HOUSING AUTHORITY
OF THE CITY OF RICHMOND
(A COMPONENT UNIT OF THE CITY OF RICHMOND)

BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2016

HOUSING AUTHORITY OF THE CITY OF RICHMOND
(A Component Unit of the City of Richmond)
June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component units of Housing Authority of the City of Richmond, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Housing Authority of the City of Richmond's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of Housing Authority of the City of Richmond as of June 30, 2016, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the net pension liability and related ratios, and schedule of pension contributions – as listed in the table of contents – be presented to supplement the basic financial statements. Such information, although not a part of basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do no express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 05, 2017, on our consideration of Housing Authority of the City of Richmond's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the City of Richmond's internal control over financial reporting and compliance.

Oakland, California
January 05, 2017

Patel & Associates, LLP

The management discussion and analysis (MD&A) will be focused on the Primary Governmental Unit referred to in this document, the financial statements as well as the notes to the financial statements as the "Authority". The MD&A is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, and (c) identify changes in the Authority's financial position for the fiscal year ended June 30, 2016. Please read it in conjunction with the Authority's financial statements.

Overview of the financial statements

The Authority's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. The Authority's accounting records is structured as an enterprise fund with revenues recognized when earned, rather than when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and depreciated over their estimated useful lives. The accounting for enterprise funds is similar to the accounting used by businesses. See the notes to the financial statements for a summary of the Authority's significant accounting policies.

Following the MD&A are the basic financial statements of the Authority together with notes, which are essential to a full understanding of the data contained in the financial statements. The Authority's basic financial statements are designed to provide readers with a broad overview of the Authority's finances.

The Statement of Net Position presents information similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources of the Authority. The statement is presented in the format where assets, minus liabilities, equal net position. Assets and liabilities are presented in order of liquidity, and are classified as current and non-current.

Net position is reported in three broad categories:

Net Invested in Capital Assets: This component consists of all capital assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position: This component consists of assets that are constrained by limitations placed on their use by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Position: This component consists of assets that are not restricted and do not meet the definition of Net Invested in Capital Assets.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Authority's net position changed during the year. This statement includes operating revenues, such as rental income, operating expenses, such as administrative, utilities, maintenance, and depreciation, and non-operating revenue and expenses, such as grant revenue, investment income, interest expense, and gains or losses from the sale or disposition of capital assets. The focus of the statement is the change in net position, which is similar to net income or loss for a business entity.

The Statement of Cash Flows reports net cash provided by or used by operating activities, non-capital financing activities, capital and related financing activities and investing activities.

The Notes to Financial Statements provide additional information that is essential to a full understanding of the information included in the financial statements.

In addition to the basic financial statements and accompanying notes, this report includes two types of supplementary information: required supplementary information and other supplementary information. Required supplementary information must be included to conform to generally accepted accounting principles. Management's discussion and analysis is the required supplementary information.

Other supplementary information is not required by generally accepted accounting principles but is presented for additional analysis purposes or to meet other requirements. The financial data schedule is required by the U.S. Department of Housing and Urban Development (HUD). The schedule of expenditures of federal awards is required by the U.S. Office of Management and Budget and *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.*

Program information

Low Income Public Housing: The Authority owns 230 units. Under the low income public housing program, the Authority rents units that it owns to low-income households. The program is operated under an annual contributions contract with HUD, and HUD provides operating subsidy and capital funding to enable the Authority to provide housing at a rent that is based on 30% of household income. The conventional public housing program includes the capital fund program, which is the primary funding source for physical improvements to the Authority's properties.

Section 8 Housing Choice Vouchers: HUD has contracted with the Authority for support for 1,750 Housing Choice Vouchers. Under the housing choice voucher program, the Authority administers contracts with landlords that own rental property. The Authority subsidizes the family's rent through a housing assistance payment made to the landlord. The program is administered under an annual contributions contract with HUD. HUD provides an annual contribution funding to enable the Authority to structure a lease that sets the participant's rent at 30% of household income.

HOPE VI Program: A grant program funded by the Department of Housing and Urban Development to redevelop the Authority's Easter Hill Village housing project.

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.

Financial position and analysis

Table 1 compares the Authority's financial position for the fiscal years ended June 30, 2016 and 2015:

	The Authority		Discrete Component Unit		Increase	Percent
	2016	2015	2016	2015	(Decrease)	Variance
Assets						
Cash & cash equivalents	$ 770,834	$ 938,866	$ 27,726	$ -	(140,306)	-14.94%
Other Current assets	777,007	519,449	2,500,000	2,500,000	257,558	8.53%
Noncurrent assets	32,487,107	48,419,314	14,510,000	-	(1,422,207)	-2.94%
Total assets	34,034,948	49,877,629	17,037,726	2,500,000	(1,304,955)	-2.49%
Deferred outflows of resources	406,547	386,065			20,482	5.31%
Liabilities						
Current liabilities	386,773	436,405	2,534,138	2,500,000	(15,494)	-0.53%
Noncurrent liabilities	10,269,928	9,349,661	-	-	920,267	9.84%
Total liabilities	10,656,701	9,786,066	2,534,138	2,500,000	904,773	7.36%
Deferred inflows of resources	632,579	1,587,317	-	-	(954,738)	-60.15%
Net position:						
Invested in capital assets	21,166,139	36,599,767	-	-	(15,433,628)	-42.17%
Restricted net position	-	395,061	-	-	(395,061)	100.00%
Unrestricted net position	1,986,076	1,895,483	14,503,588	-	14,594,181	769.95%
Total net position	$ 23,152,215	$ 38,890,311	$ 14,503,588	$ -	(1,234,508)	-3.17%

Cash & Cash Equivalents decreased by $140,306 or 14.94% primarily due to receiving less Housing Assistance Payment Grant income than required to pay Housing Assistance Payment Expenses. At year-end, the Authority is carrying a receivable for funds due to provide cash to cover excess Housing Assistance Payment Expenses.

Other Current Assets increased by $257,558 or 8.53% primarily due to the amounts owed to the Authority for Housing Assistance Payment Expenses in excess of funds received that have been booked as a receivable at year-end.

Noncurrent Assets decreased by $1,422,207 or 2.94% due to the sale of property in conjunction with RAD conversions in AMP 3 and 4 converting property to notes receivable.

Current Liabilities decreased by $15,494 or 0.53%.

Noncurrent Liabilities increased $920,267 or 9.84%. This increase was primarily due to increases in amounts owed to the City of Richmond for water, sewer, and internal service funds.

Deferred outflows increased $20,482 or 5.31% and Deferred inflows decreased $954,738 or 60.15% due to actuarial calculations in the California Pension Plan to account for differences in expected versus actual returns on investments in accordance with GASB 68 pension reporting requirements.

