DATE: February 26, 2018

TO: Board of Commissioners

FROM: Barbara S. Kauss, Executive Director

SUBJECT: Annual Audited Financial Statements Report for the Fiscal Year Ended June 30, 2017

PREPARED BY: Linh Luong, Director of Finance

RECOMMENDATION

Staff recommends the Board of Commissioners adopt a motion accepting the Audited Financial Statements and related Reports for the fiscal year ended June 30, 2017.

BACKGROUND AND SUMMARY

Pursuant to the Uniform Guidance as codified within 2 CFR 200 (Code of Federal Regulations, Part 200). An audit of the general-purpose financial statements for the Housing Authority of the City of Riverbank (the "Authority") has been performed for the fiscal year ended June 30, 2017. The Audit was performed by Keller and Associates, LLP, Certified Public Accountants ("David J. Keller") as the Managing Partner.

The Basic Financial Statements have been prepared in accordance with General Accepted Accounting Principles (GAAP). The audit was conducted in accordance with generally accepted auditing standards (GAAS); the standards applicable to financial audits contained in Generally Accepted Government Auditing Standards (GAGAS), issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance").

The statements were prepared under the Government Accounting Standards Board (GASB) 34 model which requires specific formats and titles be used in the presentation of the financial statements. The inclusion of a Management Discussion and Analysis (MD&A) is also required by GASB 34. The staff-prepared MD&A serves as an introduction to the entity wide financial statements. The MD&A also provides the reader with an analytical overview and relevant comparisons concerning the financial data presented in the audited financial statements. Significant change and pertinent details are explained and standard financial measurements are presented to assist the reader in evaluating the data and to demonstrate the financial position of the Authority.

The lead auditor, David J. Keller has issued an "Unmodified Opinion" that the financial statements are fairly presented in conformity with GAAP. An "unmodified opinion" is issued when the auditor has not encountered any weaknesses, as to the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made by management, as well as to the fairness of the presentation of the financial statements in conformity with GAAP. As required in the Uniform Guidance of 2 CFR 200, the financial statements also included the auditor's report on the Agency's compliance with relevant laws and regulations, and its internal controls.

Noteworthy changes from 2016 by category include:

Statements of Net Position

- Total Assets increased by $6,757 (net of accumulated depreciation and dispositions) from the prior fiscal year.
- Total Deferred Outflow of Resources increased by $2,684 representing future contributions to be made to the Housing Authority's pension plan.
- Total Liabilities increased by $24,326 from the prior fiscal year.
- Total Deferred Inflow of Resources increased by $9,452 representing the smoothing future projected investment gains of $10,017, and actuarial assumptions changes of $(565), both of which are forecasted to impact the Housing Authority's pension plan in future years.
- Unrestricted net position, the part of net position that can be used to finance day-to-day operations, resulted in a decrease of $24,337 from the prior fiscal year.

Statement of Revenues, Expenses and Changes in Net Position

- Total Operating Revenue increased by $15,297 from the prior fiscal year.
- Total Operating Expense decreased by $18,241 from the prior fiscal year.
- Total Net Position decreased by $24,337 from the prior fiscal year.

The audit reports and findings contain:

- No findings.
- No instances of noncompliance that are reportable under Government Auditing Standards.
- No areas of material weakness or significant deficiencies involving internal control over financial reporting.

ATTACHMENT

The Authority's annual audit for the fiscal year ended June 30, 2017.

HOUSING AUTHORITY OF THE CITY OF RIVERBANK ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2017

(Including Auditors' Report Thereon)

HOUSING AUTHORITY OF THE CITY OF RIVERBANK
ANNUAL FINANCIAL REPORT
JUNE 30, 2017 AND 2016

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K&A
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Independent Auditors' Report

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

We have audited the accompanying statements of net position of the Housing Authority of the City of Riverbank, California (the "Housing Authority"), as of June 30, 2017 and 2016 (which collectively comprise the Housing Authority's basic financial statements as listed in the table of contents), and the related statements of revenues, expenses and changes in fund net position - proprietary fund types and cash flows for the years then ended, and the related notes to the financial statements.

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

An audit 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 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 Housing 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 Housing 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Riverbank, California, as of June 30, 2017 and 2016, and the results of its activities and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued a report dated September 12, 2017 on our consideration of the Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Report on Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic and 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 with 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.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Housing Authority of the City of Riverbank, California, taken as a whole. The accompanying Statement of Financial Data Schedules is presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Kohl & Associates LLP

Reseda, California
September 12, 2017

Management's Discussion and Analysis
Housing Authority of the City of Riverbank
June 30, 2017

This discussion and analysis of the Housing Authority of the City of Riverbank (Housing Authority) financial performance provides an overview of the Housing Authority's financial activity for the fiscal year ended June 30, 2017. Readers are encouraged to consider the information presented here in conjunction with the accompanying basic financial statements included in this report.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

- The assets and deferred outflow of resources for the Housing Authority exceeded its liabilities and deferred inflow of resources at the close of the fiscal year 2017 by $3,408,670 (net position).

- Of the net position amount $1,328,262 was considered unrestricted net position.

- Total spending for all Housing Authority programs was $623,999 for the year ended June 30, 2017. Rental income, investments and other income totaling $423,200 for the year ended June 30, 2017, were generated to cover part of total expenses, and government grants and subsidies covered the balance.

