
Results of Operations	6,500,892	(1,157,219)
Adjustments:		
Depreciation (See Note 1 below)	342,767	880,358
Bond Amortization		27,698
Other Adjustments	1,784,438	(449,835)
Adjusted Results from Operations	8,628,097	(698,998)
Total	11,162,147	(66,695)
Capital Expenditures	(10,389,537)	(20,300)
Unrestricted Net Assets 6/30/05	\$ 772,610	\$ (86,995)

Note 1: Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Assets.

Note 2: Long-term bonds payable reduces the results of operations but does not have an impact on Unrestricted Net Assets.

While the results of operations are a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Assets provides a clearer change in financial well-being.

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged only in Enterprise Fund-Type Activities.

TABLE 3
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	The Authority		RHA Properties	
	2005	2004	2005	2004 Ten Months
Revenues				
Tenant Revenue – Rents and Others	\$ 1,558,149	\$ 1,531,066	\$ 3,288,898	\$ 2,985,241
Operating Subsidies and Capital Grants	32,707,460	31,463,900		
Investment Income	25,776	26,309	74,801	34,631
Other Revenues	264,167	703,514	112,892	243,720
Total Revenue	34,555,552	33,724,789	3,476,591	3,263,592
Expenses:				
Administration	6,161,452	5,239,616	530,867	404,997
Tenant Services	154,290	237,173	43,056	
Utilities	418,020	622,011	127,948	238,894
Maintenance	1,921,050	1,584,160	617,191	563,301
Protective Services	193,596	175,579		
General	411,000	251,499	678,376	1,422,506
Housing Assistance Payments	18,452,485	19,238,640		
Depreciation	342,767	380,011	880,358	733,029
Relocation Costs		333,976		
Interest Expense			1,728,316	
Amortization			27,698	23,082
Total Expenses	28,054,660	28,062,665	4,633,810	3,385,809
Net Increase (Decrease)	\$ 6,500,892	\$ 5,662,124	\$ (1,157,219)	\$ (122,217)

Major Factors Affecting the Statement of Revenue, Expenses and Changes in Net Assets

Dwelling rental revenue increased by \$27,083.

While the Housing Authority received less operating fund subsidies for its Low-Income Public Housing (LIPH) and Housing Choice Voucher Programs, HOPE VI Revitalization Program generated more predevelopment budget funds.

Total expenses decreased by \$8,005, with each expense category contributing to the decrease, except Maintenance Operations, which generated more contract expenditures in FY 2005.

Dwelling rental revenue of the component unit accounts for the 12-month leasing operations, and other revenue includes garage and laundry income.

Operating expenses of the component unit include administration (contract management fees, contact salaries, etc.) tenant services, utilities, maintenance general expenses and depreciation. The Sares-Regis Group of Northern California, L.P., a property management company, manages and directs the day-to-day operation of "The Westridge at Hilltop Apartments".

CAPITAL ASSETS

Capital Assets

As of fiscal year ended June 30, 2005, the Authority had \$81 million invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (additions, deductions and depreciation) of \$10,046,770 or 22 % from the end of last fiscal year.

TABLE 4

CAPITAL ASSETS

	<u>The Authority</u>		<u>RHA Properties</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Land	\$ 5,727,915	\$ 4,642,142	\$ 10,431,153	\$ 10,431,153
Buildings	58,580,814	58,580,814	23,933,113	23,917,143
Equipment – Administration	852,641	832,671	53,930	49,600
Equipment – Operations	660,950	661,831		
Construction in Progress	15,158,020	5,887,552		
Accumulated Depreciation	(26,201,372)	(25,872,812)	(1,613,387)	(733,029)
Total	\$ 54,778,968	\$ 44,732,198	\$ 32,804,809	\$ 33,664,867

The following reconciliation summarizes the change in Capital Assets, which is presented in detail in the Notes to the financial statements.

TABLE 5

CHANGE IN CAPITAL ASSETS

	<u>The Authority</u>	<u>RHA Properties</u>
Beginning balance, July 1, 2004	\$ 70,605,010	\$ 34,397,896
Additions	10,389,537	835,280
Deductions	(14,207)	(814,980)
Accumulated and Current Depreciation	(26,201,372)	(1,613,387)
Ending balance, June 30, 2005	\$ 54,778,968	\$ 32,804,809

Debt Administration

On June 30, 2005 RHA Properties had long-term bonds outstanding aggregating to \$34,185,000. The breakdown is as follows:

2003 Series A Bonds	\$	22,600,000
2003 Series A-S Bonds		<u>11,585,000</u>
Total Debt	\$	<u>34,185,000</u>

The 2003 Series A Bonds consist of Senior Lien Multifamily Housing Revenue Bonds (or Senior Bonds) and the 2003 Series A-S Bonds consist of Subordinate Lease Revenue Bonds (or Subordinate Bonds).

Additional information about the RHA Properties long-term obligations can be found on pages 29 and 30 in the notes to the financial statements.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development
- Local labor supplies and demand, which can affect salary and wage rates
- Local inflationary, recession, and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies and other costs

FINANCIAL CONTACT

The individual to be contacted regarding this report is Timothy Jones, Executive Director at (510) 621-1300. Specific requests may be submitted to Housing Authority of the City of Richmond, 330 – 24th Street, Richmond, California 94804.

HOUSING AUTHORITY OF THE CITY OF RICHMOND
STATEMENT OF NET ASSETS
JUNE 30, 2005

	<u>Business-Type Activities</u>	<u>Component Unit RHA Properties</u>
Assets		
Current assets:		
Cash (Note 2)	\$ 877,972	\$ 146,892
Investments (Note 2)	577,292	
Accounts receivable - other government	5,885	
Accounts receivable - HUD	2,520,076	
Accounts receivable - tenants	171,266	12,484
Accounts receivable - others	27,169	
Prepaid expenses and deposits	209,771	
Inventories	69,229	
Total current assets	4,458,660	159,376
Restricted assets:		
Investments (Note 2)	171,906	2,074,642
Capital assets, net of accumulated depreciation (Note 4)		
Land	5,727,915	10,431,153
Construction in progress	15,158,020	
Buildings and improvements	33,580,043	22,338,346
Furniture and equipment	312,990	35,310
Total capital assets	54,778,968	32,804,809
Other Assets:		
Other investment (Note 2c)	1,886,892	
Bond issuance costs (net of amortization)		780,170
Total assets	61,296,426	35,818,997
Liabilities		
Current liabilities:		
Accounts payable	1,934,685	102,582
Accrued compensated absences - current	99,666	
Accrued and other liabilities	200,215	21,219
Tenants security deposits	123,376	245,419
Other liabilities	25,000	657,321
Current portion of bonds payable (Note 10)		455,000
Total current liabilities	2,382,942	1,481,541
Long-term liabilities:		
Long-term portion of bond payable (Note 10)		33,730,000
Accrued compensated absences - non-current	476,089	
Other non-current liabilities (Note 12)	2,713,911	
Total long term liabilities	3,190,000	33,730,000
Total liabilities	5,572,942	35,211,541
Net Assets:		
Investment in capital assets, net of related debt	54,778,968	(1,380,191)
Restricted	171,906	2,074,642
Unrestricted	772,610	(86,995)
Total net assets	\$ 55,723,484	\$ 607,456

The accompanying notes are an integral part of these financial statements

HOUSING AUTHORITY OF THE CITY OF RICHMOND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Functions/Programs	Program Revenues			Net (Expense)/Revenue and Changes in Net Assets		
Business-type activities:	Expenses	Charges for Services	Operating Grants	Capital Grants	Business-Type Activities	Component Unit RHA Properties
Low Rent Public Housing	\$ 4,554,603	\$ 1,558,149	\$ 1,496,603	\$	\$ (1,499,851)	
Housing Choice Vouchers	20,361,865		19,809,040		(552,825)	
HOPE VI	1,317,052		2,443,006	7,167,983	8,293,937	
Lead-Based Paint	902,011		902,011			
Capital Fund Program	486,213		486,213	402,604	402,604	
Local	432,916				(432,916)	
Total Business-type activities	\$ 28,054,660	\$ 1,558,149	\$ 25,136,873	\$ 7,570,587	6,210,949	
Component unit:						
RHA Properties	\$ 4,633,810	\$ 3,288,898				\$ (1,344,912)
	\$ 4,633,810	\$ 3,288,898				(1,344,912)
General Revenues:						
Other revenue					264,167	112,892
Investment income					25,776	74,801
Total general revenues					289,943	187,693
Income/(Loss) before transfers and adjustments					6,500,892	(1,157,219)
Adjustments (Note 13)					1,956,342	1,764,675
Change in net assets					8,457,234	(1,157,219)
Net assets - beginning					47,266,250	1,764,675
Net assets - ending					\$ 55,723,484	\$ 607,456

The accompanying notes are an integral part of these financial statements

HOUSING AUTHORITY OF THE CITY OF RICHMOND
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2005

