

# **City of Pomona Housing Authority**

Pomona, California

## **Basic Financial Statements and Independent Auditors' Report**

*For the Year Ended June 30, 2017*





**City of Pomona Housing Authority  
For the Year Ended June 30, 2017**

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Pomona Housing Authority (the "Housing Authority"), a component unit of the City of Pomona, California (the "City"), as of and for the year ended June 30, 2017, 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.

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Housing Authority, as of June 30, 2017, 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.

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***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule on pages 39 and 43 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 the 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 21, 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, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Housing Authority's 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.

A handwritten signature in black ink that reads "The Per Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California  
December 21, 2017



**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***

***Independent Auditors' Report***

To the Board of Directors  
of the City of Pomona Housing Authority  
Pomona, 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 financial statements of the governmental activities and each major fund of the City of Pomona Housing Authority (the "Housing Authority"), a component unit of the City of Pomona, California (the "City"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements, and have issued our report thereon dated December 21, 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.

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 weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. 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 from 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*.

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To the Board of Directors  
of the City of Pomona Housing Authority  
Pomona, California  
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**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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*The PwC Group, LLP*

Santa Ana, California  
December 21, 2017

## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**City of Pomona Housing Authority**  
**Statement of Net Position**  
**June 30, 2017**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
<b>Assets:</b>	
Cash and investments	\$ 2,022,217
Receivables (net):	
Accounts	701
Interest	5,988
Prepaid costs	640
Due from other governments	269,359
Land held for resale	4,490,541
Advances to Successor Agency	4,000,000
Notes and loans receivable, net, due in more than one year	11,166,171
Other investments	600,000
Restricted cash and investments	4,667,180
Capital assets, not being depreciated	4,943,107
Capital assets, net of depreciation	67,576
<b>Total Assets</b>	<b>32,233,480</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related items	707,362
<b>Total Deferred Outflows of Resources</b>	<b>707,362</b>
<b>LIABILITIES</b>	
<b>Liabilities:</b>	
Accounts payable	88,295
Payroll payable	65,322
Accrued liabilities	152,924
Deposits payable	32,470
Compensated absences, due within one year	184,000
Noncurrent liabilities:	
Compensated absences, due in more than one year	11,501
Net pension liability	2,944,443
<b>Total Liabilities</b>	<b>3,478,955</b>
<b>Deferred Inflows of Resources:</b>	
Pension related items	13,765
<b>Total Deferred Inflows of Resources</b>	<b>13,765</b>
<b>Net Position:</b>	
Investment in capital assets	5,010,683
Restricted for:	
Urban development	24,437,439
<b>Total Net Position</b>	<b>\$ 29,448,122</b>

**City of Pomona Housing Authority**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		<b>Capital Grants and Contributions</b>	<b>Net (Expense) Revenue and Changes in Net Position</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>		<b>Governmental Activities</b>
Governmental activities:					
Urban development	\$ 14,112,303	\$ 1,896	\$ 13,154,761	\$ -	\$ (955,646)
<b>Total Governmental Activities</b>	<b>\$ 14,112,303</b>	<b>\$ 1,896</b>	<b>\$ 13,154,761</b>	<b>\$ -</b>	<b>(955,646)</b>
<b>General Revenues:</b>					
Interest and rentals					313,116
Miscellaneous					204,806
<b>Total General Revenues</b>					<b>517,922</b>
Change in Net Position					(437,724)
Net Position - Beginning of Year					29,885,846
Net Position - End of Year					<b>\$ 29,448,122</b>

**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

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**City of Pomona Housing Authority**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

