

**CITY OF POMONA, CALIFORNIA
HOUSING AUTHORITY**

AUDIT REPORT

JUNE 30, 2016

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
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, (the Housing Authority), a component unit of the City of Pomona, California (the City) as of and for the year ended June 30, 2016, 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 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
City of Pomona, 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, 2016, 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 schedules for the Housing Authority and Housing Successor, the schedule of proportionate share of the net pension liability and the schedule of plan contributions 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 19, 2016 on our consideration of the Housing Successor's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Successor's internal control over financial reporting and compliance.

Brea, California
December 19, 2016

CITY OF POMONA HOUSING AUTHORITY

STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
Assets:	
Cash and investments	\$ 2,036,678
Receivables (net):	
Notes and loans	11,180,470
Interest	3,852
Prepaid costs	640
Due from other governments	510,101
Advances to Successor Agency	4,000,000
Land held for resale	4,490,541
Other investments	600,000
Restricted assets:	
Cash	6,373,095
Capital assets, not being depreciated	3,212,890
Capital assets, net of depreciation	99,027
	<hr/>
Total Assets	32,507,294
	<hr/>
Deferred Outflows of Resources:	
Deferred pension related items	604,101
	<hr/>
Total Deferred Outflows of Resources	604,101
	<hr/>
Liabilities:	
Accounts payable	10,953
Payroll payable	63,043
Accrued liabilities	167,068
Deposits payable	32,470
Noncurrent liabilities:	
Due within one year	142,000
Due in more than one year	45,951
Net pension liability	2,143,691
	<hr/>
Total Liabilities	2,605,176
	<hr/>
Deferred Inflows of Resources:	
Deferred pension related items	620,373
	<hr/>
Total Deferred Inflows of Resources	620,373
	<hr/>
Net Position:	
Net investment in capital assets	3,311,917
Restricted for:	
Urban development	26,573,929
	<hr/>
Total Net Position	\$ 29,885,846
	<hr/> <hr/>

CITY OF POMONA HOUSING AUTHORITY

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

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	\$ 13,327,757	\$ 117,574	\$ 12,297,325	\$ -
Total Primary Government	\$ 13,327,757	\$ 117,574	\$ 12,297,325	\$ -
General Revenues:				
Interest and rentals				584,309
Miscellaneous				263,867
Total General Revenues				848,176
Change in Net Position				(64,682)
Net Position, Beginning of Year				29,950,528
Net Position, End of Year				\$ 29,885,846

CITY OF POMONA HOUSING AUTHORITY

**BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2016**

	<u>Housing Authority</u>	<u>Housing Successor</u>	<u>Total</u>
Assets:			
Cash and investments	\$ 1,117,948	\$ 918,730	\$ 2,036,678
Receivables (net):			
Notes and loans	-	11,180,470	11,180,470
Interest	2,086	1,766	3,852
Prepaid costs	640	-	640
Due from other governments	510,101	-	510,101
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	10,100	6,362,995	6,373,095
Total Assets	<u>\$ 1,640,875</u>	<u>\$ 27,554,502</u>	<u>\$ 29,195,377</u>
Liabilities, Deferred Inflows of Resources and Fund Balances:			
Liabilities:			
Accounts payable	\$ 7,933	\$ 3,020	\$ 10,953
Payroll payable	51,775	11,268	63,043
Accrued liabilities	167,068	-	167,068
Deposits payable	6,800	25,670	32,470
Total Liabilities	<u>233,576</u>	<u>39,958</u>	<u>273,534</u>
Deferred Inflows of Resources:			
Unavailable revenues	-	1,327,766	1,327,766
Total Deferred Inflows of Resources	<u>-</u>	<u>1,327,766</u>	<u>1,327,766</u>
Fund Balances:			
Nonspendable			
Prepaid costs	640	-	640
Restricted			
Urban development	1,406,659	26,186,778	27,593,437
Total Fund Balances	<u>1,407,299</u>	<u>26,186,778</u>	<u>27,594,077</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances:	<u>\$ 1,640,875</u>	<u>\$ 27,554,502</u>	<u>\$ 29,195,377</u>

