

**REGIONAL HUMAN RIGHTS/FAIR  
HOUSING COMMISSION**

**NO BOARD ACTION MEMO**

**DATE:** JUNE 12, 2017

**SUBJECT:** CALL TO ORDER/ROLL CALL

**BOARD ACTION:** NO BOARD ACTION – THE MEETING WAS  
CALLED TO ORDER BY CHAIRMAN  
PATRICK KENNEDY

**REGIONAL HUMAN RIGHTS/FAIR  
HOUSING COMMISSION**

**NO BOARD ACTION MEMO**

**DATE:** JUNE 12, 2017

**SUBJECT:** ELECTION OF CHAIR AND VICE CHAIR  
FOR FISCAL YEAR 2017-18

**BOARD ACTION:** NO BOARD ACTION – ELECTED DIRECTOR  
STEVE HANSEN AS CHAIRMAN AND  
DIRECTOR DON NOTTOLI AS VICE  
CHAIRMAN

**APPROVED**  
BOARD OF DIRECTORS

**JUN 12 2017**

By Laryne DeWolfe  
Deputy Clerk of the Board

**MEETING MINUTES: JULY 18, 2016**

**I. Call to Order/Roll Call**

This meeting was called to order at 10:02 a.m. with Kennedy, Hansen, and Nottoli present; Larry Carr was absent.

**II. Election of Chair and Vice Chair**

Motion to elect Kennedy as Chair and Carr as Vice Chair made by Member Hansen, seconded by Member Nottoli. Motion approved unanimously.

**III. Consent Calendar**

a. Approval of February 29, 2016 Meeting Minutes

Motion to approve Consent Matter made by Member Hansen, seconded by Member Nottoli. Motion approved unanimously.

**IV. New Business**

a. Approval of Disbursements to Sacramento County and Sacramento County Superior Courts

Motion to approve disbursements made by Member Hansen and seconded by Member Nottoli. Motion approved unanimously.

b. Approval of FY 2016-17 Annual Budget

Motion to approve the FY 16-17 Annual Budget made by Member Nottoli and seconded by Member Hansen. Motion approved unanimously.

c. Receive and File FY 2014-15 Annual Audit

The Commission accepted the Annual Audit.

**V. General Public Comments**

None

**VI. Adjournment**

Meeting Adjourned at 10:09 a.m.

**Governing Board Members**

City of Sacramento

Councilmember Steve Hansen

Councilmember Larry Carr  
Vice Chair

County of Sacramento

Supervisor Don Nottoli

Supervisor Patrick Kennedy,  
Chair

Executive Director

John Colville

915 I Street, 3rd Floor

Sacramento, CA 95814

(916) 808-8297

**APPROVED**  
BOARD OF DIRECTORS

**JUN 12 2017**

By

*Guayme Dewlenis*  
Clerk of the Board

Deputy

**REGIONAL HUMAN RIGHTS/FAIR HOUSING COMMISSION**

**Agenda Item # 4.**

**For the Agenda of June 12, 2017**

**Subject:** 2015-16 Annual Audit

**Report Type:** 1) Receive and File Audit; and 2) Pass a Motion approving a two year audit for FY 2016-17 and 2017-18.

**Contact:** John Colville, Executive Director, (916) 808-8297

**Overview:** The Commission's audited financial statements and auditor's communication for the year ended June 30, 2016 are attached.

**Recommendation:** Receive and file the 2015-2016 audited financial statements.

**Background:** Government Code Section 6505 (b) requires and the Commission's Joint Exercise of Powers Agreement provide for an annual audit of the Commission's accounts and records. The Commission engaged JJACPA, Inc., a CPA firm specializing in governmental accounting and auditing, to audit its financial statements for the year ended June 30, 2016. Government Code Section 6505 (f) allows for a two year audit with a unanimous vote of the Governing Board. Given the limited function of the Commission and to save costs, staff is recommending approval of a two year audit for the next two fiscal years.

**Discussion:**

As noted in the report, JJACPA, Inc. has again expressed a clean opinion on the financial statements. The focus of this audit was on the fairness of the financial statements themselves, but the auditor also noted he did not identify any material weaknesses in internal control in the course of performing the audit. The auditor's Communication with Those Charged with Governance, also attached, summarizes the auditor's comments on a variety of ordinarily routine matters that professional standards require in each audit performed. It provides additional details on the audit procedures and the auditor's experience during the audit and highlights elements of the financial statements. This communication confirms that the audit did not detect material misstatements in the financial statements.

During the 2015-2016 fiscal year covered by this audit, the Commission's financial activities were limited to making the required CalPERS payment and finalizing the arrangements for payback of the residual court program balances. The financial statements reflect liabilities for these payments to the Court and County Dispute Resolution Trust Fund, which were actually made after the end of the fiscal year in September 2016.

**Attachments:**

ATT 1 - Audited Basic Financial Statements for the Year Ended June 30, 2016

ATT 2 - Auditor's Communication with those Charged with Governance

ATT 3 - Management Representation Letter

**REGIONAL HUMAN RIGHTS/**  
**FAIR HOUSING COMMISSION**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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**Regional Human Rights/Fair Housing Commission**  
**Basic Financial Statements**  
**For the year ended June 30, 2016**

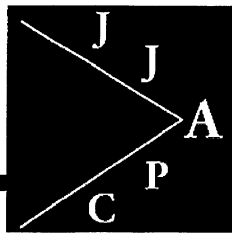
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# JJACPA, Inc.

A Professional Accounting Services Corp.

## **INDEPENDENT AUDITOR'S REPORT**

Governing Board  
Regional Human Rights/Fair Housing Commission  
Sacramento, California.

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

We have audited the accompanying financial statements of the governmental activities, general fund and budgetary comparison information of the Regional Human Rights/Fair Housing Commission (HR/FHC), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the HR/FHC'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 an opinion 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, 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 opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, general fund, and budgetary comparison information of the HR/FHC, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter Regarding Going Concern***

The accompanying financial statements have been prepared assuming that there is substantial doubt that Regional Human Rights/Fair Housing Commission will continue as a going concern. As discussed in Note 2 to the financial statements, HR/FHC is winding down operations which raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

***Other Matters***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3-10, the Commission's Schedule of Contributions on page 36, and the Schedules of the Commission's Proportionate Share of the Net Pension Liability on page 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2017 on our consideration of HR/FHC'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 HR/FHC's internal control over financial reporting and compliance.

