
HOUSING AUTHORITY OF THE CITY OF RICHMOND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

HOUSING AUTHORITY OF THE CITY OF RICHMOND
JUNE 30, 2004

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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 the Housing Authority of the City of Richmond (the Authority) as of and for the year ended June 30, 2004, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

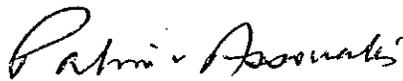
The auditor's report on the financial statements of RHA Properties, a component unit, was qualified. RHA Properties' financial activities are included in the Authority's basic financial statements as a discretely presented component unit.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the auditor's report on RHA Properties' financial statements been unqualified, 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, 2004, 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 January 27, 2005 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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 of 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 the 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.



Oakland, California
January 27, 2005

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 \$5.8 million during 2004. Since the Authority engages only in enterprise fund-type activities, the increase is all in the category of contributed capital-type net assets.

Total net assets were \$47.27 million and \$41.46 million for 2004 and 2003, respectively.

The dwelling rental activity revenue (the Authority's owned public housing units) decreased by \$.41 million (or 21%) during 2004, and was \$1.53 million and \$1.94 million for 2004 and 2003, respectively. The decrease is essentially due to certain units unavailable by reason of the HOPE VI revitalization initiative.

The total expenses of all Authority programs increased by \$2.54 million (or 9.95%). The increment is largely due to Housing Assistance Payments (HAP) paid to Housing Choice Vouchers Program landlords; and in part by HOPE VI increased expenditures (soft costs) during the fiscal year.

Total expenses were \$28.06 million and \$25.52 million for 2004 and 2003 respectively.

The component units total net assets (or Total Equity) amounted to \$38 million as of June 30, 2004. Dwelling rental activity revenue totaled \$3.2 million during 2004 and operating expenses for the same year summed up to \$2.9 million, or a net equity (unrestricted net assets) of approximately three hundred thousand dollars (\$333,346).

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 discretely presented and included as part of the aggregate fund information of the City of Richmond Housing Authority as of June 30, 2004, 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, equals "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 exclusively of 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.

The Department of Housing and Urban Development requires the Authority to maintain many of the funds. 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 Program – 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 Authority to provide 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 Vouchers Program – Under the Housing Choice Vouchers Program, the Authority administers contracts with independent landlords that own properties. 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 – Under the HOPE VI Revitalization Grant, the Department of Housing and Urban Development provides funding to redevelop the Authority's Easter Hill Village housing project.

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

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:

Drug Elimination Program – a grant program funded by the Department of Housing and Urban Development that is intended to reduce the use of illegal drugs within the Authority's properties. The program itself has been terminated, and the active grant is the last program funded by HUD prior to FYE 6/30/2004.

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 the prior year. The Authority is engaged in Business-Type Activities only. It also includes the condensed Statement of Net Assets as of and for the ten month period ended June 30, 2004, the first 10-months of RHA Properties' operations. The component unit is engaged only in Business-Type Activities.

TABLE 1

STATEMENT OF NET ASSETS

Particular	2004 Total	2003 Total	Component Unit-RHA Properties 2004
Current and Other Assets	\$ 5,532,965	\$ 6,132,465	\$ 4,175,957
Capital Assets	44,732,198	38,847,782	33,556,307
Total Assets	50,265,163	44,980,247	37,732,264
Current Liabilities	975,084	1,322,630	964,091
Non current and other Liabilities	2,023,829	2,195,217	36,566,468
Total Liabilities	2,998,913	3,517,847	37,530,559
Net Assets:			
Invested in Capital Assets, Net of Related Debt	44,732,199	38,847,782	(1,163,693)
Restricted			3,156,207
Unrestricted	2,534,051	2,614,618	(1,790,809)
Total Net Assets	\$ 47,266,250	\$ 41,462,400	\$ 201,705

For more detailed information, see the Statement of Net Assets.

Major Factors Affecting the Statement of Net Assets

Current and other assets decreased by \$599,500, but with corresponding decrease of \$274,432 in current liabilities due primarily to investment withdrawals needed to partially pay off the indebtedness to the City of Richmond.

Investments in Capital Assets increased by \$5,884,416, from \$38,847,782 in 2003 to \$44,732,198 in 2004 as a result of increased capitalized (hard) costs from the Capital Fund Program.

Current Assets of the component unit consist of \$3.2 million cash impound accounts and restricted cash as debt service reserve funds and an unrestricted cash of approximately \$200,000.

Investments in Capital Assets of the component unit of \$34.5 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 Subordinated 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

Particular		Component Unit
Unrestricted Net Assets 6/30/03	\$ 2,614,618	\$
Results of Operations	5,803,850	201,705
Adjustments:		
Depreciation (See Note 1 below)	380,011	841,589
Other Adjustments	(9,261)	
Adjusted Results from Operations	6,174,600	1,043,294
Total	8,789,218	1,043,294
Capital Expenditures	6,255,167	(2,834,103)
Unrestricted Net Assets 6/30/04	\$ 2,534,051	\$ (1,790,809)

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 of the component unit 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, as well as the component unit, is engaged in Enterprise Fund-Type Activities only.

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

Particular	2004 Total	2003 Total	Component Unit 2004 Total
Revenues			
Tenant Revenue – Rents and Others	\$ 1,531,066	\$ 1,937,113	\$ 2,943,399
Operating Subsidies and Grants	31,463,900	24,061,146	
Investment Income	26,309	76,576	
Other Revenue	703,514	127,603	255,964
Total Revenue	33,724,789	26,202,438	3,199,363
Expenses:			
Administrative	5,239,616	4,162,722	404,997
Tenant services	257,173	673,376	
Utilities	622,011	659,277	238,894
Ordinary maintenance	1,584,160	2,794,648	563,302
Protective services	175,579	62,449	
General	251,499	318,790	925,794
Housing assistance payments	19,238,640	16,443,375	
Depreciation	380,011	404,065	841,589
Relocation costs	333,976		
Amortization			23,082
Total Expenses	28,062,665	25,518,702	2,997,658
Net Increase (Decrease)	\$ 5,662,124	\$ 683,736	201,705

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

Dwelling rental revenue decreased by 21%. The decrease was due primarily to vacant units associated with the HOPE VI revitalization of the Easter Hill Village development site.

While the Authority received less operating fund subsidy for its Low Rent Public Housing (LRPH) Program, the Housing Choice Vouchers Program earned more annual contributions from HUD, and the HOPE VI Grant Program generated more predevelopment budget funds.

Most expenses have increased with the exception of HOPE VI, and HAP (Housing Assistance Payments) to Housing Choice Vouchers landlords, which increased by 15% due to higher leased-up units and housing rent payments.

Dwelling rental revenue of the component unit accounts for the 10-month leasing operations, and other revenue includes garage and laundry income.

Operating expenses of the component unit include administration (contract management fees, contract salaries, etc.), utilities, maintenance 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 AND DEBT ADMINISTRATION

Capital Assets

As of fiscal year ended June 30, 2004, the Authority had \$44.73 million invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (additions, deletions and depreciation) of \$5.88 million or 13% from the end of last year.

As of the ten month period ended June 30, 2004, the component unit had \$34.50 million invested in "The Westridge at Hilltop Apartments", a 401-unit housing complex within the City of Richmond, as reflected in the following schedule.

TABLE 4

CAPITAL ASSETS AND DEBT ADMINISTRATION

Particular	2004 Total	2003 Total	Component Unit 2004 Total
Land and land rights	\$ 4,999,386	\$ 2,744,477	\$ 7,282,800
Buildings and improvements	58,580,814	57,687,765	27,080,466
Equipment - administration	832,671	798,794	34,630
Equipment - operations	661,831	632,758	
Construction in progress	5,530,308	2,486,049	
Accumulated depreciation	(25,872,812)	(25,502,061)	(841,589)
Total	\$ 44,732,198	\$ 38,847,782	\$ 33,556,307

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

Particular	Component Unit	
	Totals	Totals
Beginning Balance, July 1, 2003	\$ 64,349,843	\$
Additions	7,203,886	34,397,896
Deductions	(948,719)	
Accumulated and Current Depreciation	<u>(25,872,812)</u>	<u>(841,589)</u>
Ending Balance, June 30, 2004	\$ <u>44,732,198</u>	\$ <u>33,556,307</u>

Debt Outstanding

As of year-end, the Authority had no debt (bonds, notes, etc.) outstanding, same as last year.