	<u>Major Enterprise Funds</u>				<u>Other Enterprise Funds Non-Major</u>	<u>Total</u>	<u>Component Unit RHA Properties</u>
	<u>Low Rent Public Housing</u>	<u>Housing Choice Vouchers</u>	<u>HOPE VI</u>				
Assets							
Current assets:							
Cash (Note 2)	\$ 98,105	\$ 779,567	\$ 300	\$	\$ 877,972	\$	146,892
Investments	344,124	87,905	56,123	89,140	577,292		
Accounts receivable - other government		5,885			5,885		
Accounts Receivable - HUD		100,134	1,649,138	770,804	2,520,076		
Accounts receivable - tenants	171,266				171,266		12,484
Accounts receivable - others	1,512	25,477		180	27,169		
Prepaid expenses and deposits	167,419	42,352			209,771		
Inventories	69,229				69,229		
Due from other funds (Note 3)	1,300,037		750,000	299,004	2,349,041		
Total current assets	<u>2,151,692</u>	<u>1,041,320</u>	<u>2,455,561</u>	<u>1,159,128</u>	<u>6,807,701</u>		<u>159,376</u>
Restricted assets:							
Investments	171,906				171,906		2,074,642
Capital assets, net of accumulated depreciation (Note 4)							
Land	2,744,477		2,983,438		5,727,915		10,431,153
Construction in progress			11,971,837	3,186,183	15,158,020		
Buildings and improvements	33,580,043				33,580,043		22,338,346
Furniture and equipment	282,877	5,018	25,095		312,990		35,310
Total capital assets	<u>36,607,397</u>	<u>5,018</u>	<u>14,980,370</u>	<u>3,186,183</u>	<u>54,778,968</u>		<u>32,804,809</u>
Other assets:							
Other investment (Note 2c)				1,886,892	1,886,892		
Bond issuance cost - net of amortization							780,170
Total assets	<u>38,930,995</u>	<u>1,046,338</u>	<u>17,435,931</u>	<u>6,232,203</u>	<u>63,645,467</u>		<u>35,818,997</u>
Liabilities							
Current liabilities:							
Accounts payable	795,164		1,139,521		1,934,685		102,582
Accrued compensated absences- current				99,666	99,666		
Accrued liabilities	200,215				200,215		21,219
Tenants security deposits	123,376				123,376		245,419
Other liabilities			25,000		25,000		657,321
Due to other funds (Note 3)	1,049,004	147,745	329,436	822,856	2,349,041		
Current portion of bonds payable (Note 10)							455,000
Total current liabilities	<u>2,167,759</u>	<u>147,745</u>	<u>1,493,957</u>	<u>922,522</u>	<u>4,731,983</u>		<u>1,481,541</u>
Long term liabilities:							
Long-term debt, net of current portion (Note 10)							33,730,000
Accrued compensated absences - non-current	338,521	77,199	60,369		476,089		
Other non-current liabilities (Note 12)	1,542,648	539,233	81,469	550,561	2,713,911		
Total long term liabilities	<u>1,881,169</u>	<u>616,432</u>	<u>141,838</u>	<u>550,561</u>	<u>3,190,000</u>		<u>33,730,000</u>
Total liabilities	<u>4,048,928</u>	<u>764,177</u>	<u>1,635,795</u>	<u>1,473,083</u>	<u>7,921,983</u>		<u>35,211,541</u>
Net assets:							
Investment in capital assets, net of related debt	36,607,397	5,018	14,980,370	3,186,183	54,778,968		(1,380,191)
Restricted	171,906				171,906		2,074,642
Unrestricted	(1,897,236)	277,143	819,766	1,572,937	772,610		(86,995)
Total net assets	<u>\$ 34,882,067</u>	<u>\$ 282,161</u>	<u>\$ 15,800,136</u>	<u>\$ 4,759,120</u>	<u>\$ 55,723,484</u>		<u>\$ 607,456</u>

The accompanying notes are an integral part of these financial statements

HOUSING AUTHORITY OF THE CITY OF RICHMOND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Major Enterprise Funds</u>				<u>Totals</u>	<u>Component Unit RHA Properties</u>
	<u>Low Rent Public Housing</u>	<u>Housing Choice Vouchers</u>	<u>HOPE VI</u>	<u>Other Enterprise Funds - Non-Major</u>		
<u>Operating revenues</u>						
Rental revenue - tenant	\$ 1,558,149				\$ 1,558,149	\$ 3,288,898
Other revenue	62,680	200,681		806	264,167	112,892
Total operating revenues	<u>1,620,829</u>	<u>200,681</u>		<u>806</u>	<u>1,822,316</u>	<u>3,401,790</u>
<u>Operating expenses</u>						
Administration	1,987,033	1,811,757	1,315,732	1,046,930	6,161,452	530,867
Tenant services	153,461			829	154,290	43,056
Utilities	418,020				418,020	127,948
Ordinary maintenance and operations	1,130,800	16,869		773,381	1,921,050	617,191
Protective services	193,596				193,596	
General expenses	333,138	77,862			411,000	678,376
Depreciation	338,555	2,892	1,320		342,767	880,358
Housing assistance payments		18,452,485			18,452,485	
Total operating expenses	<u>4,554,603</u>	<u>20,361,865</u>	<u>1,317,052</u>	<u>1,821,140</u>	<u>28,054,660</u>	<u>2,877,796</u>
Operating (loss)/gain	<u>(2,933,774)</u>	<u>(20,161,184)</u>	<u>(1,317,052)</u>	<u>(1,820,334)</u>	<u>(26,232,344)</u>	<u>523,994</u>
<u>Non-Operating revenues/(expenses)</u>						
HUD PHA grants	1,496,603	19,809,040	2,443,006	1,388,224	25,136,873	
Capital grants			7,167,983	402,604	7,570,587	
Investment income	7,909	2,868	13,567	1,432	25,776	74,801
Interest expense						(1,728,316)
Bond amortization costs						(27,698)
Non-operating revenues/(expenses)	<u>1,504,512</u>	<u>19,811,908</u>	<u>9,624,556</u>	<u>1,792,260</u>	<u>32,733,236</u>	<u>(1,681,213)</u>
Income/(loss) before transfers	(1,429,262)	(349,276)	8,307,504	(28,074)	6,500,892	(1,157,219)
HUD adjustments (Note 13)			1,328,895		1,328,895	
Adjustments (Note 13)				627,447	627,447	
Equity transfers	951,313			(951,313)		
Change in net assets	(477,949)	(349,276)	9,636,399	(351,940)	8,457,234	(1,157,219)
Net assets at beginning of year	<u>35,360,016</u>	<u>631,437</u>	<u>6,163,737</u>	<u>5,111,060</u>	<u>47,266,250</u>	<u>1,764,675</u>
Ending net assets	<u>\$ 34,882,067</u>	<u>\$ 282,161</u>	<u>\$ 15,800,136</u>	<u>\$ 4,759,120</u>	<u>\$ 55,723,484</u>	<u>\$ 607,456</u>

The accompanying notes are an integral part of these financial statements

**HOUSING AUTHORITY OF THE CITY OF RICHMOND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Major Enterprise Funds</u>				<u>Totals</u>	<u>Component Unit RHA Properties</u>
	<u>Low Rent Public Housing</u>	<u>Housing Choice Vouchers</u>	<u>HOPE VI</u>	<u>Other Enterprise Funds - Non-Major</u>		
Cash flows from operating activities						
Receipts from dwelling rents	\$ 1,768,884	\$ 200,681	\$	\$	\$ 1,768,884	\$ 3,413,688
Receipts from other miscellaneous sources	62,680	263,361			263,361	
Payments for housing assistance		(18,452,485)			(18,452,485)	
Payments for employee expenses	(1,862,375)	(988,546)	(191,177)	(395,608)	(3,437,706)	(488,275)
Payments for administrative expenses	(834,694)	(150,180)	(1,178,981)	(659,524)	(2,823,379)	(206,942)
Payments for general maintenance and other expenses	(735,314)	(91,839)		(372,693)	(1,199,846)	(831,780)
Net cash (used)/provided by operating activities	<u>(1,600,819)</u>	<u>(19,482,369)</u>	<u>(1,370,158)</u>	<u>(1,427,825)</u>	<u>(23,881,171)</u>	<u>1,886,691</u>
Cash flows from non-capital & related financing activities:						
Subsidies from federal grants	1,496,603	20,396,123	9,556,498	2,070,288	33,519,512	
Transfers to/from other funds	(336,643)	(673,031)	55,747		(953,927)	110,633
Net cash provided by non-capital & related financing activities	<u>1,159,960</u>	<u>19,723,092</u>	<u>9,612,245</u>	<u>2,070,288</u>	<u>32,565,585</u>	<u>110,633</u>
Cash flows from capital & related financing activities:						
Acquisition and construction of capital assets	(32,538)	(758)	(8,296,944)	(730,401)	(9,060,641)	(20,300)
Principal paid on capital debt						(535,000)
Interest paid on capital debt						(1,728,316)
Net cash used by capital & related financing activities	<u>(32,538)</u>	<u>(758)</u>	<u>(8,296,944)</u>	<u>(730,401)</u>	<u>(9,060,641)</u>	<u>(2,283,616)</u>
Cash flows from investing activities:						
Purchase of investments	(171,906)				(171,906)	
Interest received	428	911			1,339	74,801
Net cash (used)/provided by investing activities	<u>(171,478)</u>	<u>911</u>			<u>(170,567)</u>	<u>74,801</u>
Net increase/(decrease) in cash	<u>(644,875)</u>	<u>240,876</u>	<u>(54,857)</u>	<u>(87,938)</u>	<u>(546,794)</u>	<u>(211,491)</u>
Cash at beginning of year	742,980	538,691	55,157	87,938	1,424,766	2,433,025
Cash at end of year	<u>\$ 98,105</u>	<u>\$ 779,567</u>	<u>\$ 300</u>	<u>\$</u>	<u>\$ 877,972</u>	<u>\$ 2,221,534</u>
Cash flows from:						
Operating (loss)/gain	\$ (2,933,774)	\$ (20,161,184)	\$ (1,317,052)	\$ (1,820,334)	\$ (26,232,344)	\$ 523,994
Adjustments to reconcile operating (loss)/gain to net cash(used)/provided by operating activities:						
Depreciation expense	338,555	2,892	1,320		342,767	880,358
Amortization expense						27,698
Decrease/(Increase) in grants and accounts receivable	252,570	819,110	(1,529,676)	(54,936)	(512,932)	(4,478)
Decrease/(Increase) in prepaid expenses and other assets	(17,400)	22,234			4,834	
Decrease in interfund receivable	42,686				42,686	
(Increase) in inventory	(13,712)				(13,712)	
Increase in accounts payable	541,039	319,065	1,195,990	550,561	2,606,655	53,737
Increase/(Decrease) in accrued liabilities and other liabilities	178,273	8,211	(21,906)	(251,962)	(87,384)	393,896
(Increase)/Decrease in interfund payable		(492,697)	301,165	148,846	(42,686)	
Increase in tenant security deposits	10,945				10,945	11,488
Net cash (used)/provided by operating activities	<u>\$ (1,600,818)</u>	<u>\$ (19,482,369)</u>	<u>\$ (1,370,158)</u>	<u>\$ (1,427,825)</u>	<u>\$ (23,881,171)</u>	<u>\$ 1,886,691</u>

The accompanying notes are an integral part of these financial statements

HOUSING AUTHORITY OF THE CITY OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Organization

The Housing Authority of the City of Richmond (the "Authority") was formed in 1941 as a separate legal entity under the provisions of the Housing Act of 1937. The Authority was established to use funds provided by the Department of Housing and Urban Development (HUD) to rehabilitate local deteriorated housing and to subsidize low-income families in obtaining decent, safe, and sanitary housing. Under State Laws, the Authority is subject to California Health and Safety Code Sections 34200 – 34606. Although the Authority is a separate legal entity from the City of Richmond, it is an integral part of the City. The City exercises significant financial and management control over the Authority, and members of the City Council serve as the governing board of the Authority. The financial statements of the Authority are included in the City of Richmond's general-purpose financial statements.