CITY OF POMONA HOUSING AUTHORITY

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016**

Fund Balances of Governmental Fund		\$ 27,594,077
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.		3,311,917
Deferred outflows related to pension related items are not included in the governmental fund activity:		
Contributions made subsequent to measurement date	\$ 209,422	
Net difference between projected and actual earnings on plan investments	<u>394,679</u>	604,101
Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the governmental fund activity.		
Compensated Absences		(187,951)
Governmental funds report all pension contributions as expenditures, however in the Statement of Net Position, the excess of the plan proportionate share of the total pension liability over the proportionate share of the plan fiduciary net position is reported as a net pension liability.		(2,143,691)
Deferred inflows related to pension related items are not included in the governmental fund activity:		
Change in assumptions	(104,362)	
Difference between expected and actual experiences	(79,295)	
Net difference between projected and actual earnings on plan investments	<u>(436,716)</u>	(620,373)
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>1,327,766</u>
Net Position of Governmental Activities		<u><u>\$ 29,885,846</u></u>

CITY OF POMONA HOUSING AUTHORITY

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2016

	Housing Authority	Housing Successor	Total
Revenues:			
Intergovernmental	\$ 12,297,325	\$ -	\$ 12,297,325
Charges for services	-	117,574	117,574
Interest and rentals	155,304	468,865	624,169
Miscellaneous	185,585	236,282	421,867
Total Revenues	12,638,214	822,721	13,460,935
Expenditures:			
Current:			
Urban development	12,603,794	490,427	13,094,221
Capital outlay	98,000	-	98,000
Total Expenditures	12,701,794	490,427	13,192,221
Net Change in Fund Balances	(63,580)	332,294	268,714
Fund Balance:			
Beginning of year	1,470,879	25,854,484	27,325,363
End of Year	\$ 1,407,299	\$ 26,186,778	\$ 27,594,077

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, 2016

Net Change in Fund Balances - Total Governmental Fund **\$ 268,714**

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:

Capital outlay	\$ 98,000	
Depreciation	(32,629)	
Loss on disposition of capital assets	<u>(580,454)</u>	(515,083)

Pension obligation expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditure in the governmental funds.

230,564

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.

(9,017)

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.

(39,860)

Change in Net Position of Governmental Activities

\$ (64,682)

CITY OF POMONA HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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 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 (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 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 (the 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, 2016

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 quarter-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

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position and the Governmental Fund Balance Sheet report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government reports deferred outflows of resources for pension contributions made after the actuarial measurement date, this amount is deferred and will be expensed in the following fiscal year, and deferred outflows of resources for the net difference between projected and actual earning on pension plan, this amount will be amortized over a five-year period on a straight-line basis.

In addition to liabilities, the Statement of Financial Position and Governmental Fund Balance Sheet report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government has one item, which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. The item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from grant revenues. These amounts are deferred and recognized as an inflow of resources in the period when the amounts become available. In addition, the government has deferred inflows of resources relating to the net pension obligation reported in the government-wide statement of net position. These deferred inflows of resources are the result of the net difference between projected and actual earnings on pension plan investments and are being amortized over a five-year period on a straight-line basis. Deferred pension related items also include differences between expected and actual experience and changes in assumptions. These will be recognized as pension expense over the expected average remaining service lifetime.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

Pension Plan Obligations

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 and additions to/deductions from the 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 currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

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.

Restricted Fund Balance – This includes amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws or 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.

CITY OF POMONA HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 1: Summary of Significant Accounting Policies (Continued)

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.

CITY OF POMONA HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 2: Cash and Investments

Cash and investments consisted of the following at June 30, 2016:

Cash and investments	\$ 2,036,678
Restricted cash and investments	<u>6,373,095</u>
Total	<u>\$ 8,409,773</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 quarter-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)

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 2.08% 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, 2016, the City's investments in external investment pools are unrated.

Fair Value Hierarchy

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Authority's investments are pooled with the City of Pomona. The fair value hierarchy is disclosed on the City's Comprehensive Annual Financial Report.

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

CITY OF POMONA HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 2: Cash and Investments (Continued)

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.

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.