As of the ten month period ended June 30, 2004, the component unit had \$34,720,000 in outstanding bond indebtedness, consisting of Senior Lien Multifamily Housing Revenue Bonds (or Senior Bonds) in the amount of \$22,900,000 and Subordinate Lien Lease Revenue Bonds (or Subordinate Bonds) in the amount of \$11,820,000.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development
- Local labor supply 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 Manuel Rosario, Acting 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, 2004

	<u>Business-Type Activities</u>	<u>Component Unit RHA Properties</u>
Assets		
Current assets:		
Cash and investments (Note 2)	\$ 1,424,766	\$ 203,878
Other investment (Note 2a)	1,402,734	
Accounts receivable - other government	916,044	
Accounts receivable - HUD	1,271,727	
Accounts receivable - tenants	215,451	7,004
Accounts receivable - others	32,121	1,000
Prepaid expenses and deposits	214,605	
Inventories	55,517	
Total current assets	<u>5,532,965</u>	<u>211,882</u>
Restricted assets:		
Cash and investments		<u>3,156,207</u>
Capital assets, net of accumulated depreciation (Note 4)		
Land	4,642,142	7,282,800
Construction in progress	5,887,552	
Buildings and improvements	33,880,030	26,244,649
Furniture and equipment	322,474	28,858
Total capital assets	<u>44,732,198</u>	<u>33,556,307</u>
Other Assets:		
Bond issuance costs (net of amortization)		<u>807,868</u>
Total assets	<u>50,265,163</u>	<u>37,732,264</u>
Liabilities		
Current liabilities:		
Accounts payable	399,273	48,845
Accrued compensated absences - current	124,725	
Accrued and other liabilities	32,682	95,602
Tenants security deposits	112,430	233,931
Other liabilities	305,974	50,713
Current portion of bonds payable		<u>535,000</u>
Total current liabilities	<u>975,084</u>	<u>964,091</u>
Long-term liabilities:		
Long-term portion of bond payable		34,185,000
Accrued compensated absences - non-current	381,161	
Other non-current liabilities	1,642,668	
Total long term liabilities	<u>2,023,829</u>	<u>34,185,000</u>
Contributed capital		<u>2,381,468</u>
Total liabilities	<u>2,998,913</u>	<u>37,530,559</u>
Net Assets:		
Investment in capital assets, net of related debt	44,732,199	(1,163,693)
Restricted		3,156,207
Unrestricted	<u>2,534,051</u>	<u>(1,790,809)</u>
Total net assets	<u>\$ 47,266,250</u>	<u>\$ 201,705</u>

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, 2004

Functions/Programs	Expenses	Program Revenues			Transfers and Other Adjustments	Net (Expense)/Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants	Capital Grants		Business-Type Activities	Component Unit RHA Properties
Business-type activities:							
Low Rent Public Housing	\$ 4,205,745	\$ 1,531,066	\$ 1,270,304	\$	\$ 119,293	\$ (1,285,082)	\$
Housing Choice Vouchers	20,824,684		20,701,315		31,371	(91,998)	
HOPE VI	1,907,731		1,902,566	5,321,455	(113)	5,316,177	
Drug Elimination	53,295		53,295				
Lead-Based Paint	609,493		562,707	46,786			
Capital Fund Program	455,623		675,082	930,390	(8,825)	1,141,024	
Local	6,094					(6,094)	
Total Business-type activities	\$ 28,062,665	\$ 1,531,066	\$ 25,165,269	\$ 6,298,631	\$ 141,726	\$ 5,074,027	\$
Component unit:							
RHA Properties	\$ 2,997,658	\$ 2,943,399					\$ (54,259)
	\$ 2,997,658	\$ 2,943,399					\$ (54,259)
General Revenues:							
Other revenue						\$ 703,514	255,964
Investment income						26,309	
Total general revenues						729,823	255,964
Change in net assets						5,803,850	201,705
Net assets - beginning						41,462,400	
Net assets - ending						\$ 47,266,250	\$ 201,705

The accompanying notes are an integral part of this financial statement

HOUSING AUTHORITY OF THE CITY OF RICHMOND
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2004

	Major Enterprise Funds				Other Enterprise Funds Non-Major	Total	Component Unit RHA Properties
	Low Rent Public Housing	Housing Choice Vouchers	HOPE VI	Capital Fund Program			
Assets							
Current assets:							
Cash and investments (Note 2)	\$ 742,980	\$ 538,691	\$ 55,157	\$	\$ 87,938	\$ 1,424,766	\$ 203,878
Other investment (Note 2a)					1,402,734	1,402,734	
Accounts receivable - other government	208,385	108,550		599,109		916,044	
Accounts Receivable - HUD		811,447	119,462		340,818	1,271,727	
Accounts receivable - tenants	215,451					215,451	7,004
Accounts receivable - others	1,512	30,609				32,121	1,000
Prepaid expenses and deposits	150,019	64,586				214,605	
Inventories	55,517					55,517	
Due from other funds	1,342,723		750,000		299,004	2,391,727	
Total current assets	2,716,587	1,553,883	924,619	599,109	2,130,494	7,924,692	211,882
Restricted assets:							
Cash and investments (Note 2)							3,156,207
Capital assets, net of accumulated depreciation (Note 4)							
Land	2,744,477		1,897,665			4,642,142	7,282,800
Construction in progress			3,431,770	2,098,538	357,244	5,887,552	
Buildings and improvements	32,969,787			910,243		33,880,030	26,244,649
Furniture and equipment	247,835	7,152	26,417	41,070		322,474	28,858
Total capital assets	35,962,099	7,152	5,355,852	3,049,851	357,244	44,732,198	33,556,307
Other assets:							
Bond issuance cost - net of amortization							807,868
Total assets	38,678,686	1,561,035	6,280,471	3,648,960	2,487,738	52,656,890	37,732,264
Liabilities							
Current liabilities:							
Accounts payable	399,273					399,273	48,845
Accrued compensated absences- current	69,516	19,204	18,122	7,682	10,201	124,725	
Accrued liabilities	32,682					32,682	95,602
Tenants security deposits	112,430					112,430	233,931
Other liabilities			45,341	243,223	17,410	305,974	50,713
Due to other funds (Note 3)	1,049,004	640,442	28,271	326,783	347,227	2,391,727	
Current portion of bonds payable							535,000
Total current liabilities	1,662,905	659,646	91,734	577,688	374,838	3,366,811	964,091
Long term liabilities:							
Long-term debt, net of current portion							34,185,000
Accrued compensated absences - non-current	258,265	49,784		21,421	51,691	381,161	
Other non-current liabilities	1,397,500	220,168	25,000			1,642,668	
Total long term liabilities	1,655,765	269,952	25,000	21,421	51,691	2,023,829	34,185,000
Contributed capital							
Total liabilities	3,318,670	929,598	116,734	599,109	426,529	5,390,640	37,530,559
Net assets:							
Investment in capital assets, net of related debt	35,962,099	7,152	5,355,852	3,049,851	357,244	44,732,198	(1,163,693)
Restricted							3,156,207
Unrestricted	(602,083)	624,285	807,885		1,703,965	2,534,052	(1,790,809)
Total net assets	\$ 35,360,016	\$ 631,437	\$ 6,163,737	\$ 3,049,851	\$ 2,061,209	\$ 47,266,250	\$ 201,705