Discretely Presented Component Units

RHA Properties is responsible for providing housing units within the Authority's jurisdiction. The members of RHA Properties' governing board are elected by the Authority and the City. However, the Authority is financially accountable for the RHA Properties because the government's council approves RHA Properties' budget, and must approve any debt issuances. RHA Properties is presented as a business-type activity. Separate financial statements for RHA Properties can be obtained from the Authority.

The accompanying financial statements are those of the Low Rent Public Housing Program, the Housing Choice Vouchers Program, the Revitalization of Severely Distressed Public Housing (HOPE VI), the Drug Elimination Program, the Lead-Based Paint Program, the Capital Fund Program, and the Local Fund. A summary of the programs administered by the Authority is provided below to assist the reader in interpreting such financial statements.

(b) Major Funds

Based on criteria established by Governmental Accounting Standards Board's Statement Number 34, the Authority has reported the following major funds:

Low-Rent Public Housing Program (LRPH)

The Low-Rent Public Housing Program provides low cost housing within the city limits of the City of Richmond, California. Housing consists of apartments (830 units) owned and operated by the Authority. Tenant rent payments and HUD subsidies provide funding for the program.

Housing Choice Vouchers Program

Under the Authority's contract with HUD, the latter provides Housing Assistance Payments (HAP) to Housing Choice Vouchers landlords on behalf of the families registered under the program. The HAP includes administrative fees provided to the Authority for administering the program.

Under the Housing Choice Vouchers Program, tenants lease directly with private owners after being certified as eligible under program guidelines. Tenants make direct lease payments to property owners and the Authority makes monthly payments to the landlords. The Housing Choice Vouchers Program has 1750 baseline units in its ACC with HUD.

Revitalization of Severely Distressed Public Housing (HOPE VI)

The Richmond HOPE VI project is a \$126 million-dollar neighborhood revitalization with the Easter Hill Village Public Housing development as the cornerstone. Both physical and social accomplishments will help transform the neighborhood over the next 4-5 years. Funding sources include a HUD grant of \$35 million. Other funding will be provided by tax credits and other mixed financing.

Component Unit

RHA Properties (component unit) is a Joint Powers Authority (government venture with the City of Richmond) which owns and operates a 401-unit apartment company called "The Hilltop at Westridge Apartments" located within the City of Richmond.

Non-Major Funds

In addition to the major funds above, the Authority also maintains the following non-major funds. Non-major funds are defined as funds that have assets, liabilities, revenues, or expenses less than 10% of the Authority's total assets, liabilities, revenues or expenses:

Project Real Program (Lead-Based Paint) - Under this program, HUD provides funding to assist rental housing on Lead Based Paint Hazard Control.

Modernization Program and Capital Fund (Capital Grants) - All substantial additions to land, structures, and equipment are accomplished through the Authority's Modernization Program, funded under the Comprehensive Grant or Capital Fund. The modernization Program replaces or materially upgrades deteriorated portions of the Authority's housing units.

Local Fund - The Authority maintains a Local Fund to promote low-income housing development.

The general-purpose financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

(c) **Fund Accounting**

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

The Authority applies all applicable GASB pronouncements in accounting and reporting for its proprietary operations as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure.

The accounting records of the Authority are organized on the basis of funds classified for reporting purposes as follows:

Enterprise Funds

All of the funds of the Authority are considered Enterprise Funds. Enterprise funds are used to account for operations (a) that are financed primarily through user charges, or (b) where the governing body has decided that determination of net income is appropriate.

(d) **Measurement Focus and Basis of Accounting**

The proprietary fund types are accounted for on an "income determination" or "cost of services" measurement focus. Accordingly, all assets and liabilities are included on the statement of net assets, and the reported net assets provide an indication of the historical net worth of the fund. Operating statements for proprietary fund types report increases (revenues) and decreases (expenses) in total historical net worth.

Proprietary funds use the accrual basis of accounting, i.e., revenues are recognized in the period earned and expenses are recognized in the period incurred.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses result from providing goods and services related to the fund's ongoing operations. The principal operating revenue of the Authority's enterprise funds is dwelling rental income. Operating expenses include the cost of services provided, administrative expenses and depreciation on fixed assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(e) **Cash and Investments**

Cash includes amounts in demand deposits and saving accounts. Investments are reported in the accompanying balance sheet at fair value.

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

The Authority pools cash and investments of all funds. Each fund's share in this pool is displayed in the accompanying financial statements as *cash* and *investments*. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance

(f) **Accounts Receivable**

Accounts receivables consist of Low Rent Public Housing tenants' unpaid rents and Housing Choice Vouchers overpayments to landlords and tenant fraud. Allowances for uncollectible accounts have been established for both receivables.

(g) **Inventories**

Inventories are valued at cost using the weighted average method. Inventories consist of maintenance, repair, and operating materials and supplies held for consumption. The cost is recorded as expenditure in the funds at the time individual inventory item is consumed rather than when purchased.

(h) **Capital Assets**

The Authority's established capitalization policy requires all acquisition of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets be capitalized.

Capital assets are valued at historical cost or, at their estimated fair value upon acquisition date or date donated. The Authority maintains detailed records of the capital assets. Depreciation is charged as an expense against their operations and accumulated depreciation is netted against capital assets on the statement of net assets. Depreciation has been provided over the assets' estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Furniture and Equipment – Administration	5 – 20 years
Furniture and Equipment – Dwelling	10 – 20 years
Buildings and Improvements	20 – 40 years

(i) Accrued Compensated Absences

Compensated absences are charged to operating expenses when paid. Vacation and related benefits fully vest as earned and are paid in full upon termination. Vested vacation obligations are recorded as accrued compensated absences until paid. The total liability for the Authority is \$575,755 based on year-end hourly rates. Of this total amount, \$99,666 is the current portion, and \$476,089 is the non-current portion.

(j) Taxes

The Authority is exempt from federal and state income taxes. The Authority is also exempt from property taxes, but makes payments to the City of Richmond for sewer taxes. There is neither a cooperative agreement between the Housing Authority and the City of Richmond nor existing Payment in Lieu of Taxes (PILOT).

(k) Low Rent Public Housing Subsidy

Subsidy for the Low Rent Public Housing Program (LRPH) is based upon a formula referred to as "Operating Fund" that takes into consideration factors such as: prior formula funding (or prior Allowable Expense Level), population of the area, number of dwelling units, bedroom sizes, building height and building age, utility costs, dwelling rental income and non-dwelling rental income to arrive at the funding amount.

(l) Housing Choice Vouchers Subsidy

Subsidy for the Housing Choice Vouchers Program (HCV) is based upon the total of Housing Assistance Payments to landlords, audit fee and administrative fee earned for administering the program by the Authority.

The administrative fee is earned each month based on the HUD factor rate indicated in the Federal Register multiplied by the number of units under lease on the first day of the month.

(m) Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as short term highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents also represent the proprietary funds' share in the cash and investment pool of the Authority. Cash equivalents have an original maturity date of three months or less from the date of purchase.

(n) Implementation of New GASB Pronouncements

The Authority adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statement:

No. 40, *Deposit and Investment Disclosures* – This statement addresses selected issues and amends GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*. This statement addresses common deposit and investment risks related to credit risk, concentrations of credit risk, interest rate risk, and foreign currency risk. The statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates.

NOTE 2: CASH AND INVESTMENTS

Cash and investments as of June 30, 2005 are classified on the Statement of Net Assets as follows:

	<u>The Authority</u>	<u>RHA Properties</u>
Cash:		
Deposits with Financial Institutions	\$ 877,972	\$ 146,892
Investments	<u>577,292</u>	<u> </u>
	1,455,264	146,892
Restricted cash and investments for Tenant Security Deposits and Bond Covenants		
Deposits with Financial Institutions		2,074,642
Investments	<u>171,906</u>	<u> </u>
Total cash and investments	\$ <u>1,627,170</u>	\$ <u>2,221,534</u>

The Authority had the following cash and investments at June 30, 2005:

Cash:			
Deposits with Financial Institutions	\$	<u>877,972</u>	\$ <u>2,221,534</u>
Total cash		<u>877,972</u>	<u>2,221,534</u>
Investments:			
Certificates of Deposit		223,478	
State of California Local Agency Investment Fund		<u>525,720</u>	
Total investments		<u>749,198</u>	
Total cash and investments	\$	<u>1,627,170</u>	\$ <u>2,221,534</u>

A. Deposits

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside entity. The Authority does not have a deposit policy for custodial credit risk. Of the \$877,972 deposits with financial institution, \$100,000 was covered by federal depository insurance and \$777,972 was uninsured. The uninsured amount was exposed to custodial credit risk and was collateralized with securities held by pledging financial institutions' trust departments, but not in the Authority's name. As required by California Government Code Section 53652, the market value of the pledged securities must equal at least 110 percent of the Authority's deposits, except that for mortgage-backed securities, which must equal at least 150 percent.

B. Investments

The Authority is authorized by State statutes and in accordance with the Authority's Investment Policy (Policy) to invest in the following:

- Securities issued or guaranteed by the Federal Government or its agencies
- State Local Agency Investment Fund (LAIF)
- Insured and/or collateralized certificates of deposit

The Policy, in addition to State statutes, establishes that funds on deposit in banks must be federally insured or collateralized and investments shall (1) have maximum maturity not to exceed five years, (2) be laddered and based on cash flow forecasts; and (3) be subject to limitations to a certain percent of the portfolio for each of the authorized investments. The Authority's investments comply with the established policy.

