RICHMOND HOUSING AUTHORITY

BASIC COMPONENT UNIT
FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

This Page Left Intentionally Blank

RICHMOND HOUSING AUTHORITY
BASIC COMPONENT UNIT FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

TABLE OF CONTENTS

This Page Left Intentionally Blank

MAZE
& ASSOCIATES

INDEPENDENT AUDITORS' REPORT ON
BASIC COMPONENT UNIT FINANCIAL STATEMENTS

Commissioners of
Richmond Housing Authority
Richmond, California

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Richmond Housing Authority (Authority), a component unit of the City of Richmond, as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents. We did not audit the financial statements, as of and for the year ended December 31, 2016, of the RHA Housing Corporation which represents one of the three discretely presented component units of the Authority. As of and for the year ended December 31, 2016, the RHA Housing Corporation financial activities represented 0.06%, -0.02%, and 0.66% of the assets, net position and revenues, respectively, of the business-type activities.

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 the 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. The financial statements of one of the Authority's discretely presented component unit, RHA Housing Corporation, was audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Authority's discretely presented component unit, is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards for 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 as to whether the financial statements are free of 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 Authority'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 Authority'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.

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W **mazeassociates.com**

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

Summary of Opinions

Opinion Unit		***Type of Opinion***
Business-Type Activities		Qualified
Aggregate Discretely Presented Component Units		Unmodified

Basis for Qualified Opinion on Business-Type Activities

(1) The Authority did not appear to maintain a reliable system to ensure that appropriate tenant rent revenues are collected and recorded into its general ledger. In comparing selected tenant revenues recorded in the Authority's general ledger to supporting tenant files, our testing showed an error rate of 18%. We do not believe we can satisfy ourselves with the existence or completeness of the following balances as internal controls appeared to be insufficient:
   - Current assets – Accounts receivable – others and tenants, net of allowance
   - Operating revenue – Rental revenue – tenant
   - Cash flows from operating activities – Receipts from dwelling rents
   - Reconciliation of operating income (loss) to net cash provided by (used for) operating activities – Adjustments to reconcile operating gain (loss) to net cash provided by operating activities: Decrease/(increase) in grants and accounts receivable

(2) We were unable to verify $791,900 of adjustments posted by the Authority that reduced the beginning balances of net position and various assets and liabilities accounts. In addition, the Statement of Net Position at June 30, 2017 prepared by the Authority, did not balance by $120,933 with credits exceeding debits. As a result, this difference was reported as Other Debits on the Authority's Statement of Revenues, Expenses and Changes in Net Position for the fiscal year ended June 30, 2017.

   Due to limited documentation or inability to obtain explanations from the Authority staff in regard to these items, we do not believe we can satisfy ourselves with the existence or completeness of the following balances:
   - Current assets – Cash and cash equivalents
   - Non-Operating Revenues (Expenses) – Other debits
   - Net position, beginning of the fiscal year, as restated
   - Net position, end of the fiscal year
   - Cash flows from operating activities – Other debits
   - Cash at beginning of year, as restated
   - Cash at end of year

Qualified Opinion

In our opinion, based on our audit and the report of the other auditors, except for the effects of the matters described in the "Basis for Qualified Opinion on Business-Type Activities" paragraphs, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of June 30, 2017, and the respective changes in financial position and cash flow for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate discretely presented component units of the Authority, as of June 30, 2017, and the respective changes in financial position and cash flow for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1I and above, the Authority restated the beginning balance of the net positions of the business-type activities. The emphasis of this matter constitutes a modification to our opinion.

Also discussed in Note 1I was the Authority's restatement of the beginning balance of the net position of the aggregate discretely presented component units. The emphasis of this matter does not constitute a modification to our opinion.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and other Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2021 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
May 9, 2021

This Page Left Intentionally Blank

The discussion and analysis of the Richmond Housing Authority provides the reader with an overview of the Authority's financial position and performance for the period ending June 30, 2017. The Management's Discussion & Analysis (MD&A) describes the significant changes that occurred in general operations and discusses the activities during the year for capital assets and long-term debt. The discussion concludes with a description of currently known facts, decisions and conditions that are expected to impact the financial position of the Authority's operations. We encourage the reader to consider the information presented are in conjunction with the basic financial statements and the notes to the basic financial statements.

The financial statements of the Authority's discretely presented component units, RHA Housing Corporation, RHA Properties and RHA RAD LLC. The Richmond Housing Authority RAD program was initiated to help Public Housing Authorities (PHA's) convert its properties to more viable housing programs. RAD allows PHAs to convert public housing to long-term, Project-based Section 8 rental assistance developments.

<u>Overview of the Basic Financial Statements</u>

The Authority's Basic Financial Statements consist of the following:

Statement of Net Position

Notes to Basic Component Unit Financial Statements

Statement of Revenues, Expenses and Changes in Net Position

Statements of Cash Flows

The Authority, like other governmental and quasi-governmental entities, uses the accrual basis of accounting in accordance with generally accepted accounting principles. The fund accounting to ensure and demonstrate compliance with funding-related requirements. The funds are combined in a Proprietary Fund, which is a single" enterprise fund" with "business-type" activities intended to recover all or a portion of their costs through fees and charges for services. The Proprietary Fund presents the activities of the Authority as a whole.

