

**CITY OF POMONA, CALIFORNIA
HOUSING AUTHORITY**

AUDIT REPORT

JUNE 30, 2014

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INDEPENDENT AUDITORS' REPORT

To the Honorable Members of the Board of Directors
City of Pomona Housing Authority
City of Pomona, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major funds of the City of Pomona Housing Authority (Housing Authority), a component unit of the City of Pomona, California (City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



To the Honorable Members of the Board of Directors
City of Pomona Housing Authority, California

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of the Housing Authority, as of June 30, 2014, and, the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2014 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority's internal control over financial reporting and compliance.

Brea, California
December 18, 2014

CITY OF POMONA HOUSING AUTHORITY

STATEMENT OF NET POSITION
 JUNE 30, 2014

	Governmental Activities
Assets:	
Cash and investments	\$ 4,456,930
Receivables (net):	
Notes and loans	9,465,864
Interest	3,660
Prepaid costs	600,000
Due from other governments	197,912
Advances to Successor Agency	4,000,000
Land held for resale	7,005,975
Restricted assets:	
Cash	6,337,098
Capital assets, not being depreciated	3,695,344
Capital assets, net of depreciation	142,469
	<hr/>
Total Assets	35,905,252
	<hr/>
Liabilities:	
Accounts payable	25,776
Payroll payable	29,054
Accrued liabilities	97,150
Deposits payable	23,930
Noncurrent liabilities:	
Due within one year	97,000
Due in more than one year	66,726
	<hr/>
Total Liabilities	339,636
	<hr/>
Net Position:	
Net investment in capital assets	3,837,813
Restricted for:	
Urban development	31,727,803
	<hr/>
Total Net Position	\$ 35,565,616
	<hr/> <hr/>

CITY OF POMONA HOUSING AUTHORITY

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

Functions/Programs	Program Revenues			Governmental Activities Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Contributions and Grants	
Primary Government:				
Urban development	\$ 13,397,696	\$ 22,631	\$ 11,804,489	\$ -
Total Primary Government	\$ 13,397,696	\$ 22,631	\$ 11,804,489	\$ -
General Revenues:				
Interest and rentals				486,123
Miscellaneous				114,468
Extraordinary loss on dissolution of Redevelopment Agency				(144,397)
Total General Revenues, Contributions and Extraordinary items				456,194
Change in Net Position				(1,114,382)
Net Position, Beginning of Year				36,679,998
Net Position, End of Year				\$ 35,565,616

CITY OF POMONA HOUSING AUTHORITY

**BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2014**

	<u>Housing Authority</u>	<u>Housing Successor</u>	<u>Total</u>
Assets:			
Cash and investments	\$ 4,072,534	\$ 384,396	\$ 4,456,930
Receivables (net):			
Notes and loans	-	9,465,864	9,465,864
Interest	2,965	695	3,660
Prepaid costs	-	600,000	600,000
Due from other governments	197,912	-	197,912
Advances to Successor Agency	-	4,000,000	4,000,000
Land held for resale	-	7,005,975	7,005,975
Restricted assets:			
Cash	-	6,337,098	6,337,098
Total Assets	<u>\$ 4,273,411</u>	<u>\$ 27,794,028</u>	<u>\$ 32,067,439</u>
Liabilities, Deferred Inflows of Resources and Fund Balances:			
Liabilities:			
Accounts payable	\$ 23,668	\$ 2,108	\$ 25,776
Payroll payable	28,464	590	29,054
Accrued liabilities	97,150	-	97,150
Deposits payable	-	23,930	23,930
Total Liabilities	<u>149,282</u>	<u>26,628</u>	<u>175,910</u>
Deferred Inflows of Resources:			
Unavailable revenues	-	9,465,864	9,465,864
Total Deferred Inflows of Resources	<u>-</u>	<u>9,465,864</u>	<u>9,465,864</u>
Fund Balances:			
Nonspendable			
Prepaid costs	-	600,000	600,000
Land held for resale	-	7,005,975	7,005,975
Advances to Successor Agency	-	4,000,000	4,000,000
Restricted			
Urban development	4,124,129	6,695,561	10,819,690
Total Fund Balances	<u>4,124,129</u>	<u>18,301,536</u>	<u>22,425,665</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances:	<u>\$ 4,273,411</u>	<u>\$ 27,794,028</u>	<u>\$ 32,067,439</u>