	<b>Special Revenue Funds</b>		
	<b>Housing Authority</b>	<b>Housing Successor</b>	<b>Total</b>
<b>Assets</b>			
Cash and investments	\$ 1,292,006	\$ 730,211	\$ 2,022,217
Receivables (net):			
Accounts receivable	-	701	701
Notes and loans	-	11,166,171	11,166,171
Interest	3,294	2,694	5,988
Prepaid items	640	-	640
Due from other governments	269,359	-	269,359
Advances to Successor Agency	-	4,000,000	4,000,000
Land held for resale	-	4,490,541	4,490,541
Other investments	-	600,000	600,000
Restricted assets:			
Cash and investments	10,100	4,657,080	4,667,180
<b>Total Assets</b>	<b>\$ 1,575,399</b>	<b>\$ 25,647,398</b>	<b>\$ 27,222,797</b>
<b>Liabilities, Deferred Inflow of Resources, and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 53,878	\$ 34,417	\$ 88,295
Payroll payable	54,901	10,421	65,322
Accrued liabilities	152,924	-	152,924
Deposits payable	6,800	25,670	32,470
<b>Total Liabilities</b>	<b>268,503</b>	<b>70,508</b>	<b>339,011</b>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenues	-	1,329,644	1,329,644
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>1,329,644</b>	<b>1,329,644</b>
<b>Fund Balances:</b>			
<b>Nonspendable</b>			
Prepaid items	640	-	640
<b>Restricted</b>			
Urban Development	1,306,256	24,247,246	25,553,502
<b>Total Fund Balances</b>	<b>1,306,896</b>	<b>24,247,246</b>	<b>25,554,142</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 1,575,399</b>	<b>\$ 25,647,398</b>	<b>\$ 27,222,797</b>

**City of Pomona Housing Authority**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Position**  
**June 30, 2017**

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**Total Fund Balances - Total Governmental Funds** \$ 25,554,142

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. Therefore, they are not reported in governmental funds. Those assets consist of amount reported in government-wide statement of position:

Nondepreciable assets	\$ 4,943,107	
Depreciable assets	67,576	5,010,683

Compensated absences and net pension liability that have not been included in the governmental fund activity:

Compensated absences	(195,501)	
Net pension liability	(2,944,443)	(3,139,944)

Deferred outflows related to pension related items are not included in the governmental fund activity.

707,362

Deferred inflows related to pension related items are not included in the governmental fund activity.

(13,765)

Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.

1,329,644

**Net position of governmental activities** **\$ 29,448,122**

**City of Pomona Housing Authority**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2017**

	<u>Special Revenue Funds</u>		
	<u>Housing Authority</u>	<u>Housing Successor</u>	<u>Total</u>
<b>REVENUES:</b>			
Intergovernmental	\$ 13,154,761	\$ -	\$ 13,154,761
Charges for services	-	1,896	1,896
Interest and rentals	115,007	196,231	311,238
Miscellaneous	25,974	178,832	204,806
<b>Total Revenues</b>	<u>13,295,742</u>	<u>376,959</u>	<u>13,672,701</u>
<b>EXPENDITURES:</b>			
Current:			
Urban development	13,396,145	586,274	13,982,419
Capital outlay	-	1,730,217	1,730,217
<b>Total Expenditures</b>	<u>13,396,145</u>	<u>2,316,491</u>	<u>15,712,636</u>
<b>(Deficiency) of Revenues Under Expenditures</b>	<u>(100,403)</u>	<u>(1,939,532)</u>	<u>(2,039,935)</u>
Net Change in Fund Balances	(100,403)	(1,939,532)	(2,039,935)
<b>FUND BALANCES:</b>			
Beginning of year	1,407,299	26,186,778	27,594,077
End of Year	<u>\$ 1,306,896</u>	<u>\$ 24,247,246</u>	<u>\$ 25,554,142</u>

**City of Pomona Housing Authority**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances to the Government-Wide Statement of Activities**  
**For the Year Ended June 30, 2017**

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**Net change in fund balances - total governmental funds:** \$ (2,039,935)

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 cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital Outlay	1,730,217
Depreciation	(31,451)

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.	(7,550)
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Pension expenses is an expenditure in the governmental funds, but reduce the Net Pension Liability in the statement of net position, net of pension contribution made after measurement date in the amount of \$229,743.	(90,883)
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Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.	1,878
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<b>Change in net position of governmental activities</b>	<b>\$ (437,724)</b>
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**City of Pomona Housing Authority**  
**Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2017**

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**Note 1 – Summary of Significant Accounting Policies**

The financial statements of the City of Pomona Housing Authority (the “Housing Authority”), a component unit of the City of Pomona, California (the “City”), have been prepared in accordance with accounting principals generally accepted in the United States of America (“U.S. 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 Housing Authority’s significant accounting policies are described below.