- The Housing Authority's net position decreased by $24,337 as a result of fiscal year 2017 operations.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Housing Authority's basic financial statements. The Housing Authority's basic financial statements are comprised of a statement of net position, statement of revenues, expenses, and changes in net position, statement of cash flows and notes to basic financial statements.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Housing Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required to be established by the Department of Housing and Urban Development (HUD). However, the Housing Authority establishes other funds to help it control and manage money for particular purposes or to demonstrate that it is meeting certain legal responsibilities for using grants and other monies. All funds of the Housing Authority are classified as enterprise funds in the accompanying financial statements.

Enterprise funds account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, or net position which is applicable to the Housing Authority, is an important financial indication.

The *statement of net position* presents information on the Housing Authority's assets, deferred outflow of resources, liabilities and deferred inflow of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Housing Authority is improving or deteriorating.

The *statement of revenues, expenses, and changes in fund net position* presents information showing how the Housing Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The *statement of cash flows* presents the change in the Housing Authority's cash and cash equivalents during the most recent fiscal year.

The *notes to basic financial statements* provide additional information that is essential to a full understanding of the data provided in the fund financial statements.

Financial Analysis

As we noted earlier, the Housing Authority uses funds to help it control and manage money for particular purposes. The following analysis focuses on the net position (Table 1) and the changes in net position (Table 2) of the Housing Authority as a whole. The largest portion of the Housing Authority's net position (66 percent) reflects its investment in capital assets (e.g., land, development costs, and construction in progress, structures, equipment and vehicles) net of related debt. The Housing Authority uses these capital assets to provide services to program participants; consequently, these assets are not available for future spending.

Table 1
Statement of Net Position

	2017	2016
Current Assets	$ 1,456,074	$ 1,280,039
Non-Current Assets		
Capital Assets, Net of Depreciation	2,080,408	2,249,686
Total Assets	$ 3,536,482	$ 3,529,725
Deferred Outflow of Resources	$ 7,866	$ 5,182
Total Deferred Outflow of Resources	$ 7,866	$ 5,182
Current Liabilities	$ 114,009	$ 89,683
Non-Current Liabilities	-	-
Total Liabilities	$ 114,009	$ 89,683
Deferred Inflow of Resources	$ 21,669	$ 12,217
Total Deferred Inflow of Resources	$ 21,669	$ 12,217
Net Position		
Invested in Capital Assets, Net of Related Debt	$ 2,080,408	$ 2,249,686
Unrestricted	1,328,262	1,183,321
Total Net Position	$ 3,408,670	$ 3,433,007

Management's Discussion and Analysis (continued)

The following is an explanation of the changes between fiscal years as shown in the table above:

- Total Assets increased by $6,757 (net of accumulated depreciation and dispositions) from the prior fiscal year.
- Total Deferred Outflow of Resources increased by $2,684 representing future contributions to be made to the Housing Authority's pension plan.
- Total Liabilities increased by $24,326 from the prior fiscal year.
- Total Deferred Inflow of Resources increased by $9,452 representing the smoothing future projected investment gains of $10,017, and actuarial assumptions changes of $(565), both of which are forecasted to impact the Housing Authority's pension plan in future years.
- Unrestricted net position, the part of net position that can be used to finance day-to-day operations, resulted in a decrease of $24,337 from the prior fiscal year.

Management's Discussion and Analysis (continued)

Table 2

Statement of Revenue, Expenses and Changes in Net Position

	2017	2016
Operating Revenue:		
Operating Subsidy	$ 165,383	$ 154,772
Rental Income and Other	415,061	410,375
Total Operating Revenue	580,444	565,147
Non-operating Revenue:		
Interest Income	8,139	4,618
Grant Revenue	11,079	113,326
Total Non-operating Revenue	19,218	117,944
Total Revenue	599,662	683,091
Operating Expenses:		
Administrative Services	180,124	176,469
Utilities	49,400	39,792
Maintenance	158,032	172,922
General	56,086	75,173
Depreciation Expense	180,357	177,884
Total Operating Expense	623,999	642,240
Increase (Decrease) in Net Position	(24,337)	40,851
Net Position at Beginning of Year	3,433,007	3,392,156
Total Net Position at End of Year	$ 3,408,670	$ 3,433,007

The following is an explanation of the changes between fiscal years as shown in Table 2.

- Total Operating Revenue increased by $15,297 from the prior fiscal year.
- Total Operating Expense decreased by $18,241 from the prior fiscal year.
- Total Net Position decreased by $24,337 from the prior fiscal year.

Capital Assets

The Housing Authority's investment in capital assets as of June 30, 2017 amounts to $2,080,408 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and vehicles. The net decrease in the Housing Authority's investment in capital assets for the current fiscal year was $169,278. (See Table 3 Capital Assets at Year-End).

The Capital asset events during the current fiscal year were funded by Capital Fund Grants from HUD for Rehabilitation of Conventional Housing and Low Rent Operational Income.

Table 3
Capital Assets at Year-End
(Net of Depreciation)

	2017	2016
Land	$ 315,316	$ 315,316
Buildings	5,581,835	5,510,596
Equipment	164,541	164,541
Construction in Progress	-	60,160
Subtotal	6,061,692	6,050,613
Less: Accumulated Depreciation	(3,981,284)	(3,800,927)
Net	$ 2,080,408	$ 2,249,686

Economic Factors

The Housing Authority is primarily dependent upon the Department of Housing and Urban Development (HUD) for the funding of its major housing programs. The Housing Authority budgets are approved by the Board of Commissioners and budgets for HUD-funded programs are also submitted to HUD. Other economic factors are (a) local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income and (b) inflationary pressure on utility rates, supplies, and other costs.