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, 2004

	Major Enterprise Funds					Totals	Component Unit RHA Properties
	Low Rent Public Housing	Housing Choice Vouchers	HOPE VI	Capital Fund Program	Other Enterprise Funds - Non-Major		
Operating revenues							
Rental revenue - tenant	\$ 1,531,066	\$	\$	\$	\$	\$ 1,531,066	\$ 2,943,399
Other revenue	3,410	700,104				703,514	255,964
Total operating revenues	1,534,476	700,104				2,234,580	3,199,363
Operating expenses							
Administration	1,548,399	1,499,994	1,573,755	438,969	178,499	5,239,616	404,997
Tenant services	176,383			16,654	44,136	237,173	
Utilities	622,011					622,011	238,894
Ordinary maintenance and operations	1,117,419	20,494			446,247	1,584,160	563,302
Protective services	175,579					175,579	
General expenses	190,118	61,381				251,499	925,794
Relocation costs			333,976			333,976	
Depreciation	375,836	4,175				380,011	841,589
Amortization							23,082
Housing assistance payments		19,238,640				19,238,640	
Total operating expenses	4,205,745	20,824,684	1,907,731	455,623	668,882	28,062,665	2,997,658
Operating (loss)/gain	(2,671,269)	(20,124,580)	(1,907,731)	(455,623)	(668,882)	(25,828,085)	201,705
Non-Operating revenues							
HUD PHA grants	1,270,304	20,701,315	1,902,566	675,082	616,002	25,165,269	
Capital grants			5,321,455	930,390	46,786	6,298,631	
Investment income	8,545	2,654	5,164		9,946	26,309	
Non-operating revenues	1,278,849	20,703,969	7,229,185	1,605,472	672,734	31,490,209	
Income/(loss) before transfers	(1,392,420)	579,389	5,321,454	1,149,849	3,852	5,662,124	201,705
Operating transfers in/(out)	219,459			(219,459)			
Other adjustments	(100,166)	31,371	(113)	210,634		141,726	
Change in net assets	(1,273,127)	610,760	5,321,341	1,141,024	3,852	5,803,850	201,705
Net assets at beginning of year	36,633,143	20,677	842,396	1,908,827	2,057,357	41,462,400	
Ending net assets	\$ 35,360,016	\$ 631,437	\$ 6,163,737	\$ 3,049,851	\$ 2,061,209	\$ 47,266,250	\$ 201,705

The accompanying notes are an integral part of this financial statement

**HOUSING AUTHORITY OF THE CITY OF RICHMOND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004**

	Major Enterprise Funds			Capital Fund Program	Other Enterprise Funds - Non-Major	Totals	Component Unit RHA Properties
	Low Rent Public Housing	Housing Choice Vouchers	HOPE VI				
Cash flows from operating activities							
Cash collected from:							
Dwelling rental	\$ 1,513,761					\$ 1,513,761	\$ 2,943,399
Other revenues and loan repayments	20,715	700,104				720,819	255,964
Cash Paid for:							
Housing assistance payments		(19,238,640)				(19,238,640)	
General maintenance and other expenses	(1,437,685)	(520,878)	(288,460)	(16,654)	(449,667)	(2,713,344)	(1,751,072)
Employee expenses	(2,039,009)	(1,226,818)	(217,768)	(222,685)	(204,547)	(3,910,827)	(378,544)
Administrative expenses	(337,953)	(273,176)	(1,355,986)	(216,284)	(14,668)	(2,198,067)	(26,453)
Net cash used by operating activities	<u>(2,280,171)</u>	<u>(20,559,408)</u>	<u>(1,862,214)</u>	<u>(455,623)</u>	<u>(668,882)</u>	<u>(25,826,298)</u>	<u>1,043,294</u>
Cash flows from non-capital & related financing activities:							
Grant revenue received	1,270,304	20,701,315	1,907,730	675,082	248,533	24,802,964	
Other revenue					600,000	600,000	
Proceeds from sale of investments					(2,814,690)	(2,814,690)	
Equity transfer	960,138					960,138	
Operating transfers in	219,459					219,459	
Operating transfers out				(219,459)		(219,459)	
Net cash provided by non-capital & related financing activities	<u>2,449,901</u>	<u>20,701,315</u>	<u>1,907,730</u>	<u>455,623</u>	<u>(1,966,157)</u>	<u>23,548,412</u>	
Cash flows from capital & related financing activities:							
Cash collected from:							
Capital grant revenue received			5,321,455	930,390	414,255	6,666,100	
Bond proceeds							37,341,207
Cash paid for:							
Acquisition of capital assets	(113,755)		(1,924,082)	(740,679)	(598,039)	(3,376,555)	(1,468,109)
Construction of capital assets			(3,392,896)	(189,711)		(3,582,607)	(33,556,307)
Net cash (used)/provided by capital & related financing activities	<u>(113,755)</u>		<u>4,477</u>		<u>(183,784)</u>	<u>(293,062)</u>	<u>2,316,791</u>
Cash flows from investing activities:							
Interest received from investments	8,543	2,654	5,164		9,946	26,307	
Net cash provided by investing activities	<u>8,543</u>	<u>2,654</u>	<u>5,164</u>		<u>9,946</u>	<u>26,307</u>	
Net increase/(decrease) in cash and cash equivalents	64,518	144,561	55,157		(2,808,877)	(2,544,641)	3,360,085
Cash and cash equivalents at beginning of year	678,462	394,130			2,896,815	3,969,407	
Cash and cash equivalents at end of year	<u>\$ 742,980</u>	<u>\$ 538,691</u>	<u>\$ 55,157</u>	<u>\$</u>	<u>\$ 87,938</u>	<u>\$ 1,424,766</u>	<u>\$ 3,360,085</u>
Cash flows from:							
Operating loss	\$ (2,671,269)	\$ (20,124,580)	\$ (1,907,731)	\$ (455,623)	\$ (668,882)	\$ (25,828,085)	\$ 201,705
Adjustments to reconcile operating gain/loss to net cash used by operating activities:							
Transfers and adjustments	(100,166)	31,371	(113)		210,634	141,726	
Depreciation expense	375,836	4,175				380,011	841,589
Decrease/increase in grants and accounts receivable	(853,441)	(440,298)	890,196	(48,246)	559,932	108,143	
Increase in prepaid expenses and other assets	(96,710)	(14,359)				(111,069)	
Increase/Decrease in interfund receivable	943,476	553,922	(750,000)		(248,286)	499,112	
Decrease in inventory	1,902					1,902	
Increase in accounts payable	(82,221)					(82,221)	
Decrease in accrued liabilities and other liabilities	(230,804)	(83,883)	5,634	(46,914)	(69,600)	(425,567)	
Decrease in interfund payable	444,364	(485,756)	(100,200)	95,160	(452,680)	(499,112)	
Increase in tenant security deposits	(11,138)					(11,138)	
Net cash used by operating activities	<u>\$ (2,280,171)</u>	<u>\$ (20,559,408)</u>	<u>\$ (1,862,214)</u>	<u>\$ (455,623)</u>	<u>\$ (668,882)</u>	<u>\$ (25,826,298)</u>	<u>\$ 1,043,294</u>

HOUSING AUTHORITY OF THE CITY OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

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.

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.

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.

Drug Elimination Program - Under this program, HUD provides funding to reduce the use of illegal drugs within the Authority's properties.

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 \$505,886 based on year-end hourly rates. Of this total amount, \$124,726 is the current portion, and \$381,160 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.

NOTE 2: CASH AND INVESTMENTS

The Authority maintains interest-earning checking accounts with the Mechanics Bank and the Bank of the West, which include all cash balances; and participates in an investment pool with the Local Agency Investment Fund (LAIF) which the Executive Director invests to enhance interest earnings. The cash and investments as of June 30, 2004, were as follows:

Petty Cash	\$	700
Demand Deposits		909,856
State of California Local Agency Investment Fund		<u>514,210</u>
Total Cash and Investments	\$	<u>1,424,766</u>

All cash and investments of the Authority are unrestricted and are held at the Mechanics Banks and the Bank of the West and at the Local Agency Investment Fund, respectively, on behalf of the Authority.

As of June 30, 2004, the carrying amount of the Authority's cash deposits (including amounts in checking accounts and nonnegotiable certificates of deposit) was \$910,556.

The Authority is empowered by the HUD Notice 99-48 and its own investment policy to invest HUD funds in the following:

- United States Treasury Bills, Notes and Bonds;
- Obligations issued by Agencies or Instrumentalities of the U.S. Government;
- State or Municipal Depository Funds, such as the Local Agency Investment Fund (LAIF) or pooled cash investment funds managed by County treasurers;
- Insured Demand and Savings Deposits, provided that deposits in excess of the insured amounts must be 100% collateralized by federal securities;
- Insured Money Market Deposit Accounts, provided that deposits in excess of the insured amount must be 100% collateralized by federal securities;
- Negotiable Certificates of Deposit issued by federally or state chartered banks or associations, limited to no more than 30% of surplus funds;
- Repurchase/Reverse Repurchase Agreements of any securities authorized by this section; securities purchased under these agreements shall be no less than 102% of market value;
- Sweep Accounts that are 100% collateralized by federal securities;

- Shares of beneficial interest issued by diversified management companies investing in the securities and obligations authorized by this Section (Money Market Mutual Funds); Funds must carry the highest rating of at least two national rating agencies and are limited to not more than 20% of surplus funds;
- Funds held under the terms of a Trust Indenture or other contract or agreement including the HUD/PHA Annual Contributions Contract, may be invested according to the provisions of those indentures or contracts; and
- Any other investment security authorized under the provisions of HUD Notice PIH 96-33.