**A. Description of the Reporting Entity**

The City of Pomona Housing Authority (the “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 redevelopment 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 (the “Agency”). 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 (the “Housing Successor Agency”) to the low and moderate income housing functions of the Agency.

U.S GAAP 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 Council 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.

**City of Pomona Housing Authority**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***B. 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.

***C. Government-Wide Financial Statements***

The Housing Authority's government-wide financial statements include a Statement of Net Position and a Statement of Activities. 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.

***D. Governmental Fund Financial Statements***

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all governmental funds. All governmental funds are accounted for using the "*current financial resources*" measurement focus and 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 Special Revenue 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 Special Revenue fund is to account for the low and moderate income housing functions of the former Redevelopment Agency.

**City of Pomona Housing Authority**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***D. Governmental Fund Financial Statements (Continued)***

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 reported when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. Expenditures are reported 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 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.

***E. 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 quarter-end cash balances to the total of the pooled cash and investments.

***F. 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.

***G. Land Held for Resale***

Land purchased for resale is reported at the lower of acquisition costs or net realizable value.

**City of Pomona Housing Authority**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**H. 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:

Assets	Years
Structures and improvements	10-50
Improvements other than buildings	10-75
Equipment	5-100
Furniture and fixtures	5-10
Autos and trucks	5-10
Equipment under capitalized lease	5-15
Infrastructure	25-75

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.

**I. Deferred Outflows/Inflows of Resources**

The Statement of Net Position and Balance Sheet reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

**Deferred Outflows of Resources** represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

**Deferred Inflows of Resources** represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as a revenue until that time.

**J. Long-Term Liabilities**

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

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

**City of Pomona Housing Authority**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**K. *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.

**L. *Pension***

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

The following timeframes are used for pension reporting:

<u>CalPERS</u>	
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Measurement Period	July 1, 2015 to June 30, 2016

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and inflows of sources related to pensions and are to be recognized in further pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over five years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

**M. *Net Position***

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

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

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

When expenses are incurred for purposes for which both restricted and unrestricted net position are available, the Housing Authority's policy is to apply restricted net position first, then unrestricted net position as they are needed.

**City of Pomona Housing Authority**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***N. Fund Balance***

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

**Nonspendable** – This includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

**Restricted** – 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** – This includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest authority. 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.

**Assigned** – 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** – This includes the residual amounts that have not been restricted, committed, or assigned to specific purposes.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Housing Authority’s policy is to apply restricted fund balance first. Further, when the components of unrestricted fund balance can be used for the same purpose, the Housing Authority uses unrestricted resources in the following order: committed, assigned, and unassigned.

***O. Use of Estimates***

The preparation of basic financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ.

***P. Implementation of New GASB Pronouncements***

GASB Statement No. 82, *Pension Issues*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement did not have a significant impact on the Housing Authority’s financial statements for the year ended June 30, 2017.

**City of Pomona Housing Authority**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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**Note 2 – Cash and Investments**

The following is a summary of cash and investment at June 30, 2017:

Unrestricted assets:	
Cash and investments	\$ 2,022,217
Restricted assets:	
Cash	502,432
Investment with fiscal agent	4,164,748
<b>Total cash and investments</b>	<b>\$ 6,689,397</b>

Cash and investments consisted of the following at June 30, 2017:

Cash:	
Demand deposit	\$ 31,973
Pooled cash with the City of Pomona	2,492,676
Investments:	
Money market funds	4,164,748
<b>Total cash and investments</b>	<b>\$ 6,689,397</b>

**A. Deposits**

Cash is deposited in the City’s internal investment pool, which is reported at net asset value. The Housing Authority does not own specifically identifiable securities in the City’s pool. Interest income is allocated based on average cash balances. Investment policies and associated risk factors applicable to the Housing Authority are those of the City and are included in the City’s basic financial statements.