Local Agency Investment Funds

The Authority's investments with the Local Agency Investment Fund (LAIF), a State of California investment pool, at June 30, 2005, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2005, the Authority had \$525,720 invested in LAIF, which had invested 2.406% of the pool investment funds in Structured Notes and Asset-Backed Securities. The Authority valued its investments in LAIF as of June 30, 2005, by multiplying its account balance with LAIF by a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate fair value by total aggregate amortized cost resulting in a factor of 0.997747553.

C. Other Investments

The amount of \$1,886,892 represents investment by the Authority from its Local Fund into its component unit, RHA Properties.

NOTE 3: DUE FROM/TO OTHER FUNDS

During the course of operation, numerous transactions occur between the individual programs of the Authority for goods provided and services rendered. The receivables and payables balances at June 30, 2005, between the various funds of the Authority are as follows:

<u>Due From</u>	<u>Due To</u>			<u>Total Interfund Payable</u>
	<u>Low Rent Public Housing</u>	<u>Revitalization of Severely Distressed Public Housing</u>	<u>Local</u>	
Low Rent Public Housing	\$	\$ 750,000	\$ 299,004	\$ 1,049,004
Housing Choice Vouchers	147,745			147,745
Revitalization of Severely Distressed Public Housing	329,436			329,436
Capital Fund Program	397,524			397,524
Local	300,582			300,582
Lead Based Paint Hazard Control	124,750			124,750
Total Interfund Receivable	\$ 1,300,037	\$ 750,000	\$ 299,004	\$ 2,349,041

NOTE 4: CAPITAL ASSETS

The Authority

The following is a summary of changes in capital assets for the year ended June 30, 2005:

	Balance, July 1, 2004	Additions	Deletions and Adjust- ments	Balance, June 30, 2005
Capital assets not being depreciated:				
Land	\$ 4,642,142	\$ 1,085,773	\$	\$ 5,727,915
Construction in progress	5,887,552	9,270,468		15,158,020
Total capital assets not being depreciated	10,529,694	10,356,241		20,885,935
Capital assets being depreciated:				
Buildings and improvements	58,580,814			58,580,814
Furniture and equipment - operations	661,831	13,326	14,207	660,950
Furniture and equipment - administration	832,671	19,970		852,641
Total capital assets being depreciated	60,075,316	33,296	14,207	60,094,409
Less: Accumulated depreciation for:				
Buildings	24,700,784	299,987		25,000,771
Furniture and equipment - operations	462,948	17,805	14,207	466,540
Furniture and equipment - administration	709,080	24,975		734,055
Total Accumulated depreciation	25,872,812	342,768	14,207	26,201,372
Total Capital assets being depreciated, net	34,202,504	309,472		33,893,037
Total Capital assets, net	\$ 44,732,198	\$ 10,046,769	\$	\$ 54,778,968

Depreciation expense for the year ended June 30, 2005 was \$342,767.

A summary of enterprise funds capital assets at June 30, 2005 is shown below:

Capital Assets

Land	\$ 5,727,915
Construction in progress	15,158,020
Buildings and improvements	58,580,814
Furniture and equipment - operations	660,950
Furniture and equipment - administration	852,641
Total capital assets	80,980,340
Less: Accumulated depreciation	(26,201,372)
Net capital assets	\$ 54,778,968

RHA Properties

The following is a summary of changes in capital assets for the year ended June 30, 2005:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 10,431,153	\$ _____	\$ _____	\$ 10,431,153
Total capital assets not being depreciated	<u>10,431,153</u>	<u>_____</u>	<u>_____</u>	<u>10,431,153</u>
Capital assets being depreciated:				
Buildings and improvements	23,917,143	830,950	814,980	23,933,113
Furniture and equipment	49,600	4,330		53,930
Total capital assets being Depreciated	<u>23,966,743</u>	<u>835,280</u>	<u>814,980</u>	<u>23,987,043</u>
Less: accumulated depreciation for:				
Buildings and improvements	724,762	870,005		1,594,767
Furniture and equipment	<u>8,267</u>	<u>10,353</u>	<u>_____</u>	<u>18,620</u>
Total accumulated depreciation	<u>733,029</u>	<u>880,358</u>	<u>_____</u>	<u>1,613,387</u>
Total capital assets being depreciated, net	<u>23,233,714</u>	<u>(45,078)</u>	<u>814,980</u>	<u>22,373,656</u>
Business-type activities capital assets, net	<u>\$ 33,664,867</u>	<u>\$ (45,078)</u>	<u>\$ 814,980</u>	<u>\$ 32,804,809</u>

Depreciation expense for the year ended June 30, 2005 was \$880,358.

A summary of enterprise funds capital assets at June 30, 2005 is shown below:

Capital Assets

Land	\$ 10,431,153
Buildings and improvements	23,933,113
Furniture and equipment	<u>53,930</u>
Total capital assets	34,418,196
Less: Accumulated depreciation	<u>(1,613,387)</u>
Net capital assets	<u>\$ 32,804,809</u>

NOTE 5: ACCOUNTS PAYABLE

Accounts payable consists primarily of vendor and contractor invoices at June 30, 2005.

NOTE 6: CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEMS

The Authority, an integral part of the City of Richmond (City), California, participates in the California Public Employees' Retirement System (PERS). The information presented below is for the City's retirement system as it is not possible to disclose the Authority's separate portion.

Plan Description and Provisions

The City contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their Executive office located at 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required by state statute to contribute 8% for miscellaneous and 9% for safety employees of their annual covered salary. The City employer makes the contributions required of City employees on their behalf and for their account, which amounted to \$7,937,661 for the year ended June 30, 2005. The City employer was required to contribute for fiscal year ending 2004-2005 at an actuarially determined rate of 16.183% and 26.263% of annual covered payroll for miscellaneous and safety employees respectively.

Annual Pension Cost

For 2004-2005, the City's annual pension cost of \$12,284,671 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2005, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.25% to 14.45% for miscellaneous employees and from 3.25% to 13.15% for safety employees depending on age, service, and type of employment, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization periods at June 30, 2005, were 32 years for both the miscellaneous and the safety employees plans for prior and current services unfunded liability.

THREE-YEAR TREND INFORMATION FOR PERS

<u>Fiscal Year</u>	<u>Annual Pension Costs (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2003	\$ 4,290,153	100%	\$ -
6/30/2004	\$ 8,608,154	100%	\$ -
6/30/2005	\$12,284,671	100%	\$ -

SCHEDULE OF FUNDING PROGRESS - CALPERS

Safety Plan

Actuarial						
<u>Valuation Date</u>	<u>Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Unfunded (Overfunded) as % of Payroll</u>
6/30/02	\$263,042,554	\$231,046,229	\$31,996,325	88%	\$25,052,876	127.7%
6/26/05	296,958,521	234,512,373	62,446,148	79%	28,428,911	219.7%
6/27/05	314,203,424	247,622,760	66,580,664	79%	23,992,233	277.5%

Miscellaneous Plan

Actuarial						
<u>Valuation Date</u>	<u>Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Unfunded (Overfunded) as % of Payroll</u>
6/30/02	\$212,980,371	\$199,716,242	\$13,264,129	94%	\$38,719,369	34.3%
6/26/05	236,909,194	202,599,016	34,310,178	86%	36,800,434	93.2%
6/27/05	258,035,928	212,933,212	45,102,716	83%	32,316,594	139.6%

NOTE 7: PENSION PLANS

The Authority an integral part of the City of Richmond participates in the City's pension plans.

Plan Description and Funding Policy

The City maintains three, single-employer, defined benefit pension plans, which are funded entirely by City contributions: General Pension Plan, Police and Firemen's Pension Plan, and Garfield Pension Plan (collectively, the Plans"). The General Pension Plan, a defined benefit pension plan, covers 36 former City employees not covered by PERS, all of whom have retired. The Police and Firemen's Pension Plan, a defined benefit pension plan covers 98 police and fire personnel employed prior to October 1964. The City has also established a separate defined contribution pension plan (Garfield Pension Plan) for a retired police chief. The Plans provide retirement, disability, and death benefits based on the employee's years of service, age, and final compensation. No separate financial statements are issued for these plans.

General Pension Plan - Retirement and other benefits are paid from the assets of the Plan and from related investment earnings. The City is required under its charter to contribute the remaining amounts necessary to fund the Plan using the entry age-normal actuarial method as specified by ordinance.

The disclosures such as Actuarially Determined Required Contributions and the Net Pension Liability (Asset) at Transition primarily involve the City and not Authority employees. Also such information cannot be broken down for Authority employees. Complete information regarding pension plans can be found in the City's June 30,

2005 basic financial statements. A copy of that report may be obtained by contacting Director of Finance, City of Richmond, 1401 Marina Way South, Richmond, California 94804.

NOTE 8: DEFERRED COMPENSATION PLAN

City (The Authority included) employees may defer a portion of their compensation under a City sponsored deferred compensation plan created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death or in an emergency as defined by the plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under this plan are not the City's property and are not subject to claims by general creditors of the City, they have been excluded from these financial statements.

NOTE 9: COMMITMENTS AND CONTINGENCIES

(a) Federal Grant Programs

The Authority participates in a number of federally assisted grant programs, principal of which are the Section 8 Housing Assistance and the HOPE VI Revitalization Grant. It is possible that at some future date, it may be determined that the Authority is not in compliance with applicable grant requirements. The amounts, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although, the Authority does not expect such disallowed amounts, if any, to materially affect the financial statements.

(b) HOPE VI Revitalization Project

The Richmond Housing Authority HOPE VI project is a \$126 million-neighborhood revitalization with the Easter Hill Village Public Housing development as the cornerstone. It is estimated that physical costs would amount to \$102,073,154 and life services costs would total \$24,185,396. Physical developments will create 530 new homes and apartments where 273 now exist, including 44,000 square feet of new recreation, commercial and community space.