The Authority is empowered by the California Government Code (CGC) Sections 5922 and 53601 et seq and its own investment policy to invest non-HUD funds in the following:

- Bonds issued by the local entity with a maximum maturity of five years;
- United States Treasury Bills, Notes and Bonds;
- Registered state warrants or treasury notes or bonds issued by the State of California;
- Bonds, notes, warrants or other evidence of debt issued by a local agency within the State of California, including pooled investment accounts sponsored by the State of California, County Treasurer, other local agencies or Joint Powers Agencies;
- Obligations issued by Agencies or Instrumentalities of the U.S. Government;
- Bankers Acceptances with a term not to exceed 180 days, limited to 40% of surplus funds; no more than 30% of surplus funds can be invested in Bankers Acceptances of any single commercial bank;
- Prime Commercial Paper with a term not to exceed 270 days and the highest ranking issued by Moody's Investors Service or Standard & Poor's Corp., limited to 25% of surplus funds;
- Negotiable Certificates of Deposit issued by federally or state chartered banks or associations, limited to not more than 30% of surplus funds;
- Repurchase/Reverse Repurchase Agreements of any securities authorized by this Section, securities purchased under these agreements shall be no less than 102% of market value.
- Medium term notes (not to exceed five years) of U.S. corporations rated "A" or better by Moody's or Standard & Poor's limited to not more than 30% of surplus funds;

- Shares of beneficial interest issued by diversified management companies investing in the securities and obligations authorized by this Section (Money Market Mutual Funds), limited to not more than 15% of surplus funds;
- Funds held under the terms of a Trust Indenture or other contract or agreement may be invested according to the provisions of those indentures or agreements;
- Collateralized bank deposits with a perfected security interest in accordance with the Uniform Commercial Code (UCC) or applicable federal security regulations;
- Any mortgage pass-through security, collateralized mortgage obligation, mortgaged backed or other pay-through bond, equipment least-backed certificate, consumer receivable pass-through certificate or consumer receivable backed bond of a maximum maturity of five years, securities in this category must be rated AA or better by a national rating service and are limited to not more than 30% of surplus funds;
- Any other investment security authorized under the provisions of California Government Code Sections 5922 and 53601.

Under the California Government Code, a financial institution is required to secure deposits made by state or local governmental units by pledging securities held in the form of an undivided collateral pool. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Deposits of Authority's and other state or local governments are classified in three categories to give an indication of the level of custodial risk assumed by the entity. Category 1 includes deposits that are insured or collateralized with securities held by the Authority or its agent in the Authority's name. Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the Authority name. Category 2 also includes deposits collateralized by an interest in an undivided collateral pool held by an authorized Agent or Depository and subject to certain regulatory requirements under State law. Category 3 includes deposits collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Authority's name. Category 3 also includes any uncollateralized deposits. Deposits are categorized as follows:

Form of Deposit	Category			Bank Balance	Carrying Amount
	1	2	3		
Demand deposits	\$ 909,856	\$ _____	\$ _____	\$ 910,556	\$ 909,856
Total deposits	\$ 909,856	\$ _____	\$ _____	\$ 910,556	\$ 909,856

Investments in authorities and other state or local governments are classified in three categories to give an indication of the level of custodial risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Authority or the Authority's custodial agent (which must be a different institution other than the party through which the Authority purchased the securities) in the Authority's name. Investments held "in the Authority's name" include securities held in a separate custodial or fiduciary account and identified as owned by the Authority in the custodian's internal accounting records. Category 2 includes uninsured and unregistered investments for which the securities are held by the dealer's agent (or by the trust department of the dealer if the dealer was a financial institution and another department of the institution purchased the securities for the Authority) in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the dealer's agent (or by the trust department of the dealer if the dealer was a financial institution and another department of the institution purchased the securities for the Authority), but not in the Authority's name. Category 3 also includes all securities held by the broker-dealer agent of the Authority (the party that purchased the securities for the Authority) regardless of whether or not the securities are being held in the Authority's name. Investments are categorized as follows:

	<u>Carrying Amount</u>
Investments not subject to categorization:	
Investment in State of California Local Agency Investment Fund	\$ <u>514,210</u>
	<u>\$ 514,210</u>

The carrying amount of all investments reflected in the above table is at fair value.

The Authority is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations.

NOTE 2a: OTHER INVESTMENT

The Authority invested \$1,402,734 from its Local Fund into its component unit, RHA Properties. This investment is not subject to categorization.

NOTE 3: DUE FROM/TO OTHER FUNDS

Due from/to other funds as at June 30, 2004 are summarized as follows:

	<u>Due from other funds</u>	<u>Due to other funds</u>
HUD Programs:		
Low Rent Public Housing Program	\$ 1,342,723	\$ 1,049,004
Housing Choice Vouchers Program		640,442
Public Housing Drug Elimination Program		201,523
Revitalization of Severely Distressed Public Housing	750,000	28,271
Capital Fund Program		326,783
Local	299,004	85,711
Lead Based Paint Hazard Control		59,993
Total	<u>\$ 2,391,727</u>	<u>\$ 2,391,727</u>

All due from/to other funds represent short term transactions between funds.

NOTE 4: CAPITAL ASSETS

The following is a summary of changes in general capital assets for the year ended June 30, 2004:

	<u>Balance, July 1, 2003</u>	<u>Additions</u>	<u>Deletions and Adjust- ments</u>	<u>Balance, June 30, 2004</u>
Capital assets not being depreciated:				
Land	\$ 2,744,477	\$ 1,897,665	\$ 921,782	\$ 4,642,142
Construction in progress	2,486,049	4,323,285	921,782	5,887,552
Total capital assets not being depreciated	<u>5,230,526</u>	<u>6,220,950</u>	<u>921,782</u>	<u>10,529,694</u>
Capital assets being depreciated:				
Buildings and improvements	57,687,765	910,243	17,194	58,580,814
Furniture and equipment - operations	632,758	38,333	9,260	661,831
Furniture and equipment - administration	798,794	34,360	483	832,671
Total capital assets being depreciated	<u>59,119,317</u>	<u>982,936</u>	<u>26,937</u>	<u>60,075,316</u>
Less: Accumulated depreciation for:				
Buildings	24,368,480	332,304		24,700,784
Furniture and equipment -- operations	456,796	15,412	9,260	462,948
Furniture and equipment -- administration	676,785	32,295		709,080
Total Accumulated depreciation	<u>25,502,061</u>	<u>380,011</u>	<u>9,260</u>	<u>25,872,812</u>
Total Capital assets being depreciated, net	<u>33,617,256</u>	<u>602,925</u>	<u>17,677</u>	<u>34,202,504</u>
Total Capital assets, net	<u>\$ 38,847,782</u>	<u>\$ 6,823,875</u>	<u>\$ 939,459</u>	<u>\$ 44,732,198</u>

A summary of enterprise funds capital assets at June 30, 2004 is shown below:

Capital Assets

Land	\$ 4,642,142
Construction in progress	5,887,552
Buildings and improvements	58,580,814
Furniture and equipment – operations	661,831
Furniture and equipment – administration	832,671
	<hr/>
Total capital assets	70,605,010
Less: Accumulated depreciation	(25,872,812)
	<hr/>
Net capital assets	\$ <u>44,732,198</u>

NOTE 5: ACCOUNTS PAYABLE

Accounts payable consists primarily of vendor invoices at June 30, 2004.

NOTE 6: RETIREMENT PLAN

The Authority, an integral part of the City of Richmond, California, participates in the California Public Employees' Retirement System (PERS).

• **Plan Description and Contribution Information**

The City of Richmond, including Richmond Housing Authority employees, participates in the California Public Employees' Retirement System (PERS), an agent multiple employer defined benefit retirement plan that acts as a common investment and administrative agent for various local and state governmental agencies within California. PERS provides retirement, disability, and death benefits based on the employee's years of service, age and highest year of compensation. Employees vest after five (5) years of PERS-credited service and normally receive retirement benefits at age 50. These benefit provisions and State statute and City ordinance establish all other requirements.