Table 2 focuses on the changes in net position:

	The Authority		Discrete Component Unit		Increase	Percent
	2016	2015	2016	2015	(Decrease)	Variance
Operating revenue & expense						
Operating revenue	$ 23,802,665	$ 24,013,216	$ 166,667	$ -	(43,884)	-0.18%
Operating expenses	26,385,133	28,049,474	173,079	2,717	(1,493,979)	-5.33%
Operating income (loss)	(2,582,468)	(4,036,258)	(6,412)	(2,717)	1,450,095	-35.90%
Non-operating revenues & expenses	139	135,899	-	-	(135,760)	-99.90%
Capital grants	1,354,233	1,078,063	-	-	276,170	25.62%
Increase (decrease) in net position	(1,228,096)	(2,822,296)	(6,412)	(2,717)	1,590,505	-56.30%
Prior Period Adjustment - GASB 68	-	(6,982,762)	-	-	6,982,762	100.00%
Transfers	(14,510,000)	16,777	14,510,000	(16,777)	-	0.00%
Net position, beginning of year	38,890,311	48,678,592	-	19,494	(9,807,775)	-20.14%
Net position, end of year	$ 23,152,215	$ 38,890,311	$ 14,503,588	$ -	(1,234,508)	-3.17%

Table 3 presents a summary of the Authority's revenue by source:

	The Authority		Discrete Component Unit		Increase	Percent
	2016	2015	2016	2015	(Decrease)	Variance
Operating revenue						
Tenant revenue	$ 1,082,893	$ 1,588,435	$ -	$ -	$(505,542)	-31.83%
HUD Operating grants	21,951,328	22,112,391	-	-	(161,063)	-0.73%
Other Income	768,444	312,390	166,667	-	622,721	199.34%
Total operating revenue	23,802,665	24,013,216	166,667	-	(43,884)	-0.18%
Non-operating revenues						
Interest income	139	135,899	-	-	(135,760)	-99.90%
Total non-operating revenues	139	135,899	-	-	(135,760)	-99.90%
Public housing capital fund	1,354,233	1,078,063	-		276,170	25.62%
Total revenues	$ 25,157,037	$ 25,227,178	$ 166,667	$ -	$ 96,526	0.38%

Tenant revenue decreased $505,542 or 31.83%. This was due to not having any rental income in AMP 3 and 4 after the sale of these properties in conjunction with RAD conversions.

Interest income decreased by $135,760 or 99.9%. This is due to affiliate entities not generating surplus cash in sufficient amounts to pay interest on notes receivable.

Table 4 presents a summary of the Authority's operating expenses:

	The Authority		Discrete Component Unit		Increase	Percent
	2016	2015	2016	2015	(Decrease)	Variance
Administrative	$ 1,873,195	$ 3,300,559	$ -	$	$ (1,427,364)	-43.25%
Tenant services	532,627	48,236	-		484,391	1004.21%
Utilities	728,050	798,159	-		(70,109)	-8.78%
Maintenance	1,075,571	1,161,927	-		(86,356)	-7.43%
Protective services	130,642	308,554	-		(177,912)	-57.66%
General expense	2,703,991	2,457,080	173,079	2,717	417,273	16.96%
Depreciation expenses	1,621,696	2,421,400	-		(799,704)	-33.03%
Housing assistance	17,719,361	17,553,559	-		165,802	0.94%
Total expenses	$ 26,385,133	$ 28,049,474	$ 173,079	$ 2,717	$ (1,493,979)	-5.33%

Administrative decreased by $1,427,364 or 43.25%. This is primarily due to substantial reductions in salaries and benefits in connection with staff reduction with the sale of AMP 3 and 4 in conjunction with RAD conversions. Reduction in AMPs has also led to fewer asset management fees reducing the overall administrative expenses.

Tenant services increased by $484,391 or 1,004.21% due to relocation costs to temporarily move tenants living in AMP 3 and 4 in conjunction with RAD conversions.

Maintenance expenses and Protective services decreased by $86,356 or 7.43% and $177,912 or 57.66%, respectively. This was primarily due to reduction in expenses with the sale of AMP 3 and 4 in conjunction with RAD conversions.

Depreciation decreased by $799,704 or 33.03% due to no depreciation required to be booked on AMP 3 and 4 in conjunction with RAD conversions.

Budgetary Analysis

The Authority adopts a consolidated annual operating budget for all programs. The budget for Low Income Public Housing and Housing Choice Voucher are adopted on the basis of accounting prescribed by HUD, which differs in some respects from generally accepted accounting principles.

Low Income Public Housing

	Budget	Actual	Variance Favorable (Unfavorable)	Percent Variance Favorable (Unfavorable)
Operating revenue				
Rental income	$ 1,130,000	$ 1,082,893	$ (47,107)	-4.17%
Operating subsidy	2,500,000	2,468,303	(31,697)	-1.27%
Capital fund operations	250,000	212,453	(37,547)	-15.02%
Other income	50,000	27,620	(22,380)	-44.76%
Total revenue	3,930,000	3,791,269	(138,731)	-3.53%
Expenses				
Administrative	1,482,684	1,383,444	99,240	6.69%
Tenant services	-	44,325	(44,325)	100.00%
Utilities	754,821	724,631	30,190	4.00%
Maintenance	938,479	884,867	53,612	5.71%
Insurance	76,895	52,307	24,588	31.98%
General expenses	677,121	1,193,406	(516,285)	-76.25%
Total expenses	3,930,000	4,282,980	(352,980)	-8.98%
Income (over)/under expense	$ -	$ (491,711)	$ (491,711)	-100.00%

Rental Income was under budget by $47,107 or 4.17% due to fewer rent charged to tenants as more properties converted to RAD and fewer units were available.

Other Income was under budget by $22,380 or 44.76% due to fewer charges to tenants for fees such as damages, late fees, keys, etc. as properties converted to RAD.

Administrative was under budget by $99,240 or 6.69% due to staff reductions in conjunction with RAD conversions.

General was over budget by $516,285 or 76.25%. This was primarily due to the expense of operating subsidy pass-through needing to be included in the budget as general expenses.

Housing Choice Voucher

	Budget	Actual	Variance Favorable (Unfavorable)	Percent Variance Favorable (Unfavorable)
Revenue				
HAP Grant revenue	$ 17,175,000	$ 17,159,987	$ (15,013)	-0.09%
Administrative fees	1,767,600	1,817,602	50,002	2.83%
Portability revenue	-	142,420	142,420	100.00%
Other income	30,000	63,810	33,810	112.70%
Total revenue	18,972,600	19,183,819	211,219	1.11%
Expenses				
Administrative	1,757,100	1,517,366	239,734	13.64%
Utilities	25,000	-	25,000	100.00%
Maintenance	5,500	-	5,500	100.00%
General expense	10,000	17,145	(7,145)	-71.45%
HAP expense	17,175,000	17,719,361	(544,361)	-3.17%
Total expenses	18,972,600	19,253,872	281,272	-34.00%
Income (over)/under expense	$ -	(70,053) $	$ (70,053)	100.00%

Portability Revenue was over budget by $142,420 or 100.00%. This is due to portability revenues and expenses not being included in the budget as the amounts generally cancel out.

Administrative Fees were over budget by $50,002 or 2.83% primarily due to additional fees being received at year-end and a higher than anticipated pro-ration.

Administrative Expense was under budget by $239,734 or 13.64% due to the Authority reducing overhead and staffing in the HCV Program.

Utilities expenses were under budget by $25,000 or 100% primarily due to no utility expenses being incurred for HCV.

HAP expenses were over budget by $544,361 or 3.17% primarily due to estimates of HAP being lower than actual checks issued to tenants.

Capital assets

Table 7 summarizes the Authority's investment in capital assets:

	The Authority		Discrete Component Unit		Increase	Percent
	2016	2015	2016	2015	(Decrease)	Variance
Land	$ 1,708,686	$ 2,744,477	$ -	$ -	$ (1,035,791)	-37.74%
Buildings, improvements and equipment	43,741,424	65,472,245	-	-	(21,730,821)	-33.19%
Construction in progress	987,998	1,843,317	-	-	(855,319)	-46.40%
	46,438,108	70,060,039	-	-	(23,621,931)	-33.72%
Less: accumulated depreciation	(25,271,969)	(33,934,145)	-	-	8,662,176	-25.53%
Capital assets, net	$ 21,166,139	$ 36,125,894	$ -	$ -	$(14,959,755)	-41.41%

Acquisitions are capitalized at cost and depreciated using the straight-line method of depreciation. Additional information and details can be found in the Notes to the Financial Statements.