Note 3: Loans Receivable (Net)

At June 30, 2016, the Housing Authority's net loans receivable consisted of the following:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Deferred Home Improvement Loans	\$ 113,318	\$ -	\$ 10,301	\$ 103,017
Shield of Faith	4,499,423	111,450	48,406	4,562,467
MAP Loans, net	1,707,950	-	5,890	1,702,060
Holt Ave. Housing Partners LP Loans	1,906,142	19,000	-	1,925,142
NIP Loans	3,010,397	59,697	182,310	2,887,784
Total	<u>\$ 11,237,230</u>	<u>\$ 190,147</u>	<u>\$ 246,907</u>	<u>\$ 11,180,470</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, 2016, is \$4,000,000.

Note 5: Land Held for Resale

Land held for resale of \$4,490,541 in the Housing Authority Fund is recorded at cost as of June 30, 2016.

CITY OF POMONA HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 6: Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Non-depreciable assets:				
Land				
Housing Authority	\$ 3,695,344	\$ 98,000	\$ 580,454	\$ 3,212,890
Total non-depreciable assets	<u>3,695,344</u>	<u>98,000</u>	<u>580,454</u>	<u>3,212,890</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	72,201	-	-	72,201
Housing Successor	47,196	-	-	47,196
Total depreciable assets	<u>592,087</u>	<u>-</u>	<u>-</u>	<u>592,087</u>
Less accumulated depreciation:				
Buildings and building improvements				
Housing Authority	4,749	1,582	-	6,331
Machinery and equipment				
Housing Authority	32,527	2,759	-	35,286
Housing Successor	168,241	2,773	-	171,014
Furniture and fixtures				
Housing Authority	92,195	14,195	-	106,390
Housing Successor	61,503	7,685	-	69,188
Autos and trucks				
Housing Authority	54,020	3,635	-	57,655
Housing Successor	47,196	-	-	47,196
Total accumulated depreciation	<u>460,431</u>	<u>32,629</u>	<u>-</u>	<u>493,060</u>
Total depreciable assets, net	<u>131,656</u>	<u>(32,629)</u>	<u>-</u>	<u>99,027</u>
Total capital assets	<u>\$ 3,827,000</u>	<u>\$ 65,371</u>	<u>\$ 580,454</u>	<u>\$ 3,311,917</u>

Depreciation expense for capital assets for the year ended June 30, 2016, was as follows:

Urban development - Housing Authority	\$ 22,171
Urban development - Housing Successor	<u>10,458</u>
	<u>\$ 32,629</u>

CITY OF POMONA HOUSING AUTHORITY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**

Note 7: Long-Term Debt

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

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016	Due Within One Year
Compensated Absences	\$ 178,934	\$ 176,845	\$ 167,828	\$ 187,951	\$ 142,000

Note 8: Net Pension Obligations

General Information about the Pension Plan

Plan Description

The Housing Authority participates in the City of Pomona's miscellaneous plan, an agent multiple-employer public employee defined benefit pension plan with the California Public Employees Retirement System (CalPERS). CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS 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. Copies of PERS' annual financial report may be obtained from its Executive Office located at 400 P Street, Sacramento, California 95814.

Benefits Provided

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

	Tier 1 *	Tier 2*	PEPRA
Hire date	Prior to August 14, 2011	On or after August 14, 2011 but prior to January 1, 2013	On or after January 1, 2013
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 52 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%	6.250%
Required employer contribution rates	17.053%	17.053%	17.053%

* Plan closed to new entrants

CITY OF POMONA HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8: Net Pension Obligations (Continued)

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2016, the Housing Authority's employer contributions were \$209,422.

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

As of June 30, 2016, the Housing Authority reported \$2,143,691 of net pension liabilities for its proportionate share of the net pension liability.

The Housing Authority's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The Housing Authority's proportion of the net pension liability was based on the City of Pomona's miscellaneous plan, an agent multiple-employer public employee defined benefit pension plan with the California Public Employees Retirement System (CalPERS). The Housing Authority's proportionate share of the net pension liability for each Plan as of June 30, 2014 and 2015 was as follows:

	Net Pension Obligation
Proportionate share - June 30, 2014	\$ 1,950,343
Proportionate share - June 30, 2015	2,143,691
Change - Increase (Decrease)	193,348

CITY OF POMONA HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 8: Net Pension Obligations (Continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Current year contributions that occurred after the measurement date of June 30, 2015	\$ 209,422	\$ -
Change in assumptions	-	104,362
Difference between expected and actual experiences	-	79,295
Net difference between projected and actual earnings on pension plan investments	394,679	436,716
Total	<u>\$ 604,101</u>	<u>\$ 620,373</u>

\$209,422 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, 2017. 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:	Deferred Outflows/(Inflows) of Resources
2016	\$ (230,048)
2017	(79,793)
2018	(63,098)
2019	147,245

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2014 and the June 30, 2015 total pension liabilities were based on the following actuarial methods and assumptions:

CITY OF POMONA HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8: Net Pension Obligations (Continued)

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contact COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

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

All other actuarial assumptions used in the June 30, 2013 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.