May 11, 2017

*JJACPA, Inc.*  
**JJACPA, Inc.**

**Regional Human Rights/Fair Housing Commission**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2016**

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**Management's Discussion and Analysis**

This section of the Regional Human Rights/Fair Housing Commission's (HR/FHC) basic financial statements presents management's discussion and analysis of HR/FHC's financial performance during the fiscal year ended June 30, 2016. Since this management's discussion and analysis is designed to focus on current activities, resulting change, and current known facts, please read it in conjunction with HR/FHC's basic financial statements (pages 14 - 22) as well as the footnotes to the financial statements (pages 23 - 32).

**Financial Highlights**

- 1) The liabilities of HR/FHC exceeded its assets at the close of the most recent fiscal year by \$641,226 (net position) due to the long-term net pension liability for the pension benefits of prior employees exceeding the assets currently available. The Commission intends to seek funding from the City and County of Sacramento to service this liability as payments come due.
- 2) The cash balance was \$161,226 at June 30, 2016
- 3) Total revenues decreased \$132,024 from the prior year audited number due to final closure of HR/FHC's court advising operations.
- 4) Total expenses decreased by \$166,757, also due primarily to the closure of HR/FHC's fair housing and court advising operations.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements which are comprised of the financial statements and the notes to the financial statements.

*Government-wide Financial Statements*

The government-wide financial statements are designed to provide readers with a broad overview of HR/FHC's finances, in a manner similar to private-sector business.

The statement of net position presents information on all of HR/FHC's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of HR/FHC is improving or deteriorating.

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

**Regional Human Rights/Fair Housing Commission**  
**Management's Discussion and Analysis, Continued**  
**For the year ended June 30, 2016**

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*Fund Financial Statements*

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of HR/FHC rather than HR/FHC as a whole. HR/FHC accounts for its activities in the general fund. The fund financial statements consist of the balance sheet and statement of revenues, expenditures, and changes in fund balance. These are prepared on the modified-accrual basis of accounting, in contrast with the government-wide financial statements, which are prepared on the full-accrual basis. In general, these financial statements under the modified-accrual basis have a short-term emphasis and for the most part, measure and account for assets that are current financial resources, and liabilities that are expected to be liquidated with current financial resources. Specifically, cash and receivables collectible within a very short period of time are reported on the balance sheet. Fund liabilities include amounts that are to be paid within a very short time after the end of the fiscal year on demand. Long-term liabilities are not included. The difference between a fund's total assets and total liabilities represents the fund balance. The statement of revenues, expenditures, and changes in fund balance for the General Fund reflects all expenditures incurred, but only those revenues that were collected in cash during the current period or within 60 days following end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Where differences exist, both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

*Notes to financial statements.*

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

**Regional Human Rights/Fair Housing Commission**  
**Management's Discussion and Analysis, Continued**  
**For the year ended June 30, 2016**

**Financial Analysis of HR/FHC as a Whole**

<b>Net Position</b>				
<b>For the year ended June 30, 2016 and 2015</b>				
	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
<b>Assets and Deferred Inflows of Resources</b>				
Current Assets	180,951	200,204	(19,253)	-10%
Deferred Inflows	<u>62,355</u>	<u>10,743</u>	<u>-</u>	<u>100%</u>
<b>Total Assets and Deferred Inflows</b>	<u>243,306</u>	<u>210,947</u>	<u>32,359</u>	<u>15%</u>
<b>Liabilities and Deferred Outflows of Resources</b>				
Current Liabilities	3,795	24,275	(20,480)	-84%
Noncurrent Liabilities	758,728	738,103	20,625	3%
Deferred Outflows	<u>122,009</u>	<u>164,677</u>	<u>-</u>	<u>100%</u>
<b>Total Liabilities and Deferred Outflows:</b>	<u>884,532</u>	<u>927,055</u>	<u>(42,523)</u>	<u>-5%</u>
<b>Net Position</b>				
Unrestricted	<u>(641,226)</u>	<u>(716,108)</u>	<u>74,882</u>	<u>-10%</u>
<b>Total Net Position</b>	<u>\$ (641,226)</u>	<u>\$ (716,108)</u>	<u>\$ 74,882</u>	<u>-10%</u>

This schedule is prepared from HR/FHC's Statement of Net Position, which is presented on an accrual basis of accounting in which assets are capitalized and depreciated.

Net Position at June 30, 2016, of (\$641,226), consisted primarily of the net pension liability. HR/FHC expects funding for the pension obligation to be provided in the future by the City and County of Sacramento, but as there is no legal obligation for the City and County to make these contributions, they cannot be recorded as receivables to offset the pension liability. The increase in net position of \$74,882 between June 30, 2015 and June 30, 2016 is due to a change initiated by CalPERS in the method of calculating HR/FHC's portion of the total GASB 68 net pension liability for the pool, which is discussed more fully in the notes to the financial statements.

**Regional Human Rights/Fair Housing Commission**  
**Management's Discussion and Analysis, Continued**  
**For the year ended June 30, 2016**

**Financial Analysis of HR/FHC as a Whole, Continued**

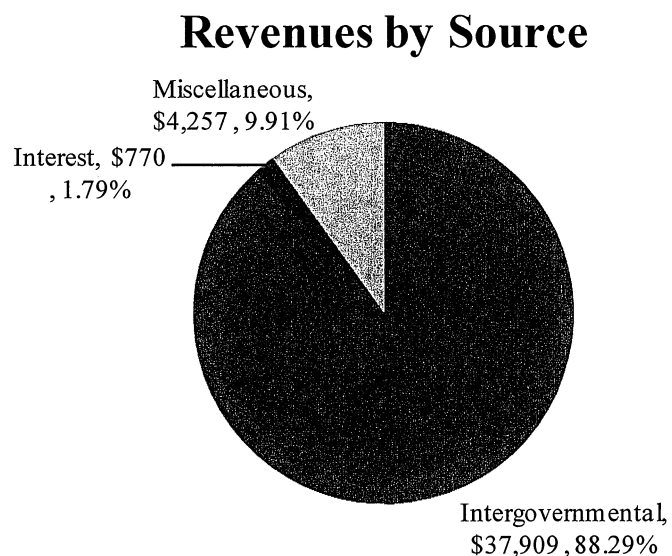
<b>Operating Results</b>				
<b>For the year ended June 30, 2016 and 2015</b>				
	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
<b>Operating expenses:</b>	\$ 24,890	\$ 191,647	\$ (166,757)	-87%
<b>Program revenue:</b>				
Intergovernmental	37,909	141,932	(104,023)	-73%
<b>Total Program Revenue</b>	<u>37,909</u>	<u>141,932</u>	<u>(104,023)</u>	-73%
<b>Net operating expenses</b>	<u>13,019</u>	<u>(49,715)</u>	<u>62,734</u>	-126%
<b>General revenue:</b>				
Interest	770	403	367	91%
Miscellaneous revenue	4,257	32,625	(28,368)	-87%
<b>Total general revenue</b>	<u>5,027</u>	<u>33,028</u>	<u>(28,001)</u>	-85%
<b>Increase (Decrease) in net position</b>	18,046	(16,687)	34,733	-208%
<b>Net position:</b>				
Beginning of year	(716,108)	2,632	(718,740)	-27308%
Prior period adjustment	56,836	(702,053)	758,889	-108%
Beginning of year, as adjusted	<u>(659,272)</u>	<u>(699,421)</u>	<u>40,149</u>	-6%
End of year	<u>\$ (641,226)</u>	<u>\$ (716,108)</u>	<u>\$ 74,882</u>	-10%