• **Funding Policy**

Participants have no obligation to contribute to the fund. The City is required to contribute at an actuarially determined rate. The contribution requirements of plan members and the City are established and may be amended by PERS. The City, due to a collective bargaining agreement, also has a legal obligation to make additional contributions on behalf of covered employees.

- **Actuarially Determined Contribution Requirements and Contributions**

For fiscal year 2004, the City's (The Authority included) cost for PERS was equal to the City's required and actual contributions. The required contributions were determined as part of the June 30, 2004 actuarial valuation using the entry age actuarial cost method. As the Authority is an integral part of the City, separate disclosure related to the Authority employees is not available.

- **Pension Benefit Obligation**

As the Authority is an integral part of the City of Richmond, separate disclosure related to the Authority employees and trend information related to contributions is not available.

NOTE 7: DEFERRED COMPENSATION PLAN

The City (The Authority included) offers its employees a deferred compensation plan created in accordance with California Government Code Section 53212 and Internal Revenue Code Section 457. The plan, available to all permanent City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

NOTE 8: 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

The Richmond Housing Authority is involved in litigation (against Kwanza Construction, Inc.) resulting from its normal operations. The ultimate outcome of this matter is not presently determinable. In the Authority's opinion, this matter will not have a significant adverse effect on the Authority's financial position.

SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF THE CITY OF RICHMOND
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2004

	<u>Drug Elimination</u>	<u>Lead-Based Paint</u>	<u>Local</u>	<u>Totals</u>
Assets				
Current assets:				
Cash and investments (Note 2)	\$	\$	\$ 87,938	\$ 87,938
Other investment			1,402,734	1,402,734
Accounts receivable - HUD	223,879	116,939		340,818
Due from other funds			299,004	299,004
Total current assets	<u>223,879</u>	<u>116,939</u>	<u>1,789,676</u>	<u>2,130,494</u>
Non-current assets:				
Capital assets, net of accumulated depreciation			357,244	357,244
Total non-current assets			<u>357,244</u>	<u>357,244</u>
Total assets	<u>223,879</u>	<u>116,939</u>	<u>2,146,920</u>	<u>2,487,738</u>
Liabilities				
Current liabilities:				
Accrued compensated absences - current		10,201		10,201
Other liabilities		17,410		17,410
Due to other funds	201,523	59,993	85,711	347,227
Total current liabilities	<u>201,523</u>	<u>87,604</u>	<u>85,711</u>	<u>374,838</u>
Long-term liabilities:				
Accrued compensated absences - non-current	22,356	29,335		51,691
Total long-term liabilities	<u>22,356</u>	<u>29,335</u>		<u>51,691</u>
Total liabilities	<u>223,879</u>	<u>116,939</u>	<u>85,711</u>	<u>426,529</u>
Net Assets				
Invested in capital assets, net of related debt			357,244	357,244
Unrestricted			1,703,965	1,703,965
Total net assets	<u>\$</u>	<u>\$</u>	<u>\$ 2,061,209</u>	<u>\$ 2,061,209</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, 2004

	<u>Drug Elimination</u>	<u>Lead- Based Paint</u>	<u>Local</u>	<u>Totals</u>
<u>Operating revenues</u>				
Other revenue	\$ _____	\$ _____	\$ _____	_____
Total operating revenues	_____	_____	_____	_____
<u>Operating expenses</u>				
Administration	12,203	160,202	6,094	178,499
Tenant services	41,092	3,044		44,136
Ordinary maintenance and operations		446,247		446,247
Total operating expenses	53,295	609,493	6,094	668,882
Operating income/(loss)	(53,295)	(609,493)	(6,094)	(668,882)
<u>Non-operating revenues</u>				
HUD PHA grants	53,295	562,707		616,002
Capital grants		46,786		46,786
Investment income			9,946	9,946
Non-operating revenues	53,295	609,493	9,946	672,734
Income before transfers	_____	_____	3,852	3,852
Change in net assets			3,852	3,852
Beginning net assets	_____	_____	2,057,357	2,057,357
Ending net assets	\$ _____	\$ _____	\$ 2,061,209	\$ 2,061,209

**HOUSING AUTHORITY OF THE CITY OF RICHMOND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004**

<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	\$ 20,701,315
Revitalization of Severely Distressed Public Housing	14.866	7,224,021
Capital Fund Program	14.872	1,605,472
Low Rent Public Housing Program	14.850	1,270,304
Lead Based Paint Hazard Control in Privately Owned Housing	14.900	609,493
Public and Indian Housing Drug Elimination	14.854	<u>53,295</u>
 Total U.S. Department of Housing and Urban Development		 <u>31,463,900</u>
 Total Expenditures of Federal Awards		 <u>\$ 31,463,900</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, 2004

PHA: CA010 FYED: 06/30/2004

Line Item No.	Account Description	Low Rent Public Housing	Housing Drug Elimination Program	Public Housing- Comprehensive Grant Program	Severely Distressed Public Housing	Housing Choice Vouchers	Housing Capital Fund Program	State/Local	Component Units	Other Federal Program 1	Total
		\$236,605	\$0	\$0	\$300	\$452,742	\$0	\$0	\$203,878	\$0	\$893,525
111	Cash - Unrestricted	\$236,605	\$0	\$0	\$300	\$452,742	\$0	\$0	\$203,878	\$0	\$893,525
113	Cash - Other Restricted	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$169,732
114	Cash - Tenant Security Deposits	\$169,732	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$169,732
100	Total Cash	\$406,337	\$0	\$0	\$300	\$452,742	\$0	\$0	\$3,360,085	\$0	\$4,219,464
		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
121	Accounts Receivable - PHA Projects	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
122	Accounts Receivable - HUD Other Projects	\$0	\$223,879	\$0	\$119,462	\$811,447	\$599,109	\$0	\$0	\$116,939	\$1,870,836
124	Accounts Receivable - Other Government	\$208,385	\$0	\$0	\$0	\$108,550	\$0	\$0	\$0	\$0	\$316,935
125	Accounts Receivable - Miscellaneous	\$1,512	\$0	\$0	\$0	\$53,974	\$0	\$0	\$1,000	\$0	\$56,486
126	Accounts Receivable - Tenants - Dwelling Rents	\$305,064	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$312,068
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(\$89,613)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$89,613)
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	(\$23,365)	\$0	\$0	\$0	\$0	(\$23,365)
120	Total Receivables, net of allowances for doubtful accounts	\$425,348	\$223,879	\$0	\$119,462	\$950,606	\$599,109	\$0	\$8,004	\$116,939	\$2,443,347
		\$336,643	\$0	\$0	\$54,857	\$85,949	\$0	\$1,490,672	\$0	\$0	\$1,968,121
131	Investments - Unrestricted	\$336,643	\$0	\$0	\$54,857	\$85,949	\$0	\$1,490,672	\$0	\$0	\$1,968,121
142	Prepaid Expenses and Other Assets	\$150,019	\$0	\$0	\$0	\$84,586	\$0	\$0	\$0	\$0	\$214,605
143	Inventories	\$90,061	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$90,061
143.1	Allowance for Obsolete Inventories	(\$34,544)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$34,544)
144	Interprogram Due From	\$1,342,723	\$0	\$0	\$750,000	\$0	\$0	\$299,004	\$0	\$0	\$2,391,727
150	Total Current Assets	\$2,716,587	\$223,879	\$0	\$924,619	\$1,553,883	\$599,109	\$1,789,676	\$3,368,089	\$116,939	\$11,292,781
		\$2,744,477	\$0	\$0	\$1,897,665	\$0	\$0	\$0	\$7,282,800	\$0	\$11,924,942
161	Land	\$2,744,477	\$0	\$0	\$1,897,665	\$0	\$0	\$0	\$7,282,800	\$0	\$11,924,942
162	Buildings	\$57,670,571	\$0	\$910,243	\$0	\$0	\$0	\$0	\$27,080,466	\$0	\$85,661,280
163	Furniture, Equipment & Machinery - Dwellings	\$627,289	\$0	\$34,542	\$0	\$0	\$0	\$0	\$34,630	\$0	\$696,461
164	Furniture, Equipment & Machinery - Administration	\$731,677	\$0	\$6,528	\$25,417	\$68,049	\$0	\$0	\$0	\$0	\$832,671
166	Accumulated Depreciation	(\$25,811,915)	\$0	\$0	\$0	(\$60,897)	\$0	\$0	(\$841,589)	\$0	(\$26,714,401)
167	Construction In Progress	\$0	\$0	\$0	\$3,431,771	\$0	\$2,098,538	\$357,244	\$0	\$0	\$5,887,553
160	Total Fixed Assets, Net of Accumulated Depreciation	\$35,962,099	\$0	\$951,313	\$5,355,853	\$7,152	\$2,098,538	\$357,244	\$33,556,307	\$0	\$78,288,506
180	Total Non-Current Assets	\$35,962,099	\$0	\$951,313	\$5,355,853	\$7,152	\$2,098,538	\$357,244	\$33,556,307	\$0	\$78,288,506
									\$807,868		\$807,868
	Bond issuance costs								\$807,868		\$807,868
190	Total Assets	\$38,678,686	\$223,879	\$951,313	\$6,280,472	\$1,561,035	\$2,697,647	\$2,146,920	\$37,732,264	\$116,939	\$90,389,155