<u>The Specific financial activities of the Authority have been presented within the following</u>:

- The Statement of net Position includes all of the Authority's assets and liabilities, with the difference between the two reported as the net position. Assets and liabilities are presented in the order of liquidity and are classified as "current" (convertible to cash within one year) and "non-current". This statement also provides a basis of measuring the liquidity and financial flexibility of the Authority. Over time, increases or decreases in net position will serve as useful indicator of whether the Authority's financial health is improving or deteriorating.
- The Notes to Basic Financial Statements provides additional information that is integral to a full understanding of the Basic Financial Statements. The Notes to the Basic Financial Statements can be found in this report after the Basic Financial Statements.
- The Statement of Revenues, Expenses and Changes in Net position reports the Authority's revenues by source and its expenses by category to substantiate the changes in net position for the year. This statement measures the success of the Authority's operations over the past year.
- The Statement of Cash Flows reports how the Authority's cash was provided and used during the year. It also provides information about the Agency's operating, investing and financing activities, and can be used to reconcile cash balances on June 30, 2017. Fundamentally, this statement shows where cash came from, how cash was used, and what the change in cash was during the year.

Program information:

- Housing Choice Voucher (HCV) Program - RHA administered and managed the responsibilities for approximately 1,700 HCV's. RHA administered the HCV Program till June 30, 2019. On December 4, 2018, the RHA Board of Commissioners directed staff to transition RHA's Section 8 program to a well-managed housing authority and to reposition RHA's public housing assets. On February 5, 2019, the RHA Board authorized the transfer of the HCV Section 8 program to the Housing Authority of Contra Costa County (HACCC). On February 12,2019, the HACCC Board approved the transfer of the RHA HCV Section 8 program to HACCC. On April 16, 2019, HUD approved the transfer of the HCV Program units and the associated budget authority from RHA to the HACCC and HUD assigned July 1, 2019, as the effective date of the transfer and determined that the transfer will be in the best interest of the program participants.
- Public Housing Developments - RHA owns and manages two developments, Nevin Plaza and Nystrom Village. Nevin Plaza is a 142-unit high-rise houses seniors (62 or older) and disabled households. Nystrom Village is a 102-unit scattered site development houses families, including seniors and disabled households. Public housing was established to provide decent and safe rental housing for eligible low-income families, elderly residents, and persons with disabilities. The Hacienda Development was a 150 unit affordable housing complex, completed in 1966 made up of two bedroom units, one bedroom units and studios, 148 of the units will be for residents, with two managers units. In 2014, all residents were permanently relocated from the building with Section 8 Tenant Protection Vouchers, leaving the building vacant. A partnership with two nonprofit affordable housing developers and operators, Mercy Housing California (MHC) and Community Housing Development Corporation of North Richmond (CHDC) was entered to rehabilitate the Hacienda development.

- Richmond Village - RHA and McCormack Baron Salazar, as the Development Partner, redeveloped the former Easter Hill site into Richmond Village I, II, and III using funds from a federal Hope VI Revitalization Grant and Low Income Tax Credit Financing. RHA Board of Commissioners selected McCormick Baron Salazar as their development partner to proceed with the Hope VI project in two phases. These phases produced 238 mixed-income one, two, three, and four-bedroom apartments and two-bedroom townhomes: Richmond Village I, 117 units, Richmond Village II, 85 units, Richmond Village III, 36 units.

Financial position and analysis

Cash and cash equivalents for Housing Authority was $213,013 and the Component unit had $27,726.

Other Current Asset for Housing Authority was $1,051,853.

The Authority had $11,221,743 Other Non Current Assets and the component Unit had $14,510,000 related to Easter Hill Project (Note 10A and 12).

Current Liabilities for Housing Authority and the Component Unit was $3,457,981 and $34,138 respectively. Total Long-term liability for Housing Authority was $12,051,554 and the total liabilities at year-end was $15,509,535.

The Authority Rental income at the end of fiscal year, 06/30/2017 was $753,487 decreased by $329,406 from prior year because of the changes of operations and units are under construction.

HUD PHA grants for the Authority at 06/30/2017 was $22,404,858 which was 2% increase from prior year.

Other Revenue for the Authority at the end of the fiscal year 06/30/2017 was $2,037,022. The Total Operating Expenses for the Authority was $25,465,535 and the Component Unit had $173,079. As result of this the Authority had Net Operating deficit of $120,770 and the Component Unit had $166,667 surplus.

Significant Economic Factors Affecting the Authority and the Component Unit 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. The Authority continues to explore alternative funding options to lessen federal dependency through development activities and pursuit of other grants; however, HUD will most likely continue to be a major funding source over the foreseeable future.

While we acknowledge the challenges, and face political and economic realities, the Authority remain committed more than ever to become more innovative and creative to accomplish its mission.