CITY OF POMONA HOUSING AUTHORITY

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Fund Balances of Governmental Fund	\$ 22,425,665
Amounts reported for governmental activities in the statement of Net Position are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity	3,837,813
Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the governmental fund activity	
Compensated Absences	(163,726)
Revenues reported as unavailable revenues in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity.	<u>9,465,864</u>
Net Position of Governmental Activities	<u><u>\$ 35,565,616</u></u>

CITY OF POMONA HOUSING AUTHORITY

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2014

	<u>Housing Authority</u>	<u>Housing Successor</u>	<u>Total</u>
Revenues:			
Intergovernmental	\$ 11,804,489	\$ -	\$ 11,804,489
Charges for services	21,923	708	22,631
Interest and rentals	96,411	553,496	649,907
Miscellaneous	23,944	90,524	114,468
Total Revenues	11,946,767	644,728	12,591,495
Expenditures:			
Current:			
Urban development	12,420,357	952,327	13,372,684
Total Expenditures	12,420,357	952,327	13,372,684
Excess (Deficiency) of Revenues Over (Under) Expenditures	(473,590)	(307,599)	(781,189)
Extraordinary gain/(loss) on dissolution of Redevelopment Agency	-	(144,397)	(144,397)
Net Change in Fund Balances	(473,590)	(451,996)	(925,586)
Fund Balance, Beginning of Year	4,597,719	18,753,532	23,351,251
Fund Balance, End of Year	\$ 4,124,129	\$ 18,301,536	\$ 22,425,665

CITY OF POMONA HOUSING AUTHORITY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

Net Change in Fund Balances - Total Governmental Fund **\$ (925,586)**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

 Depreciation (29,834)

Compensated absences expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

4,822

Revenues reported as deferred revenues in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity.

(163,784)

Change in Net Position of Governmental Activities **\$ (1,114,382)**

CITY OF POMONA HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

Note 1: Summary of Significant Accounting Policies

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

Description of the Reporting Entity

The City of Pomona Housing Authority (Housing Authority) was organized in 1993 under the California Health and Safety Code. The objectives of the Housing Authority are to aid low-income families in obtaining decent, safe and sanitary housing through federal assistance programs and low/moderate income housing programs. The Housing Authority was included within the scope of the reporting entity of the City because its governing body is composed in its entirety of council members of the City.

As part of the 2011-12, State budget bill, the California Legislature enacted, and the Governor signed, companion bills AB IX 26 and AB IX 27, requiring that each redevelopment agency be dissolved unless the community that created it enacts an ordinance committing it to making certain payments. On December 29, 2011, the California Supreme Court upheld AB IX 26, invalidated AB IX 27, and extended all statutory deadlines under AB IX 26, essentially dissolving all redevelopment agencies throughout the State effective February 1, 2012. AB IX 26 provided that cities must decide whether to retain the affordable housing function of the Agency.

On January 30, 2012, the City Council of the City of Pomona adopted Resolution No. 2012-16 and designated the City of Pomona Housing Authority as the "Successor Agency" to the low and moderate income housing functions of the former Redevelopment Agency of the City of Pomona. Upon dissolution of the Agency, pursuant to Part 1.85 of Division 24 of the California Health and Safety Code, all authority, rights, powers, assets, duties and obligations previously vested with the low and moderate income housing functions of the former Agency were transferred to the City of Pomona Housing Authority as the successor agency ("Housing Successor Agency") to the low and moderate income housing functions of the Agency.

GASB Statement No. 61, *The Financial Reporting Entity – Omnibus – An Amendment of GASB Statements No. 14 and No. 34*, defines the financial reporting entity as the primary government and organizations for which the primary government is financially accountable. Financial accountability requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility for the activities of the component unit. Since members of City staff also serve as the Board of Directors of the Housing Authority, the City, in effect, has the ability to influence and control operations. In addition, the City has oversight responsibility for the Housing Authority. Accordingly, the financial statements of the Housing Authority are included in the City's Comprehensive Annual Financial Report. The Housing Authority has the same fiscal year as the City. The Comprehensive Annual Financial Report of the City can be obtained from the Finance Department of the City.

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Measurement Focus

The accounts of the Housing Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The Housing Authority's government-wide financial statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These financial statements present summaries of activities for the Housing Authority.

These financial statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance for all governmental funds. All governmental funds are accounted for using the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The Statement of Revenues, Expenditures and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

The Housing Authority reports the following two major governmental funds:

- The Housing Authority fund is to account for aid to low-income families in obtaining decent, safe and sanitary housing through federal assistance programs and low/moderate income housing programs.
- The Housing Successor fund is to account for the low and moderate income housing functions of the former Redevelopment Agency.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Unavailable revenue arises when potential revenues do not meet both the "*measurable*" and "*available*" criteria for recognition in the current period. Unearned revenue arises when the government receives resources before it has a legal claim

CITY OF POMONA HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 1: Summary of Significant Accounting Policies (Continued)

to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the unavailable revenue and unearned revenue are removed from the balance sheet and revenue is recognized.

Reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach of GASB Statement No. 34.

Cash and Investments

The Housing Authority's cash and investments consist of cash and investments pooled with the City. The Housing Authority cash balance is pooled with various other City funds for deposit and investment purposes. The share of each fund in the pooled cash is separately maintained and interest income is apportioned to the participating funds based on the relationships of their average month-end cash balances to the total of the pooled cash and investments.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Land Held for Resale

Land purchased for resale is capitalized as inventory at acquisition costs or net realizable value.

Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, improvements other than buildings, machinery and equipment, autos and trucks, equipment under capitalized lease, and infrastructure assets (e.g. roads, bridges, traffic signals, and similar items), are reported in the Government-Wide Financial Statements. The Housing Authority's policy has set the capitalization threshold for reporting capital assets at \$5,000 and capital projects at \$250,000.

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated assets are valued at their estimated fair market value on the date donated.

Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

<u>Assets</u>	<u>Years</u>
Buildings and building improvements	10-50
Improvements other than buildings	10-75
Machinery and equipment	5-100
Furniture and fixtures	5-10
Autos and trucks	5-10
Equipment under capitalized lease	5-15
Infrastructure	25-75

CITY OF POMONA HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 1: Summary of Significant Accounting Policies (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest on construction-related debt incurred during the period of construction is capitalized as a cost of the constructed assets.

Long-Term Obligations

In the Government-Wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

The Fund Financial Statements do not present long-term debt. Accordingly, long-term debt is shown as a reconciling item in the Reconciliation of the Governmental Fund Balance Sheet to the Governmental Wide Statement of Net Position.

Compensated Absences

In governmental funds, compensated absences are recorded as expenditures in the years paid, as it is the City's policy to liquidate any unpaid compensated absences at June 30 from future resources, rather than currently available financial resources.

Net Position

In the Government-Wide Financial Statements, net position are classified as follows:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position – This amount is all net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance

In the fund financial statements, government funds report the following fund balance classification:

Non-spendable Fund Balance – This includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

CITY OF POMONA HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 1: Summary of Significant Accounting Policies (Continued)

Restricted Fund Balance – This includes amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws of regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

Committed Fund Balance – This includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest authority.

Assigned Fund Balance - This includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The governing board by Resolution No. 2011-63A gave the authority to assign amounts for specific purposes to the Finance Director.

Unassigned Fund Balance – This includes the residual amounts that have not been restricted, committed, or assigned to specific purposes.

The Board of Directors, as the Authority's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by resolution. These committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use through the same type of formal action taken to establish the commitment. Board action to commit fund balance needs to occur within the fiscal reporting period; however the amount can be determined subsequently.

Fund balance flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied.

An individual governmental fund could include non-spendable resources and amounts that are restricted or unrestricted (committed, assigned, or unassigned) or any combination of those classifications. Restricted amounts are to be considered spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available and committed, assigned, then unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenditures. Actual results could differ from these estimates and assumptions. Management believes that estimates are reasonable.

CITY OF POMONA HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 2: Cash and Investments

Cash and investments consisted of the following at June 30, 2014:

Cash and investments	\$ 4,456,930
Restricted cash and investments	<u>6,337,098</u>
Total	<u>\$ 10,794,028</u>

The Housing Authority's cash is included in a City-wide cash and investments pool, the details of which are presented in the City's basic financial statements.

Deposits

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name. The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City Treasurer may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the month-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

Investments

Under the provisions of the City's investment policy, and in accordance with California Government Code, the following investments are authorized:

- Securities issued or guaranteed by the federal government or its agencies
- Bankers' acceptances that are eligible for purchase by the Federal Reserve System
- Commercial Paper, rated A-1/P-1, secured by an irrevocable line of credit or government securities
- Certificates of deposit with national and state licensed or chartered banks; federal or state savings and loan associations
- Medium-term corporate notes, rated AAA or AA
- Money market funds
- Local Agency Investment Fund (LAIF)

CITY OF POMONA HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 2: Cash and Investments (Continued)

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF) which had invested 1.86% of the pool investment funds in Structured Notes and Assets-Backed Securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market values is not readily available. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these investments are subject to market risk as to change in interest rates.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments were stated at fair value at year end.