HOUSING AUTHORITY OF THE CITY OF RICHMOND
FINANCIAL DATA SCHEDULE
JUNE 30, 2004

PHA: CA010 FYED: 06/30/2004

Line Item No.	Account Description	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	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
									\$48,845	\$0	\$448,118
312	Accounts Payable <= 90 Days	\$399,273	\$0	\$0	\$0	\$0	\$0	\$0	\$21,219	\$0	\$21,219
321	Accrued Wage/Payroll Taxes Payable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$10,201	\$124,725
322	Accrued Compensated Absences - Current Portion	\$69,516	\$0	\$0	\$18,122	\$19,204	\$7,682	\$0	\$0	\$0	\$32,682
325	Accrued Interest Payable	\$32,682	\$0	\$0	\$0	\$0	\$0	\$0	\$233,931	\$0	\$346,361
341	Tenant Security Deposits	\$112,430	\$0	\$0	\$0	\$0	\$0	\$0	\$50,713	\$17,410	\$356,687
345	Other Current Liabilities	\$0	\$0	\$0	\$45,341	\$0	\$243,223	\$0	\$74,383	\$0	\$74,383
346	Accrued Liabilities - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$74,383	\$0	\$74,383
347	Interprogram Due To	\$1,049,004	\$201,523	\$0	\$28,271	\$640,442	\$326,783	\$85,711	\$0	\$59,993	\$2,391,727
	Current Portion of Bond Payable								\$535,000		\$535,000
310	Total Current Liabilities	\$1,662,905	\$201,523	\$0	\$91,734	\$659,646	\$577,688	\$85,711	\$964,091	\$87,604	\$4,330,902
	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$34,185,000	\$0	\$34,185,000
351		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$29,335	\$381,161
354	Accrued Compensated Absences - Non Current	\$258,265	\$22,356	\$0	\$0	\$49,784	\$21,421	\$0	\$0	\$0	\$2,381,468
355	Loan Liability - Non Current	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,381,468	\$0	\$2,381,468
353	Noncurrent Liabilities - Other	\$1,397,500	\$0	\$0	\$25,000	\$220,168	\$0	\$0	\$0	\$0	\$1,642,668
350	Total Noncurrent Liabilities	\$1,655,765	\$22,356	\$0	\$25,000	\$289,952	\$21,421	\$0	\$38,566,468	\$29,335	\$38,590,297
300	Total Liabilities	\$3,318,670	\$223,879	\$0	\$116,734	\$929,598	\$599,109	\$85,711	\$37,530,559	\$116,939	\$42,921,199
508	Total Contributed Capital	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$35,962,099	\$0	\$951,313	\$5,355,853	\$7,152	\$2,098,538	\$357,244	(\$1,163,693)	\$0	\$43,568,506
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,156,207	\$0	\$3,156,207
512.1	Unrestricted Net Assets	(\$602,083)	\$0	\$0	\$807,884	\$624,285	\$0	\$1,703,965	(\$1,790,809)	\$0	\$743,242
513	Total Equity/Net Assets	\$35,360,016	\$0	\$951,313	\$6,163,731	\$631,437	\$2,098,538	\$2,061,209	\$201,705	\$0	\$47,467,949
600	Total Liabilities and Equity/Net Assets	\$38,678,686	\$223,879	\$951,313	\$6,280,471	\$1,561,035	\$2,697,647	\$2,146,920	\$37,732,264	\$116,939	\$90,389,154

HOUSING AUTHORITY OF THE CITY OF RICHMOND
FINANCIAL DATA SCHEDULE
JUNE 30, 2004

PHA: CA010 FYED: 06/30/2004

Line Item No.	Account Description	Low Rent Public Housing	Housing Drug Elimination Program	Public Housing- Comprehensive Grant Program	Severely Distressed Public Housing	Housing Choice Vouchers	Housing Capital Fund Program	State/Local	Component Units	Other Federal Program 1	Total
703	Net Tenant Rental Revenue	\$1,531,066	\$0	\$0	\$0	\$0	\$0	\$0	\$2,943,399	\$0	\$4,474,465
704	Tenant Revenue - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$255,964	\$0	\$255,964
705	Total Tenant Revenue	\$1,531,066	\$0	\$0	\$0	\$0	\$0	\$0	\$3,199,363	\$0	\$4,730,429
706	HUD PHA Operating Grants	\$1,270,304	\$53,295	\$0	\$1,902,586	\$20,701,315	\$675,082	\$0	\$0	\$562,707	\$25,165,259
706.1	Capital Grants	\$0	\$0	\$0	\$5,321,455	\$0	\$930,390	\$0	\$0	\$46,785	\$6,298,631
711	Investment Income - Unrestricted	\$8,543	\$0	\$0	\$5,164	\$2,654	\$0	\$9,946	\$0	\$0	\$26,307
715	Other Revenue	\$3,410	\$0	\$0	\$0	\$700,104	\$0	\$0	\$0	\$0	\$703,514
700	Total Revenue	\$2,813,323	\$53,295	\$0	\$7,229,185	\$21,404,073	\$1,605,472	\$9,946	\$3,199,363	\$609,493	\$36,924,150