(c) Litigation

In the ordinary course of conducting its business RHA Properties becomes involved in lawsuits. RHA Properties is named as one of the party in a lawsuit brought for wrongful death against the managers of the property Sares-Regis Group (SRG). No provision for a potential loss has been made in the financial statements as the management feels that case is without merit and the claim would be the responsibility of (SRG). It is the opinion of management that if the claim is successful it will not have a material adverse effect on RHA Properties financial position.

NOTE 10: MULTIFAMILY HOUSING REVENUE BONDS PAYABLE

RHA Properties entered into two regulatory agreements, one with GMAC, Commercial Mortgage Corporation, and the other with Fannie Mae, both dated August 22, 2003, for the issuance of \$23,000,000 of principal amount revenue bonds (2003 Series A Bonds) at variable interest rate, and rate in effect as of June 30, 2005 was 4.34%, as well as \$12,000,000 of principal amount subordinate revenue bonds (2003 Series A-S Bonds) at 6.38%. Both of these bond issuances are for the acquisition of a 401-unit multifamily apartment project known as Westridge at Hilltop Apartments.

Principal payments on the 2003 Series A Bonds occur in increments of \$100,000 once the principal reserve fund attains a balance of \$100,000. The bonds are payable beginning August 22, 2003 through September 15, 2033. The bonds are due on September 15, 2033. The outstanding balance on the bonds payable at June 30, 2005 is \$22,600,000.

Semi-annual payments on the 2003 Series A-S bonds are payable beginning June 15, 2004 through December 15, 2033. The amount of the principal payments vary at each payment due to variable interest rate. An additional payment against the outstanding principal balance is made when there is available cash flow after all required debt service payments are made. The bonds are due on December 15, 2033. The outstanding balance on the bonds payable at June 30, 2005 is \$11,585,000.

Annual debt service requirements to maturity for Multifamily Housing Revenue Bonds are as follows:

2003 Series A

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2006	\$ 300,000	\$ 967,475	\$ 1,267,475
2007	300,000	935,373	1,235,373
2008	400,000	940,396	1,340,396
2009	300,000	920,987	1,220,987
2010	2,300,000	906,346	1,306,346
2011-2015	2,500,000	4,237,184	6,737,184
2016-2020	3,300,000	3,624,193	6,924,193
2021-2025	4,400,000	2,795,636	7,195,636
2026-2030	6,100,000	1,654,951	7,754,951
2031-2033	4,600,000	267,234	4,867,234
	<u>22,600,000</u>	<u>17,267,775</u>	<u>39,867,775</u>

2003 Series A-S

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2006	\$ 155,000	\$ 735,834	\$ 890,834
2007	165,000	725,794	890,794
2008	175,000	715,116	890,116
2009	185,000	703,800	888,800
2010	195,000	691,847	886,847
2011-2015	1,195,000	3,250,613	4,445,613
2016-2020	1,625,000	2,811,376	4,436,376
2021-2025	2,240,000	2,210,053	4,450,053
2026-2030	3,060,000	1,385,448	4,445,448
2031-2033	2,590,000	313,810	2,903,810
	<u>11,585,000</u>	<u>13,543,691</u>	<u>25,128,691</u>
Total	\$ <u>34,185,000</u>	\$ <u>30,811,466</u>	\$ <u>64,996,466</u>

Changes in Long-term Liabilities

Long-term liability activity for the period ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Business-type activities:					
Multifamily Housing					
Revenue Bonds					
2003 Series A Bonds	\$ 22,900,000	\$	\$ (300,000)	\$ 22,600,000	\$ 300,000
2003 Series A-S Bonds	<u>11,820,000</u>		<u>(235,000)</u>	<u>11,585,000</u>	<u>155,000</u>
	<u>\$ 34,720,000</u>	<u>\$</u>	<u>\$ (535,000)</u>	<u>\$ 34,185,000</u>	<u>\$ 455,000</u>

NOTE 11 - JOINT POWERS AGREEMENT

The Authority participates in a joint venture under a joint powers agreement (JPA) with the California Housing Authority Risk Management Agency (CHARMA). CHARMA was formed to provide insurance coverage for member housing authorities. At May 31, 2005, there were seven members. The relationship between the Authority and CHARMA is such that CHARMA is not a component unit of the Authority for financial reporting purposes.

Condensed audited financial information for the year ended May 31, 2005, is as follows:

Total Assets	\$ <u>4,559,551</u>
Total Liabilities	926,352
Net Assets	<u>3,633,199</u>
Total Liabilities and Net Assets	\$ <u>4,559,551</u>
Total revenues	<u>3,102,413</u>
Total expenses	<u>2,730,115</u>
Net total increase in net assets	372,298
Net assets, beginning of year	<u>3,260,901</u>
Net assets, end of year	\$ <u>3,633,199</u>

NOTE 12: OTHER NON-CURRENT LIABILITIES

Other non-current liabilities represents the balance due to the City of Richmond for payroll expenses, sewer-fees, PILOT expenses, and other charges. The transactions that make up the amount are from April 2002 through June 2005.

NOTE 13: ADJUSTMENTS

- (a) The adjustment under HOPE VI in the amount of \$1,328,895 was required by HUD, which relates to soft costs of prior year that were determined to be hard costs and had to be capitalized.
- (b) Adjustment of \$627,447 under Other Enterprise Funds – non major pertains to local fund for recording investments in RHA Properties.

SUPPLEMENTARY INFORMATION

**HOUSING AUTHORITY OF THE CITY OF RICHMOND
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2005**

	<u>Capital Fund</u>	<u>Lead-Based Paint</u>	<u>Local</u>	<u>Totals</u>
Assets				
Current assets:				
Investments	\$ 559,511	\$ 211,293	\$ 89,140	\$ 89,140
Accounts receivable - HUD		211,293		770,804
Accounts receivable - others		180		180
Due from other funds			299,004	299,004
Total current assets	<u>559,511</u>	<u>211,473</u>	<u>388,144</u>	<u>1,159,128</u>
Non-current assets:				
Other investment			1,886,892	1,886,892
Capital assets, net of accumulated depreciation	2,501,142		685,041	3,186,183
Total non-current assets	<u>2,501,142</u>	<u> </u>	<u>2,571,933</u>	<u>5,073,075</u>
Total assets	<u>3,060,653</u>	<u>211,473</u>	<u>2,960,077</u>	<u>6,232,203</u>
Liabilities				
Current liabilities:				
Accrued compensated absences - current	47,992	51,674		99,666
Due to other funds	397,524	124,750	300,582	822,856
Total current liabilities	<u>445,516</u>	<u>176,424</u>	<u>300,582</u>	<u>922,522</u>
Long-term liabilities:				
Other non-current liabilities	113,995	35,049	401,517	550,561
Total long-term liabilities	<u>113,995</u>	<u>35,049</u>	<u>401,517</u>	<u>550,561</u>
Total liabilities	<u>559,511</u>	<u>211,473</u>	<u>702,099</u>	<u>1,473,083</u>
Net Assets				
Invested in capital assets, net of related debt	2,501,142		685,041	3,186,183
Unrestricted			1,572,937	1,572,937
Total net assets	<u>\$ 2,501,142</u>	<u>\$ </u>	<u>\$ 2,257,978</u>	<u>\$ 4,759,120</u>

**HOUSING AUTHORITY OF THE CITY OF RICHMOND
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Capital Fund</u>	<u>Lead- Based Paint</u>	<u>Local</u>	<u>Totals</u>
<u>Operating revenues</u>				
Other revenue	\$ _____	\$ _____	806 \$	806
Total operating revenues	_____	_____	806	806
<u>Operating expenses</u>				
Administration	486,213	127,801	432,916	1,046,930
Tenant services		829		829
Ordinary maintenance and operations		773,381		773,381
Total operating expenses	486,213	902,011	432,916	1,821,140
Operating income/(loss)	(486,213)	(902,011)	(432,110)	(1,820,334)
<u>Non-operating revenues</u>				
HUD PHA grants	486,213	902,011		1,388,224
Capital grants	402,604			402,604
Investment income			1,432	1,432
Non-operating revenues	888,817	902,011	1,432	1,792,260
Income before transfers	402,604		(430,678)	(28,074)
Adjustments			627,447	627,447
Equity transfer	(951,313)			(951,313)
Change in net assets	(548,709)		196,769	(351,940)
Beginning net assets	3,049,851		2,061,209	5,111,060
Ending net assets	\$ <u>2,501,142</u>	\$ _____	\$ <u>2,257,978</u>	\$ <u>4,759,120</u>

**HOUSING AUTHORITY OF THE CITY OF RICHMOND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development		
Direct Awards		
Housing Choice Vouchers Program	14.871	\$ 19,809,040
Revitalization of Severely Distressed Public Housing	14.866	9,610,989
Capital Fund Program	14.872	888,817
Low Rent Public Housing Program	14.850	1,496,603
Lead Based Paint Hazard Control in Privately Owned Housing	14.900	<u>902,011</u>
 Total U.S. Department of Housing and Urban Development		 <u>32,707,460</u>
 Total Expenditures of Federal Awards		 <u>\$ 32,707,460</u>

Note: The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in , or used in the preparation of, the general-purpose financial statements.