Risk Disclosures

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy (Policy) limits investments to a maximum maturity of five years. The weighted average days to maturity of the total portfolio shall not exceed the City's anticipated liquidity needs for the next six (6) months. The City is in compliance with this provision of the Policy.

Credit Risk

The City's Policy limits investments in commercial paper to the highest grade of standalone or enhanced (prime) commercial paper as rated by Moody's Investor Service, Standard & Poor's Corporation, or Fitch Financial Services and requires that the management company of mutual funds must have attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations. As of June 30, 2014, the City's investments in external investment pools are unrated.

Custodial Credit Risk

For deposits, custodial credit risk is the risk that, in the event of the failure of a deposit financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the provision for deposits stated in the California Government Code.

CITY OF POMONA HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 2: Cash and Investments (Continued)

Concentration of Credit Risk

The City's Policy states that not more than 20% of the portfolio shall be invested in any one entity or any one instrument to protect the City from concentration of credit risk, with the following exceptions: U.S. Treasury Obligations, governmental agencies (i.e. GNMA, FFCB, FHLB, FHLMC, FNMA, etc.), and investment pools (LAIF). In addition, purchases of commercial paper from U.S. corporations must not exceed 15% of the value of the portfolio at any time and single issuer holdings to no more than 10% per issuer. The City is in compliance with these provisions of the Policy. Although the City's policy allows other forms of investments, per City Council direction, the City only invests in LAIF.

Note 3: Loans Receivable (Net)

At June 30, 2014, the Housing Authority's net loans receivable consisted of the following:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Deferred Home Improvement Loans	\$ 133,919	\$ -	\$ 10,301	\$ 123,618
Shield of Faith	4,344,431	111,450	31,054	4,424,827
MAP Loans, net	1,835,795	-	59,470	1,776,325
NIP Loans	3,315,503	68,981	243,390	3,141,094
Total	<u>\$ 9,629,648</u>	<u>\$ 180,431</u>	<u>\$ 344,215</u>	<u>\$ 9,465,864</u>

Note 4: Advances to Successor Agency

On July 24, 2009, Assembly Bill AB4-26 was passed shifting former Redevelopment Agency funds and establishing a Supplemental Educational Revenue Augmentation Fund (SERAF). It was a "budget trailer bill" that was part of the State's legislation to balance their budget. The former Redevelopment Agency of the City of Pomona's share of SERAF obligation for Fiscal Year 2009-10 was \$8,264,547 and \$1.7 million in Fiscal Year 2010-11. Health and Safety Code Section 33690(c) provides that a redevelopment agency, which makes a finding that insufficient monies are available to fund its SERAF obligation in Fiscal Years 2009-10 or 2010-11, may borrow funds from its Low and Moderate Income Housing Fund to make the full SERAF payment. On May 3, 2010, City Council authorized a loan of \$5,000,000 from the Low-Mod Fund to make the full SERAF payment. The Successor Agency's outstanding balance on the note as of June 30, 2014, is \$4,000,000.

Note 5: Land Held for Resale

Land held for resale of \$7,005,975 in the Housing Authority Fund is recorded at cost as of June 30, 2014.

CITY OF POMONA HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 6: Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Non-depreciable assets:				
Land				
Housing Authority	\$ 3,695,344	\$ -	\$ -	\$ 3,695,344
Total non-depreciable assets	<u>3,695,344</u>	<u>-</u>	<u>-</u>	<u>3,695,344</u>
Depreciable assets:				
Buildings and building improvements				
Housing Authority	31,657	-	-	31,657
Machinery and equipment				
Housing Authority	40,803	-	-	40,803
Housing Successor	177,301	-	-	177,301
Furniture and fixtures				
Housing Authority	146,052	-	-	146,052
Housing Successor	76,877	-	-	76,877
Autos and trucks				
Housing Authority	54,019	-	-	54,019
Housing Successor	47,196	-	-	47,196
Total depreciable assets	<u>573,905</u>	<u>-</u>	<u>-</u>	<u>573,905</u>
Less accumulated depreciation:				
Buildings and building improvements				
Housing Authority	1,583	1,583	-	3,166
Machinery and equipment				
Housing Authority	26,171	3,597	-	29,768
Housing Successor	162,701	2,770	-	165,471
Furniture and fixtures				
Housing Authority	63,804	14,196	-	78,000
Housing Successor	46,127	7,688	-	53,815
Autos and trucks				
Housing Authority	54,019	-	-	54,019
Housing Successor	47,197	-	-	47,197
Total accumulated depreciation	<u>401,602</u>	<u>29,834</u>	<u>-</u>	<u>431,436</u>
Total depreciable assets, net	<u>172,303</u>	<u>(29,834)</u>	<u>-</u>	<u>142,469</u>
Total capital assets	<u>\$ 3,867,647</u>	<u>\$ (29,834)</u>	<u>\$ -</u>	<u>\$ 3,837,813</u>