Capital funding available for 2016 is as follows:

	Grant	Total Budget	Expended through 06/30/2016	Budget Remaining at 06/30/2016
Capital Fund Program 2012	501-12	$ 745,045	$ 745,045.00	$ -
Capital Fund Program 2013	501-13	753,815	753,815	-
Capital Fund Program 2014	501-14	782,201	767,201	15,000
Capital Fund Program 2015	501-15	775,701	662,609	113,092
Capital Fund Program 2016	501-16	810,071	375,791	434,280
				$ 562,372.00

Significant economic factors affecting the Authority are as follows:

- The Department of Housing and Urban Development (HUD) has historically been underfunded to meet the subsidy needs of public housing authorities (PHAs). We do not expect this consistent trend to change.
- Even if HUD was fully funded for both the Operating and Capital Funds, it is unlikely that Congress would appropriate adequate funding. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs. Further, funding for the Departments of Defense and Homeland Security will probably result in reduced appropriations for all other domestic program spending.
- Rising cost of utility rates, supplies, and other costs may impact our budgets in future years.

Request for Information

This financial report is designed to provide a general overview of the Authority's accountability for all those interested. If you should have additional questions regarding the financial information, you can contact our office in writing at the following address:

Richmond Housing Authority
Attn: Tim Jones, Executive Director
330 24th Street
Richmond, CA 94804

HOUSING AUTHORITY OF THE CITY OF RICHMOND
STATEMENT OF NET POSITION
JUNE 30, 2016

	Primary Government-Business-Type Activities	Discretely Presented Component Units
ASSETS AND DEFERRED OUTFLOW OF RESOURCES:		
Current assets:		
Cash and cash equivalents (Note 2)	$ 249,531	$ 27,726
Investments (Note 2)	521,303	
Accounts receivable - HUD	53,191	
Accounts receivable - other and tenants, net of allowance (Note 1.g)	723,816	2,500,000
Total current assets	1,547,841	2,527,726
Restricted assets:		
Restricted cash (Note 2)	99,225	
Capital assets (Note 3)		
Land	1,708,686	
Construction in progress	987,998	
Buildings and improvements	42,863,726	
Furniture and equipment	877,698	
Less accumulated depreciation	(25,271,969)	
Total capital assets, net	21,166,139	
Other non current assets:		
Notes receivable (Notes 10a & 11)	11,221,743	14,510,000
Total non current assets	32,487,107	14,510,000
Total assets	34,034,948	17,037,726
Deferred outflow of resources- current year pension contributions (Note 6)	406,547	
Total assets and deferred outflow of resources	34,441,495	17,037,726
LIABILITIES, DEFFERED INFLOW OF RESOURCES AND NET POSITION:		
Current liabilities:		
Accounts payable	226,171	34,138
Accrued and other liabilities	34,097	
Tenants security deposits	99,225	
Accrued compensated absences (Note 1e)	27,280	
Due to City of Richmond (Note 10b)		2,500,000
Total current liabilities	386,773	2,534,138
Non-current liabilities:		
Due to City of Richmond (Note 10b)	3,364,942	
Promissory notes (Note 4)	700,000	
Accrued compensated absences (Note 1e)	245,521	
Pension liability (Note 6)	5,959,465	
Total non-current liabilities	10,269,928	
Total liabilities	10,656,701	2,534,138
Deferred inflow of resources related to pension plan (Note 6)	632,579	
Net position (Note 5):		
Investment in capital assets	21,166,139	
Restricted (Note 2)		
Unrestricted	1,986,076	14,503,588
Total net position	$ 23,152,215	$ 14,503,588

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 POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	Primary Government-Business-Type Activities	Discretely Presented Component Units
Operating revenues:		
HUD PHA grants	$ 21,951,328	$
Rental revenue - tenant	1,082,893	
Other revenues	768,444	166,667
Total operating revenues	23,802,665	166,667
Operating expenses:		
Administration	1,873,195	
Tenant services	532,627	
Utilities	728,050	
Ordinary maintenance and operations	1,075,571	
Protective services	130,642	
General expenses	2,703,991	173,079
Housing assistance payments	17,719,361	
Depreciation	1,621,696	
Total operating expenses	26,385,133	173,079
Operating income/(loss)	(2,582,468)	(6,412)
Notes receivable (Notes 10a & 11)		
Non-operating revenues/(expenses):		
Investment earnings	139	
Total non-operating revenues/(expenses)	139	
(Loss) before capital grants	(2,582,329)	(6,412)
Capital grants	1,354,233	
Changes in net position	(1,228,096)	(6,412)
Transfers to component units (Note 12)	(14,510,000)	14,510,000
Net position, beginning of the year	38,890,311	
Net position, end of the year	$ 23,152,215	$ 14,503,588

The accompanying notes are an integral part of these financial statements

HOUSING AUTHORITY OF THE CITY OF RICHMOND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

	Primary Government-Business-Type Activities	Discretely Presented Component Units
Cash flows from operating activities		
Receipts from dwelling rents	$ 1,025,168	$
Subsidies from federal grants	21,588,194	
Receipts from other miscellaneous sources	604,837	200,805
Payments for housing assistance	(17,719,361)	
Payments for employee expenses	(2,595,736)	
Payments for administrative expenses	(725,909)	(173,079)
Payments for general maintenance and other expenses	(3,651,855)	
Payments of accounts payable		
Net cash (used)/ provided by operating activities	(1,474,662)	27,726
Cash flows from capital & related financing activities:		
Subsidies from federal capital assets	1,354,233	
Property and equipment purchases	(546,321)	
Net cash provided by capital & related financing activities	807,912	
Cash flows from investing activities:		
Investment Income on Investments	139	
Net cash provided by investing activities	139	
Net increase/(decrease) in cash and cash equivalents	(666,611)	27,726
Cash and cash equivalents at beginning of year	1,536,670	
Cash and cash equivalents at end of year	$ 870,059	$ 27,726
Reconciliation of operating income to net cash (used)/provided by operating activities:		
Operating income/ (loss)	$ (2,582,468)	$ (6,412)
Adjustments to reconcile operating income/(loss) to net cash(provided/(used) by operating activities:		
Depreciation expense	1,621,696	
Pension expense	(862,548)	
Gain on sale of sssets	(151,747)	
Decrease in grants and accounts receivable	(296,859)	34,138
Decrease in prepaid expenses and other assets	31,208	
Decrease in inventory	8,093	
Increase / (Decrease) in accounts payable	53,213	
Increase in accrued liabilities and other liabilities	828,750	
Increase in deferred outflows	(20,482)	
Increase in tenant security deposits	(103,518)	
Net cash (used)/ provided by operating activities	$ (1,474,662)	$ 27,726

The accompanying notes are an integral part of these financial statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Financial Reporting Entity

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.

Component Units

Component units (CUs) are legally separate organizations for which a Primary Government has some degree of control, or from which it receives a benefit or burden. CUs are included within the primary government's financial statements as discretely presented or blended units. CUs are discretely presented unless they qualify as a blended unit, which includes the governing board being substantially the same as the primary government's governing board and (1) there is a financial benefit or burden relationship between the primary government and the CU or (2) management of the primary government has operational responsibility for the CU. A CU can also be blended if the total outstanding debt of the CU is expected to be paid with resources of the primary government.

The Authority's basic financial statements include three discretely presented CUs. The discretely presented CUs are reported in a separate column within the government wide financial statements for reasons, which include that the Authority does not manage the activities of the component units in the same manner in which it manages its own programs.

Description and illustrations of the financial statements of these component units are demonstrated in Note (11).

(b) Basis of Presentation

The Authority's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

***Government-wide Statements*:** The statement of net position and the statement of activities display information about the Authority and its component units. These statements include the financial activities of the overall Authority. The Authority's business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Authority's activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues are presented as general revenues.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as grants and investment earnings, result from nonexchange transactions or ancillary activities.