**B. Investment Authorized by Debt Agreement**

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City’s investment policy. Investments authorized for funds held by bond trustee include, Federal Securities, Federal Agency Securities, U.S. Government Sponsored Enterprise Securities, Money Market Funds, Certificate of Deposit Collateralized by Federal or Federal Agency Securities or Fully Insured by Federal Deposit Insurance Corporation, Investment Agreements, Commercial Paper, Bonds or Notes used by any state or municipality, federal funds or bankers acceptances with maximum term of one year, repurchase agreements, pre-refunded municipal bonds rated “Aaa”, Local Agency Investment Fund of the State of California, and any other investments permitted in writing by the Insurer. There were no limitations on the maximum amount that can be invested in one issuer, maximum percentage allowed or the maximum maturity of an investment, except noted otherwise.

**City of Pomona Housing Authority**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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**Note 2 – Cash and Investments (Continued)**

**C. 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 limits investments to a maximum maturity of five years. As of June 30, 2017, the Housing Authority’s investments in money market funds has a maturity of less than one year.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2017, the Housing Authority’s investments in money market funds were rated AAA by Standards & Poors.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Housing Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Housing Authority’s investments in money market funds are held by fiscal agent.

**Note 3 – Notes and Loans Receivable**

The summary of changes in the Housing Authority’s loans receivable for the year ended June 30, 2017 was as following:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Allowance	Loans Receivable Net
Deferred Home Improvement Loans	\$ 103,017	\$ -	\$ (10,302)	\$ 92,715	\$ -	\$ 92,715
Shield of Faith	4,562,468	55,343	-	4,617,811	-	4,617,811
First Time Home Buyer Programs	1,702,059	-	(16,175)	1,685,884	(11,009)	1,674,874
Holt Ave. Housing Partners LP Loans	1,925,142	-	-	1,925,142	-	1,925,142
Neighborhood in Progress Home Improvement Loans	2,887,784	56,601	(88,756)	2,855,629	-	2,855,629
<b>Total loan receivables</b>	<b>\$ 11,180,470</b>	<b>\$ 111,944</b>	<b>\$ (115,233)</b>	<b>\$ 11,177,181</b>	<b>\$ (11,009)</b>	<b>\$ 11,166,171</b>

**A. Deferred Home Improvement Loans**

The Housing Improvement loans funds for Health & Safety Repairs and Exterior Home Improvements. During the term of the loan, a portion of the loan shall be forgiven each full year provided that the owner is in good standing and complies with all of the covenants, conditions, and restrictions. The principal outstanding balance at June 30, 2017 was \$92,715.

**City of Pomona Housing Authority**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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**Note 3 – Notes and Loans Receivable (Continued)**

***B. Shield of Faith***

The loan between the City and Shield of Faith Economic Development Corporation was for a development project where Shield of Faith purchased properties and developed them for Low and Moderate income persons and families. The principal balance of the loan amounts to \$3,715,000 with simple annual 3% interest rate, for a total of \$4,617,811. The loan matures 55 years from the Certificate of Occupancy date maturing on August 28, 2063.

***C. First Time Home Buyer Program***

The Program is a second silent mortgage loan program designed to assist qualified low-income individuals with the purchase of their first home. Program assistance is limited to \$500,000 (inclusive of applicable program fees) or the lesser amount (with zero percent interest) necessary to provide the “gap” assistance required to meet the Program’s front-end ratio requirements of 25% to 35%, whichever is lower. The outstanding balance, net of allowance, at June 30, 2017 was \$1,674,874.

***D. Holt Ave. Housing Partners LP Loans***

The loan between the City of Pomona and Holt Avenue Housing Partners LP was to acquire property and construct a residential housing project consisting of 62 residential units that qualify for low income persons and families. The principal amount of the loan was \$1,900,000 with simple interest at the rate of 1% per annum. All principal and interest shall be due in full on the date that is fifty years from the date of recordation of the certificate of completion. The outstanding balance at June 30, 2017 was \$1,925,142.

***E. Neighborhood in Progress Home Improvement Loans***

The Substantial Rehabilitation Loan Program is a deferred loan up to \$60,000 and bears a 2% to 4% interest rate depending on funding and income. Repayment of the loan is due at the time of title change, resale, refinance with cash out, or non-compliance with the program requirements. (Depending on funding source, some loans must be repaid at the end of thirty (30) years from the date of execution of the loan documents). These loans are not a conventional equity loan or equity line of credit. Funding must be used to correct code violations or deferred maintenance which may cause code violations in the near future. The outstanding balance as of June 30, 2017 is \$2,855,629.