Requests for Information

This financial report is designed to provide citizens, taxpayers, and creditors with a general overview of the Housing Authority's finances and to show the Housing Authority's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Housing Authority's Finance Department at the Housing Authority of the County of Stanislaus, P.O. Box 581918, Modesto, CA 95358.

HOUSING AUTHORITY OF THE CITY OF RIVERBANK
STATEMENTS OF NET POSITION
PROPRIETARY FUND TYPES
JUNE 30, 2017 AND 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS	2017	2016
Cash		
Cash - unrestricted	$ 305,426	$ 137,147
Cash - tenant security	34,966	33,429
Total cash	340,392	170,576
Receivables		
Accounts receivable - tenant dwelling rents	1,307	3,559
Allowance for doubtful accounts - tenant dwelling rents	(319)	(730)
Accrued interest receivable	2,525	1,482
Total receivables	3,513	4,311
Other current assets		
Investments - Unrestricted	1,096,276	1,089,183
Prepaid Expenses and Other Assets	15,893	15,969
Total other current assets	1,112,169	1,105,152
TOTAL CURRENT ASSETS	$ 1,456,074	$ 1,280,039

The accompanying notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF RIVERBANK
STATEMENTS OF NET ASSETS (CONTINUED)
PROPRIETARY FUND TYPES
JUNE 30, 2017 AND 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES (CONTINUED)

NONCURRENT ASSETS	2017	2016
Capital assets		
Land	$ 315,316	$ 315,316
Buildings	5,581,835	5,510,596
Furniture, equipment and machinery dwellings	133,991	133,991
Furniture, equipment and machinery administration	30,550	30,550
Accumulated depreciation	(3,981,284)	(3,800,927)
Construction in progress	-	60,160
Net capital assets	2,080,408	2,249,686
TOTAL NONCURRENT ASSETS	2,080,408	2,249,686
TOTAL ASSETS	$ 3,536,482	$ 3,529,725

DEFERRED OUTFLOWS OF RESOURCES

	2017	2016
Deferred outflow of resources related to pension contributions	$ 7,866	$ 5,182
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ 7,866	$ 5,182
TOTAL ASSET AND DEFERRED OUTFLOWS OF RESOURCES	$ 3,544,348	$ 3,534,907

The accompanying notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF RIVERBANK
STATEMENTS OF NET POSITION (CONTINUED)
PROPRIETARY FUND TYPES
JUNE 30, 2017 AND 2016

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

LIABILITIES	2017	2016
Current liabilities		
Accounts payable, < 90 days	$ 44,901	$ 20,521
Tenant security deposits payable	34,966	33,429
Deferred revenue	90	1,311
Other current liabilities	34,052	34,422
Total current liabilities	114,009	89,683
TOTAL LIABILITIES	$ 114,009	$ 89,683
DEFERRED INFLOWS OF RESOURCES		
Investment gains related to the pension	$ 20,157	$ 10,140
Assumption change related to the pension	1,512	2,077
TOTAL DEFERRED INFLOWS OF RESOURCES	$ 21,669	$ 12,217
NET POSITION		
Invested in capital assets, net of related debt	$ 2,080,408	$ 2,249,686
Restricted net position	-	-
Unrestricted net position	1,328,262	1,183,321
TOTAL NET POSITION	3,408,670	3,433,007
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 3,544,348	$ 3,534,907

The accompanying notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF RIVERBANK
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Operating Revenues		
Operating subsidy	$ 165,383	$ 154,772
Rental income, net of bad debts	406,102	401,229
Miscellaneous income	8,959	9,146
Total operating revenues	580,444	565,147
Operating Expenses		
Administrative services	180,124	176,469
Utilities	49,400	39,792
Maintenance and operations	157,093	171,843
Protective services	939	1,079
Insurance expenses	22,034	20,916
General expenses	34,052	54,257
Depreciation	180,357	177,884
Total operating expenses	623,999	642,240
Net operating (loss) income	(43,555)	(77,093)
Non-operating Revenues (Expenses)		
Investment income	8,139	4,618
Total net non-operating revenues (expenses)	8,139	4,618
Net (loss) income before contributions and transfers	(35,416)	(72,475)
Contributions and transfers		
Capital grant contributions	11,079	113,326
Net income from contributions and transfers	11,079	113,326
CHANGES IN NET POSITION	(24,337)	40,851
NET POSITION AT BEGINNING OF YEAR	3,433,007	3,392,156
NET POSITION AT END OF YEAR	$ 3,408,670	$ 3,433,007

The accompanying notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF RIVERBANK
STATEMENTS OF CASH FLOWS
PROPRIETARY FUND TYPES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Cash flows from operating activities		
Tenant revenues	$ 406,900	$ 400,912
Non-tenant revenues	174,342	163,918
Operating and maintenance expenses	(412,472)	(493,520)
Net cash provided by (used in) operating activities	168,770	71,310
Cash flows from investing activities		
Net activity of investments	(7,093)	(3,934)
Interest received	8,139	4,618
Net cash provided by (used in) investing activities	1,046	684
Cash flows from capital and related financing activities		
Receipt of capital grants	11,079	113,326
Acquisition of capital assets	(71,239)	(172,778)
Construction in progress	60,160	61,214
Net cash provided by (used in) capital and related financing activities	-	1,762
Net increase (decrease) in cash and cash equivalents	169,816	73,756
Cash and cash equivalents at the beginning of the period	170,576	96,820
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 340,392	$ 170,576