(c) Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Non-exchange transactions, in which the Authority gives or receives value without directly receiving or giving equal value in exchange, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Under the terms of grant agreements, the Authority may fund certain programs with a combination of cost reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The Authority's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

The Authority follows Statements and Interpretations of the Financial Accounting Standards Board and its predecessors issued on or before November 30, 1989, in accounting for its business-type activities, unless those pronouncements conflict with Government Accounting Standards Board pronouncements.

The Authority considers all of its funds to be proprietary. An emphasis is placed on major funds. A fund is considered major if it is the primary operating fund of the Authority or if total assets, liabilities, revenues, or expenses of the individual fund are at least 10 percent of the Authority-wide total. The Authority considers all of its activity to be housing related and therefore, considers all the financial activity of the Authority to be one major fund.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Authority has an item that meets this criterion, contributions that were made to the plan subsequent to the measurement date. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Authority has an item that meets the criterion for this category, deferrals of pension expense that result from the implementation of GASB Statement 68 relating to the difference between actual and expected rate of return on investment of the pension plan.

(d) GASB New and Forthcoming Statements

- **New effective statements:**

- GASBS No. 72, Fair Value Measurement and Application, which is effective for periods beginning after June 15, 2015:

  This statement provides guidance for determining fair value measurement for financial reporting purposes and for applying fair value to certain investments, and requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Governments should organize these disclosures by type of asset or liability reported at fair value, and disclose investments in certain entities that calculate net asset value per share (or its equivalent).

- GASBS No. 73 - Amendments to Certain Provisions of GASB Statements 67 and 68. It amends certain provisions of GASBS Nos. 67 and 68 effective for fiscal years beginning after June 15, 2015.

- GASBS No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which is effective for periods beginning after June 15, 2015.

- GASBS No. 77, Tax Abatement Disclosures, which is effective for periods beginning after December 15, 2015.

- GASBS No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, which is effective for reporting periods beginning after December 15, 2015, with earlier application encouraged.

- GASBS No. 79, Certain External Investment Pools and Pool Participants, which is generally effective for reporting periods beginning after June 15, 2015. Certain provisions relating to portfolio quality, custodial credit risk, and shadow pricing are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

- The Authority reviewed its accounting practices with the new statements requirements and determined no material impact on the current financial statements.

• **Forthcoming statements:**

- In June 2015 GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefits Plans other than Pension Plans,* and Statement No. *75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions.* Both statements replace the requirements of GASB statements related to postemployment benefits other than pensions (OPEB)., and parallels Statement No. 67 and replaces Statement No. 43. This statement is effective for the Authority's fiscal year ending June 30, 2017.

- GASBS No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), which is effective for fiscal years beginning after June 15, 2016, with earlier implementation encouraged. This statement is intended to make the OPEB accounting and financial reporting consistent with the pension standards outlined in Statement No. 67.

- GASBS No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), which is effective for fiscal years beginning after June 15, 2017, with earlier implementation encouraged. This statement is intended to make OPEB accounting and financial reporting consistent with the pension standards outlined in Statement No. 68. This will include recognizing a net OPEB liability in accrual basis financial statements. It applies to government employers who provide OPEB plans to their employees. It parallels Statement No. 68 and replaces Statement No. 45.

- GASBS No. 80, Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14 , which is effective for reporting periods beginning after June 15, 2016, with earlier implementation encouraged. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units.

The Authority is currently analyzing its accounting practices to determine the potential impact on the financial statements for the forthcoming GASB Statements.

(e) Compensated Absences

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. Changes in compensated absences during fiscal year ended June 30, 2016, are presented as follows:

		Business-Type Activities
Beginning balance	$	271,773
Additions		18,115
Payments		(17,087)
Ending balance	$	272,801
Due within one year	$	27,280

(f) Taxes

The RHA Properties 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 fees. There is neither a cooperative agreement between the Housing Authority and the City of Richmond nor existing Payment In lieu of Taxes (PILOT).

(g) Accounts Receivable – Other and Tenants

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. For RHA Properties, the accounts receivable consists of amount due from Fidelity Title Company for funds withheld in escrow as repair reserve fund on sale of Westridge at Hilltop Apartments.

(h) 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.

(i) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: CASH AND INVESTMENTS

(a) Policies

California Law generally requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the Authority's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the Authority's name and places the Authority ahead of general creditors of the institution. As of June 30, 2016, the Authority's cash in bank was insured or collateralized as discussed above.

The Authority's investments are carried at fair value, as required by generally accepted accounting principles. The Authority adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for the fiscal year.

(b) Cash, Cash Equivalents and Investments

For purposes of reporting cash flows, the Authority considers each entity's share of cash to be cash and cash equivalents.

(c) Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the term of the Authority's agreement with tenants.

1. Cash and Cash Equivalents:

		Authority		Component Units
Cash in bank	$	249,291	$	27,726
Petty cash		240		
Total cash and cash equivalents	$	249,531	$	27,726

2. Investments:
   Composition:

Local Agency Investment Fund (LAIF)		6,283		
U.S. Treasury Bills		515,020		
Total investments	$	521,303	$	

3. Restricted cash:

		Authority		Component Units
Security deposits	$	99,225	$	
Total restricted cash	$	99,225	$	

(d) Fair Value Measurement:

GASB No. 72 defines the fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Also, GASB No. 72 establishes a hierarchy of inputs used to measure fair value that prioritizes the inputs into three categories; Level 1, Level 2 and Level 3 inputs, considering the relative reliability of the inputs. The level is determined based on the lowest level of input significant to the measurement in its entirety.

Level 1 Inputs:

This level inputs are quoted (unadjusted) prices in active markets for identical assets or liabilities that the government can access at the measurement date. Observable markets include exchange markets, dealer markets, brokered markets and principal-to-principal markets.

Level 2 Inputs:

These are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs are derived from or corroborated by observable market data through correlation or by other means, e.g., "market-corroborated" inputs.

This level inputs include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability, such as: interest rates and yield curves observable at commonly quoted intervals, implied volatilities, and credit spreads.
- Market-corroborated inputs

Level 3 Inputs:
These are unobservable inputs for the asset or liability; they should be used only when relevant Level 1 and Level 2 inputs are unavailable. Governments may use their own data to develop unobservable inputs if there is no information available without undue cost and effort.

		Fair Value Measurement Using		
	Total	Quoted prices in Active market for Identical Asset (Level 1)	Significant other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
LAIF	6,283	6,283		
U.S. Treasury Bills	515,020	515,020		
Total	521,303	521,303		

(e) Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market rates. The Authority invests in cash, money market funds and U.S. Treasury Bills which may be drawn down as needed, subject to terms of the underlying debt indenture. The maturity date of the U.S. Treasury Bills held by the Authority was July 14, 2016.

(a) Investments Authorized by the California Government Code and the Authority's Investment Policy

The California Government code allows the Authority to invest in the following; and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code:

Authorized Investment Type	Maximum Maturity	Maximum Specified Percentage of Portfolio	Minimum Credit Quality
Local agency bonds	5 years	None	None
U.S. treasury obligations	5 years	None	None
State of California obligations	5 years	None	None
CA Local agency obligations	5 years	None	None
U.S. agencies	5 years	None	None
Banker's acceptances	180 days	40%	A1/P1
Commercial paper – select agencies	270 days	40%	A1/P1
Commercial paper – other agencies	270 days	25%	None
Negotiable certificates of deposit	5 years	30%	None
Repurchase agreements	1 year	None	None
Reverse repurchase agreements and Securities lending agreements	92 days	20%	None
Medium-term notes	5 years	30%	A
Mutual funds	N/A	20%	Multiple
Money market mutual funds	N/A	20%	Multiple
Collateralized bank deposits	5 years	None	None
Mortgage pass-through securities	5 years	20%	AA
Time deposits	5 years	None	None
County pooled investment funds	N/A	None	None
Local agency investment fund (LAIF)	N/A	None	None

There are no restrictions on the maximum amount invested in each security type or maximum that can be invested in any one issuer. The Authority does not have reverse repurchase agreements.