This Page Left Intentionally Blank

BASIC FINANCIAL STATEMENTS

RICHMOND HOUSING AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2017

	Business-Type Activities	Aggregate Discretely Presented Component Units
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	$213,013	$27,726
Investments (Note 2)	402,811	
Receivables:		
Accounts receivable - HUD	190,258	
Accounts receivable - others and tenants, net of allowance (Note 1F)	440,114	
Prepaids	18,670	
Total current assets	1,264,866	27,726
Restricted assets:		
Security deposits (Note 2)	102,576	
Capital assets (Note 3):		
Land	1,708,686	
Construction in progress	652,942	
Buildings and improvements	43,431,217	
Furniture and equipment	877,698	
Less accumulated depreciation	(26,895,018)	
Total capital assets, net	19,775,525	
Other Non Current Assets:		
Notes receivable (Notes 10A and 12)	11,221,743	14,510,000
TOTAL ASSETS	32,364,710	14,537,726
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pension plan (Note 6)	1,256,064	
LIABILITIES		
Current liabilities:		
Accounts payable	160,104	34,138
Accrued interest		
Tenants security deposits	102,576	
Accrued compensated absences (Note 1D)	12,224	
Total current liabilities	274,904	34,138
Long-term liabilities:		
Due to City of Richmond (Note 10B)	5,615,842	
Promissory notes (Note 4)	700,000	
Accrued compensated absences (Note 1D)	110,009	
Net pension liability (Note 6)	5,625,703	
Total long term liabilities	12,051,554	
TOTAL LIABILITIES	12,326,458	34,138
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow of resources related to pension plan (Note 6)	161,351	
NET POSITION (Note 5)		
Investment in capital assets	19,775,525	
Restricted		14,510,000
Unrestricted	1,357,440	(6,412)
TOTAL NET POSITION (DEFICIT)	$21,132,965	$14,503,588

See accompanying notes to basic financial statements

RICHMOND HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Business-Type Activities	Aggregate Discretely Presented Component Units
Operating Revenues		
HUD PHA grants	$22,404,858	
Rental revenue - tenant	753,487	
Other revenue	2,107,925	
Total Operating Revenues	25,266,270	
Operating Expenses		
Administrative	2,784,104	
Tenant service	1,102,826	
Ordinary maintenance and operations	1,387,953	
General expenses		$173,079
Housing assistance payments	18,567,603	
Depreciation	1,623,049	
Total Operating Expenses	25,465,535	173,079
Operating Income (Loss)	(199,265)	(173,079)
Non-Operating Revenues (Expenses)		
Other debits (Note 1I)	(120,933)	
Other non-operating revenues		166,667
Investment earnings	163	
Total Non-Operating Revenues (Expenses)	(120,770)	166,667
Income (Loss) Before Capital Grants and Transfers	(320,035)	(6,412)
Capital grants	161,532	
Changes in Net Position	(158,503)	(6,412)
Net Position, Beginning of the Fiscal Year, as restated (Note 1I)	21,291,468	14,510,000
Net Position , End of the Fiscal Year	$21,132,965	$14,503,588

See accompanying notes to financial statements

RICHMOND HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Business-Type Activities	Aggregate Discretely Presented Component Units
Cash flows from operating activities:		
Receipts from dwelling rents	$1,041,797	
Subsidies from federal grants	21,576,436	
Receipts from other miscellaneous sources	2,107,925	
Payment for housing assistance	(18,567,603)	
Payment for employee expenses	(4,616,251)	
Payments for administrative expenses		($138,941)
Payments for general maintenance and other expenses	(2,575,516)	
Other receipts		166,667
Other debits (Note 1I)	(120,933)	
Net cash flows from operating activities	(1,154,145)	27,726
Cash flows from noncapital financing activities:		
Receipts from City of Richmond	1,182,053	
Net cash flows from noncapital financing activities	1,182,053	
Cash flows from capital and related financing activities:		
Subsidies from federal capital grants	161,532	
Acquisition and construction of capital assets	(232,435)	
Net cash flows from capital and related financing activities	(70,903)	
Cash flows from investing activities:		
Interest received	163	
Net cash flows from investing activities	163	
Net change in cash flows	(42,832)	27,726
Cash and investments at beginning of year, as restated	761,232	
Cash and investments at end of year	$718,400	$27,726
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	($199,265)	($6,412)
Adjustments to reconcile operating gain (loss) to net cash provided by operating activities:		
Depreciation expense	1,623,049	
Other debits (Note 1I)	(120,933)	
Decrease/(Increase) in grants and accounts receivable	(543,463)	
Decrease/(Increase) in prepaid expenses and other assets	(18,670)	
Increase/(Decrease) in accounts payable	(66,067)	34,138
Increase/(Decrease) in accrued liabilities and other liabilities	(177,640)	
Increase/(Decrease) in due to retirement system	(1,654,507)	
Increase/(Decrease) in tenant security deposits	3,351	
Net cash flows from operating activities	($1,154,145)	$27,726

See accompanying notes to basic financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Richmond Housing Authority (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 basic 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 financial benefit or burden. CUs are included within the primary government's financial statements as discretely presented or blended component units. CUs are discretely presented unless they qualify as a blended component 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.

Descriptions and illustrations of the financial statements for these component units are included 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.

The Authority's basic financial statements display information about the Authority and its component units. These statements include the financial activities of the overall Authority. All funds of the Authority are accounted for as enterprise funds (proprietary fund type). A fund is an accounting entity with a self balancing set of accounts established to record the financial position and results of operations of a specific activity. The activities of an enterprise fund closely resemble those of the private sector in which the purpose is to conserve and add to economic resources. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The financial statements are reported using the economic resources measurement focus and the 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.