The accompanying notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF RIVERBANK
STATEMENTS OF CASH FLOWS (CONTINUED)
PROPRIETARY FUND TYPES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Cash flows from operating activities		
Operating income (loss)	$ (43,555)	$ (77,093)
Adjustment to reconcile net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	180,357	163,197
Decrease (increase) in operating assets and deferred outflows of resources:		
Accounts receivables	798	(317)
Prepaid expenses	76	(12,437)
Deferred outflow of resources related to pension	(2,684)	4,260
Increase (decrease) in operating liabilities and deferred in flows of resources:		
Accounts payable	24,380	9,544
Accrued compensated absences	-	(13,060)
Other current liabilities	(370)	3,851
Deferred revenue	(1,221)	1,311
Deferred inflow of resources related to pension	9,452	(7,027)
Tenant security deposits payables	1,537	(919)
Net cash provided by (used in) operating activities	$ 168,770	$ 71,310

The accompanying notes are an integral part of the financial statements.

NOTE 1 – DEFINITION OF REPORTING ENTITY

The Housing Authority of the City of Riverbank (the "Housing Authority") was established on April 28, 1941 by a resolution of the City of Riverbank City Council. The Authority is governed by a seven member Board of Commissioners, which is appointed by the Mayor of the City of Riverbank, subject to confirmation of a majority of the members of the City Council. The members of the Board of Commissioners are appointed to either two or four year terms.

During the years ended June 30, 2017 and 2016, the Housing Authority did not exercise oversight responsibility over any other organizations. The financial statements present information for the activities of only the Housing Authority of the City of Riverbank. These financial statements do not present information of any other component unit or department of the City of Riverbank.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are presented on the basis set forth in Government Accounting Standards Board Statement 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. GASB 34 requires that the financial statements described below be presented.

Government-wide Statements

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position display information about the primary government (the "Housing Authority"). These statements include the financial activities of the overall Housing Authority. These statements distinguish between the governmental and business-type activities of the Housing Authority. Business-type activities are financed in whole or in part by fees charged to external parties. There were no governmental type activities for the Housing Authority for fiscal years 2017 and 2016.

The Statement of Revenues and Expenses portion of the Statement of Revenues, Expenses and Changes in Net Position presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Housing Authority and for each function of the Housing Authority's governmental activities (if such activities were to exist). Direct expenses are those that are specifically associated with a program or function and, are clearly identifiable to a particular function. Program revenues include grants and contributions that are restricted to the operations of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements
The fund financial statements provide information about the Housing Authority's funds. The emphasis of fund financial statements is on major individual governmental funds, which is displayed in a single column, as the Housing Authority only has an enterprise fund, which is designated accordingly as the Enterprise Fund - Housing. There are no governmental fund types for this Housing Authority.

Proprietary Fund Types
Proprietary funds use the economic resources measurement focus. The accounting objectives are a determination of net income, financial position and cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its statement of net position. Proprietary fund net position is further segregated into Invested in Capital Assets, Net of Related Debt, Restricted Net Position and Unrestricted Net Position.

Basis of accounting
The government-wide 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 related cash flows take place.

Revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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. Non-operating transactions, such as investment earnings, result from non-exchange transactions. Operating expenses for proprietary funds include the cost of sales or services, administrative expenses, and depreciation on capital assets. Expenses not meeting this definition are reported as non-operating expenses.

The Housing Authority has elected under GASB Statement 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of existing Government Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes accounting principles generally accepted in the United States of America for governmental units. The Housing Authority has elected not to follow subsequent private-sector guidance of the Financial Accounting Standards Board after November 30, 1989.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents
For purposes of the Statement of Cash Flows, the proprietary fund type considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

Capital Assets
Capital assets are valued at historical cost. Contributed general capital assets are recorded at fair market value at the time received. Interest expense incurred during the development period is capitalized.

Capital assets include all land and site improvements thereon; all dwelling and non-dwelling structures, including fixtures permanently attached thereto or installed in a fixed position; and all items of nonexpendable equipment acquired and held for the projects. It also includes items of expendable equipment paid for from funds provided for the development of the projects.

Maintenance, minor repairs and replacements are recorded as expenses; extraordinary replacements of property resulting in property betterments are charged to the property accounts.

Depreciation is charged to operations using the straight-lie method based on the estimated useful life of the related asset. The estimated useful lives of the various asset categories are as follows:

Buildings	40 years
Improvements	15 years
Equipment and vehicles	5 years

Depreciation expense for the years ended June 30, 2017 and 2016 amounted to $180,357 and $177,884, respectively.

Receivables
All Receivables are reported at their gross value except for tenants' accounts receivable, which are reduced by an allowance for doubtful accounts if such an amount is considered applicable.

Encumbrances
Encumbrance accounting is not employed by the Housing Authority.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions
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 and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Payments made after the measurement date, are reported as deferred outflows of resources - deferred contribution pension in the accompanying statement of net position – see below. Investments are reported at fair value.

Deferred Outflows of Resources
In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (as either an expense or expenditure) until that period. The Housing Authority reports deferred contributions as to its pension plan as a deferred outflow of resources in its accompanying statement of financial position. Deferred contributions for the pension plan were made during the current fiscal year but are after the measurement date of the actuarial report. These amounts will be recognized as expenses during the next measurement period, which will be reported in the June 30, 2018 financial statements.

Deferred Inflows of Resources
In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (as revenue) until that period. The Housing Authority reports actuarially projected earnings as to its pension plan investments, and any changes in its pension plan assumptions, as deferred inflows of resources in its accompanying statement of financial position. Differences between projected and actual earnings on pension plan investments are deferred and amortized over five years. Changes in pension plan assumptions are deferred and amortized over the expected remaining service lives of employees.