In fiscal 2016, program revenues consisted exclusively of contributions by the City and County of Sacramento used to service HR/FHC's pension obligations. Total program revenue in the 2015-2016 fiscal year decreased \$104,023 when compared with 2014-2015. Operating expenses also decreased \$166,757 in 2015-2016 when compared with 2014-2015. During the 2014-2015 fiscal year, HR/FHC operated its court advising and mediation programs for four months prior to terminating the programs when the contracts expired on October 31, 2014. The revenue and related expenses for these four months of operations was reported in 2014-2015, but there was no comparable revenue or expense in 2015-2016 as HR/FHC had ceased all public operations.

**Regional Human Rights/Fair Housing Commission**  
**Management's Discussion and Analysis, Continued**  
**For the year ended June 30, 2016**

**Financial Analysis of HR/FHC as a Whole, Continued**

The following is a graphic illustration of revenues by source for the year ended June 30, 2016:



**Operating Expenses**  
**For the year ended June 30, 2016 and 2015**

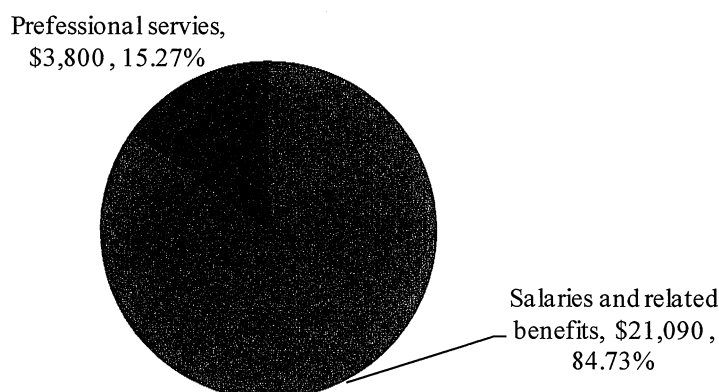
	2016	2015	Increase Decrease	Percent Change
<b>Operating expense:</b>				
Salaries and related benefits	\$ 21,090	\$ 114,820	\$ (93,730)	-82%
Legal	-	1,695	(1,695)	-100%
Insurance	-	29,235	(29,235)	-100%
Professional services	3,800	25,458	(21,658)	-85%
Other operating expenses	-	16,439	(16,439)	-100%
Contributions to other agencies	-	4,000	(4,000)	100%
<b>Total operating expenses</b>	<u>\$ 24,890</u>	<u>\$ 191,647</u>	<u>\$ (166,757)</u>	-87%

**Regional Human Rights/Fair Housing Commission**  
**Management's Discussion and Analysis, Continued**  
**For the year ended June 30, 2016**

**Financial Analysis of HR/FHC as a Whole, Continued**

The following is a graphic illustration of operating expenses for the year ended June 30, 2016:

**Operating Expenses**



**Financial Analysis of HR/FHC as a Whole, Continued**

Analysis of Net Position As of June, 2016 and 2015				
	2016	2015	Increase (Decrease)	Percent Change
<b>Net Position</b>				
Unrestricted	\$ (641,226)	\$ (716,108)	74,882	-10%
<b>Total</b>	<u>\$ (641,226)</u>	<u>\$ (716,108)</u>	<u>\$ 74,882</u>	-10%

As previously discussed, the increase in net position between June 30, 2016 and June 30, 2015 is due to a change in allocation method related to HR/FHC's net pension liability.

**GENERAL FUND FINANCIAL ANALYSIS**

HR/FHC's General Fund reported a decrease in total fund balance of \$148,960 ending the 2015-2016 fiscal year with total ending fund balance of \$26,969. 100% of this amount is considered unassigned. The decline in fund balance resulted from the recognition of a liability to return \$150,187 of funds to grantor agencies that had provided funding for HR/FHC's programs in prior years as that liability became a current liability during the year. The amount had previously been reported as restricted fund balance. Actual repayment of the liability occurred after the end of the fiscal year in September 2016.



**Regional Human Rights/Fair Housing Commission  
Management's Discussion and Analysis, Continued  
For the year ended June 30, 2016**

**GENERAL FUND FINANCIAL ANALYSIS, Continued**

As the original 2015-2016 budget was adopted 4 months prior to the beginning of the 2015-2016 fiscal year, one budget amendment was adopted during 2015-2016 to reflect an updated assessment of available fund balance and allow for the payment of expenses during 2015-2016 that related to a prior fiscal year. This was needed for budgetary purposes only. In these financial statements, prepared in accordance with generally accepted accounting principles, the expenses had already been recognized in 2014-2015.