**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 Agency 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 dissolution of the Agency transferred the advances to the Housing Successor Special Revenue Fund. The outstanding balance on the advances as of June 30, 2017 was \$4,000,000.

**City of Pomona Housing Authority**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

**Note 5 – Land Held for Resale**

Land held for resale in the amount of \$4,490,541 reported in the Housing Authority Special Revenue Fund is reported at cost as of June 30, 2017.

**Note 6 – Capital Assets**

The summary of change in capital asset for the year ended June 30, 2017 was as follows:

	Balance July 1, 2016	Additions	Deletions	Reclassification	Balance June 30, 2017
<b>Capital assets, not being depreciated:</b>					
Land					
Housing Authority	\$ 3,212,890	\$ -	\$ -	\$ -	\$ 3,212,890
Construction in Progress					
Housing Successor	-	1,730,217	-	-	1,730,217
<b>Total capital assets, not being depreciated</b>	<b>3,212,890</b>	<b>1,730,217</b>	<b>-</b>	<b>-</b>	<b>4,943,107</b>
<b>Capital assets, being depreciated:</b>					
Structures and improvements					
Housing Authority	31,657	-	-	-	31,657
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	72,201	-	(18,572)	-	53,629
Housing Successor	47,196	-	-	-	47,196
<b>Total capital assets, being depreciated</b>	<b>592,087</b>	<b>-</b>	<b>(18,572)</b>	<b>-</b>	<b>573,515</b>
<b>Less accumulated depreciation for:</b>					
Structures and improvements					
Housing Authority	(6,331)	(1,582)	-	-	(7,913)
Equipment					
Housing Authority	(35,286)	(2,759)	-	-	(38,045)
Housing Successor	(171,014)	(2,773)	-	-	(173,787)
Furniture and fixtures					
Housing Authority	(106,390)	(13,017)	-	-	(119,407)
Housing Successor	(69,188)	(7,685)	-	-	(76,873)
Autos and trucks					
Housing Authority	(57,655)	(3,635)	18,572	-	(42,718)
Housing Successor	(47,196)	-	-	-	(47,196)
<b>Total accumulated depreciation</b>	<b>(493,060)</b>	<b>(31,451)</b>	<b>18,572</b>	<b>-</b>	<b>(505,939)</b>
<b>Total capital assets, being depreciated, net</b>	<b>99,027</b>	<b>(31,451)</b>	<b>-</b>	<b>-</b>	<b>67,576</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 3,311,917</b>	<b>\$ 1,698,766</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,010,683</b>

Depreciation expense for capital assets for the year ended June 30, 2017, was as follows:

Urban development - Housing Authority	\$ 20,993
Urban development - Housing Successor	10,458
<b>Total depreciation expense - governmental activities</b>	<b>\$ 31,451</b>

**City of Pomona Housing Authority**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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**Note 7 – Compensated Absences**

The summary of changes in compensated absences for the year ended June 30, 2017 was as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Due within One Year	Due in More Than One Year
Compensated absences	\$ 187,951	\$ 183,745	\$ (176,195)	\$ 195,501	\$ 184,000	\$ 11,501

**Note 8 – Net Pension Liabilities**

**A. General Information about the Pension Plan**

Plan Description

The Housing Authority participates in the City of Pomona’s miscellaneous plan, an agent multiple-employer defined benefit pension plan for miscellaneous employees. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2015 Annual Actuarial Valuation Report. This report and CalPERS’ audited financial statements are publicly available reports that can be obtained at CalPERS’ website under Forms and Publications.

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A classic CalPERS member or PEPRA Safety member becomes eligible for service retirement upon attainment of age 50 with at least 5 years of credited service. PEPRA miscellaneous members become eligible for service retirement upon attainment of age 52 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member’s highest 36 or 12 consecutive months’ full-time equivalent monthly pay. Retirement benefits for classic miscellaneous employees are calculated as 2% of average final 12 months compensation. Retirement benefit for PEPRA miscellaneous employees are calculated as 2% of the average final 36 months compensation. Retirement benefits for classic safety employees are calculated as 3% of the average final 12 months compensation. Retirement benefits for PEPRA safety employees are calculated as 2.7% of average final 36 months.