Estimates
The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Grant Restrictions
The Housing Authority has received grants from the U.S. Department of Housing and Urban Development to build and improve housing projects. The grants require that only individuals and families that meet various income, age and employment standards be housed or aided.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes
The Housing Authority is exempt from federal income and California franchise taxes.

Subsequent Events
Management has evaluated subsequent events through September 12, 2017, the date on which the financial statements were available to be issued and determined there were no subsequent events requiring disclosure.

NOTE 3 – CAPITAL ASSETS

Changes in Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Reclassifications	Ending Balance
Capital assets not being depreciated					
Land	$ 315,316	$ -	$ -	$ -	$ 315,316
Construction in progress	60,160	-	(60,160)	-	-
Total Capital assets not being depreciated	$ 375,476	$ -	$(60,160)	$ -	$ 315,316
Capital assets being depreciated					
Buildings	$5,510,596	$71,239	$ -	$ -	$5,581,835
Equipment and Furniture	164,541	-	-	-	164,541
Total Capital assets being depreciated	$5,675,137	$71,239	$ -	$ -	$5,746,376

NOTE 3 – CAPITAL ASSETS (Continued)

Changes in Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Reclassifications	Ending Balance
Less Accumulated Depreciation for:					
Buildings	$(3,664,225)	$(172,920)	$ -	$ -	$(3,837,145)
Equipment and Furniture	(136,702)	(7,437)	-	-	(144,139)
Total Accumulated Depreciation	(3,800,927)	(180,357)	-	-	(3,981,284)
Total Capital assets not being depreciated	$2,249,686	$(109,118)	$ (60,160)	$ -	$2,080,408

NOTE 4 – CASH AND INVESTMENTS

The Housing Authority segregates it's cash and cash equivalents into two categories: (1) Cash and (2) Investments. In adhering to the statutory basis of accounting prescribed by HUD, the Housing Authority refers to its surplus cash held in the Local Agency Investment Fund (L.A.I.F.) as "Investments". The account balance is determined by formula and essentially equal to the amount required to operate during the ensuing year. Per HUD guidelines, this balance must be segregated from the operating cash accounts. The funds deposited in the Local Agency Investment Fund are invested in accordance with Government Code Sections 16430 and 16480, the stated investment authority for the Pooled Money Investment Account. The interest rate earned on the investment as of June 30, 2017 was 0.92%. For more information regarding the L.A.I.F. fund, contact the fund directly at P.O. Box 942809, Sacramento, California 94209-0001. Cash and investments as of June 30, 2017 and 2016 were as follows:

	2017	2016
Cash and cash equivalents	$ 340,392	$ 170,576
Investments	1,096,276	1,089,183
Total cash and equivalents	$ 1,436,668	$ 1,259,759

NOTE 4 – CASH AND INVESTMENTS (Continued)

The $1,436,668 of cash and investments reflects $340,342 maintained on deposit in banks, $1,096,276 maintained on deposit with the California Local Agency Investment Fund (LAIF) and $50 in petty cash for the year ended June 30, 2017. The $1,259,759 of cash and investments reflects $170,526 maintained on deposit in banks, $1,089,183 maintained on deposit with the California Local Agency Investment Fund (LAIF) and $50 in petty cash for the year ended June 30, 2016.

Cash and cash equivalents are considered to be liquid assets for purposes of measuring cash flows.

Investments are subject to certain types of risks, including interest risks, credit risks, and foreign risks. However, since the Housing Authority has none of these types of investments these types of risks do not apply to the Housing Authority at June 30, 2017 or 2016, respectively.

NOTE 5 – DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

The fiduciary net position, as well as additions to and deductions from the fiduciary net position, of California Public Employees' Retirement System ("CalPERS") have been determined on the same basis as they are reported by CalPERS. The financial statements were prepared using the accrual basis of accounting. Member and employee contributions are recognized when due, pursuant to formal commitments and statutory requirements. Benefits and refunds of employee contributions are recognized when due and payable in accordance with the statutes governing CalPERS. Expenses are recognized when the liability is incurred, regardless of when payment is made. Investments are reported at fair value on a trade date basis. The fiduciary net position is reflected in the measurement of the Housing Authority's net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense. Please note CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions* requires that pension reported results must pertain to liability and asset information within certain defined timeframes. The pension plan actuarial report as provided by CalPERS utilizes the following timeframes:

- Valuation Date (VD) June 30, 2015
- Measurement Date (MD) June 30, 2016
- Measurement Period (MP) June 30, 2015 to June 30, 2016

NOTE 5 – DEFINED BENEFIT PENSION PLAN (Continued)

Plan Description

All permanent employees are eligible to participate in the California Public Employees' Retirement System (CalPERS), an agent multi-employer public employee retirement systems that acts as a common investment and administrative agent for participating public entities within the state of California. As of June 30, 2017, the plan had one active employee participant and one inactive employee participant. The fund provides retirement, disability, and death benefits based on the employee's years of service, age, and final compensation. Employees vest after five years of service and may receive requirement benefits at age fifty. These benefit provisions and all other requirements are established by State statute and County ordinances. Copies of the Fund's annual financial report may be obtained from CalPERS' executive office: 400 P Street, Sacramento, CA 95814.