**HOUSING AUTHORITY OF THE CITY OF RICHMOND
FINANCIAL DATA SCHEDULE
JUNE 30, 2005**

PHA: CA010 FVED: 06/30/2005

Line Item No.	Account Description	Low Rent Public Housing	Public Housing- Comprehensive Grant Program	Revitalization of Severely Distressed Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/local	Component Units	Other Federal Program 1	Total
111	Cash - Unrestricted	\$99,105	\$0	\$300	\$779,567	\$0	\$0	\$148,892	\$0	\$1,024,864
113	Cash - Other Restricted	\$0	\$0	\$0	\$0	\$0	\$0	\$2,074,642	\$0	\$2,074,642
114	Cash - Tenant Security Deposits	\$171,906	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$171,906
100	Total Cash	\$270,011	\$0	\$300	\$779,567	\$0	\$0	\$2,221,534	\$0	\$3,271,412
122	Accounts Receivable - HUD Other Projects	\$0	\$0	\$1,649,138	\$100,134	\$559,511	\$0	\$0	\$211,293	\$2,520,076
124	Accounts Receivable - Other Government	\$0	\$0	\$0	\$5,885	\$0	\$0	\$0	\$0	\$5,885
125	Accounts Receivable - Miscellaneous	\$1,512	\$0	\$0	\$40,774	\$0	\$0	\$0	\$180	\$42,466
126	Accounts Receivable - Tenants - Dwelling Rents	\$241,565	\$0	\$0	\$0	\$0	\$0	\$12,484	\$0	\$254,049
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(\$70,299)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$70,299)
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	(\$15,297)	\$0	\$0	\$0	\$0	(\$15,297)
120	Total Receivables, net of allowances for doubtful accounts	\$172,778	\$0	\$1,649,138	\$131,486	\$559,511	\$0	\$12,484	\$211,473	\$2,796,880
131	Investments - Unrestricted	\$344,124	\$0	\$59,123	\$87,905	\$0	\$99,140	\$0	\$0	\$577,292
142	Prepaid Expenses and Other Assets	\$187,419	\$0	\$0	\$42,352	\$0	\$0	\$0	\$0	\$209,771
143	Inventories	\$103,778	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$103,778
143.1	Allowance for Obsolete Inventories	(\$34,549)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$34,549)
144	Interprogram Due From	\$1,300,037	\$0	\$750,000	\$0	\$0	\$299,004	\$0	\$0	\$2,349,041
150	Total Current Assets	\$2,323,598	\$0	\$2,455,561	\$1,041,320	\$559,511	\$398,144	\$2,234,078	\$211,473	\$9,213,625
161	Land	\$2,744,477	\$0	\$2,983,438	\$0	\$0	\$0	\$10,431,153	\$0	\$16,159,098
162	Buildings	\$56,580,814	\$0	\$0	\$0	\$0	\$0	\$23,933,113	\$0	\$82,513,927
163	Furniture, Equipment & Machinery - Dwellings	\$660,950	\$0	\$0	\$0	\$0	\$0	\$53,930	\$0	\$714,880
164	Furniture, Equipment & Machinery - Administration	\$7,417	\$0	\$26,417	\$69,807	\$0	\$0	\$0	\$0	\$852,641
166	Accumulated Depreciation	(\$26,136,263)	\$0	(\$1,321)	(\$65,789)	\$0	\$0	(\$1,613,387)	\$0	(\$27,814,760)
167	Construction In Progress	\$0	\$0	\$1,971,837	\$0	\$2,501,142	\$695,041	\$0	\$0	\$15,158,020
160	Total Fixed Assets, Net of Accumulated Depreciation	\$36,507,995	\$0	\$14,980,371	\$5,018	\$2,501,142	\$695,041	\$32,804,809	\$0	\$67,583,776
174	Other Assets	\$0	\$0	\$0	\$0	\$0	\$1,896,892	\$780,170	\$0	\$2,667,062
190	Total Non-Current Assets	\$36,507,995	\$0	\$14,980,371	\$5,018	\$2,501,142	\$2,571,933	\$33,584,979	\$0	\$80,250,838
180	Total Assets	\$308,930,993	\$0	\$17,436,932	\$1,046,338	\$3,080,653	\$2,960,077	\$35,818,997	\$211,473	\$99,454,453

**HOUSING AUTHORITY OF THE CITY OF RICHMOND
FINANCIAL DATA SCHEDULE
JUNE 30, 2005**

Line Item No.	Account Description	Low Rent Public Housing	Public Housing- Comprehensive Grant Program	Reutilization of Severely Distressed Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/local	Component Units	Other Federal Program 1	Total
312	Accounts Payable <= 90 Days	\$795,164	\$0	\$1,139,521	\$0	\$0	\$0	\$102,582	\$0	\$2,037,267
321	Accrued Wages/Payroll Taxes Payable	\$0	\$0	\$0	\$0	\$0	\$0	\$21,219	\$0	\$21,219
322	Accrued Compensated Absences - Current Portion	\$0	\$0	\$0	\$0	\$47,992	\$0	\$0	\$51,674	\$99,666
325	Accrued Interest Payable	\$200,215	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$200,215
341	Tenant Security Deposits	\$123,378	\$0	\$0	\$0	\$0	\$0	\$245,419	\$0	\$368,795
348	Loan Liability - Current	\$0	\$0	\$0	\$0	\$0	\$0	\$455,000	\$0	\$455,000
345	Other Current Liabilities	\$0	\$0	\$81,469	\$0	\$113,995	\$0	\$0	\$35,049	\$230,513
347	Interprogram Due To	\$1,049,004	\$0	\$29,436	\$147,745	\$397,524	\$300,582	\$0	\$124,750	\$2,349,041
310	Total Current Liabilities	\$2,167,759	\$0	\$1,550,428	\$147,745	\$559,511	\$300,582	\$824,220	\$211,473	\$5,791,716
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	\$0	\$0	\$0	\$0	\$0	\$0	\$33,730,000	\$0	\$33,730,000
354	Accrued Compensated Absences - Non Current	\$339,521	\$0	\$80,369	\$77,199	\$0	\$0	\$0	\$0	\$476,089
353	Noncurrent Liabilities - Other	\$1,542,648	\$0	\$25,000	\$539,233	\$0	\$401,517	\$657,321	\$0	\$3,165,719
350	Total Noncurrent Liabilities	\$1,981,169	\$0	\$85,369	\$616,432	\$0	\$401,517	\$34,387,321	\$0	\$37,371,808
300	Total Liabilities	\$4,048,928	\$0	\$1,635,795	\$764,177	\$559,511	\$702,099	\$35,211,541	\$211,473	\$43,133,524
508	Total Contributed Capital	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$36,507,395	\$0	\$14,980,371	\$5,018	\$2,501,142	\$885,041	(\$1,390,191)	\$0	\$53,398,776
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
511.1	Restricted Net Assets	\$171,806	\$0	\$0	\$0	\$0	\$0	\$2,074,642	\$0	\$2,246,548
512.1	Unrestricted Net Assets	(\$1,997,239)	\$0	\$819,788	\$277,143	\$0	\$1,572,937	(\$86,995)	\$0	\$895,615
513	Total Equity/Net Assets	\$34,882,065	\$0	\$15,800,137	\$282,161	\$2,501,142	\$2,257,978	\$607,456	\$0	\$56,330,939
600	Total Liabilities and Equity/Net Assets	\$39,930,993	\$0	\$17,435,932	\$1,046,338	\$3,060,653	\$2,960,077	\$35,818,997	\$211,473	\$99,464,463

**HOUSING AUTHORITY OF THE CITY OF RICHMOND
FINANCIAL DATA SCHEDULE
JUNE 30, 2005**

PHA: CA010 FYED: 06/30/2005

Line Item No.	Account Description	Low Rent Public Housing	Public Housing- Comprehensive Grant Program	Revitalization of Severely Distressed Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/local	Component Units	Other Federal Program 1	Total
703	Net Tenant Rental Revenue	\$1,558,149	\$0	\$0	\$0	\$0	\$0	\$3,289,898	\$0	\$4,847,047
704	Tenant Revenue - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$112,892	\$0	\$112,892
705	Total Tenant Revenue	\$1,558,149	\$0	\$0	\$0	\$0	\$0	\$3,401,790	\$0	\$4,959,939
706	HUD PHA Operating Grants	\$1,498,603	\$0	\$2,443,006	\$19,809,040	\$486,213	\$0	\$0	\$902,011	\$25,136,873
706.1	Capital Grants	\$0	\$0	\$7,187,983	\$0	\$402,604	\$0	\$0	\$0	\$7,570,587
711	Investment Income - Unrestricted	\$7,809	\$0	\$13,567	\$2,898	\$0	\$1,432	\$74,801	\$0	\$100,577
715	Other Revenue	\$82,680	\$0	\$0	\$200,681	\$0	\$906	\$0	\$0	\$284,167
700	Total Revenue	\$3,125,341	\$0	\$9,824,556	\$20,012,589	\$888,817	\$2,238	\$3,478,591	\$902,011	\$38,032,143

HOUSING AUTHORITY OF THE CITY OF RICHMOND
FINANCIAL DATA SCHEDULE
JUNE 30, 2005

PHA: CA010 FYED: 06/30/2005

Line Item No.	Account Description	Low Rent Public Housing	Public Housing- Comprehensive Grant Program	Reutilization of Severely Distressed Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Component Units	Other Federal Program 1	Total
911	Administrative Salaries	\$613,356	\$0	\$149,743	\$1,153,463	\$201,433	\$0	\$374,547	\$91,986	\$2,584,530
912	Auditing Fees	\$7,883	\$0	\$0	\$11,967	\$2,000	\$0	\$15,000	\$2,000	\$98,650
914	Compensated Absences	\$10,739	\$0	\$0	\$9,211	\$0	\$0	\$0	\$0	\$18,950
915	Employee Benefit Contributions - Administrative	\$739,686	\$0	\$41,434	\$499,903	\$73,782	\$0	\$113,728	\$28,407	\$1,498,940
916	Other Operating - Administrative	\$431,120	\$0	\$1,124,555	\$138,213	\$209,998	\$432,916	\$27,592	\$5,408	\$2,368,802
921	Tenant Services - Salaries	\$99,961	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$99,961
922	Relocation Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$829	\$829
923	Employee Benefit Contributions - Tenant Services	\$63,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$63,500
924	Tenant Services - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$43,056	\$0	\$43,056
931	Water	\$107,954	\$0	\$0	\$0	\$0	\$0	\$66,227	\$0	\$174,181
932	Electricity	\$145,398	\$0	\$0	\$0	\$0	\$0	\$64,695	\$0	\$210,093
933	Gas	\$184,568	\$0	\$0	\$0	\$0	\$0	\$86,228	\$0	\$250,896
938	Other Utilities Expense	\$184,447	\$0	\$0	\$0	\$0	\$0	(\$89,202)	\$0	\$95,245
941	Ordinary Maintenance and Operations - Labor	\$681,774	\$0	\$0	\$0	\$0	\$0	\$144,000	\$2,727	\$828,774
942	Ordinary Maintenance and Operations - Materials and Other	\$152,206	\$0	\$0	\$0	\$0	\$0	\$256,743	\$0	\$411,676
943	Ordinary Maintenance and Operations - Contract Costs	\$298,820	\$0	\$0	\$16,889	\$0	\$0	\$216,448	\$770,654	\$1,300,791
943	Protective Services - Other Contract Costs	\$193,598	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$193,598
981	Insurance Premiums	\$204,387	\$0	\$0	\$77,882	\$0	\$0	\$78,018	\$0	\$380,267
982	Other General Expenses	\$128,751	\$0	\$0	\$0	\$0	\$0	\$327,263	\$0	\$456,014
983	Payments in Lieu of Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$200,560	\$0	\$200,560
984	Bad Debt - Tenant Rents	\$0	\$0	\$0	\$0	\$0	\$0	\$72,535	\$0	\$72,535
986	Interest Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$1,728,316	\$0	\$1,728,316
988	Severance Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$27,698	\$0	\$27,698
989	Total Operating Expenses	\$4,216,048	\$0	\$1,315,732	\$1,908,488	\$486,213	\$432,916	\$3,753,452	\$902,011	\$13,012,860
970	Excess Operating Revenue over Operating Expenses	(\$1,090,707)	\$0	\$8,308,924	\$18,106,101	\$402,604	(\$430,678)	(\$276,861)	\$0	\$25,019,283
973	Housing Assistance Payments	\$0	\$0	\$0	\$18,452,485	\$0	\$0	\$0	\$0	\$18,452,485
974	Depreciation Expenses	\$338,555	\$0	\$1,321	\$2,892	\$0	\$0	\$880,358	\$0	\$1,223,128
900	Total Expenses	\$4,554,603	\$0	\$1,317,053	\$20,361,865	\$486,213	\$432,916	\$4,633,810	\$902,011	\$32,688,471
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	(\$1,429,262)	\$0	\$8,307,503	(\$349,276)	\$402,604	(\$430,678)	(\$1,157,219)	\$0	\$5,343,672