Depreciation expense for capital assets for the year ended June 30, 2014, was as follows:

Urban development - Housing Authority	\$ 19,376
Urban development - Housing Successor	<u>10,458</u>
	<u>\$ 29,834</u>

CITY OF POMONA HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 7: Long-Term Debt

The following is a summary of long-term debt for the year ended June 30, 2014:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014	Due Within One Year
Compensated absences	\$ 168,548	\$ 97,297	\$ 102,119	\$ 163,726	\$ 97,000

Note 8: Self-Insurance Program

The Self-Insurance Internal Service Fund is part of the City's self-insurance program for unemployment insurance, workers' compensation and general liability. The City is a member of the California State Association of Counties Excess Insurance Authority (CSAC-EIA). Through CSAC-EIA, the City has a program limit of \$25 million dollars with a self-insured retention of \$1 million for its excess liability program and workers' compensation program. Additionally, the City purchases catastrophic excess liability coverage that provides an additional \$25 million in coverage.

Note 9: Extraordinary loss on Dissolution of Redevelopment Agency

On January 30, 2012, the City Council of the City of Pomona designated the City of Pomona Housing Authority as the Successor Agency to the Redevelopment Agency Low and Moderate Income Housing functions in accordance with the California Supreme Court upheld Assembly Bill 1X 26 as part of City resolution number 2012-016. As a result, the assets of the Low and Moderate Income Housing Fund of the former Redevelopment Agency of the City of Pomona were transferred to the City of Pomona Housing Authority on February 1, 2012. In the fiscal year 2013-14, cash in the amount of \$144,397 was transferred to the Housing Successor Agency of the Former Redevelopment Agency. Accordingly, an extraordinary loss on dissolution of the Redevelopment Agency has been recognized in the amount of \$144,397.

Note 10: Commitments and Contingencies

As of June 30, 2014, in the opinion of Housing Authority management, there was no outstanding matter that would have a significant effect on the financial position of the Housing Authority.

CITY OF POMONA HOUSING AUTHORITY

**REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014**

Budgetary Information

The Housing Authority adopts an annual budget on a basis consistent with generally accepted accounting principles in the United States and utilizes an encumbrance system as a management control technique to assist in controlling expenditures and enforcing revenue provisions.

CITY OF POMONA HOUSING AUTHORITY

BUDGETARY COMPARISON SCHEDULE
 HOUSING AUTHORITY
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 4,597,719	\$ 4,597,719	\$ 4,597,719	\$ -
Resources (Inflows):				
Intergovernmental	12,621,994	12,621,994	11,804,489	(817,505)
Charges for services	30,000	30,000	21,923	(8,077)
Interest and rentals	56,978	109,278	96,411	(12,867)
Miscellaneous	12,700	12,700	23,944	11,244
Amounts Available for Appropriations	17,319,391	17,371,691	16,544,486	(827,205)
Charges to Appropriation (Outflows):				
Urban development	12,982,017	13,034,317	12,420,357	613,960
Total Charges to Appropriations	12,982,017	13,034,317	12,420,357	613,960
Budgetary Fund Balance, June 30	\$ 4,337,374	\$ 4,337,374	\$ 4,124,129	\$ (213,245)

CITY OF POMONA HOUSING AUTHORITY

BUDGETARY COMPARISON SCHEDULE
 HOUSING SUCCESSOR
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 18,753,532	\$ 18,753,532	\$ 18,753,532	\$ -
Resources (Inflows):				
Charges for services	-	-	708	708
Interest and rentals	156,000	400,302	553,496	153,194
Miscellaneous	-	-	90,524	90,524
Amounts Available for Appropriations	18,909,532	19,153,834	19,398,260	244,426
Charges to Appropriation (Outflows):				
Urban development	94,734	339,036	952,327	(613,291)
Extraordinary gain/(loss) on dissolution of the Redevelopment Agency	-	-	144,397	(144,397)
Total Charges to Appropriations	94,734	339,036	1,096,724	(757,688)
Budgetary Fund Balance, June 30	\$ 18,814,798	\$ 18,814,798	\$ 18,301,536	\$ (513,262)