Funding Policy

The employees have an obligation to contribute 7.0% of their annual covered salary to the fund. However, the employees' portion is paid by the Housing Authority. The Housing Authority is required to contribute the remaining amounts necessary to fund the benefits for its members, using the actuarial basis recommended by the CalPERS actuaries and actuarial consultant and adopted by the Board of Administration. The required employer contribution rate for the fiscal years ended June 30, 2017 and 2016 was 7.159% and 6.709%, respectively, of the employees' annual covered payroll. The contribution requirements of the plan members are established by State statute and the employer rate is established and may be amended by CalPERS. This difference is contribution requirements will ultimately lead to overfunding or underfunding of pension plan contributions, as they relate to the net pension liability being reported based on CalPERS actuarial assumptions. However, management believes over time the smoothing of this difference will be insignificant, and will be adjusted through the deferred outflows and inflows of resources being reported annually.

Annual Pension Cost

The Housing Authority's annual pension cost for the fund was equal to the Housing Authority's required and actual contributions, which were determined as part of the June 30, 2015, actuarial valuation using the entry age normal actuarial cost method. Significant actuarial assumptions used to compute the CalPERS pension benefit obligation include an actuarial interest rate of 7.65% per annum and projected salary increases that vary by length of service. The total increase in any future year includes an assumed 2.75% inflation rate and no across the board or merit increases. The actuarial value of the Housing Authority's assets was determined using a technique that addresses the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gains or losses. The plan's unfunded actuarial accrued liability (UAAL) (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis.

NOTE 5 – DEFINED BENEFIT PENSION PLAN (Continued)

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) 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. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2016 (the measurement date) the active employee contribution rate was 6.880 percent of annual pay, and the average employer's contribution rate was 6.709 percent of annual payroll. Employer contributions rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

Schedule of Employer Contributions

	Fiscal Year 2015-2016
Actuarially Determined Contribution[1]	$4,712
Contributions in Relation to the Actuarially Determined Contribution	(10,155)
Contribution Deficiency (Excess)	$(5,443)
Covered-Employee Payroll[2,3]	$67,091
Contributions as a Percentage of Covered-Employee Payroll[2]	15.361%

Schedule of Employer Contributions – Table Assumptions

[1] Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side fund or their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as "side funds" do not conform to the circumstances described in paragraph 120 of GASB 68, therefore are not considered separately financed specific liabilities.

NOTE 5 – DEFINED BENEFIT PENSION PLAN (Continued)

Schedule of Employer Contributions – Table Assumptions (Continued)

[2] Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

[3] Payroll from prior year ($88,167) was assumed to increase by the 3.00 percent payroll growth assumption.

Schedule of Employer Contributions – Notes to the Table
Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2015 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities. None of these liabilities have been reported by the Housing Authority in their financial statements as of June 30, 2017.

Change in Assumptions
GASB 68, paragraph 68 states that the 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 was changed from 7.50 percent (net of administrative expense in 2015) to 7.65 percent as of the June 30, 2016 measurement date to correct the adjustment, which previously reduced the discount rate for administrative expense.

NOTE 5 – DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. Both the June 30, 2015 total pension liability and the June 30, 2016 total pension liability were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table[1]	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

[1] The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was increased 7.50 percent in the prior measurement date to 7.65 percent being used currently. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent 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 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

NOTE 5 – DEFINED BENEFIT PENSION PLAN (Continued)

Discount Rate (Continued)

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.65 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.80 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan. However, employers may determine the impact at the plan level for their own financial reporting purposes.

Initial plan unfunded liabilities are amortized over a closed period equal to the average amortization period at the plan's date of entry into CalPERS Risk Pool. Subsequent plan amendments are amortized as a level of percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the risk pool are amortized over a rolling 30 year period. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

The Schedule of Funding Progress below shows the recent history of the Risk Pool's actuarial value of assets, accrued liability, their relationship, and the relationship of the unfunded liability (UL) to payroll.

Expected Rate of Return

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

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund 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.

NOTE 5 – DEFINED BENEFIT PENSION PLAN (Continued)

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

Asset Class	New Strategic Allocation	Real Return Years 1-10 [1]	Real Return Years 11+ [2]
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)

[1] An expected inflation of 2.5% used for this period
[2] An expected inflation of 3.0% used for this period

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2017, the Housing Authority recorded a liability of zero for our proportionate share of the net pension liability. The net pension liability for the plan in total was measured as of June 30, 2016 and determined by an actuarial valuation as of that date. The Housing Authority's proportionate share of the total net pension liability was based on the ratio of our actual contributions of $10,155 paid to CalPERS for the year ended June 30, 2017 relative to the actual contribution of $339,150,830 from all participating employers. At June 30, 2016, the Housing Authority's proportionate share was 0.00139%.

For the year ended June 30, 2017, the Housing Authority recognized a pension expense of $10,155, our proportionate share of the total pension expense.

NOTE 5 – DEFINED BENEFIT PENSION PLAN (Continued)

At June 30, 2017, we reported deferred outflows of resources and deferred inflows of resources from the following sources related to CalPERS pension benefits:

	Deferred Outflow of Resources	Deferred Inflows of Resources
Balance of Deferred Outflows and Inflows Due to:		
Differences between expected and actual Experience	$ 7,866	$ -
Changes of assumptions	-	(1,512)
Net difference between projected and actual earnings on pension plan investments	-	(20,157)
Total	$ 7,866	$ (21,669)

$7,866 reported as deferred outflows of resources reported as deferred contribution pension resulting from contribution subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2018. Other amounts reported as collective deferred (inflows)/outflows of resources to be recognized as a reduction to pension expense are as follows by year ending:

Year Ending June 30:	
2018	$ (5,665)
2019	(5,665)
2020	(5,152)
2021	(5,187)
2022	-
Thereafter	$ -

NOTE 5 – DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios

	6/30/2016[1]
Plan's Proportion of the Net Pension Liability (Asset)	0.00345%
Plan's Proportionate Share of the Net Pension Liability (Asset)	$4,792
Plan's Covered-Employee Payroll[2]	$4,712
Plan's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	98.33%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	46.40%
Plan's Proportionate Share of Aggregate Employer Contributions[3,4]	$10,155

[1] Historical information is required only for measurement periods for which GASB 68 is applicable.