Participant is eligible for non-industrial disability retirement if the participant becomes disabled and has at least 5 years credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8 percent of final compensation, multiplied by service.

Industrial disability benefits are not offered to miscellaneous employees. The City provides industrial disability retirement benefit to safety employees. The industrial disability retirement benefit is a monthly allowance equal to 50 percent of final compensation.

**City of Pomona Housing Authority**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

**Note 8 – Net Pension Obligations (Continued)**

**A. General Information about the Pension Plan (Continued)**

Benefits Provided (Continued)

An employee's beneficiary may receive the basic death benefit if the employee becomes deceased while actively employed. The employee must be actively employed with the City to be eligible for this benefit. An employee's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death. Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2 percent.

	Tier 1 *	Tier 2 *	PEPRA
	Prior to August 14, 2011	On or after August 14, 2011 but prior to January 1, 2013	On or after January 1, 2013
Hire date			
Benefit formula	2.0% @55	2.0% @60	2.0% @62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	minimum 50 yrs	minimum 50 yrs	minimum 50 yrs
Monthly benefits, as a % of eligible compensation	1.426% - 2.418%, 50 yrs - 63+ yrs, respectively	1.092% - 2.418%, 50 yrs - 63+ yrs, respectively	1.000% - 2.500%, 52 yrs - 67+ yrs, respectively
Required employee contribution rates	7.000%	7.000%	7.000%
Required employer contribution rates:			
Measurement period 15-16	19.749%	19.749%	19.749%
Fiscal year 16-17	21.586%	21.586%	21.586%

\* Plan closed to new entrants

Employees Covered by Benefit Terms

Please refer to the City's Comprehensive Annual Financial Report for numbers of employees covered by benefit terms at June 30, 2015 valuation date.

**City of Pomona Housing Authority**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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**Note 8 – Net Pension Obligations (Continued)**

**A. General Information about the 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 CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2017, the Housing Authority’s employer contributions were in the amount of \$229,743.

**B. Net Pension Liability**

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For measurement period ended June 30, 2016, the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2015 valuation was rolled forward to determine the June 30, 2016 total pension liability, based on following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS’ Membership Data for all Funds. 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.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

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 period from 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.

**City of Pomona Housing Authority**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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**Note 8 – Net Pension Obligations (Continued)**

**B. Net Pension Liability (Continued)**

Change of Assumptions

There were no changes in assumption during the measurement period.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. 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 of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund (“PERF”). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. 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.

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, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the PERF’s asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C fund), 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 PERF 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 equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

**City of Pomona Housing Authority**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

**Note 8 – Net Pension Obligations (Continued)**

**B. Net Pension Liability (Continued)**

Discount Rate (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. The target allocation shown was adopted by the Board effective on July 1, 2015.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 <sup>1</sup>	Real Return Years 11+ <sup>2</sup>
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
	<u>100.00%</u>		

<sup>1</sup> An expected inflation of 2.5% used

<sup>2</sup> An expected inflation of 3.0% used

**C. Changes in the Net Pension Liability**

Proportionate Share of Net Pension Liability

The Housing Authority proportionate share of net pension liability of the City's miscellaneous plan is determined by the City's CalPERS fiscal year 2016-2017 contribution made by the Housing Authority over the total miscellaneous plan contribution. The following table shows the Housing Authority's proportionate share of the City's miscellaneous plan net pension liability over the measurement periods ended June 30, 2016.