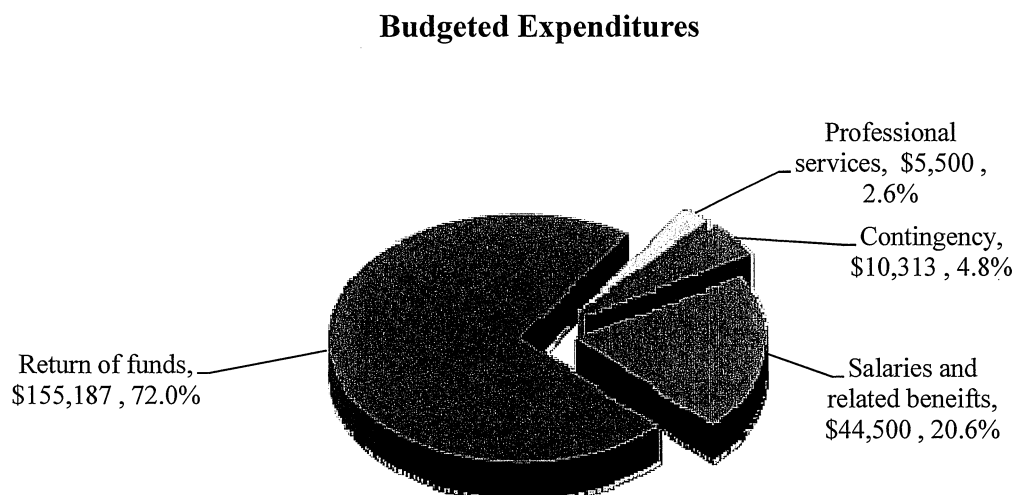
**ECONOMIC FACTORS AND NEXT YEAR'S RATES**

HR/FHC no longer performs services, but remains in existence to finalize wind-down activities and make payments on its retirement obligation.

The adopted budget for the new fiscal year of 2016-2017 was \$215,500 and is summarized as follows:

	<u>FY 2016-2017</u>	<u>FY 2015-2016</u>	<u>Percentage Change</u>
<b>Charges to appropriations (outflows)</b>			
Salaries and related benefits	\$ 44,500	\$ 40,000	11%
Professional services	5,500	4,400	25%
Return of funds	155,187	173,415	-11%
Contingency	10,313	28,654	-64%
<b>Total Budget</b>	<u>\$ 215,500</u>	<u>\$ 246,469</u>	-13%

The following is a graphic illustration of appropriations for 2016-17:



**Regional Human Rights/Fair Housing Commission**  
**Management's Discussion and Analysis, Continued**  
**For the year ended June 30, 2016**

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**Contacting HR/FHC**

This financial report is designed to provide interested parties a general overview of HR/FHC's finances and to demonstrate HR/FHC's accountability for the money it receives and is allocated to it. If you have questions about this report, contact the Executive Director of the Regional Human Rights/Fair Housing Commission, in care of the Sacramento City Treasurer's Office, 915 I Street, 3<sup>rd</sup> Floor, Sacramento, CA 95814.

## **BASIC FINANCIAL STATEMENTS**

# Regional Human Rights/Fair Housing Commission

## Statement of Net Position - Governmental Activities

June 30, 2016

### ASSETS

#### Current assets:

Cash and investments:

Available for operations

\$ 161,226

Intergovernmental receivable

19,725

**Total assets**

180,951

### DEFERRED OUTFLOWS OF RESOURCES

Pension plan

62,355

**Total assets and deferred outflows of resources**

\$ 243,306

### LIABILITIES

#### Current liabilities:

Accounts payable

\$ 3,795

**Total current liabilities**

3,795

#### Noncurrent liabilities:

Long-term liabilities:

Due to other Governments

150,187

Net pension liability

608,541

**Total noncurrent liabilities**

758,728

**Total liabilities**

762,523

### DEFERRED INFLOWS OF RESOURCES

Pension plan

122,009

**Total deferred inflows of resources**

122,009

### NET POSITION

Unrestricted

(641,226)

**Total net position**

(641,226)

**Total liabilities, deferred inflows of resources and net position**

\$ 243,306

The accompanying notes are an integral part of these basic financial statements.

# Regional Human Rights/Fair Housing Commission

## Statement of Activities - Governmental Activities

For the year ended June 30, 2016

### EXPENSES:

#### Public Assistance:

Employee pension expense	\$ 21,090
Professional services	3,800

<b>Total expenses</b>	<b>24,890</b>
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### REVENUES:

#### Program revenues:

Intergovernmental	37,909
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<b>Total program revenues</b>	<b>37,909</b>
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<b>Net program expense</b>	<b>13,019</b>
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#### General revenues:

Interest	770
Miscellaneous revenue	4,257

<b>Total general revenues</b>	<b>5,027</b>
-------------------------------	--------------

### CHANGE IN NET POSITION

<b>18,046</b>
---------------

### NET POSITION:

Beginning of the year	(716,108)
Prior period adjustment	56,836
Beginning of the year, as adjusted	(659,272)
End of the year	<u>\$ (641,226)</u>

The accompanying notes are an integral part of these basic financial statements

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## **FUND FINANCIAL STATEMENTS**

# Regional Human Rights/Fair Housing Commission

## Balance Sheet - General Fund

June 30, 2016

### ASSETS

#### Assets

Cash and investments:

Available for operations

\$ 161,226

Intergovernmental receivable

19,725

**Total assets**

\$ 180,951

### LIABILITIES AND FUND BALANCES

#### Liabilities:

Accounts payable

\$ 3,795

Due to other governments

150,187

**Total liabilities**

153,982

#### Fund balances:

Unassigned

26,969

**Total fund balances**

26,969

**Total liabilities and fund balances**

\$ 180,951

The accompanying notes are an integral part of these basic financial statements.



**Regional Human Rights/Fair Housing Commission**  
**Reconciliation of the General Fund Balance Sheet**  
**to the Statement of Net Position**  
**June 30, 2016**

---

<b>Total fund balances - General Fund</b>	<b>\$ 26,969</b>
---	------------------

Amounts reported for governmental activities in the Statement of Net Position are different because:

Pension obligations result in deferred outflows and inflows of resources associated with the actuarial value of contributions, assets, and liabilities.

Deferred outflows of resources	62,355
Deferred inflows of resources	(122,009)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Net pension Liability	(608,541)
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<b>Net position of governmental activities</b>	<b><u>\$ (641,226)</u></b>
--	----------------------------

The accompanying notes are an integral part of these basic financial statements.

**Regional Human Rights/Fair Housing Commission**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**General Fund**  
**For the year ended June 30, 2016**

---

**REVENUES:**

Intergovernmental	\$ 37,909
Interest	770
Miscellaneous revenue	<u>4,257</u>
<b>Total revenues</b>	<u>42,936</u>

**EXPENDITURES:**

Public Assistance	
Employee pension expense	37,909
Professional services	3,800
Return of funds to other agencies	<u>150,187</u>
<b>Total expenditures</b>	<u>191,896</u>
<b>Net change in fund balances</b>	(148,960)

**FUND BALANCES:**

Beginning of year	<u>175,929</u>
End of year	<u><u>\$ 26,969</u></u>

The accompanying notes are an integral part of these basic financial statements.