(b) Local Agency Investment Fund

The Authority is a 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 Authority reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. 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, United States Treasury Notes and Bills, and corporations. At June 30, 2016, these investments matured in an average of 210 days.

(c) Concentration Risk

Significant investments in the securities of any individual issuers, other than U.S. Treasury securities, or mutual funds are required to be disclosed when they exceed five percent of the total portfolio. The Authority has no investments meeting this definition.

NOTE 3: CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. Outlays for capital assets in excess of $1,000 for the Authority and RHA Properties, respectively, are capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets. Depreciation is provided using the straight-line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The Authority has assigned the useful lives listed below to capital assets:

Buildings and improvements	20-50 years
Furniture and equipment – operations	15 years
Furniture and equipment – administration	10 years

A. Capital Assets, Additions and Retirements

Changes in the Authority's capital assets are summarized below:

	Balance at June 30, 2015	Additions	Transfers under RAD Conversion *	Reductions / Retirements	Balance at June 30, 2016
Capital assets not being depreciated:					
Land	$ 2,744,477	$	(1,035,791)		$ 1,708,686
Construction in progress	1,843,317	546,321	(1,401,640)		987,998
Total capital assets not being depreciated	4,587,794	546,321	(2,437,431)		2,696,684
Capital assets being depreciated:					
Buildings & improvements	64,378,585		(21,514,859)		42,863,726
Furniture & equipment	1,567,533		(689,836)		877,697
Total capital assets being depreciated	65,946,118		(22,204,695)		43,741,423
Less: Accumulated depreciation for:					
Buildings	33,038,867	1,556,338	(9,989,934)		24,605,271
Furniture & equipment	895,278	65,358	(293,937)		666,699
Total Accumulated depreciation	33,934,145	1,621,696	(10,283,871)		25,271,970
Total Capital assets being depreciated, net	32,011,973	(1,621,696)	(11,920,824)		18,469,453
Total Capital assets, net	$ 36,599,767	$ (1,075,375)	$ (14,358,255)		$ 21,166,137

* Represent the assets sold to RHA RAD Housing Partners LP under the RAD Conversion Project See Notes (11) & (12).

NOTE 4: LONG TERM OBLIGATION

The following is a summary of long-term debt transactions for the year ended June 30, 2016:

	Original Issue Amount	Balance June 30, 2015	Issuance/ Addition	Retirement	Balance June 30, 2016	Amount due within one year
The Authority						
Promissory Notes*	$ 700,000	$ 700,000	$	$	$ 700,000	$
Total for the Authority		700,000			700,000	
Total Long-Term Debt	$	$ 700,000	$	$	$ 700,000	$

*** Promissory Note to RHA RAD Housing Partners, LP**

On December 17, 2014, the Authority's Component Unit RHA Housing Corporation entered into an agreement with the City of Richmond a municipal corporation and promises to pay a principal amount of $700,000, plus interest. The proceeds on this Note were then loaned from RHA Housing Corporation to Richmond Housing Authority to finance acquisitions and development of the properties undergoing rehabilitation work in conjunction with a RAD conversion (Friendship Manor/Triangle Court). On December 22, 2015, the official closing of the RAD conversion took place at which time the Note was assigned to a newly created entity, RHA RAD Housing Partners, LP. The Note payable to the City of Richmond was assigned from RHA Corporation to RHA RAD Housing Partners, LP along with the Note receivable from RHA. The principle balance shall bear one percent (1%) simple interest. The term of the Note shall expire fifty- five (55) years after. The balance of the promissory note at June 30, 2016, remains $700,000.

NOTE 5: NET POSITION

Net position is the excess of all the Authority's assets over all its liabilities. Net position is divided into the following captions of the Statement of Net Position.

Invested in Capital Assets, net of related debt describes the portion of net position which is represented by the current net book value of the capital assets, less the outstanding balance of any debt issued to finance these assets. For RHA Properties, there was no balance for invested in capital assets, net of related debt as a result of sale of Westridge at Hilltop Apartments and settling the outstanding balance of debt.

Restricted describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Authority, or RHA Properties cannot unilaterally alter. These principally include projects and debt service requirements. There was no balance for restricted net position as a result of settlement of liabilities utilizing sale proceeds on sale of Westridge at Hilltop Apartments.

Unrestricted describes the portion of net position which is not restricted as to use.

NOTE 6: PENSION PLAN

The Authority, an integral part of the City of Richmond (City), participates in the California Public Employees' Retirement System (PERS). The Authority's employees are included in Plans the City has with CALPERS.

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

A. General Information about the Pension Plans

Plan Description – All qualified permanent, probationary and part-time employees are eligible to participate in the City of Richmond's Miscellaneous Plan ("the Plan"), a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and City of Richmond's Ordinance. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the plan are applied as specified by the Public Employees' Retirement Law.

The City's employees hired on or before December 31, 2012 participate in the Miscellaneous Plan under the 2.7%@ 55 Benefit Formula or the Safety Plan under the 3.0%@ 50 (Police) or 3.0%@ 55 (Fire) Benefit Formula. The Pension Reform Act of 2013 (PEPRA), Assembly Bill 340, is applicable to employees new to CalPERS and hired after December 31, 2012. The City's employees hired on or after January 1, 2013 participate under the Miscellaneous Plan 2.0%@ 62 Benefit Formula or the 2.7%@ 57 (Police and Fire) Benefit Formula.

The Plan's provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 – 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0 % to 2.7%	1.0% to 2.5%
Required employee contribution rates	8%	6.75%
Required employer contribution rates	22.070%	22.070%

Employees Covered [(1)] **-** As of the June 30, 2014 actuarial valuation date and the June 30, 2015 measurement date, the following employees were covered by the benefit terms for each Plan:

	June 30, 2014	June 30, 2015
Inactive employees or beneficiaries currently receiving benefits	876	883
Inactive employees entitled to but not yet receiving benefits	489	503
Active employees	494	472
Total	1,859	1,858

[(1)] Employees Covered represents all employees under Miscellaneous Plan for the City of Richmond.

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30, by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City of Richmond is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2016, the contributions to the Plan were as follows:

Total Contributions – employer	$ 6,602,998
Authority's portion	$ 406,562

B. Net Pension Liability

The Authority's net pension liability for the Plan is measured as the proportionate share of the net pension liability which represents total pension liability less the pension plan fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2015, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions – For the measurement period ended June 30, 2015, the total pension liabilities were determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2014 and June 30, 2015 total pension liabilities were based on the following actuarial methods and assumptions for all benefit tiers:

	Miscellaneous Plan [(1)]
Valuation Date (VD)	30-Jun-14
Measurement Date (MD)	30-Jun-15
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation Rate	2.75%
Payroll Growth Rate	3.00%
Projected Salary Increase	3.2% - 12.20% [(2)]
Investment Rate of Return	7.65% [(3)]
Mortality	Derived using CalPERS specific data. [(4)]
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) Actuarial assumptions are the same for all benefit tiers
(2) Depending on age, service and type of employment
(3) Net of pension plan investment expenses, including inflation
(4) The mortality table used was developed based on CaIPERS' specific data. The table includes 5 years of mortality improvements using Society of Actuaries Scale AA. For more details on this table, please refer to the CaIPERS 2010 experience study report available on CaIPERS website.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

Change of Assumptions — GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 measurement date.

Discount Rate – The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website under the GASB 68 section.

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

In determining the long-term expected rate of return, Ca1PERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11¬60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	New Strategic Allocation	Real Return (a)	Real Return Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100.0%		

(a) An expected inflation of 2.5% used for this period.
(b) An expected inflation of 3.0% used for this period.