Change of Assumptions

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.50 percent (net of administrative expense in 2014) to 7.65 percent as of the June 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expense.

Discount Rate

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

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.

CITY OF POMONA HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8: Net Pension Obligations (Continued)

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

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

Asset Class	New Strategic Allocation	Real Return Years 1-10*	Real Return Years 11+**
Global Equity	51.00%	5.25%	5.71%
Global Debt Securities	19.00%	0.99%	2.43%
Inflation Assets	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	2.00%	-0.55%	-1.05%

* An expected inflation of 2.5% used for this period

**An expected inflation of 3.0% used for this period

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:

Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate +1% (8.65%)
\$ 3,782,421	\$ 2,143,691	\$ 1,055,246

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.

CITY OF POMONA HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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, 2016, 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, 2016**

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, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,470,879	\$ 1,470,879	\$ 1,470,879	\$ -
Resources (Inflows):				
Intergovernmental	12,144,426	12,174,088	12,297,325	123,237
Charges for services	30,000	30,000	-	(30,000)
Interest and rentals	94,273	94,273	155,304	61,031
Miscellaneous	17,000	17,000	185,585	168,585
Amounts Available for Appropriations	13,756,578	13,786,240	14,109,093	322,853
Charges to Appropriations (Outflows):				
Urban development	12,583,743	12,610,905	12,603,794	7,111
Capital outlay	-	2,500	98,000	(95,500)
Total Charges to Appropriations	12,583,743	12,613,405	12,701,794	(88,389)
Budgetary Fund Balance, June 30	\$ 1,172,835	\$ 1,172,835	\$ 1,407,299	\$ 234,464

CITY OF POMONA HOUSING AUTHORITY

BUDGETARY COMPARISON SCHEDULE
 HOUSING SUCCESSOR
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 25,854,484	\$ 25,854,484	\$ 25,854,484	\$ -
Resources (Inflows):				
Charges for services	-	-	117,574	117,574
Interest and rentals	290,000	290,000	468,865	178,865
Miscellaneous	405,000	405,000	236,282	(168,718)
Amounts Available for Appropriations	26,549,484	26,549,484	26,677,205	127,721
Charges to Appropriations (Outflows):				
Urban development	795,000	795,000	490,427	304,573
Total Charges to Appropriations	795,000	795,000	490,427	304,573
Budgetary Fund Balance, June 30	\$ 25,754,484	\$ 25,754,484	\$ 26,186,778	\$ 432,294

CITY OF POMONA HOUSING AUTHORITY

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<u>2015</u>	<u>2016</u>
Proportion of the Net Pension Liability	4.1623%	4.2142%
Proportionate Share of the Net Pension Liability	\$ 1,950,343	\$ 2,143,691
Covered-Employee Payroll	\$ 909,195	\$ 1,029,336
Proportionate Share of the Net Pension Liability as Percentage of Covered-Employee Payroll	214.51%	208.26%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.02%	80.06%

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent.

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only two years are shown.

CITY OF POMONA HOUSING AUTHORITY

**SCHEDULE OF PLAN CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<u>2015</u>	<u>2016</u>
Actuarially Determined Contribution	\$ 158,304	\$ 209,422
Contribution in Relation to the Actuarially Determined Contribution	<u>(158,304)</u>	<u>(209,422)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 909,195	\$ 1,029,336
Contributions as a Percentage of Covered-Employee Payroll	17.41%	20.35%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only two years are shown.

Note to Schedule:

Valuation Date: June 30, 2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost method
Amortization method	Level percent payroll / closed period
Assets valuation method	Market Value
Discount rate	7.50% (net of administrative expenses)
Projected salary increases	3.30% to 14.20% depending on age, service, and type of employment
Inflation	2.75%
Payroll growth	3.00%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth rate of 2.75% and an annual production growth of 0.25%.
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.