**Regional Human Rights/Fair Housing Commission**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - General Fund to the Statement of Activities**  
**For the year ended June 30, 2016**

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<b>Net change in fund balances - General Fund</b>	<b>\$ (148,960)</b>
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Amounts reported for governmental activities in the Statement of Activities are different because:

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the General Fund. When those expenses come due for payment, they are reported as expenditures in the General Fund, but they are excluded from the Statement of Activities for the current year to the extent that they were already recognized as expenses there in prior years.

Pension expense	16,819
Return of funds to other agencies	<u>150,187</u>

<b>Change in net position of governmental activities</b>	<b><u>\$ 18,046</u></b>
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The accompanying notes are an integral part of these basic financial statements.

**Regional Human Rights/Fair Housing Commission**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance,**  
**Budget and Actual - General Fund**  
**For the year ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>with Final Budget Positive (Negative)</b>
<b>Budgetary Fund Balance, July 1, 2015</b>	\$ 155,300	\$ 174,182	\$ 174,182	\$ -
<b>Resources (inflows):</b>				
Intergovernmental	44,400	44,400	37,909	(6,491)
Interest	-	-	770	770
Miscellaneous	-	-	4,257	4,257
Prior Year Revenue	-	27,888	26,027	(1,861)
<b>Amounts available for appropriation</b>	<b>199,700</b>	<b>246,470</b>	<b>243,145</b>	<b>(3,325)</b>
<b>Changes to appropriations (outflows):</b>				
Salaries and related benefits	40,000	40,000	37,909	2,091
Professional Services	4,400	4,400	3,800	600
Return of funds to other agencies	155,300	173,385	24,280	149,105
<b>Total charges to appropriations</b>	<b>199,700</b>	<b>217,785</b>	<b>65,989</b>	<b>151,796</b>
<b>Budgetary fund balance, June 30, 2016</b>	<b>\$ -</b>	<b>\$ 28,685</b>	<b>\$ 177,156</b>	<b>\$ 148,471</b>

**Reconciliation of Budgetary Basis Fund Balance to GAAP Basis Fund Balance**

Budgetary Basis Fund Balance	177,156
Revenues and expenditures for budgetary purposes are recognized only if they are accrued within approximately 15 days of year end, but on GAAP basis, expenditures are accrued when due for payment and revenues when measureable and available	(150,187)
GAAP Basis Fund Balance	26,969

The accompanying notes are an integral part of these basic financial statements.

**Regional Human Rights/Fair Housing Commission**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2016**

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**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Regional Human Rights/Fair Housing Commission (HR/FHC) is a Joint Powers Agency under Government Code Section 6500 et. seq. The organization traces its roots back to the not-for-profit Human Relations Commission formed by Sacramento County in 1963. A governmental joint powers authority was created by the City and County of Sacramento in 1981 and was expanded to include the Cities of Citrus Heights, Elk Grove, and Rancho Cordova in addition to the City and County of Sacramento. However, the Cities of Citrus Heights, Elk Grove, and Rancho Cordova withdrew from the JPA during the 2013-2014 fiscal year. The JPA is directed by a Governing Board with representative(s) from each JPA member. The Executive Director is responsible for the management, administration and day to day operation of HR/FHC and reports to and works for the Governing Board.

HR/FHC is currently undergoing a wind-down process which discontinued all public operations by October 31, 2014 and identified alternative organizations in the community that offered similar services to HR/FHC. HR/FHC remains in existence primarily to continue servicing its retirement obligations.

The financial statements of HR/FHC have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

**A. Reporting Entity**

As defined by GASB Statement No. 14, 39, and 63, HR/FHC is not financially accountable for any other entity other than itself, nor are there any other entities for which the nature and significance of their relationship with HR/FHC are such that exclusion would cause HR/FHC's financial statements to be misleading or incomplete.

In addition, based upon the above criteria, HR/FHC is not aware of any entity which would be financially accountable for HR/FHC which would result in HR/FHC being considered a component of the entity.

**Regional Human Rights/Fair Housing Commission**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2016**

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**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,  
Continued**

**B. Financial Statements, Measurement Focus, and Basis of Accounting**

*Government-Wide Financial Statements:*

The statement of net position and statement of activities display information about HR/FHC as a whole. The statement of activities presents a comparison between direct expenses and program revenues for each function of HR/FHC's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include grants and contributions that are restricted to meeting the operational needs of HR/FHC's programs. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The government-wide financial statements utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Government-wide equity is classified as net position. Consistent with the economic resources measurement focus, the government-wide financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

*Fund Financial Statements:*

The fund financial statements provide information about HR/FHC's General Fund (the only fund reported by HR/FHC). These financial statements utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on the balance sheet of a governmental fund. A governmental fund's operating statement presents sources and uses of available spendable financial resources during a given period. Governmental funds use fund balance as their measure of available spendable financial resources at the end of the period.

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when earned and when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. HR/FHC defines available to be within 60 days of year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest, which are reported when due. Governmental capital asset acquisitions are reported as expenditures in governmental funds. Proceeds for governmental long-term debt and acquisitions under capital leases are reported as other financing sources.

**Regional Human Rights/Fair Housing Commission**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2016**

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**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**C. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**D. Budgets**

Budgets are prepared on the modified accrual basis of accounting, in which capital assets acquired are recorded as expenditures and depreciation is not recorded.

HR/FHC follows these procedures in establishing the budgetary data reflected in the financial statements:

- HR/FHC's governing board must approve a budget within 90 days of July 1<sup>st</sup>.
- The budget is legally enacted through passage of a motion during a board meeting prior to year-end.
- Formal budgeting is employed as a management control device during the year for the general fund.
- Budgets for the General Fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

The legal level of a budgetary control, the amount to which budget should not be exceeded, is the object level.

Budgeted amounts are as originally adopted or as amended by the Governing Board.

**E. Accounts and Records**

Financial transactions initiated by the HR/FHC are paid and processed by the Sacramento County Department of Finance, Auditor-Controller office. HR/FHC maintains copies of source documents. The Department of Finance, Auditor-Controller provides related general ledger, revenue and expenditure details. Claims and warrants are issued and paid by the Department of Finance, Auditor-Controller.