[2] Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

[3] The plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The plan's proportionate share of aggregate contributions is based on the plan's proportion of fiduciary net position shown on line 5 of the table above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

[4] This data is not required to be displayed by GASB 68 for employers participating in cost-sharing plans, but it is being shown here because it is used in the calculation of the Plan's pension expense.

NOTE 5 – DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Discount Rate Sensitivity

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.65 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	Discount Rate -1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate +1% (8.65%)
Plan's Net Pension Liability	$149,992	$89,437	$39,442

NOTE 6 – JOINT POWERS AGREEMENTS

Workers' Compensation Insurance

The Housing Authority participates in a joint venture under a joint powers agreement (JPA) with the California Housing Workers' Compensation Authority (CHWCA). CHWCA was formed to provide workers' compensation insurance coverage for member housing authorities. At December 31, 2016 and 2015, there were 32 and 33 members each year, respectively. The relationship between the Housing Authority and CHWCA is such that CHWCA is not a component unit of the Housing Authority for financial reporting purposes.

Condensed audited financial information for the year ended December 31, 2016 and 2015, is as follows:

	2016	2015
Total assets	$ 26,789,732	$ 25,524,673
Total liabilities	(15,021,154)	(15,818,959)
Total net assets	$ 11,768,578	$ 9,705,714
Total revenues	$ 5,351,150	$ 5,118,049
Total expenses	(3,288,286)	(3,424,447)
Increase (Decrease) in net assets	$ 2,062,864	$ 1,693,602

NOTE 6 – JOINT POWERS AGREEMENTS (Continued)

Workers' Compensation Insurance (Continued)
CHWCA had $14,414,410 and $15,152,849 of unpaid claims and claim adjustment expenses outstanding at December 31, 2016 and 2015, respectively. The Housing Authority's share of year ended assets, liabilities, or net assets have not been calculated.

Property and Liability Insurance
The Housing Authority participates in a joint venture under a joint powers agreement (JPA) with the Housing Authority's Risk Retention Pool (HARRP). HARRP was formed to provide property and liability insurance coverage for member housing authorities. At December 31, 2016 and 2015, there were 86 and 87 members as to each year, respectively. The relationship between the Housing Authority and HARRP is such that HARRP is not a component unit of the Housing Authority for financial reporting purposes.

Condensed audited financial information for the year ended December 31, 2016 and 2015 is as follows:

	2016	2015
Total assets	$ 36,036,040	$ 32,284,389
Total liabilities	(10,729,511)	(9,566,890)
Minority interest	(-)	(-)
Total net assets	$ 25,306,529	$ 22,717,499

	2016	2015
Total revenues	$ 11,725,332	$ 10,720,477
Total expenses	(9,136,302)	(8,529,678)
Minority interest in income	-	-
Increase (decrease) in net assets	$ 2,589,030	$ 2,190,799

HARRP had $4,791,792 and $3,698,536 in outstanding claims liabilities outstanding at December 31, 2016 and 2015, respectively. The Housing Authority's share of year end assets, liabilities, or retained earnings has not been calculated.

NOTE 7 – COMPENSATED ABSENCES

It is the Housing Authority's policy to permit employees to accumulate earned but unused vacation leave. This leave will be used in future periods or paid to employees upon separation from the Housing Authority. Accrued vacation leave has been valued by the Housing Authority and has been recorded as a current liability of zero and zero as a non-current liability as of June 30, 2017; and zero and zero as to current and non-current obligations as of June 30, 2016, respectively.

It is the Housing Authority's policy to permit employees to accumulate earned but unused sick leave; however, the value of unused sick leave is not payable to employees upon separation from the Housing Authority.

NOTE 8 – CONTINGENT LIABILITIES

Federal Grants

The Housing Authority has received funds from various federal, state, and local grant programs. It is possible that at some future date it may be determined that the Housing Authority was not in compliance with applicable grant requirements. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Housing Authority does not expect such disallowed amounts, if any, to materially affect the financial statements.

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

To the Board of Commissioners
Housing Authority of the City of Riverbank
Riverbank, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying statements of net position of the Housing Authority of the City of Riverbank, California (the "Housing Authority), as of June 30, 2017, and the related statements of revenues, expenses and changes in fund net position - proprietary fund types and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 12, 2017.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Kelly & Associates LLP