HOUSING AUTHORITY OF THE CITY OF RICHMOND
FINANCIAL DATA SCHEDULE
JUNE 30, 2004

PHA: CA010 FYED: 06/30/2004

Line Item No.	Account Description	Low Rent Public Housing	Housing Drug Elimination Program	Public Housing-Comprehensive Grant Program	Severely Distressed Public Housing	Housing Choice Vouchers	Housing Capital Fund Program	State/Local	Component Units	Other Federal Program 1	Total
		\$785,133	\$0	\$0	\$174,679	\$892,759	\$175,120	\$0	\$318,788	\$126,634	\$2,473,113
911	Administrative Salaries	\$4,616	\$0	\$0	\$0	\$7,190	\$2,000	\$0	\$0	\$0	\$13,806
912	Auditing Fees	\$21,517	\$12,203	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$33,720
914	Compensated Absences	\$403,796	\$0	\$0	\$43,089	\$334,059	\$47,565	\$0	\$59,756	\$24,994	\$913,259
915	Employee Benefit Contributions - Administrative	\$333,337	\$0	\$0	\$1,355,986	\$265,986	\$214,284	\$6,094	\$26,453	\$8,574	\$2,210,714
916	Other Operating - Administrative	\$113,428	\$31,894	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$145,322
921	Tenant Services - Salaries	\$0	\$0	\$0	\$333,976	\$0	\$16,654	\$0	\$0	\$3,044	\$353,674
922	Relocation Costs	\$82,955	\$8,822	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$71,777
923	Employee Benefit Contributions - Tenant Services	\$0	\$376	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$376
924	Tenant Services - Other	\$119,061	\$0	\$0	\$0	\$0	\$0	\$0	\$61,106	\$0	\$180,167
931	Water	\$162,850	\$0	\$0	\$0	\$0	\$0	\$0	\$57,479	\$0	\$220,329
932	Electricity	\$182,250	\$0	\$0	\$0	\$0	\$0	\$0	\$59,316	\$0	\$221,566
933	Gas	\$177,850	\$0	\$0	\$0	\$0	\$0	\$0	\$60,991	\$0	\$238,841
938	Other Utilities Expense	\$730,397	\$0	\$0	\$0	\$0	\$0	\$0	\$333,151	\$0	\$1,063,548
941	Ordinary Maintenance and Operations - Labor	\$112,187	\$0	\$0	\$0	\$0	\$0	\$0	\$29,688	\$595	\$142,470
942	Ordinary Maintenance and Operations - Materials and Other	\$274,835	\$0	\$0	\$0	\$20,494	\$0	\$0	\$200,483	\$445,652	\$941,444
943	Ordinary Maintenance and Operations - Contract Costs	\$175,579	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$175,579
952	Protective Services - Other Contract Costs	\$172,281	\$0	\$0	\$0	\$61,381	\$0	\$0	\$57,002	\$0	\$290,644
961	Insurance Premiums	\$7,951	\$0	\$0	\$0	\$0	\$0	\$0	\$279,920	\$0	\$287,871
962	Other General Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$67,550	\$0	\$67,550
963	Payments in Lieu of Taxes	\$9,906	\$0	\$0	\$0	\$0	\$0	\$0	\$90,588	\$0	\$100,494
964	Bad Debt - Tenant Rents	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$430,734	\$0	\$430,734
966	Bad Debt - Other	\$3,829,909	\$53,295	\$0	\$1,907,730	\$1,581,869	\$455,623	\$6,094	\$2,132,987	\$609,493	\$10,577,000
969	Total Operating Expenses										
970	Excess Operating Revenue over Operating Expenses	(\$1,001,324)	\$0	\$0	\$5,321,455	\$19,822,204	\$1,149,849	\$3,852	\$1,279,392	\$0	\$26,575,428
		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$23,082	\$0	\$23,082
971	Bond Amortization	\$0	\$0	\$0	\$0	\$19,238,640	\$0	\$0	\$0	\$0	\$19,238,640
973	Housing Assistance Payments	\$375,836	\$0	\$0	\$0	\$4,175	\$0	\$0	\$841,589	\$0	\$1,221,600
974	Depreciation Expense	\$4,205,745	\$53,295	\$0	\$1,907,730	\$20,824,684	\$455,623	\$6,094	\$2,997,658	\$609,493	\$31,060,322
900	Total Expenses										
		\$219,459	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$219,459
1001	Operating Transfers In	\$0	\$0	\$0	\$0	\$0	(\$219,459)	\$0	\$0	\$0	(\$219,459)
1002	Operating Transfers Out	\$219,459	\$0	\$0	\$0	\$0	(\$219,459)	\$0	\$0	\$0	\$0
1010	Total Other Financing Sources (Uses)										
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	(\$1,172,963)	\$0	\$0	\$5,321,455	\$579,389	\$930,390	\$3,852	\$201,705	\$0	\$5,863,828

HOUSING AUTHORITY OF THE CITY OF RICHMOND
FINANCIAL DATA SCHEDULE
JUNE 30, 2004

PHA: CA010 FYED: 06/30/2004

Line Item No.	Account Description	Low Rent Public Housing	Housing Drug Elimination Program	Public Housing-Comprehensive Grant Program	Severely Distressed Public Housing	Housing Choice Vouchers	Housing Capital Fund Program	State/Local	Component Units	Other Federal Program 1	Total
		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1103	Beginning Equity	\$36,633,143	\$0	\$740,679	\$842,396	\$20,677	\$1,168,148	\$2,057,357	\$0	\$0	\$41,462,400
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	(\$100,166)	\$0	\$210,634	(\$113)	\$31,371	\$0	\$0	\$0	\$0	\$141,725
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$0	\$0	\$0	\$2,078,404	\$0	\$0	\$0	\$0	\$2,078,404
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0	\$17,053,226	\$0	\$0	\$0	\$0	\$17,053,226
1115	Contingency Reserve, ACC Program Reserve	\$0	\$0	\$0	\$0	\$2,569,225	\$0	\$0	\$0	\$0	\$2,569,225
1116	Total Annual Contributions Available	\$0	\$0	\$0	\$0	\$21,700,855	\$0	\$0	\$0	\$0	\$21,700,855
1120	Unit Months Available	7,092	0	0	0	21,000	0	0	4,812	0	32,904
1121	Number of Unit Months Leased	6,624	0	0	0	20,328	0	0	4,428	0	31,380

**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 Housing Authority of the City of Richmond of and for the year ended June 30, 2004, and have issued our report thereon dated January 27, 2005. 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. However, we noted other matters involving the internal control over financial reporting which we have reported to management of the Authority in a separate letter dated January 27, 2005.

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 04-01 to 04-15.

This report is intended solely for the information and use of the Board of Directors, 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.

Palm - Apartments

Oakland, California

January 27, 2005

**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, 2004. 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, 2004. 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 04-1 to 04-15.

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 04-01 to 04-15.

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 Directors, 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.

PwC

Oakland, California
January 27, 2005

**HOUSING AUTHORITY OF THE CITY OF RICHMOND
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2004**

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: *Unqualified*

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: *Unqualified*

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>
14.866	Demolition and Revitalization of Severity Distressed Public Housing
14.850	Low Rent Public Housing
14.871	Housing Choice Vouchers
14.872	Public Housing Capital Fund

Dollar threshold used to distinguish between type A and type B programs: \$943,917

Auditee qualified as low-risk auditee? Yes

**HOUSING AUTHORITY OF THE CITY OF RICHMOND
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2004**

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

14.871 HOUSING CHOICE VOUCHERS

Eligibility:

Finding 04-1

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 12 tenant files out of the 40 that were reviewed. We also noted that tenant files are not organized in a standardized format.

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.

Effect:

Insufficiency of supporting documentation for full-time student status affects the determination of adjusted income or income-based rent, which directly 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 do not seem to have followed the Authority's policies, procedures and program requirements properly. 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:

The findings in the 2 client files were incorrect; the Auditors acknowledge that the other family member was at least 18 years of age and a \$480 was not offered or given to the family/household under review. After review, the two families mentioned were not entitled to a Full-Time Student Allowance due to the other family member no longer enrolled in school.

Effective March 2005, the Authority has adopted measures to ensure that a No-Income Package will be signed by the other family member who turns 18 years of age, and is no longer enrolled in school.

Finding 04-4

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:

The Authority has accepted the finding that partial information was used for determining the Client's Rent and to calculate HAP. This was actually found in 4 of the 6 client files previously mentioned, out of the 40 client files under review. This unadvisable action to use partial information was caused by trying to expedite a backlog.

The Authority has a backlog, and the previous practice of partial use of information to determine Rent/Hap is no longer approved or accepted effective in the latter months of the year 2004. These particular files that were selected for review were not corrected yet by the Housing Program Specialist(s) due in part to an on-going backlog which we have now significantly reduced.

Finding 04-5

Criteria or specific requirement:

The program requires that the Authority reexamine family income and composition at least once every 12 months and adjust the tenant rent and housing assistance payment as necessary using third party verification.

Condition:

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.

Questioned Costs:

We are unable to determine the questioned cost.

Effect:

Results of timely annual reexamination may affect tenant rent and Housing Assistance Payments made to landlords. The lack of timely annual reexaminations is not in compliance with program requirements.

Cause:

Case workers seem to be delayed in finalizing the annual reexaminations for reasons such as lack of third party verification, work overload and other reasons such as procrastination.

Recommendation:

We recommend that the Authority enhance and strengthen quality control procedures to ensure that all program compliance requirements are met. In addition, we recommend that the Authority ensure the staff understand program requirements as well as the implications of non compliance.

Views of responsible officials and planned corrective actions:

The Authority has accepted the recommendation indicating Annual reexamination/ recertifications be performed within the 12-month period.

The Authority has made some significant improvement in reducing the existing backlog caused by certain personnel issues and lack of proper third party verification. Housing Program Specialist(s) have received On-Going Training dating back to the latter months of year 2004. Third party verifications are currently and properly used, and staff has been informed thru continued staff meetings and training of the negative implication of backlogs.

Finding 04-6

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:

The 1 client file mentioned above was determined to have been purged and did not apply in this particular case.

The Housing Authority keeps client files within the Housing Choice Voucher Office in a file room; unless requested for legal purposes or for audit, in which case the files are secured in a designated room and remains secured and locked.

Special Tests and Provisions:

Finding 04-7

Criteria or specific requirement:

The Authority is required to maintain records to document the basis for the determination that rent to owner is reasonable in comparison to rent for other comparable units.