C. Basis of Accounting

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 expenses. The Authority's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

In addition to assets, the statement of net position reports 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(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has pension-related deferred outflows of resources arising from certain changes in the collective net pension liability. See Note 6 for further discussion.

In addition to liabilities, the statement of net position reports 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(s) and so will not be recognized as inflow of resources (revenue) until that time. The Authority has deferred inflows of resources arising from certain changes in the collective net pension liability. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. See Note 6 for further discussion.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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 ending June 30, 2017, are presented as follows:

	Business-Type Activities
Beginning Balance	$272,801
Additions	110,359
Payments	(260,927)
Ending Balance	$122,233
Due within one year	$12,224

E. 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 Authority and the City of Richmond, nor existing Payment in Lieu of Taxes (PILOT).

F. Accounts Receivable – Others 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.

G. Fair Value Estimates

Fair value is defined 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. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

I. Restatement of Net Position

During the year-end closing process of fiscal year 2016-17, the Authority adjusted the following balances of the business-type activities as of July 1, 2016:

	Adjustment to Beginning Balances Increase (Decrease)		Effect on Beginning Net Position Increase (Decrease)
	Assets	Liabilities	
Cash and investments	($108,827)		($108,827)
Receivables:			
HUD	(691,355)		(691,355)
Tenants	1,257		1,257
Accrued interest payable		($7,025)	7,025
Total	($798,925)	($7,025)	($791,900)

In addition, the Statement of Net Position at June 30, 2017 prepared by the Authority, did not balance by $120,933 with credits exceeding debits. As a result, this difference was reported as Other Debits on the Authority's Statement of Revenues, Expenses and Changes in Net Position for the fiscal year ended June 30, 2017.

Also, during fiscal year ended June 30, 2017, it was discovered that two long-term advances from the City totaling $1,068,847 were not reported on the Authority's previous year's financial statements. As a result, beginning net position of the business-type activities was decreased by that amount. See discussion of amount due to the City in Note 10B.

Furthermore, during fiscal year ended June 30, 2017, the Authority determined that it had mistakenly included the December 31, 2016 financial statements of the RHA Corporation component unit in the Authority's fiscal year 2016 financial statements rather than the December 31, 2015 financial statements. As a result, beginning net position of the discretely presented component units has been restated and increased by $6,412.

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, 2017, 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 that fiscal year.

B. *Cash, Cash Equivalents and Investments*

For purposes of reporting cash flows, the Authority considers each entity's share of cash and investments 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 terms of the Authority's agreements with tenants.

	Authority	Component Units
1. Cash and Cash Equivalents:		
Cash in bank	$212,773	$27,726
Petty cash	240	
Total cash and cash equivalents	$213,013	$27,726
2. Investments:		
Local Agency Investment Fund (LAIF)	$6,324	
U.S. Treasury Bills	396,487	
Total investments	$402,811	
3. Restricted Cash:		
Cash in bank	$102,576	

NOTE 2 – CASH AND INVESTMENTS (Continued)

C. Fair Value Measurement

Fair value is 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, GAAP 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 are unavailable. Governments may use their own data to develop unobservable inputs if there is no information available without undue cost and effort.

The following is a summary of the fair value hierarchy of the Authority’s investments at June 30, 2017:

		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)
U.S. Treasury Bills	$396,487	$396,487		
Total	$396,487	$396,487		

As an external investment pool, the Local Agency Investment Fund is exempt from the fair value hierarchy.

NOTE 2 – CASH AND INVESTMENTS (Continued)

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely 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 interest rates. The Authority invests in cash, LAIF and U.S. Treasury Bills which may be drawn down as needed. The maturity date of the U.S. Treasury Bills held by the Authority is July 20, 2017.

E. 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 Corporate 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
California Local Agency Investment Fund	N/A	None	None

NOTE 2 – CASH AND INVESTMENTS (Continued)

F. 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, 2017, these investments matured in an average of 194 days.

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 the estimated acquisition value on the date contributed. Outlays for capital assets in excess of $5,000 for the Authority and RHA Properties, respectively, are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the 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	27.5-40 years
Land and site improvements (fences, sewer, roads, etc.)	10 years
Dwelling and Non-Dwelling – Furniture/Equipment	5 years
Autos/Trucks/other motor vehicles	5 years
Computer hardware and software	3 years

NOTE 3 – CAPITAL ASSETS (Continued)

A. Capital Assets Additions and Retirements

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

	Balance at June 30, 2016	Additions	Transfers	Balance at June 30, 2017
Capital assets not being depreciated:				
Land	$1,708,686			$1,708,686
Construction in progress	987,998	$232,435	($567,491)	652,942
Total capital assets not being depreciated	2,696,684	232,435	(567,491)	2,361,628
Capital assets being depreciated:				
Buildings and improvements	42,863,726		567,491	43,431,217
Furniture and Equipment	877,698			877,698
Total capital assets being depreciated	43,741,424		567,491	44,308,915
Less accumulated depreciation for:				
Buildings and improvements	24,605,271	1,484,200		26,089,471
Furniture and Equipment	666,698	138,849		805,547
Total accumulated depreciation	25,271,969	1,623,049		26,895,018
Net capital assets being depreciated	18,469,455	(1,623,049)	567,491	17,413,897
Total capital assets, net	$21,166,139	($1,390,614)		$19,775,525

Included in buildings and improvements is the Authority's Hacienda Development with a net book value of $8,510,282 at June 30, 2017 that was deemed uninhabitable in fiscal year 2013. However, the Housing Authority received approval to undertake a rehabilitation project in October 2017 and City and Housing Authority staff believe the impairment of the capital asset to be temporary and no provision for impairment has been recorded in the financial statements.