**HOUSING AUTHORITY OF THE CITY OF RICHMOND
FINANCIAL DATA SCHEDULE
JUNE 30, 2005**

PHA: CA010 FYED: 06/30/2005

Line Item No.	Account Description	Low Rent Public Housing	Public Housing- Comprehensive Grant Program	Reutilization of Severely Distressed Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/local	Component Units	Other Federal Program 1	Total
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1103	Beginning Equity	\$35,350,014	\$951,313	\$5,163,738	\$631,437	\$2,098,538	\$2,061,209	\$201,705	\$0	\$47,467,954
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$951,313	(\$951,313)	\$1,328,896	\$0	\$0	\$627,447	\$1,562,970	\$0	\$3,519,313
1113	Maximum Annual Contributions Commitment (Per AGC)	\$0	\$0	\$0	\$19,708,906	\$0	\$0	\$0	\$0	\$19,708,906
1114	Pro rata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$0	\$0	\$485,152	\$0	\$0	\$0	\$0	\$485,152
1116	Total Annual Contributions Available	\$0	\$0	\$0	\$20,194,058	\$0	\$0	\$0	\$0	\$20,194,058
1120	Unit Months Available	7,008	0	0	21,000	0	0	4,812	0	32,820
1121	Number of Unit Months Leased	6,799	0	0	19,327	0	0	4,417	0	30,513

**INDEPENDENT AUDITOR'S 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**

The Board of Commissioners
Housing Authority of the City of Richmond
Richmond, California

We have audited the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Housing Authority of the City of Richmond of and for the year ended June 30, 2005, which collectively comprise the Housing Authority of the City of Richmond's basic financial statements, and have issued our report thereon dated March 6, 2006. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Housing Authority of the City of Richmond's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and other Matters

As part of obtaining reasonable assurance about whether Housing Authority of the City of Richmond'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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 05-1 to 05-10.

We also noted certain other matters that we reported to management of the Housing Authority of the City of Richmond in a separate letter dated March 6, 2006.

This report is intended solely for the information and use of the Board of Commissioners, management, the U.S. Department of Housing and Urban Development, and other federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Patricia A. Anagnostis
Oakland, California
March 6, 2006

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Board of Commissioners
Housing Authority of the City of Richmond
Richmond, California

Compliance

We have audited the compliance of Housing Authority of the City of Richmond with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Housing Authority of the City of Richmond's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Housing Authority of the City of Richmond's management. Our responsibility is to express an opinion on Housing Authority of the City of Richmond's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Housing Authority of the City of Richmond's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Housing Authority of the City of Richmond's compliance with those requirements.

In our opinion, Housing Authority of the City of Richmond complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. However, the results of our auditing procedures disclosed instances of non compliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and responses as items 05-1 to 05-10

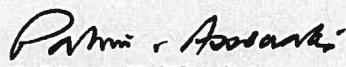
Internal Control Over Compliance

The management of Housing Authority of the City of Richmond is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Housing Authority of the City of Richmond's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Housing Authority of the City of Richmond's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 05-01 to 05-10.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

This report is intended solely for the information of the Board of Commissioners, management, the U.S. Department of Housing and Urban Development, and other federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Oakland, California
March 6, 2006

**HOUSING AUTHORITY OF THE CITY OF RICHMOND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005**

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	<i>Unqualified</i>
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Reportable conditions identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weaknesses identified?	No
• Reportable conditions identified that are not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for major programs:	<i>Unqualified</i>
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.850	Low Rent Public Housing
14.871	Housing Choice Vouchers

Dollar threshold used to distinguish between type A and type B programs:	\$981,224
Auditee qualified as low-risk auditee?	Yes

**HOUSING AUTHORITY OF THE CITY OF RICHMOND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005**

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

14.871 HOUSING CHOICE VOUCHERS

Eligibility:

Finding 05-1

Criteria or specific requirement:

The program requires that, as a condition of admission or continued occupancy, the tenant and other family members provide necessary information, documentation, and releases for the Housing Authority to verify income eligibility.

Condition:

During our test of the Housing Choice Vouchers Program, we noted that required personal documentation was not properly filed for 3 tenant files out of the 40 that were reviewed.

Questioned Costs:

We are unable to determine the questioned cost.

Effect:

The lack of personal documentation may affect the determination of tenant eligibility and the lack of a standardized file format may have an impact on continued case management. In addition, this may have an impact on the review and quality control process.

Cause:

Case workers seemed to have overlooked details of the documentation provided by the tenants. Proper review of tenant files may not have been adequate. The quality control process does not appear to be working effectively.

Recommendation:

We recommend that the Authority enhance and strengthen its quality control procedures to ensure that required documentation is accurate and properly filed and that all tenant files are maintained in a standard format.

Views of responsible officials and planned corrective actions:

We concur with this finding. Quality Control is being enhanced to cover these issues. This effort will commence immediately and will be completed by the end of FY 2006/2007. Mr. William Bounthon will be the responsible person.

Finding 05-2

Criteria or specific requirement

The program requires that the Authority determine income eligibility and calculate the tenant rent payments using third party verification.

Condition:

During our test of the Housing Choice Vouchers Program, we noted that income was not calculated properly for 6 tenant files out of the 40 that were reviewed.

Questioned Costs:

We are unable to determine the questioned cost.

Effect:

Improper calculation of income affects the calculation of tenant rent. The tenant rent is used in the calculation of the Housing Assistance Payment (HAP) made to the landlord of the unit, which affects how much HAP expense is incurred by the Authority. The Authority uses the total HAP expense in requesting monies from HUD for administering the program.

Cause:

Case workers seem to have used partial information provided by tenants and third party verification. Proper review of the tenant files may not have been adequate.

Recommendation:

We recommend that the Authority enhance and strengthen quality control procedures to ensure that all program compliance requirements are met and the Authority staff understands the program requirements.

Views of responsible officials and planned corrective actions:

We agree with this finding and effective immediately we will enhance our quality control efforts to cover these areas. This effort will commence immediately, and will be completed by the end of FY 2006/2007. Mr. William Bounthon will be the responsible person.

Finding 05-3

Criteria or specific requirement:

The Authority is required to keep updated tenant information in tenant files as annual reexaminations are conducted, and keep tenant files in a safe, fixed location for efficient and effective review purposes.

Condition:

During our test of the Housing Choice Vouchers Program, we could not locate 1 tenant file of the 40 reviewed.

Questioned Costs:

We are unable to determine the questioned cost.

Effect:

Inability to locate relevant information or files affects the efficiency and effectiveness of review procedures.

Cause:

Staff may not be diligent and attentive in maintaining and safeguarding tenant records.

Recommendation:

We recommend that the Authority improve its annual reexamination process and ensure that all current tenant information is in the tenant files. Tenant files should be safeguarded and returned to the same location after use.

Views of responsible officials and planned corrective actions:

We do not agree with this finding. Several factors could have contributed to the file being temporarily unavailable. The fact that one file out of 40 could not be located does not substantiate that staff may not be diligent and attentive in maintaining and safeguarding records. In fact this test indicates that in over 97% of those files tested staff is attentive in maintaining and safeguarding files. We will ascertain the reason why this one file could not be located.

Special Tests and Provisions:

Finding 05-4

Criteria or specific requirement:

The Authority must maintain an up-to-date utility allowance schedule. The Authority must review utility rate data for each utility category each year and must adjust its utility allowance schedule if there has been a rate change of 10 percent or more for a utility category or fuel type since the last time the utility allowance schedule was updated.

Condition:

During our test of the Housing Choice Vouchers Program, we noted that a utility allowance schedule was not in the tenant file or utility allowances were not calculated properly for 4 tenant files out of the 40 files reviewed.

Questioned Costs:

We are unable to determine the questioned cost.

Effect:

Lack of compliance with the filing of utility allowance schedules detailing each allowance type that is paid by the tenant and landlord may lead to inaccurate allowances for tenants. Improper calculation of utility allowance affects tenant rent payment.

Cause:

Case workers did not follow Authority administrative plans in regards to the documentation of utility allowance.

Recommendation:

We recommend that the Authority enhance and strengthen quality control procedures to ensure that all program compliance requirements are met.

Views of responsible officials and planned corrective actions:

We agree with this finding and are in the process of conducting an energy audit to include updating our utility allowances and enhancing our filing protocols. This effort will be concluded by fiscal year end. Mr. William Bounthon is the responsible person.