Reseda, California
September 12, 2017

HOUSING AUTHORITY OF THE CITY OF RIVERBANK
FINANCIAL DATA
JUNE 30, 2017 AND 2016

ASSETS

Line Item #		2017 Low Rent	2016 Low Rent
	CURRENT ASSETS		
Cash			
111	Cash - unrestricted	$ 305,426	$ 137,147
114	Cash - tenant security	34,966	33,429
100	Total cash	340,392	170,576
Receivables			
126	Accounts receivable - tenant dwelling rents	1,307	3,559
126.1	Allowance for doubtful accounts - tenant dwelling rents	(319)	(730)
129	Accrued interest receivable	2,525	1,482
120	Total receivables	3,513	4,311
Other current assets			
131	Investments - Unrestricted	1,096,276	1,089,183
142	Prepaid Expenses and Other Assets	15,893	15,969
	Total other current assets	1,112,169	1,105,152
150	**TOTAL CURRENT ASSETS**	1,456,074	1,280,039
	NONCURRENT ASSETS		
Capital assets			
161	Land	315,316	315,316
162	Buildings	5,581,835	5,510,596
163	Furniture, equipment and machinery dwellings	133,991	133,991
164	Furniture, equipment and machinery administration	30,550	30,550
166	Accumulated depreciation	(3,981,284)	(3,800,927)
167	Construction in progress	-	60,160
160	Net capital assets	2,080,408	2,249,686
180	**TOTAL NONCURRENT ASSETS**	2,080,408	2,249,686
200	Deferred outflow of resources	7,866	5,182
290	**TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES**	$ 3,544,348	$ 3,534,907

The accompanying notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF RIVERBANK
FINANCIAL DATA
JUNE 30, 2017 AND 2016

LIABILITIES AND NET POSITION

Line Item #			2017 Low Rent		2016 Low Rent
	LIABILITIES				
Current liabilities					
312	Accounts payable, < 90 days	$	44,901	$	20,521
341	Tenant security deposits payable		34,966		33,429
342	Deferred revenue		90		1,311
345	Other current liabilities		34,052		34,422
310	Total current liabilities		114,009		89,683
300	**TOTAL LIABILITIES**		114,009		89,683
400	Deferred inflow of resources		21,669		12,217
	NET POSITION				
508.1	Invested in capital assets, net of related debt		2,080,408		2,249,686
511.1	Restricted net position		-		-
512.1	Unrestricted net position		1,328,262		1,183,321
513	**TOTAL NET POSITION**		3,408,670		3,433,007
600	**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION**	$	3,544,348	$	3,534,907

The accompanying notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF RIVERBANK
FINANCIAL DATA
JUNE 30, 2017 AND 2016

Line Item #		2017 Low Rent	2016 Low Rent
	REVENUES		
	Revenues		
70300	Net tenant rental revenue	$ 407,551	$ 401,364
70400	Tenant revenue - other	7,695	8,232
70500	Total tenant revenue	415,246	409,596
70600	HUD PHA operating grants	165,383	154,772
70610	Capital grants	11,079	113,326
71100	Investment income - unrestricted	8,139	4,618
71500	Other revenue	1,264	914
70000	Total revenues	601,111	683,226
	EXPENSES		
	Operating expenses		
	Administrative:		
91100	Administrative salaries	40,095	34,674
91200	Auditing fees	4,585	4,585
91300	Management fees	82,733	81,759
91310	Bookkeeping fees	7,950	7,972
91400	Advertising and marketing	99	279
91500	Employee benefit contributions - administrative	21,944	22,714
91600	Office expenses	7,551	16,383
91700	Legal expenses	10,751	4,283
91900	Other administrative expenses	4,416	3,820
91000	Total administrative	180,124	176,469
	Utilities:		
93100	Water	4,255	4,900
93200	Electricity	7,947	8,112
93300	Gas	1,943	1,746
93600	Sewer	35,255	25,034
93000	Total utilities	$ 49,400	$ 39,792

The accompanying notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF RIVERBANK
FINANCIAL DATA (CONTINUED)
JUNE 30, 2017 AND 2016

Line Item #		2017 Low Rent	2016 Low Rent
	EXPENSES (CONTINUED)		
	Operating expenses (continued)		
	Ordinary maintenance:		
94100	Ordinary maintenance and operations - labor	$ 26,996	$ 44,851
94200	Ordinary maintenance and operations - materials and other	34,407	18,341
94300	Ordinary maintenance and operations - contract costs	82,395	78,315
94500	Employee benefit contributions - ordinary maintenance and operations	13,295	30,336
94000	Total maintenance	157,093	171,843
	Protective services:		
95200	Protective services - other contract costs	939	1,079
95000	Total protective services	939	1,079
	Insurance premiums:		
96110	Property insurance	4,772	4,772
96120	Liability insurance	8,897	5,323
96130	Workers compensation insurance	8,365	10,821
96100	Total insurance premiums	22,034	20,916
	Other general expenses:		
96300	Payment in lieu of taxes	34,052	34,422
96400	Bad debts - tenants rent	1,449	135
96800	Severance expense	-	19,835
96000	Total other general expenses	35,501	54,392
96900	Total operating expenses	445,091	464,491
97000	**EXCESS OPERATING REVENUE OVER OPERATING EXPENSES**	156,020	218,735
	Other expenses:		
97400	Depreciation expense	180,357	177,884
90000	Total expenses	625,448	642,375
10000	**EXCESS (DEFICIENCY) OF OPERATING REVENUE OVER (UNDER) EXPENSES**	$ (24,337)	$ 40,851

The accompanying notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF RIVERBANK
FINANCIAL DATA
JUNE 30, 2017 AND 2016

Line Item #	MEMO ACCOUNT INFORMATION		2017 Low Rent		2016 Low Rent
10010	Operating transfer in	$	50,210	$	31,057
10020	Operating transfer out	$	(50,210)	$	(31,057)
11030	Beginning equity	$	3,433,007	$	3,392,156
11190	Unit months available		1,080		1,080
11210	Number of unit months leased		1,060		1,063
11270	Excess cash	$	1,289,977	$	1,136,477
11620	Building purchases	$	11,079	$	113,326

The accompanying notes are an integral part of the financial statements.