NOTE 4 – LONG TERM OBLIGATION

A. 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 and promised to pay a principal amount of $700,000, plus interest. The proceeds on this Note were then loaned from RHA Housing Corporation to the 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 Housing Corporation to RHA RAD Housing Partners, LP along with the Note receivable from the Authority. The principal 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 as of June 30, 2017 remains at $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 on the Statement of Net Position.

Invested in Capital Assets describes the portion of Net Position which is represented by the current net book value of the capital assets.

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 cannot unilaterally alter. These principally include capital projects and debt service requirements.

Unrestricted describes the portion of Net Position which is not restricted as to use.

NOTE 6 – PENSION PLANS

The Authority, an integral part of the City of Richmond (City), participates in the California Public Employees' Retirement System (CalPERS). The Authority's employees are included in a Plan 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 Plan

Plan Description – All qualified permanent, probationary and part-time employees are eligible to participate in the City's Miscellaneous Plan ("the Plan"), a cost-sharing multiple employer defined benefit pension plan administered by CalPERS. Benefit provisions under the Plan are established by State statute and City's Ordinances. 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.

NOTE 6 – PENSION PLANS (Continued)

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 Authority's employees hired on or before December 31, 2012 participate in the Miscellaneous Plan under the 2.7%@ 55 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 Authority's employees hired on or after January 1, 2013 participate under the Miscellaneous Plan 2.0%@ 62 Benefit Formula.

The Plan's provisions and benefits in effect at June 30, 2017, 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 - 55
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8.00%	6.75%
Required employer contribution rates	24.673%	24.673%

Employees Covered (1) - As of the June 30, 2015 actuarial valuation date and the June 30, 2016 measurement date, the following City employees were covered by the benefit terms for the Plan:

	Miscellaneous	
	June 30, 2015	June 30, 2016
Inactive employees or beneficiaries currently receiving benefits	883	894
Inactive employees entitled to but not yet receiving benefits	503	511
Active employees	472	469
Total	1,858	1,874

(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.

NOTE 6 – PENSION PLANS (Continued)

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, 2016, 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, 2016, the total pension liabilities were determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2015 and June 30, 2016 total pension liabilities were based on the following actuarial methods and assumptions for all benefit tiers:

	Miscellaneous (1)
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.2% -12.2% (2)
Investment Rate of Return	7.65% (3)
Mortality	Derived using CalPERS Membership Data for all Funds (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 CalPERS' specific data. The table includes 5 years of mortality using society of actuaries Scale AA. For more details on this table, please refer to the CalPERS 2010 experience study report available on CalPERS website.

All other actuarial assumptions used in the June 30, 2015 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.

Discount Rate – The discount rate used to measure the total pension liability was 7.50% 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 7.50% discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% is applied to all plans in the Public Employees.

NOTE 6 – PENSION PLANS (Continued)

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	Current Target Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0%	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	1.0%	-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.

NOTE 6 – PENSION PLANS (Continued)

C. Changes in the Net Pension Liability

The Change in the Net Pension Liability as of the June 30, 2016 Measurement Date for the Plan follows:

Miscellaneous Plan:

	Increase (Decrease)			
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)	Authority's Proportionate Share
Balance at June 30, 2015	$434,129,935	$337,542,173	$96,587,762	$5,959,465
Changes in the year:				
Service cost	7,200,571		7,200,571	(102,616)
Interest on the total pension liability	32,305,003		32,305,003	(460,381)
Differences between actual and expected experience	(3,484,064)		(3,484,064)	49,652
Changes in assumptions				
Changes in benefit terms				
Plan to plan resource movement		(4,762)	4,762	(68)
Contribution - employer		8,093,834	(8,093,834)	115,346
Contribution - employees		3,087,656	(3,087,656)	44,002
Net investment income		1,630,388	(1,630,388)	23,235
Administrative expenses		(205,714)	205,714	(2,932)
Benefit payments, including refunds of employee contributions	(23,917,069)	(23,917,069)		
Net changes	12,104,441	(11,315,667)	23,420,108	(333,762)
Balance at June 30, 2016	$446,234,376	$326,226,506	$120,007,870	$5,625,703

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	6.50%	7.50%	8.50%
Collective Plan's Net Pension Liability	$174,421,857	$120,007,870	$74,678,325
Authority's Proportion	$8,176,510	$5,625,703	$3,500,754

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

NOTE 6 – PENSION PLANS (Continued)

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

For the year ended June 30, 2017, the Authority recognized pension expense of $31,465. At June 30, 2017, 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	$8,867,763	
Differences between Expected and Actual Experience		($2,513,753)
Changes of Assumptions		(928,200)
Net Differences between Projected and Actual Earnings on Pension Plan Investments	17,926,634	
Total	$26,794,397	($3,441,953)
Authority's Proportionate Share	$1,256,064	($161,351)

The portion of 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, 2018. 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
2018	($39,777)
2019	106,089
2020	391,650
2021	221,446
2022	0
Thereafter	0

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 6, the Authority also provides postretirement health care benefits, in accordance with City ordinances, to all employees who retire from the Authority on or after attaining retirement age of 55 and who have at least ten years of service. As of June 30, 2017, 20 retirees met those eligibility requirements. During fiscal year 2017, expenses of $61,835 were recognized for post employment health care benefits costs by the Authority. Detail of the plan and funding policies may be found in the City's Comprehensive Annual Financial Report.