**Regional Human Rights/Fair Housing Commission**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2016**

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**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,**  
**Continued**

**F. Cash and Investments**

HR/FHC participates in an investment pool managed by the County of Sacramento, which has invested a portion of the pool funds in structured notes and asset-backed securities. The investment pool is stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

**G. Capital Assets**

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

Depreciation is calculated on a straight line basis using the following useful life schedule:

Furniture and fixtures	5 to 8 years
Office equipment	5 to 8 years
Computer equipment	5 to 8 years

**H. Net Position**

As of October 31, 2014, HR/FHC ceased operations, all employees were terminated, it is no longer feasible to use any remaining resources for any type of ongoing operations as was originally intended by grantors, all program contracts have been closed out, and a liability has been recorded for return of funds. Consequently, HR/FHC considers its net position to be unrestricted.

**I. Return of Funds to Grantor Agencies**

As of June 30, 2014, there were cash balances because contract receipts that were invoiced based on projected costs exceeded actual program expenditures. As a result, HR/FHC has reported a liability for return of funds to grantor agencies in the financial statements. HR/FHC reviewed its contract activities for the three fiscal year period from July 1, 2011 and including the period after July 1, 2014 through October 31, 2014 (when operations ceased) to determine the total amount funds to be returned to grantor agencies during the 2016-2017 fiscal year to be paid from cash balances. The cash balances are sufficient to pay the excess of contract receipts over actual program expenditures for the above period of time. In any event, HR/FHC has minimal resources available to make any additional payment that may be owed for prior years. HR/FHC has recorded the liability based on the recent prior year data and the amount does not exceed the amount of the current resources available.



**Regional Human Rights/Fair Housing Commission**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2016**

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**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**J. Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Commission has only one item that qualifies for reporting in this category. It is the deferred charge on pension plan contributions on the statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Commission has one item reported as a deferred inflow of resources. The deferred inflow of resources is the net difference between projected and actual earnings on pension plan investments and is reported on the statement of net position.

**L. Prior Period Adjustment**

In the prior year, HR/FHC used calculations provided by CalPERS to record its initial balances for pension expense and deferred items related to pensions. After CalPERS changed the format of the information provided for this purpose, HR/FHC revisited the methods used to determine these balances. In 2014-2015, at least three different allocation percentages were used to allocate components of the net pension liability, pension expense, and the deferred items related to pensions, depending on the item being allocated. HR/FHC believes that the use of a single allocation percentage achieves better compliance with GASB 68 and has reported an adjustment to beginning net position so that, as adjusted, beginning net position now reflects what would have been reported if only one allocation percentage had been used for all items.

For the GASB 68 valuation that is used in these financial statements, CalPERS changed the method for calculating the employer's proportion of the net pension liability, which HR/FHC now uses to determine our proportion of the other pension-related items as well. The new allocation method applies the ratio of the plan's share of market value of assets for funding purposes as of the valuation date over the pool's total market value of assets to determine the plan's share of fiduciary net position and applies the ratio of the plan's share of accrued liability for funding purposes as of the valuation date to the pool's total accrued liability to determine the plan's share of the total pension liability. The plan's share of fiduciary net position is then subtracted from the plan's share of the total pension liability to determine the plan's share of the net pension liability. HR/FHC has treated this change in method as an accounting change subject to the requirements of GASB Statement 62 and has reported the cumulative effect of accounting change in the Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2016.

**Regional Human Rights/Fair Housing Commission**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2016**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**L. Prior Period Adjustment**

The following is a reconciliation of the total net position as previously reported at June 30, 2015 to the restated net position, accounting for the adjustments described above:

Net Position at June 30, 2015	\$ (716,108)
Adjustment:	
Elimination of multiple proportions from prior year	(22,078)
Change in method of calculating proportionate share	78,914
Total Adjustments	<u>56,836</u>
Net Position at July 1, 2016, as adjusted	<u>\$ (659,272)</u>

**2. MANAGEMENT'S PLAN OF OPERATIONS**

The Commission ceased all public services on October 31, 2014 when the last of its contracts ended. All employees were released as of that date. HR/FHC continues in existence solely for the purpose of satisfying retirement obligations for past staff and will approach the JPA's two remaining members, the City and County of Sacramento for the necessary funding.

**3. CASH AND INVESTMENTS**

The Commission had the following cash and investments at June 30, 2016:

	<u>June 30, 2016</u>
Cash with County of Sacramento Investment Pool	<u>\$ 161,226</u>
Total	<u>\$ 161,226</u>

*Investments in External Investment Pools* – HR/FHC holds cash with the County of Sacramento Investment Pool. HR/FHC's investment policy authorizes investments in the local government investment pool administered by the County of Sacramento (the County). The investment policy does not contain specific provisions intended to limit HR/FHC's exposure to interest rate risk, credit risk, and concentration of credit risk.

*Interest rate risk* – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Disclosures related to the County's investment pool may be found in the County's comprehensive annual financial report.

*Credit risk* – The County has a separate investment policy, governed by the Government Code Sections 53600 et. Seq and 16429.1, that provides credit standards for its investments.

**Regional Human Rights/Fair Housing Commission**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2016**

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**3. CASH AND INVESTMENTS, Continued**

*Custodial credit risk – deposits.* For deposits, this is the risk that, in the event of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The California government code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by public agencies. California law also allows financial institutions to secure local governmental unit deposits by pledging first trust deed mortgage notes having a value of 150% of the secured deposits. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pool such as the County of Sacramento.

The County of Sacramento's investment portfolio is overseen by a Treasury Oversight Committee which annually reviews the County's Statement of Investment Policy. The portfolio includes both voluntary and involuntary participants.

**4. FUND BALANCES/NET POSITION**

Fund Balances consist of the following: Nonspendable, restricted, committed, assigned and unassigned. Nonspendable fund balance consists of prepaids that will not convert to cash soon enough to affect the current period. Restricted fund balance consists of resources that are subject to externally enforceable legal restrictions imposed by parties altogether outside the government consisting of grant funds. Unassigned amounts represent deficits in fund balance as reflected by the necessity to show nonspendable and restricted balances in an amount greater than total fund balance. Currently, the HR/FHC uses only the unassigned category. When multiple categories of fund balance or net position are permitted to finance a given expenditure, HR/FHC uses fund balance/net position from the most restrictive category permitted followed by less restrictive categories as necessary.