B. Changes in the Net Pension Liability

The Change in the Net Pension Liability as of the June 30, 2015 Measurement Date for each Plan Follows:

	Increase (Decrease)			
Miscellaneous Plan:	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)	Authority's Proportionate Share
Balance at June 30, 2014	$ 430,968,811	$ 343,397,537	$ 87,571,274	$ 5,403,148
Changes in the year:				
Service cost	7,446,410		7,446,410	459,443
Interest on the total pension liability	31,414,256		31,414,256	1,938,260
Differences between actual and expected experience	(5,280,549)		(5,280,549)	(325,810)
Changes in assumptions	(7,116,200)		(7,116,200)	(439,070)
Changes in benefit terms			-	-
Plan to plan resource movement		(6,885)	6,885	425
Contribution - employer		7,189,716	(7,189,716)	(443,605)
Contribution - employee		3,141,565	(3,141,565)	(193,835)
Net investment income		7,502,958	(7,502,958)	(462,933)
Administrative expenses		(379,925)	379,925	23,441
Benefit payments, including refunds of employee contributions	(23,302,793)	(23,302,793)	-	-
Net changes	3,161,124	(5,855,364)	9,016,488	556,317
Balance at June 30, 2015	$ 434,129,935	$ 337,542,173	$ 96,587,762	$ 5,959,465

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Authority's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	If decreased by 1%	Current Rate	If increased by 1%
Discount Rate	6.65%	7.65%	8.65%
Collective Plan's Net Pension Liability	$ 149,934,428	$ 96,587,762	$ 52,188,541
Authority's Proportion	$ 9,250,954	$ 5,959,465	$ 3,220,033

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the Authority recognized pension expense (reversal) of $(521,640). At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred inflows of Resources
Pension Contributions Subsequent to Measurement Date	$ 6,589,338	$
Changes of Assumptions		(4,022,200)
Differences between Expected and Actual Experiences		(2,984,658)
Net Difference between Projected and Actual Earnings on Pension Plan Investments		(3,245,631)
Total	6,589,338	(10,252,489)
Authority's Proportionate Share	$ 406,562	$ (632,579)

$406,547 reported as deferred outflows of resources related to pension contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as net deferred inflows of resources related to pension will be recognized as future pension expense as follows:

Year Ended June 30,		Annual Amortization
2017	$	(473,980)
2018		(241,190)
2019		(141,423)
2020		224,014
2021		0

NOTE 7: OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 6, the City also provides postretirement health care benefits, in accordance with City ordinances, to all employees who retire from the City on or after attaining retirement age (50 for policemen, 50 for fireman, and 55 for all other employees) and who have at least ten years of service. For fiscal year ended June 30, 2016, 20 retirees met those eligibility requirements. During fiscal year 2016, $63,550 was paid by the City of Richmond for postemployment health care benefits on behalf of the Authority. Detail of these plans and funding policies may be found in the City's Comprehensive Annual Financial Report.

NOTE 8: DEFERRED COMPENSATION PLANS

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

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

NOTE 9: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees and natural disaster. The Authority joined together with other entities and participates in the Housing Authority Insurance Group, a public entity risk pool currently operating as a common risk management and insurance program for its member entities. The purpose of the Housing Authority Insurance Group is to spread the adverse effects of losses among the member entities and to purchase excess insurance as a group, thereby reducing its cost. The Authority pays annual premiums to Housing Authority Insurance Group for its property damage insurance.

Property	Building and Personal Property Premium	Annual Premium	Deductible
Triangle Court	$ 13,170	$ 13,543	$ 25,000
Nevin Plaza (#1)	4,769	4,886	25,000
Friendship Manor	5,438	5,664	25,000
Hacienda	10,365	10,365	25,000
Nystrom Village	16,922	17,443	25,000
Administration Office	639	639	25,000

The Authority is covered by the City of Richmond's general liability and worker's compensation insurance. The Authority pays annual premiums to California Joint Powers Risk Management Authority (CJPRMA) for general liability and the California State Association of Counties Excess Insurance Authority (CSAC EIA) for worker's compensation.

All of the Housing Authority properties are included for general liability coverage under the CJPRMA program.

The Authority is exposed to various risks of loss related to theft of, damage to, and destruction of assets; general liability; errors and omissions; injuries to employees; natural disasters; and inverse condemnation. The Authority began self-insuring its workers' compensation in 1976. In July 2009, the Authority joined the California Joint Powers Risk Management Authority (CJPRMA) for general liability and employment practices coverage. In April 2009, the Authority joined the California State Association of Counties Excess Insurance Authority (CSAC EIA) for worker's compensation insurance. The Authority has chosen to establish a risk financing internal service fund where assets are accumulated for claim settlements and expenses associated with the above risks of loss up to certain limits.

Excess coverage for the risk categories excluding inverse condemnation is provided by policies with various commercial insurance carriers. Self-insurance and insurance company limits are as follows:

Type of Coverage	Self-Insurance/ Deductible	Coverage Limit	Insurance Carrier
Difference in Conditions	Earthquake:10% pre-1970, 5% post-1970 of total insured value of each building; minimum $100,000 All others: $25,000	$50,000,000 inclusive of deductible	Various
Crime/Employee Dishonesty	$10,000 per claim	$1,000,000 inclusive of deductible	National Union Fire Insurance Company of Lexington Pittsburgh (NUFICL)
Property	$10,000 per claim	$1,000,000,000 inclusive of deductible $25,000,000 Limit for flood	Various
Boiler and Machinery	$5,000 per claim	$1,000,000 inclusive of deductible	Various
Port Liability	$25,000 per claim	$50,000,000 inclusive of deductible $1,000,000 per occurrence	Various
Special Events Program	N/A	$2,000,000 aggregate	Evanston Insurance
Excess Workers Compensation	$750,000 per claim	Statutory limit of $50,000,00	Various
Student Volunteer	N/A	$50,000 Limit	Ace American

CJPRMA

The CJPRMA provides coverage against the following types of loss risks under the terms of a joint-powers agreement with the Authority as follows:

Type of Coverage (Deductible)	Coverage Limits
Liability ($500,000)	$ 40,000,000
Employment Practices ($500,000)	$10,000,000

Once the City's self-insured retention for general liability claims are met, CJPRMA becomes responsible for payment of all claims up to the limit. During fiscal year ended June 30, 2016, the Authority participated with the City in paying premiums of $269,219 for the year ended June 30, 2016. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

Audited financial statements for the CJPRMA are available from CJPRMA, 3201 Doolan Road, Suite 285, Livermore, CA 94551.

CSAC EIA

CSAC EIA is a public entity risk pool of cities and counties within Northern California. The CSAC EIA provides workers' compensation coverage up to the statutory limit and the City retains a self-insured retention of $750,000. Loss contingency reserves established by the CSAC EIA are funded by contributions from member agencies. The City pays an annual contribution to the CSAC EIA, which includes its pro-rata share of excess insurance premiums, charges for pooled risk, claims adjusting and legal costs, and administrative and other costs to operate the risk pool. The City paid premiums of $278,774 for the year ended June 30, 2016. CSAC EIA provides insurance through the pool up to a certain level, beyond which group purchased commercial excess insurance is obtained. CSAC EIA has never made an additional assessment and is currently fully funded. No provision has been made on these financial statements for liabilities related to possible additional assessments.

Audited financial statements for CSAC EIA are available from CSAC EIA, 75 Iron Point Circle, Suite 200, Folsom, CA 95630.

NOTE 10: COMMITMENTS AND CONTINGENCIES

A. Hope VI Project

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.

In June 2000, the Richmond Housing Authority received a $35 million grant (HOPE VI Grant) from the U.S. Department of Housing and Urban Development ("HUD") for the revitalization of the former Easter Hill Public Housing Project. The original Easter Hill site, owned by the Richmond Housing Authority, included 300 units on 21 acres in the Cortez/Stege neighborhood of Richmond.