NOTE 8 – DEFERRED COMPENSATION PLANS

Authority 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 or Authority's property and are not subject to claims by general creditors of the City or Authority, 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, natural disasters and inverse condemnation. The Authority is covered by the City of Richmond's general liability and worker's compensation insurance. 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 as follows:

Property	Building and Personal Property Premium	Annual Premium	Deductible
Nevin Plaza (#1)	$5,012	$5,135	$25,000
Nystrom Village	17,778	18,325	25,000
Administration Office	676	676	25,000
Hacienda	17,991	20,690	5,000

The City began self-insuring its workers' compensation in 1976. In July 2009 the City joined the California Joint Powers Risk Management Authority (CJPRMA) for general liability and employment practices coverage. In April 2009 the City joined the California State Association of Counties Excess Insurance Authority (CSAC EIA) for worker's compensation insurance. The City 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.

NOTE 9 – RISK MANAGEMENT (Continued)

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	Hanvover Insurance
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	$100,000,000 inclusive of deductible	Lexington
Port Liability	$25,000 per claim	$50,000,000 inclusive of deductible	Various
Special Events Program	N/A	$1,000,000 per occurrence; $2,000,000 aggregate	Evanston Insurance
Compensation	$750,000 per claim	Statutory limit	Various
Student Volunteer	N/A	$50,000 per accident	Ace American
Pollution Liability - Policy 1	$250,000 per claim	$20,000,000 inclusive of deductible	Ace - Illinois Union
Pollution Liability - Policy 2	$75,000 per claim	$1,000,000 limit	Illinois Union
Cyber Liability	$100,000 per claim	$2,000,000 limit	Lloyds of London

CJPRMA

The CJPRMA provides coverage against the following types of loss risks under the terms of a joint-powers agreement with the City 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 is met, CJPRMA becomes responsible for payment of all claims up to the limit. During fiscal year ended June 30, 2017, the Authority participated with the City in paying premiums of $614,949 for the year ended June 30, 2017. 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.

NOTE 9 – RISK MANAGEMENT (Continued)

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 $285,828 for the year ended June 30, 2017. 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 – COMMITMENT AND CONTINGENCIES

A. Easter Hill 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, 2017 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.

NOTE 10 – COMMITMENT AND CONTINGENCIES (Continued)

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

At June 30, 2017, total debt owed to the City of Richmond by the Authority was $5,615,842 consisting of the following:

Unpaid expenses incurred and allocated by the City of Richmond to the Authority in the year 2017	$2,632,253
Unpaid expenses incurred and allocated by the City of Richmond to the Authority in prior years	1,740,675
Advances from City's Funds	
Community Development and Loan Programs	
Special Revenue Fund	174,067
Municipal Sewer Enterprise Fund	901,396
Storm Sewer Enterprise Fund	167,451
	$5,615,842

In fiscal year 2007, the former Redevelopment Agency advanced $174,067 to the 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.

In fiscal years 2007 through 2014, the City's General Fund and the Municipal Sewer and Storm Sewer Enterprise Funds made advances to the Authority for police, sewer, and other services as well as the Authority's employee payroll. The advance repayment terms were amended in April 2010 and the advance bears no interest and was payable in 135 monthly installments of $30,000 and one final installment of $22,446 on or before August 1, 2021. On June 28, 2011 the agreement was amended to make the monthly payments $50,000 for the remaining 71 payments, starting July 1, 2011, and one final installment of $36,634. However, in lieu of monthly payments, repayment may be in a lump sum on August 1, 2021. During fiscal year 2013, $6,600,000 of the advance was assumed by RHA Properties and had since been repaid. The remaining balance of the interfund advance as of June 30, 2017 was $1,068,847.

NOTE 10 – COMMITMENT AND CONTINGENCIES (Continued)

C. Housing and Urban Development – Disallowed Costs

On June 3, 2016, the Office of the Inspector General (OIG) issued a report in response to an allegation that the Authority allowed the City 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 $2.2 million 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 Authority, require the Authority to repay $2.1 million 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. The Authority contested several of the conclusions made by the OIG. Although Authority management strongly believed in its response made to OIG that the Authority's actions were proper and agreed to in advance by HUD, Authority and City staff have concluded that neither the participants in the Authority's programs or the residents of the City will be well served by continued discord with HUD distracting from program improvements. Accordingly, City, Authority and OIG staff have negotiated a settlement agreement among the City, Authority and HUD whereby the City agrees to return $2.1 million to the Authority's accounts (as opposed to returning the funds to the U.S. Treasury) and limit the use of those funds to specific categories identified by HUD. The settlement agreement was approved by City Council in March 2018 and fully executed in April 2018. The City's General Fund returned the $2.1 million to the Housing Authority during fiscal year 2018.