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability/(Asset)</b>
	<b>(a)</b>	<b>(b)</b>	<b>(c) = (a) - (b)</b>
Balance at June 30, 2015 (Valuation Date)	\$ 10,742,578	\$ 8,598,887	\$ 2,143,691
Balance at June 30, 2016 (Measurement Date)	11,729,228	8,784,785	2,944,443
Net Changes during 2015-2016	<u>\$ 986,650</u>	<u>\$ 185,898</u>	<u>\$ 800,752</u>

The Housing Authority's proportionate shares of the net pension liabilities are as follows:

June 30, 2015	4.21%
June 30, 2016	<u>4.45%</u>
Change - Increase (Decrease)	<u>0.24%</u>

**City of Pomona Housing Authority**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

**Note 8 – Net Pension Obligations (Continued)**

**C. Changes in the Net Pension Liability (Continued)**

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Housing Authority’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the Housing Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	<b>Plan's Net Pension Liability/(Asset)</b>		
	<b>Discount Rate - 1%</b>	<b>Current Discount</b>	<b>Discount Rate + 1%</b>
	<b>(6.65%)</b>	<b>Rate (7.65%)</b>	<b>(8.65%)</b>
Measurement Date June 30, 2016	\$ 4,449,242	\$ 2,944,443	\$ 1,699,294

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the City of Pomona Miscellaneous Plan GASB 68 Accounting Valuation Report.

**D. Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions**

For the measurement period ended June 30, 2016, the Housing Authority incurred a pension expense of \$320,626.

As of measurement date of June 30, 2016, the Housing Authority reported deferred outflows and deferred inflows of resources related to pensions as follows:

	<b>Deferred outflows of Resources</b>	<b>Deferred inflows of Resources</b>
Contribution made after the measurement date	\$ 229,743	\$ -
Changes of assumptions	-	9,381
Difference between expected and actual experience	-	4,384
Net difference between projected and actual earning on pension plan investments	477,619	-
Total	\$ 707,362	\$ 13,765

The amounts above are net of deferred outflows and inflows of resources recognized in the 2015-2016 measurement period expense.

The expected average remaining service lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired). The EARSL for the miscellaneous plan for the 2015-16 measurement period is 2.0 years, which were obtained by dividing the total service years of 3,497 (the sum of remaining service lifetimes of the active employees) by 1,718 (the total number of participants: active, inactive, and retired).

**City of Pomona Housing Authority**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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**Note 8 – Net Pension Obligations (Continued)**

***D. Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions (Continued)***

\$229,743 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30,	<b>Deferred Outflows/(Inflows) of Resources Miscellaneous Plan</b>
2017	\$ 50,049
2018	63,814
2019	223,778
2020	126,213
2021	-
Thereafter	-
	\$ 463,854

***E. CalPERS Discount Rate***

On December 16, 2016, the CalPERS Board of Administration (the “Board”) approved lowering the CalPERS discount rate assumption, the long-term rate of return, from 7.50 percent over the next three years. This will increase the Housing Authority’s employer contribution costs beginning in fiscal year 2018-19. The phase in of the discount rate change approved by the Board for the next three fiscal years is as follows:

<u>Valuation Date</u>	<u>Required Contribution Rate</u>	<u>Discount Rate</u>
June 30, 2016	2018-19	7.375%
June 30, 2017	2019-20	7.250%
June 30, 2018	2020-21	7.000%

Lowering the discount rate means plans will see increases in both normal costs, the cost of pension benefits accruing in one year for active members and the accrued liabilities. These increases will result in higher required employer contribution. The actual impact cannot be determined but the required employer contribution is expected to be significant higher as well as the net pension liabilities.

**City of Pomona Housing Authority**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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**Note 9 – 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 10 – Commitments and Contingencies**

As of June 30, 2017, 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.

**Note 11 – Excess of Expenditures Over Appropriations**

For the year ended June 30, 2017, the following funds had expenditures over appropriations:

	Appropriation	Expenditures	Expenditures Over Appropriation
<b>Housing Authority Special Revenue Fund:</b>			
Urban development	\$ 12,893,583	\$ 13,396,145	\$ (502,562)