The California Tax Credit Committee, City of Richmond, Bank of America, Silicon Valley, Federal Home Loan Bank, California Housing Finance Agency, the Richmond Housing Authority along with the $35 million dollar HUD grant financed this $120 million revitalization effort. Physical costs are estimated to be approximately $108 million and life services, relocation, acquisition, administrative and other costs are estimated to be approximately $12 million. The physical development includes approximately 320 rental and homeownership units to replace the 300 rental units originally at the site and 273 remaining units at the time of grant approval. Amenities at the revitalized site include a pool and a 5,000 square feet community room with facilities for an after-school program, computer center, gymnasium and conference room.

In addition, pursuant to the same agreement, the Authority is entitled to receive reimbursement for certain costs it has incurred in development of these projects. Upon completion of the project, the Authority recorded $14,276,909, representing reimbursement from the developer which had been recorded in the accompanying financial statements as due from developer. The balance outstanding as of June 30, 2016, is $11,221,743.

In 2002, the Authority chose the development team of McCormack Baron Salazar, Inc. and Em Johnson Interest, Inc. to develop the site. Em Johnson Interest has developed the 82 homeownership units affordable to low, moderate and market rate buyers. McCormack Baron was charged with the development of 300 rental units, affordable to households 60% or below the area median income for Contra Costa County.

Thus far, all new construction rental units at the former Easter Hill site have been developed. Thirty-six rehab rental units at the site are underway. The remaining 202 rental units at the site have been leased. Similarly, all 82 homeownership units at the former Easter Hill and Cortez sites have been constructed. With the exception of one unit at the Cortez site, all homeownership units have been sold.

Due to the City Council's action to not allow the Authority to retain the Fire Training site originally anticipated for phase III of the project, the third phase is being revised to include the Authority's Nystrom Village and Hacienda Public Housing sites. This will include the demolition and reconstruction of the 252 rental units presently existing at the two sites. As the proposal and conceptual plans are being developed, the final financial and construction plans are not determined at this time.

B. Due to City of Richmond and Repayment

At June 30, 2016, total debt owed to the City of Richmond by the Authority was $6,390,875 consisting of the following:

	Primary Government	Component Units
Unpaid expenses incurred and allocated by the City of Richmond to the Authority in the year 2016	892,487	
Unpaid expenses incurred and allocated by City of Richmond to the Authority in prior years	2,298,388	
Debt assumed by RHA Properties*		2,500,000
	3,190,875	2,500,000
Advance from City of Richmond **	174,067	
	3,364,942	2,500,000
Classified under current liabilities		2,500,000
Classified under non-current liabilities	3,364,942	

* The entire amount of $2,500,000, the debt assumed by the RHA Properties was paid off in August 2016.

- RHA Properties was a plaintiff in a lawsuit filed by the Authority against the buyer of Westridge at Hilltop Apartments to release $2,500,000 of liquidation proceeds withheld in escrow account pursuant to disposition agreement on April 15, 2014. On August 09, 2016, a court statement was issued ruling that this amount be released to RHA Properties.

** In the fiscal year ending June 30, 2007, the former Redevelopment Agency of the City of Richmond advanced $174,067 to Richmond Housing Authority, collateralized by a deed of trust on the Westridge at Hilltop Apartments, to assist the Authority with its lease payments for the 2003 A-S Multifamily Housing Revenue Bonds. The loan bears interest of 3%. In the fiscal year ending June 30, 2012, this advance was transferred to the City of Richmond as a Successor to the former Redevelopment Agency. There is no set timeline or amortization schedule for this advance as it will be paid when the Authority has sufficient cash on hand and will earn interest until a full pay-off is made.

C. Other Commitments and Contingencies

- The Authority and its component units RHA Housing Corporation and RHA RAD LLC entered into several arrangements including a Co-Guarantor Contribution Agreement with third parties as participants in a tax credit bonds project to accommodate the required funding to convert two properties from the conventional public housing project to a rental assistance demonstration program.

- On June 3, 2016, the Office of the Inspector General issued a report in response to an allegation that the Authority allowed the City of Richmond to use HUD funds and Authority assets and that the City charged the Authority for rent and services at an unreasonable price. The report concluded that the allegations held merit and the Authority misspent $2.2M in HUD funds and had $994,910 in unsupported costs due to a lack of independence between the Authority and the City along with a weak internal control environment. The OIG recommended that the Director of the San Francisco Office of Public Housing that monitors the Richmond Housing Authority require the Authority to repay $2.1M for ineligible use of HUD funds along with $53,347 for duplicate charges, and $60,000 for a City initiated management audit. In addition, it was suggested the Authority be required to provide additional support for $80,890 of the executive director’s salary spent on activities, $180,000 spent on office rent, determine proper use of former maintenance building property, and develop and implement financial policies and procedures for the current operating environment. Further, it was recommended that HUD work with the Authority to improve control and accountability including HUD receivership and separating the Authority finances from the City of Richmond. The Authority is contesting several of the conclusions made by the OIG and is seeking legal counsel with regards to further actions necessary. OIG's report is subject to HUD and the Departmental Enforcement Center Revisions and evaluations. RHA's management strongly believes in its response made to OIG that RHA's actions were proper and agreed to in advance by HUD.

NOTE 11: Discretely Presented Component Units

(1) RHA Properties

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 Authority’s Board approves RHA Properties’ budget, and must approve any debt issuances. RHA Properties is presented as a business-type activity.

RHA Properties having sold Westridge at Hilltop Apartments is at the point an entity with no activity. It is mainly idle and available to be used in future. Management currently has no further plans for the entity.

(2) RHA Housing Corporation

RHA Housing Corporation (the "Corporation") was incorporated and registered on January 26, 2004 as a California nonprofit public benefit corporation. to benefit and support the RHA with respect to the Easter Hill development. RHA Housing Corporation entered into RAD Conversion redevelopment activities and it acts as the sole and managing member of RHA RAD LLC. The Corporation's fiscal year ends on December 31, 2016.

(3) RHA RAD LLC

RHA RAD LLC, a California limited liability company was formed On July 11, 2013 by RHA Housing Corporation, the sole and managing member. The Company is operated exclusively to further the tax exempt charitable purposes of the sole and managing member to provide affordable housing for low-income persons where no adequate housing exists for such persons, and to own and operate housing for the benefit of low income persons who are in need of affordable, decent, safe and sanitary housing and related services, where an inadequate supply of housing exists for such persons. In Order for the Authority to fund in its participation into the RAD Program as discussed in Note (12), RHA RAD LLC shall act as the managing general partner of RHA RAD Housing Partnership LP.

Separate financial statements are issued for those entities.

Transfers to the Component Unit (RHA RAD LLC) of $14,510,000 represent the advances (notes receivable) made to finance the sale of assets from the Authority to RHA RAD Housing Partners LP as follows:

Net book carrying value of the assets sold – see Note (3)	$14,358,255
Proceeds from sale – RHA loan 1 *	(8,891,500)
Proceeds from sale – RHA loan 2 *	(5,618,500)
Total notes receivable from RHA RAD Housing Partners LP	14,510,000
Differences recognized as special items	151,745

* As discussed in Note (12) these loans extended by RHA as part of its participation and allocation in the RAD Tax Exempt Bonds. At this stage, these funds were made as advances until the completion of the bonds issuance, on which time a regulatory agreement will be entered between the respective parties. These loans have 55-year term and annual interest rate of 2.82%.