D. Disposition of Westridge at Hilltop Apartments

On May 24, 2013, RHA Properties entered into a Purchase & Sale Agreement (PSA) with Menlo Capital Group, LLC (the Buyer) for the disposition of Westridge at Hilltop Apartments for a price of $40 million. Upon closure of the disposition on April 15, 2014, title of all capital assets was transferred from RHA Properties to Menlo Westridge Affordable Partners, LP. The gain from the capital assets sale, after charges and costs associated with the sale, was $12,703,208. According to the sales agreement, at June 30, 2016, $2,500,000 of sales proceeds were withheld in an escrow account as a repair reserve fund held by the Buyer to be used for repairs within 18 months after closing.

The Buyer, at its sole and absolute discretion will hire third party contractors to implement such repairs. Once the repairs are complete, the Buyer is to submit third part audited and certified invoices to escrow for immediate reimbursement to the Buyer or payment to contractors for such repairs at the Buyer's option. All repairs and reimbursement of repairs from the Repair Reserve Fund Holdback are subject to the Buyer's sole and absolute discretion. RHA Properties has made demands to return the $2,500,000 based on the passage of 18 months from the closing date of the sale.

Pursuant to the Holdback Agreement, the funds held in escrow were only available to the Buyer within 18 months of closing, which had expired. Management of RHA Properties was of the opinion that they were in a very good position and could expect to collect the $2,500,000. A lawsuit was filed by the Authority/RHA Properties against the buyer of Westridge at Hilltop Apartments to release the funds and according to the Attorney acting on behalf of RHA Properties. The repair reserve fund was released to RHA Properties in August 2016.

NOTE 10 – COMMITMENT AND CONTINGENCIES (Continued)

E. RHA Properties – Status of Operations

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

F. 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 as discussed in Note 12.

NOTE 11 – DISCRETELY PRESENTED COMPONENT UNITS

A. RHA Properties

RHA Properties was formed by a joint powers agreement between the City and the Authority in 2004 for the purpose of owning and managing the operations of an affordable housing residential complex known as The Hilltop at Westridge Apartments, dedicated to the needs of elderly persons. The City and the Authority funded the acquisition of this complex through the issuance of debt. The City and Authority exercise significant financial and management control over RHA Properties and appoint members of the Board of Directors, however RHA Properties manages its own programs separate from the City or the Authority. Therefore, the financial activities of RHA Properties are discretely presented in the financial statements.

RHA Properties does not issue separate financial statements.

B. RHA Housing Corporation

RHA Housing Corporation was incorporated and registered on January 26, 2004 as a California nonprofit public benefit corporation to benefit and support the Authority 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. The City and Authority exercise significant financial and management control over RHA Housing Corporation and appoint members of the Board of Directors, however RHA Housing Corporation manages its own programs separate from the City or the Authority. Therefore, the financial activities of RHA Housing Corporation are

discretely presented in the financial statements. Separate financial statements for RHA Housing Corporation may be obtained by contacting the Richmond Housing Authority, 330 24th Street, Richmond, California 94804.

NOTE 11 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

C. *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. The City and the Authority exercise significant financial and management control over RHA RAD LLC and RHA Housing Corporation is the sole member of RHA RAD LLC, however RHA RAD LLC manages its own programs separate from the City or the Authority. Therefore, the financial activities of RHA RAD LLC are discretely presented in the financial statements. Separate financial statements for RHA RAD LLC may be obtained by contacting the Richmond Housing Authority, 330 24th Street, Richmond, California 94804.

Transfers from the Authority to 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 during the year ended June 30, 2016 as discussed in Note 12.

Separate financial statements are issued for those entities.

The most current audited statement of net position and the statement of revenues, expenses and changes in net position are as follows:

Statement of Net Position

	June 30, 2017		December 31, 2016	
	RHA Properties	RHA RAD LLC	RHA Housing Corporation	Total
Assets				
Current assets:				
Cash and cash equivalents			$27,726	$27,726
Total current assets			27,726	27,726
Other non-current assets:				
Notes receivable		$14,510,000		14,510,000
Total assets		14,510,000	27,726	14,537,726
Liability				
Accounts payable			34,138	34,138
Total liabilities			34,138	34,138
Net Position (Deficit)				
Restricted		14,510,000		14,510,000
Unrestricted			(6,412)	(6,412)
Total net position (deficit)		$14,510,000	($6,412)	$14,503,588

NOTE 11 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

Statement of Revenues, Expenses, and Changes in Net Position

	For the Year Ended June 30, 2017		For the Year Ended December 31, 2016	
	RHA Properties	RHA RAD LLC	RHA Housing Corporation	Total
Operating expenses			$173,079	$173,079
Operating income (loss)			(173,079)	(173,079)
Non-operating revenue			166,667	166,667
Changes in net position			(6,412)	(6,412)
Transfer in from Richmond Housing Authority				
Net Position, beginning of year		$14,510,000		14,510,000
Net Position (Deficit), end of the fiscal year		$14,510,000	($6,412)	$14,503,588

Statement of Cash Flows

	For the Year Ended June 30, 2017		For the Year Ended December 31, 2016	
	RHA Properties	RHA RAD LLC	RHA Housing Corporation	Total
Cash flows from operating activities				
Payments for administrative expenses			($138,941)	($138,941)
Other receipts			166,667	166,667
Net cash provided by operating activities			27,726	27,726
Cash flows from non-capital financing and related activities				
Loan repayment from others	$2,500,000			2,500,000
Loan repayment to the City	(2,500,000)			(2,500,000)
Net cash provided by non-capital financing and related activities				
Net increase in cash			27,726	27,726
Cash at beginning of year				
Cash at end of year			$27,726	$27,726

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 was converted to permanent financing on June 6, 2019.