**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

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**City of Pomona Housing Authority**  
**Required Supplementary Information (Unaudited)**  
**Budgetary Comparison Schedule - Housing Authority Special Revenue Fund**  
**For the Year Ended June 30, 2017**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$ 12,351,106	\$ 12,351,106	\$ 13,154,761	\$ 803,655
Interest and rentals	125,152	175,152	115,007	(60,145)
Miscellaneous	10,000	10,000	25,974	15,974
<b>Total revenues</b>	<u>12,486,258</u>	<u>12,536,258</u>	<u>13,295,742</u>	<u>759,484</u>
<b>EXPENDITURES:</b>				
Urban development	<u>12,825,311</u>	<u>12,893,583</u>	<u>13,396,145</u>	<u>(502,562)</u>
<b>Total expenditures</b>	<u>12,825,311</u>	<u>12,893,583</u>	<u>13,396,145</u>	<u>(502,562)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(339,053)</u>	<u>(357,325)</u>	<u>(100,403)</u>	<u>256,922</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (339,053)</u>	<u>\$ (357,325)</u>	<u>(100,403)</u>	<u>\$ 256,922</u>
<b>FUND BALANCE:</b>				
Beginning of Year			<u>1,407,299</u>	
End of Year			<u>\$ 1,306,896</u>	

**City of Pomona Housing Authority**  
**Required Supplementary Information (Unaudited)**  
**Budgetary Comparison Schedule - Housing Successor Special Revenue Fund**  
**For the Year Ended June 30, 2017**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Charges for services	\$ -	\$ 200,000	\$ 1,896	\$ (198,104)
Interest and rentals	395,871	395,871	196,231	(199,640)
Miscellaneous	-	-	178,832	178,832
<b>Total revenues</b>	<u>395,871</u>	<u>595,871</u>	<u>376,959</u>	<u>(218,912)</u>
<b>EXPENDITURES:</b>				
Current:				
Urban development	591,424	872,856	586,274	286,582
Capital outlay	-	5,740,000	1,730,217	4,009,783
<b>Total expenditures</b>	<u>591,424</u>	<u>6,612,856</u>	<u>2,316,491</u>	<u>4,296,365</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(195,553)</u>	<u>(6,016,985)</u>	<u>(1,939,532)</u>	<u>4,077,453</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (195,553)</u>	<u>\$ (6,016,985)</u>	<u>(1,939,532)</u>	<u>\$ 4,077,453</u>
<b>FUND BALANCE:</b>				
Beginning of Year			<u>26,186,778</u>	
End of Year			<u>\$ 24,247,246</u>	

**City of Pomona Housing Authority**  
**Required Supplementary Information (Unaudited)**  
**Notes to the Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2017**

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**Budget and Budgetary Accounting**

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**  
**Required Supplementary Information (Unaudited)**  
**Schedule of Proportionate Share of Net Pension Liability and Related Ratios**  
**For the Year Ended June 30, 2017**

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**Last Ten Fiscal Years**

**California Public Employees' Retirement System**

Measurement period	June 30, 2016	June 30, 2015	June 30, 2014
Housing Authority's Proportion of the Net Pension Liability	4.4500%	4.2100%	4.1623%
Housing Authority's Proportionate Share of the Net Pension Liability	\$ 2,944,443	\$ 2,143,691	\$ 1,950,343
Housing Authority's Covered Payroll	\$ 1,220,184	\$ 1,029,336	\$ 909,195
Housing Authority's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	241.31%	208.26%	214.51%
Housing Authority's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	74.90%	80.06%	81.02%

<sup>1</sup> Historical information is presented only for measurement periods for which GASB 68 is applicable. Additional years of information will be presented as it becomes available.

**Notes to Schedule:**

Change in Benefit Terms: There were no changes in benefit terms.

Changes of Assumptions: There were no changes of assumptions.

**City of Pomona Housing Authority**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Schedule of Contributions**  
**For the Year Ended June 30, 2017**

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**Last Ten Fiscal Years**

**California Public Employees' Retirement System**

	2016-2017	2015-2016	2014-2015
Actuarially determined contribution	\$ 229,743	\$ 209,422	\$ 158,304
Contributions in relation to the actuarially determined contribution	(229,743)	(209,422)	(158,304)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 1,209,304	\$ 1,220,184	\$ 1,029,336
Contributions as a percentage of covered payroll	19.00%	17.16%	15.38%

<sup>1</sup> Historical information is presented only for measurement periods for which GASB 68 is applicable. Additional years of information will be presented as it becomes available.

<sup>2</sup> Payroll from prior year \$1,029,336 was assumed to increase by 3.00 percent payroll growth assumption.

**Notes to Schedule:**

Change in Benefit Terms: There were no changes in benefit terms.

Change of Assumptions: There were not changes of assumptions.

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