As of June 30, 2016, and for the year/period then ended, the statement of net position and the statement of revenues, expenses and changes in net position are set out as follows:

STATEMENT OF NET POSITION
AS OF JUNE 30, 2016

	RHA Properties	RHA Housing Corporation	RHA RAD LLC	Total
ASSETS				
Current assets:				
Cash at bank	$	$ 27,726	$	$ 27,726
Other receivables	2,500,000			2,500,000
Total current assets	2,500,000	27,726		2,527,726
Other non-current assets:				
Notes receivable			14,510,000	14,510,000
Total assets	2,500,000	27,726	14,510,000	17,037,726
LIABILITIES AND NET POSITION:				
Current liabilities:				
Accounts payable		34,138		34,138
Due to City of Richmond	2,500,000			2,500,000
Total liabilities	2,500,000	34,138		2,534,138
Net position:				
Unrestricted	$ -0-	$ (6,412)	$ 14,510,000	$ 14,503,588
Total liabilities and net position	2,500,000	27,726	14,510,000	17,037,726

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2016

	RHA Properties	RHA Housing Corporation	RHA RAD LLC	Total
Operating revenues:				
Other revenues - developers fee		166,667		166,667
Total operating revenues		166,667		166,667
Operating expenses:				
General expenses		173,079		173,079
Total operating expenses		173,079		173,079
Changes in net position		(6,412)		(6,412)
Transfers from the Authority			14,510,000	14,510,000
Net position, beginning of the year	-0-	-0-	-0-	-0-
Net position, end of the year		$ (12,824)	14,510,000	14,503,588

NOTE 12: RENTAL ASSISTANCE DEMONSTRATION

A Rental Assistance Demonstration ("RAD") Program conversion of the Friendship Manor and Triangle Court public housing sites occurred during the 2016 calendar year (includes both the 2015 and 2016 fiscal years). Starting in December 2015, 156 units of Public Housing will convert to non-profit ownership with Section 8-Project Based Voucher rental subsidy on two separate properties; All of 156 units except for three units (two are reserved for onsite managers and one for a manager's office) will be used to house low-income residents.

On October 08, 2015, the Department of Housing and Urban Development (HUD) has issued and executed the RAD Conversion Commitment (RCC) which represents the agreed upon and approved terms of the RAD conversion transaction.

On November 18, 2015, California Tax Credit Allocation Committee made a preliminary reservation of federal tax credits in the amount of $1,228,999 accommodated upon executing Tax-Exempt Bond Project to raise funding in the amount of $36.7 Million, the approximate estimate cost of the RAD project; of which $16.5 million shall be provided by a third-party Tax Credit investor.

The Authority has partnered with the John Stewart Company and The Richman Group to form a Limited Partnership, RHA RAD Housing Partners L.P, that will complete the conversion, manage the property and own the buildings. The Authority will relinquish the land via a long-term ground lease.

In furtherance of the finances provided by the Authority, City of Richmond advanced $1,770,522 to RHA RAD Housing Partners L.P as a portion of $5.4 Million, 55-year, 1% loan which was initially signed with RHA Housing Corporation (the Authority's component unit) and transferred and reassigned to RHA RAD Housing Partners L.P.

After the property is placed in service and receives approval of the 8609 documents from the State of California, the Authority will split a Developer fee of $2.5 Million with its General Partner John Stewart Company 70%/30%. The project will not be placed in service until approximately April 2017 so the bulk of the fee will not be received until that time.

RHA RAD Housing Partners LP will also receive $732,557 in Public Housing and Capital Improvement funds throughout the January 1, 2016 – December 31, 2016 calendar year to cover the RAD HAP Voucher commitments of subsidy for the low-income housing units at the two developments. The terms of this requirement are consistent with Notice 2012-32 of the Rental Assistance Demonstration Program which requires RAD conversions that close after November 30th of the calendar year to be funded out of Public Housing and Capital Fund Programs until the next calendar year, at which time the Developments will be funded with Section 8 Housing Choice RAD Vouchers.

NOTE 13: SUBSEQUENT EVENTS

Further to the discussion on the RAD conversion program in Note (12), The Authority has evaluated subsequent events through January 05, 2017, the date on which the financial statements were available to be issued.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF THE CITY OF RICHMOND
OTHER REQUIRED SUPPLEMENTARY INFORMATION

MISCELLANEOUS AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
LAST 10 YEARS*
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS *(Unaudited)*
JUNE 30, 2016

	MISCELLANEOUS PLAN			
	City of Richmond		Authority's Share	
Measurement Date Total Pension Liability	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015
TOTAL PENSION LIABILITY:				
Service Cost	$ 7,816,868	$ 7,446,410	$ 523,730	$ 459,443
Interest	30,597,498	31,414,256	2,050,032	1,938,260
Differences between expected and actual experience		(5,280,549)		(325,810)
Changes in assumptions		(7,116,200)		(439,070)
Changes in benefits				-
Benefit payments, including refunds of employee contributions	(23,007,539)	(23,302,793)	(1,541,505)	(1,437,782)
Net change in total pension liability	15,406,827	3,161,124	1,032,257	195,041
			-	
Total pension liability - beginning	415,561,984	430,968,811	27,842,653	26,590,776
Total pension liability - ending (a)	430,968,811	434,129,935	28,874,910	26,785,817
PLAN FIDUCIARY NET POSITION:				
Contributions - employer	6,661,038	7,189,716	446,290	443,605
Contributions - employee	3,195,699	3,141,565	214,112	193,835
Net investment income [(1)]	51,867,728	7,502,958	3,475,138	462,933
Plan to plan resource movement		(6,885)	-	(425)
Administrative expense		(379,925)	-	(23,441)
Benefit payments, including refunds of employee contributions	(23,007,539)	(23,302,793)	(1,541,505)	(1,437,782)
			-	-
Net change in plan fiduciary net position	38,716,926	(5,855,364)	2,594,034	(361,276)
Plan fiduciary net position - beginning	304,680,611	343,397,537	20,413,601	21,187,628
Plan fiduciary net position - ending (b)	343,397,537	337,542,173	23,007,635	20,826,352
Net pension liability - ending (a)-(b)	$ 87,571,274	$ 96,587,762	$ 5,867,275	$ 5,959,465
Plan fiduciary net position as a percentage of the total pension liability	79.68%	77.75%	79.68%	77.75%
Covered payroll	37,210,225	$ 36,151,102	2,054,558	$ 1,169,034
Net pension liability as percentage of covered payroll	235.34%	267.18%	285.57%	509.78%

Notes to Schedule:

(1) Net of administrative expense in 2014.

Benefit Changes:
The figures above do not include any liability impact that may have resulted from plan changes which occurred after the actuarial valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes In Assumptions:
GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 measurement date.

* - Fiscal year 2015 was the 1st year of implementation,

HOUSING AUTHORITY OF THE CITY OF RICHMOND
OTHER REQUIRED SUPPLEMENTARY INFORMATION

MISCELLANEOUS AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
LAST 10 YEARS*
SCHEDULE OF PENSION CONTRIBUTIONS *(Unaudited)*
FOR THE YEAR ENDED JUNE 30, 2016

	City of Richmond Plan		Authority's Share	
Fiscal Year Ended June 30	2015	2016	2015	2016
Actuarially determined contribution	7,178,549	8,084,584	480,963	498,819
Contributions in relation to the actuarially determined contributions	(7,178,549)	(8,084,584)	(480,963)	(498,819)
Contribution deficiency (excess)	$ 0	$ 0	0	0
Covered payroll	36,151,102	36,638,889	2,054,558	1,169,034
Contributions as a percentage of covered payroll	19.86%	22.07%	23.41%	42.67%
Notes to Schedule				
Valuation date:	6/30/2012	6/30/2013	6/30/2012	6/30/2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Average remaining amortization period	24 years as of valuation date
Asset valuation method	15 year Smoothed Market value
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, includes inflation
Retirement age	The probability of Retirement are based on the 2010 Ca1PERS Experience Study for the period from 1997 to 2007
Mortality Rate Table	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* Fiscal year 2015 was the 1st year of implementation.

See Auditor's Report