RHA RAD Housing Partners L.P. 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 Housing Assistance Program (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.

In a transaction related to the RAD project during the fiscal year ended June 30, 2016, the Richmond Housing Authority transferred capital assets to RHA RAD LLC, which then sold the capital assets to RHA RAD Housing Partners LP with a carrying value of $14,358,255 in return for two loans receivable in the amounts of $8,891,500 and $5,618,500. These loans are to be repaid in 55 years and bear annual interest rates of 2.82%.

NOTE 13 – SUBSEQUENT EVENTS

Transfer of the Section 8 Program to Housing Authority of the County of Contra Costa

As a result of the Recovery Agreement Action Plan, established and entered into with the U.S. Department of Housing and Urban Development (HUD) and the Authority, to analyze the following options:

A. Transfer all operations to another well-managed public housing agency
- I. Dispose Public Housing operations
- II. Transfer Housing Choice Voucher (HCV) operations

B. Separate from the City of Richmond
- I. Dispose Public Housing operations
- II. Maintain HCV operations
- III. Separate and independent RHA Board of Commissioners

C. Maintain RHA as a component of the City
- I. Dispose its Public Housing operations
- II. Maintain its HCV Operations
- III. Board of Commissioners
  - a. Separate and independent
  - b. Maintain existing structure

In February 2019, after conducting research and receiving guidance from the local HUD Office, the Board of Commissioners authorized the Authority to issue a "Letter of Intent" to transfer the Housing Choice Voucher (HCV) and Project Based Voucher (PBV) Programs to the Housing Authority of the County of Contra Costa (HACCC) (a well-managed Housing Authority). The Board also directed RHA to formally ask HUD to transfer programs effective July 1, 2019. The Authority intends to maintain all of its Public Housing units along with other properties owned or managed under HOPE VI and RAD programs. The request and associated documents from the Authority and HACCC were forwarded to HUD for approval.

HUD has issued policies and guidance that authorize one housing authority (PHA) to voluntarily transfer the total budget authority and corresponding baseline units for its Housing Choice Voucher (Voucher) and Project-based Voucher (PBV) Programs to another PHA, subject to approval by HUD. On April 16, 2019, the Authority received notice of approval for the Voluntary Transfer of the HCV and PBV programs from the Authority to the Housing Authority of the County of Contra Costa and the programs were transferred effective July 1, 2019.

This Page Left Intentionally Blank

REQUIRED SUPPLEMENTARY INFORMATION

Miscellaneous Plan, a Cost Sharing-Employer Defined Benefit Pension Plan
Last 10 Years*

SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS AS OF THE MEASUREMENT DATE

Measurement Date	**6/30/2014**	**6/30/2015**	**6/30/2016**
Plan's proportion of the Net Pension Liability (Asset)	6.70%	6.17%	4.69%
Plan's Proportion Share of the Net Pension Liability (Asset)	$5,867,274	$5,959,464	$5,625,703
Authority's Share of Covered Payroll	$2,054,558	$3,130,080	$364,909
Plan's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	285.57%	190.39%	1541.67%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	79.68%	77.75%	73.11%

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 and 2016 measurement dates.

* Fiscal year 2015 was the 1st year of implementation

RICHMOND HOUSING AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

Miscellaneous Plan, a Cost-Sharing-Employer Defined Benefit Pension Plan
As of fiscal year ending June 30
Last 10 Years*
SCHEDULE OF CONTRIBUTIONS

	City of Richmond			Authority's Share		
Fiscal Year Ended June 30	**2015**	**2016**	**2017**	**2015**	**2016**	**2017**
Actuarially determined contribution	$ 7,178,549	$ 8,084,584	$ 8,867,763	$ 480,963	$ 498,819	$ 353,818
Contributions in relation to the actuarially determined contributions	(7,178,549)	(8,084,584)	(8,867,763)	(480,963)	(498,819)	(353,818)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 36,151,102	$ 36,638,889	$ 35,964,798	$ 3,130,080	$ 364,909	$ 2,640,377
Contributions as a percentage of covered payroll	19.86%	22.07%	24.66%	15.37%	136.70%	0.134002834
Notes to Schedule						
Valuation date:	6/30/2012	6/30/2013	6/30/2014	6/30/2012	6/30/2013	6/30/2014

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	23 years as of valuation date
Asset valuation method	25 year Direct Rate Smoothing
Inflation	2.75%
Payroll Growth	3.00%
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 CalPERS 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.

This Page Left Intentionally Blank