Unassigned	26,969
	<u>\$ 26,969</u>

Net Position consist of net investment in capital assets, restricted, and unrestricted amounts. Restricted amounts reflect balances which cannot be influenced by HR/FHC Governing Board action. Unrestricted amounts reflect balances available for current operations.

	<u>Net Position</u>
Unrestricted	\$ (641,226)
<b>Total</b>	<u><u>\$ (641,226)</u></u>

**Regional Human Rights/Fair Housing Commission**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2016**

**5. RISK MANAGEMENT**

HR/FHC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. These risks are addressed through commercial insurance coverage.

The Commission has purchased extended insurance coverage through a commercial insurance provider to cover claims filed after the dissolution of the Commission through December 9, 2017. In addition, the Commission no longer has active worker's compensation insurance since all employees were released on October 31, 2014.

**6. PENSION PLAN**

**A. Plan Description**

HR/FHC contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. HR/FHC's plan is part of the "Miscellaneous 2% at 60 Risk Pool" within the CalPERS system. The plan is now closed to new entrants since all HR/FHC employees have been released. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employee's Retirement Law. HR/FHC selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through the approval of HR/FHC's Governing Board. Benefits include a periodic pension payment upon retirement, as well as death and survivor benefits. Annual cost of living adjustments are included. Disability retirement is permitted subject to certain requirements. CalPERS makes reports available to the public that provide a detailed description of the pension plan's benefit provisions, actuarial assumptions, membership information, and fiduciary net position. These reports can be found on the CalPERS website at <http://www.calpers.ca.gov/>

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	<b>Miscellaneous</b>	
	<b>Prior to January 1, 2013</b>	<b>On or after January 1, 2013</b>
Hire date		
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	Monthly for life
Retirement age (no disability)	50+	52+
Monthly benefits, as a % of eligible compensation	1.092% -2.418%	1.0% to 2.5%
Required employer contribution	\$37,909	--

**Regional Human Rights/Fair Housing Commission**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2016**

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**6. PENSION PLAN, CONTINUED**

**B. Funding Policy**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. HR/FHC 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 employer contributions recognized as deferred outflows of resources were \$37,909.

**C. Annual Pension Cost and Net Pension Obligation**

Beginning with the fiscal year ended June 30, 2016, HR/FHC's net pension liability for each Plan is measured as the proportionate share of the total net pension liability for all employers in the plan. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each 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. HR/FHC's proportion of the net pension liability was based on a projection of HR/FHC's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. HR/FHC's proportionate share of the net pension liability of the plan as of June 30, 2016 was approximately 0.02218%.

For the year ended June 30, 2016, HR/FHC recognized pension expense of \$21,090 in governmental activities in the government-wide financial statements.

**Regional Human Rights/Fair Housing Commission**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2016**

**6. PENSION PLAN, CONTINUED**

At June 30, 2016, HR/FHC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 37,909	\$ --
	4,182	
Differences between expected and actual experiences		
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	20,264	62,611
Net differences between projected and actual earnings on plan investments	--	19,834
Change of Assumptions		39,564
Total	\$ 62,355	\$ 122,009

\$37,909 is reported as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2017	(\$44,098)
2018	(43,383)
2019	(35,433)
2020	25,352
2021	--
Thereafter	--

**Regional Human Rights/Fair Housing Commission**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2016**

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**6. PENSION PLAN, CONTINUED**

The total pension liabilities in the June 30, 2013 actuarial valuations that were used to determine the June 30, 2015 net pension liability shown in these financial statements were determined using the following actuarial assumptions:

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry age normal cost method
Actuarial Assumptions	
Discount Rate	7.65%*
Investment Rate of Return	7.50% (net of administrative expenses; includes inflation)**
Projected Salary Increases	Varies by Entry Age and Service
Inflation	2.75%
Mortality Rate Table	Based on CalPERS membership data for all funds***
Payroll Growth	3.00%
Post Retirement Benefit Increases	Cost of Living Adjustments per contract up to 2% until Purchasing Power Protection Allowance Floor on Purchasing Power applied, 2.75% thereafter

\*The **discount rate** used to measure the total pension liability was 7.65% for each Plan.

Expectations about future cash flows used in the development of the discount rate assume that both members and employers will make all required contributions on time and as scheduled in all future years. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF) and all periods of projected benefits. The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

**Regional Human Rights/Fair Housing Commission**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2016**

**6. PENSION PLAN, CONTINUED**

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as CalPERS changes its methodology.

**\*\*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 cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100.0%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.



**Regional Human Rights/Fair Housing Commission**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2016**

**6. PENSION PLAN, CONTINUED**

\*\*\*The underlying **mortality assumptions** and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

***Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** – The following presents HR/FHC’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as estimated amounts for what HR/FHC’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

Discount Rate	6.50%	7.50%	8.50%
Net Pension Liability	1,020,565	608,541	268,367

**7. CONTINGENT LIABILITIES**

HR/FHC participates in several federal and state programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by grantor agencies. Therefore, to the extent that HR/FHC has not complied with the rules and regulations governing the grants and/or has received funding in excess of cost, refunds of any money received may be required. As stated in Note 1J, the Commission intends to return funds to grantor agencies and has recorded a liability in the estimated amount to be returned in these financial statements.

**8. REVENUE DETAIL**

A summary of intergovernmental revenue for the year ended June 30, 2016 is as follows:

	2016
County of Sacramento	\$ 18,954
City of Sacramento	18,955
<b>Total</b>	<b>\$ 37,909</b>

**9. GOING CONCERN**

The Governing Board of the Regional Human Rights/Fair Housing Commission made the decision to end the activities of the Commission on October 31. Following the Board’s decision, the Executive Director has begun the process of winding down the Commission’s affairs. As of October 31, 2014 all remaining Commission employees were released.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

**Regional Human Rights/Fair Housing Commission**  
**Required Supplementary Information**  
**For the year ended June 30, 2016**

**Schedule of HR/FHC's Proportionate Share of the Net Pension Liability**

<b>Year Ended June 30,</b>	<b>Proportion of net pension liability</b>	<b>Proportionate share of net pension liability</b>	<b>Covered employee payroll</b>	<b>Proportionate share of the net pension liability as a % of covered employee payroll</b>	<b>Plan fiduciary net position as a % of the total pension liability</b>
2014	0.00945%	\$ 587,916	\$ 341,648	172.08%	80.14%
2015	0.02218%	\$ 608,541	\$ 66,276	918.19%	78.97%

Although GAAP require a 10-year history of the above information, the data is available only for periods since the implementation of GASB 68. As the years progress, the data will be accumulated until the full 10 years are presented.