Finding 05-5

Criteria or specific requirement:

The Authority must inspect the unit leased to a family annually to determine if the unit meets Housing Quality Standards (HQS) and the Authority must conduct quality control reinspections.

Condition:

During our test of the Housing Choice Vouchers Program, we noted that either an annual inspection form was not filed or quality control reinspection was not conducted for 2 tenant files out of the 40 files reviewed.

Questioned Costs:

We are unable to determine the questioned cost.

Effect:

Lack of compliance with the annual inspection requirements leads to inability to determine whether or not the unit meets Housing Quality Standards, which in turn will affect tenants' living quality.

Cause:

Inspection specialists did not follow Authority administrative plans in regards to annual inspection requirements.

Recommendation:

We recommend that the Authority enhance and strengthen quality control procedures to ensure that all program compliance requirements are met.

Views of responsible officials and planned corrective actions:

We do not agree with this finding. Several factors could have prevented the 2 out of 40 inspections from not being in the file. The fact that 2 out of 40 files did not contain the annual inspection form or a quality control reinspection was not conducted does not substantiate that program compliance is not being met. In fact this test indicates that in 95% of the files tested program compliance has been met. We will ascertain the reasons as to why 2 out of 40 files did not contain an annual inspection form or the verification that a quality control inspection was conducted.

14.850 LOW RENT PUBLIC HOUSING

Eligibility:

Finding 05-6

Criteria or specific requirement:

The program requires that, as a condition of admission or continued occupancy, the tenant and other family members provide necessary information, documentation, and releases for the Authority to verify income eligibility.

Condition:

During our test of the Low Rent Public Housing Program, we noted that required personal documentation was not properly filed for 4 tenant files out of the 40 that were reviewed.

Questioned Costs:

We are unable to determine the questioned cost.

Effect:

The lack of personal documentation may affect the determination of tenant eligibility and the lack of a standardized file format may have an impact on continued case management. In addition, this may have an impact on the review and quality control process.

Cause:

Case workers seemed to have overlooked details of the documentation provided by tenants. Proper review of tenant files may not have been adequate. The quality control process does not appear to be working effectively.

Recommendation:

We recommend that the Authority enhance and strengthen its quality control procedures to ensure that required documentation is accurate and properly filed.

Views of responsible officials and planned corrective actions:

We agree with this finding and will standardize case file set-up and establish a more secure file maintenance protocol. This follow-up action will commence at the beginning of FY 2006/2007 and will be concluded by fiscal year end. Mr. Donnie Bell will be the responsible person.

Finding 05-7

Criteria or specific requirement:

The program requires that the Authority obtain and document in the family file third party verification of reported family annual income.

Condition:

During our test of the Low Rent Public Housing Program, we noted that third party verification of family annual income was not sufficient for 3 tenant files out of the 40 that were reviewed,

Questioned Costs:

We are unable to determine the questioned cost.

Effect:

Insufficiency of supporting documentation for income affects the accuracy of income calculation, which in turn affects the calculation of tenant rent.

Cause:

Case workers do not seem to have followed the Authority's policies and procedures properly. Proper review of tenant files may not have been adequate.

Recommendation:

We recommend that the Authority enhance and strengthen quality control procedures to ensure that all program compliance requirements are met.

Views of responsible officials and planned corrective actions:

We agree with this finding and will strengthen quality control procedures to ensure program compliance. This effort will begin immediately and will be concluded by the end of FY 2006/2007. Mr. Donnie Bell will be the responsible person.

Special Tests and Provisions:

Finding 05-8

Criteria or specific requirement:

The program requires that the Authority carry out an annual UPCS inspection on a tenant's unit.

Condition:

During our test of the Low Rent Housing Program, we noted that an annual UPCS inspection was not carried out for 3 tenant files out of the 40 that were reviewed.

Questioned Costs:

We are unable to determine the questioned cost.

Effect:

Lack of inspection of dwelling units using the Uniform Physical Condition Standards (UPCS) may affect the Federal Investments in their properties and the requirement of providing safe and decent housing.

Cause:

There seems to be a backlog in the Maintenance Department, which is responsible for carrying out the UPCS inspection.

Recommendation:

We recommend that the Authority enhance and strengthen inspection procedures to ensure that all program compliance requirements are met.

Views of responsible officials and planned corrective actions:

We agree with this finding and will strengthen inspection procedures. This will begin immediately and will be ongoing throughout the rest of this fiscal year and through the next. Mr. Ramon Tan-Torres will be the responsible person.

Finding 05-9

Criteria or specific requirement:

The program requires that the Authority carry out periodic redetermination of eligibility.

Condition:

During our test of the Low Rent Housing Program, we noted that recertification was not carried out for 1 tenant file out of the 40 that were reviewed.

Questioned Costs:

We are unable to determine the questioned cost.

Effect:

Lack of redetermination of eligibility may affect the tenant rent payment and how much the Authority will receive from HUD for the program.

Cause:

Case workers seemed to be too busy to have each tenant recertified once a year.

Recommendation:

We recommend that the Authority enhance and strengthen quality control procedures to ensure that all program compliance requirements are met.

Views of responsible officials and planned corrective actions:

Several factors could have prevented or delayed the 1 file from being completed. We do not agree with this finding. The fact that the recertification was not completed in 1 file out of 40 does not substantiate that case workers are too busy to have each tenant recertified. In fact in over 97% of the files tested, they were not too busy to complete the annual recertification. We will ascertain the reason as to why this one file was not recertified.

Finding 05-10

Criteria or specific requirement:

The program requires that the Authority screen an applicant's background as a condition of admission of the tenant to the program.

Condition:

During our test of the Low Rent Housing Program, we noted that required background check was not carried out for 3 tenant files out of the 40 that were reviewed.

Questioned Costs:

We are unable to determine the questioned cost.

Effect:

The lack of a background check may affect the determination of tenant eligibility. In addition, this may have an impact on the review and quality control process.

Cause:

Case workers seemed to have overlooked the necessity of a background check. Proper screening of tenants may not be adequate.

Recommendation:

We recommend that the Authority enhance and strengthen its quality control procedures to ensure that tenants are screened before admission.

Views of responsible officials and planned corrective actions:

We do not agree with this finding. Background checks are conducted on all tenants before admission, as indicated in 92% of the files tested. We will verify that staff is adequately documenting the background checks in each file. However, we do not agree that this test substantiates the finding that case workers have overlooked the necessity of the background checks, or that proper screening of tenants may not be adequate as it has proven to be in 92% of the files tested. We will ascertain in these 3 instances why the background checks could not be verified.

**HOUSING AUTHORITY OF THE CITY OF RICHMOND
STATUS OF PRIOR YEAR FINDINGS
AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2005**

Findings:

Current Status:

14.871 SECTION 8 HOUSING CHOICE VOUCHER

Finding 04-1

During our test of the Housing Choice Voucher Program, we noted that required personnel documentation was not properly filed for 12 tenant files out of the 40 that were reviewed. We also noted that tenant files are not organized in a standardized format.

Partially Implemented
See Finding 05-1

Finding 04-2

During our test of the Section 8 Housing Choice Vouchers Program, we noted that third party verifications of family annual income was not sufficient, and that the value of assets were not properly stated on Form HUD-50058 for 5 tenant files out of the 40 that were reviewed.

Implemented

Finding 04-3

During our test of the Housing Choice Vouchers Program, we noted that third party verification of full-time student status were not sufficient for 2 tenant files out of the 40 that were reviewed.

Implemented

Finding 04-4

During our test of the Housing Choice Vouchers Program, we noted that income was not calculated properly for 6 tenant files out of the 40 that were reviewed.

Not Implemented
See Finding 05-2

Finding 04-5

During our test of the Housing Choice Vouchers Program, we noted that annual reexamination recertification was not performed within the required time period for 4 tenant files out of the 40 that were reviewed.

Implemented

Finding 04-6

During our test of the Housing Choice Vouchers Program, we could not locate 1 tenant file of the 40 reviewed.

Not Implemented
See finding 05-3

Finding 04-7

During our test of the Housing Choice Vouchers Program, we noted that rent reasonableness certification forms were not properly completed for 20 tenant files out of the 40 that were reviewed.

Implemented

Finding 04-8

During our test of the Housing Choice Vouchers Program, we noted that either Request for Tenancy Approval Forms were not in the tenant file or utility allowances were not calculated properly for 6 tenant files out of the 40 files reviewed.

Not Implemented
See Finding 05-4

Finding 04-9

During our test of the Housing Choice Vouchers Program, we noted that either annual inspections or quality control reinspections were not conducted for 2 tenant files out of the 40 files reviewed.

See Finding 05-5

Finding 04-10

During our test of the Housing Choice Vouchers Program, we noted that HAP amount per HAP register does not match HAP amount for line 12u of Form HUD-50058 for 1 tenant file out of the 40 files reviewed and that HAP amount is incorrect or can not be determined for 1 tenant file out of the 40 files reviewed.

Implemented

14.850 LOW RENT PUBLIC HOUSING

Finding 04-11

During our test of the Low Rent Public Housing Program, we noted that required personal documentation was not properly filed for 9 tenant files out of the 20 that were reviewed. We also noted that tenant files were not organized in a standardized format.

See Finding 05-6

Finding 04-12

During our test of the Low Rent Public Housing Program, we noted that third party verification of family annual income was not sufficient for 2 tenant files out of the 20 that were reviewed, and that the value of assets was not properly stated on Form HUD-50058 for 3 tenant files out of the 20 reviewed.

Partially Implemented
See Finding 05-7

Finding 04-13

During our test of the Low Rent Public Housing Program, we noted that third party verification of childcare expense deducted from the annual income as not sufficient for 1 tenant file out of the 20 that were reviewed.

Implemented

Finding 04-14

During our test of the Low Rent Public Housing Program, we noted that income was not calculated properly for 4 tenant files out of the 20 that were reviewed.

Implemented

14.872 PUBLIC HOUSING CAPITAL FUND

Davis-Bacon Act

Finding 04-15

During our test of the Public Housing Capital Fund Program, we were not provided necessary construction contracts in order to test the above stated compliance requirement.

Implemented