Condition:

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.

Questioned Costs:

We are unable to determine the questioned cost.

Effect:

Lack of compliance with the completion of the rent reasonableness certification form may lead to the Authority not knowing whether rents charged by landlords are fair and comparable to surrounding comparable units.

Cause:

Case workers did not follow Authority administrative plans in regards to the documentation of reasonable rent.

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:

The Authority has accepted the findings that rent reasonableness was improperly processed for actually 15 of the 20 mentioned client files of the 40 client files under review.

The Authority has immediately identified that the finding represented an unchecked box by the staff. Effective March 2005, Housing Choice Voucher Program Staff were directed and received training on proper completion of Rent Reasonableness Forms.

Finding 04-8

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 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.

Finding 04-2

Criteria or specific requirement:

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

Condition:

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.

Questioned Costs:

We are unable to determine the questioned cost.

Effect:

Insufficiency of supporting documentation for income and value of assets affects the accuracy of income calculation, which in turn 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 do not seem to have followed the Authority's policies, procedures and program requirements properly. Proper review of the tenant files may not have been adequate.

Recommendation:

We recommend that the Authority enhance and strengthen controls and procedures to ensure that all program compliance requirements are met. Also, the Authority should ensure that all staff understand the program requirements for income calculation, as well as how to use that information in calculating income, tenant rent and HAP.

Views of responsible officials and planned corrective actions:

After review, the Authority's previous practice (re: to the five clients files) was to not document and report any assets (bank statements) under \$5,000. Income over \$5,000 was documented. Effective March 2005, the Authority has adopted the practice of documenting and reporting all income from Assets. Housing Program Specialist(s) were provided training regarding this finding and have implemented On-Going Training to assure better Quality Control.

Finding 04-3

Criteria or specific requirement:

The program requires that the Authority obtain and document in tenant files third party verification of other factors that affect the determination of adjusted income or income-based rent.

Condition:

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.

Questioned Costs:

We are unable to determine the questioned cost.

Questioned Costs:

We are unable to determine the questioned cost.

Effect:

Lack of compliance with the filing of Request for Tenancy Approval Forms 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 Request for Tenancy Approval Forms and 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:

The Authority has identified that 3 of the proposed 6 client files were miscalculated, out of the 40 client files under review.

The Authority has immediately adopted corrective measures with the Housing Choice Voucher Program staff. Currently, the Housing Program Inspectors review the Utility forms and the Inspection forms together and have the Housing Program Specialist cross check the forms upon completion of the annual recertification. This practice has taken effect March 2005.

Finding 04-9

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 annual inspections or quality control reinspections were 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:

The Authority has accepted the findings of 2 client files representing an annual inspection not performed (on time). The failure to provide annual inspection for the 2 client files was a byproduct of an existing backlog and shortage of personnel staff conducting that particular function.

The Authority has made significant improvement in reducing all backlogs including the annual inspections. The HA has deputized and promoted a Housing Program Specialist (who is certified) to assist in the HQS Inspections for the HA. The promotion took place in December 2004, and the Staff member continue to perform the inspection functions at present and will continue until the backlog is completely reduced.

Finding 04-10

Criteria or specific requirement:

The Authority must pay a monthly HAP to the unit landlord on behalf of the residing family that corresponds with the amount on line 12u of Form HUD-50058. This HAP amount must be reflected on the HAP contract and HAP register.

Condition:

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.

Questioned Costs:

We are unable to determine the questioned cost.

Effect:

The amount of HAP expense incurred by the Authority directly affects how much money the Authority requests from HUD for administering the program.

Cause:

Income calculation may be inaccurate.

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:

After review of the 1 client file in question, it was determined that the Housing Program Specialist has transposed one number of the HAP, resulting in the HAP to reflect a different figure on the 50058. However, the HAP was paid correctly to the landlord.

14.850 LOW RENT PUBLIC HOUSING

Eligibility:

Finding 04-11

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 9 tenant files out of the 20 that were reviewed. We also noted that tenant files were not organized in a standardized format.

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:

It is our goal to secure & retain all HUD mandated & agency required documents in each tenant folder, although we have continued to fall short of this goal.

Over the past year we have provided staff with continued monthly trainings & provided them with shared memorandums regarding the observed condition of our tenant folders, as well as the necessary corrections needed to bring the folders to an acceptable standard. We have not yet seen the positive results of those efforts.

Consequently, we have begun the process of providing memorandums to staff on an individual or more personal basis, with specific direction and corrective action timelines. These directives were not applied to the folders that were reviewed, but staff is required to review, verify, and correct the noted deficiencies in each and every folder within their assigned areas. This will allow for the type of intensity that we feel is required to firmly resolve these repetitive errors.

Finding 04-12

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 and the value of assets.

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 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.

Questioned Costs:

We are unable to determine the questioned cost.

Effect:

Insufficiency of supporting documentation for income and value of assets 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:

This has been, and continues to be an area of concern for our agency. Although we believe that staff have improved in this area, there are still residual folders that for one reason or another have not had the above problems corrected.

Starting April 4, 2005, we will begin the process of reviewing all folders within the Public Housing Program. Starting on April 6, 2005, and continuing on the first and third Wednesdays of each month, we will review folders, starting alphabetically, with staff in a group setting. We will continue this process until we have reviewed each and every folder in the Public Housing program. Staff that continues to calculate rents without 3rd party verification will be reprimanded from the Senior Property Manager to insure compliance.

We believe this, in addition to the continued monthly staff trainings, should result in increased efficiency among staff.

Finding 04-13

Criteria or specific requirement:

The program requires that the Authority obtain and document in the family file third party verification of expenses related to deductions from annual income.

Condition:

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.

Questioned Costs:

We are unable to determine the questioned cost.

Effect:

Insufficiency of supporting documentation for expenses deducted from annual income affects the determination of adjusted income or income-based rent, which directly affects the calculation of tenant rent.

Cause:

Case workers did not seem to have followed the Authority's policies and procedures properly. 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.

Views of responsible officials and planned corrective actions:

As observed, we still have some weaknesses in the area of staff efficiency in the performance of their duties. We have, and will continue to provide internal as well as individual external trainings for staff.

As noted above, we will intensify our trainings and monitoring efforts, and will review all tenant folders over the next few months.

Finding 04-14

Criteria or specific requirement:

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

Condition:

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.

Questioned Costs:

We are unable to determine the questioned cost.

Effect:

Improper calculation of income affects the calculation of tenant rent.

Cause:

Case workers seemed 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.

Views of responsible officials and planned corrective actions:

As observed, we still have some weaknesses in the area of staff efficiency in the performance of their duties. We have, and will continue to provide internal as well as individual external trainings for staff in the performance of their jobs.

We agree that there should not be errors in rent calculations; and we have minimized these errors, and will again clarify what documents are acceptable for accurate rent calculations.

Also as noted, we have put a plan into place that will intensify our monitoring efforts. We have also changed the annual performance requirements for those that are required to properly perform certifications. We believe the above efforts will result in increased efficiently, timely certifications, as well as acceptance of proper documentation for the use of rent calculations.

14.872 PUBLIC HOUSING CAPITAL FUND

Davis-Bacon Act

Finding 04-15

Criteria or specific requirement:

The program requires that the Authority complies with the Davis-Bacon Act. The Act states that all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by Federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor.

Condition:

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.

Questioned Costs:

We are unable to determine the questioned cost.

Effect:

Lack of supporting documents provided to an auditor impact the auditor's ability to conclude on the compliance requirement.

Cause:

The Authority does not have an efficient and organized filing system that would facilitate the retrieval of information in a timely manner.

Recommendation:

We recommend that the Authority enhance and strengthen quality control procedures to ensure that the system is functioning effectively.

Views of responsible officials and planned corrective actions:

The construction contracts for the Capital Fund Program are filed and stored at the Modernization Department located in a separate site from the main administrative office. Although we disagree with the auditor's assertion that the Authority does not have an efficient and organized filing system, we do however agree that this information was not produce in a timely manner.

The Finance Department will maintain a copy of all construction contracts throughout the duration of the contract and also monitor its Modernization Department for compliance with the Davis-Bacon Act.

**HOUSING AUTHORITY OF THE CITY OF RICHMOND
STATUS OF PRIOR YEAR FINDINGS
AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2004**

No findings were reported in the prior year.