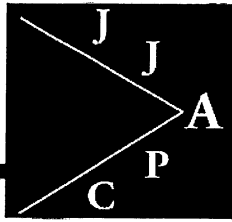
**Schedule of Contributions**

<b>Year Ended June 30,</b>	<b>Contractually required contribution (actuarially determined)</b>	<b>Contributions in relation to the actuarially determined contributions</b>	<b>Contribution deficiency (excess)</b>	<b>Covered employee payroll</b>	<b>Contributions as a % of covered employee payroll</b>	<b>Valuation Date</b>
2014	\$ 37,151	\$ (37,151)	\$ -	\$ 341,648	10.87%	6/30/2013
2015	7,355	(7,355)	-	66,276	11.10%	6/30/2014

Although GAAP require a 10-year history of the above information, the data is available only for periods since the implementation of GASB 68. As the years progress, the data will be accumulated until the full 10 years are presented.

A summary of the principal assumptions and methods used to determine the contribution rates presented above for the relevant valuation date is below:

Valuation Date	June 30, 2014
Actuarial Cost Method	Entry age normal cost method
Amortization Method	Level percent of payroll
Average Remaining Period	7 Years as of the valuation date
Asset Valuation Method	15 Year smoothed market
Actuarial Assumptions	
Investment Rate of Return	7.5% (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 of 2.75% and an annual production growth of 0.25%.



**JJACPA, Inc.**

A Professional Accounting Services Corp.

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

**INDEPENDENT AUDITOR'S REPORT**

Governing Board  
Regional Human Rights/Fair Housing Commission  
Sacramento, California

We have audited the basic financial statements of Regional Human Rights/Fair Housing Commission (HR/FHC) as of and for the year ended June 30, 2016, and have issued our report thereon dated May 11, 2017. 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.

**Internal Control over Financial Reporting**

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

*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 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

## Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Governing Board, others within the entity, is not intended to be and should not be used by anyone other than these specified parties.

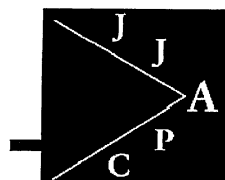
May 11, 2017

*JJACPA, Inc.*  
**JJACPA, Inc.**

**REGIONAL HUMAN RIGHTS/ FAIR HOUSING COMMISSION**

**COMMUNICATION WITH THOSE CHARGES WITH GOVERNANCE AND  
COMMUNICATION OF INTERNAL CONTROL RELATED MATTERS**

**JUNE 30, 2016**



**JJACPA, Inc.**

A Professional Accounting Services Corp.

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May 11, 2017

Governing Board  
Regional Human Rights/Fair Housing Commission  
Sacramento, California

We have audited the financial statements of the Regional Human Rights/Fair Housing Commission (Commission) as of and for the year ended June 30, 2016, and have issued our report thereon dated June May 11, 2017. Professional standards require that we advise you of the following matters relating to our audit.

#### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated April 10, 2017, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Commission solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

#### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

#### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate and our firm have complied with all relevant ethical requirements regarding independence.



## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Human Rights/Fair Housing is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during fiscal year ended June 30, 2016. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are useful lives of capital assets ("useful lives").

Management's estimate of the useful lives is based on experience with and observation of capital assets, by category as well as industry standards, when applicable (i.e. equipment). We evaluated the key factors and assumptions used to develop the useful lives and determined that it is reasonable in relation to the basic financial statements taken as a whole.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Commission's financial statements relate to going concern disclosures.

## **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

## **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole or applicable opinion units

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Commission's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated May 11, 2017.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the Commission, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Commission's auditors.

### **Substantial Doubt on the Entity's Ability to Continue as a Going Concern**

We believe that the following events or conditions identified during the course of the audit indicate substantial doubt on the entity's ability to continue as a going concern for a reasonable period of time:

As indicated in Note 2 of the Basic Financial Statements, the Commission ceased all public services on October 31, 2014 and all employees were released as of that date. The Commission continues in existence to satisfy retirement obligations for past staff and will approach the two remaining members, the City and County of Sacramento, for the necessary funding. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

### **Communication of Internal Control Related Matters**

In planning and performing our audit of the financial statements, we considered the Commission'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 Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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.

This report is intended solely for the information and use of the Board of Directors and management of the Commission and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours.

*Joseph J. Arch*

JOSEPH J. ARCH, CPA  
President/CEO  
JJACPA, INC.

# REGIONAL HUMAN RIGHTS/FAIR HOUSING COMMISSION

## Governing Board Members

### City of Sacramento

Councilmember Steve Hansen

Councilmember Larry Carr

Vice-Chair

### County of Sacramento

Supervisor Don Nottoli

Supervisor Patrick Kennedy

Chair

## Executive Director

John Colville

915 I Street, 3rd Floor

Sacramento, CA 95814

(916) 808-8297

May 10, 2017

JJACPA, Inc.

7080 Donlon Way, Suite 204

Dublin, CA 94568

This representation letter is provided in connection with your audit of the basic financial statements of the Regional Human Rights/Fair Housing Commission (HR/FHC) as of June 30, 2016 and for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the various opinion units of HR/FHC in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of May 10, 2017:

## **Financial Statements**

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated April 10, 2017 for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- We acknowledge our responsibility for 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed, in all material respects.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- All component units, as well as joint ventures with an equity interest, if any, are included and other joint ventures and related organizations are properly disclosed.
- All funds and activities are properly classified, in all material respects.
- All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No.

65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.

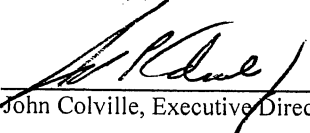
- All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
- All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal, in all material respects.
- All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- All interfund and intra-entity transactions and balances have been properly classified and reported.
- Special items and extraordinary items have been properly classified and reported, if any.
- Deposit and investment risks have been properly and fully disclosed.
- Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated, in all material respects.
- All required supplementary information is measured and presented materially within the prescribed guidelines.
- With regard to investments and other instruments reported at fair value:
  - The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - The disclosures related to fair values are complete, adequate, and in accordance with U.S. GAAP in all material respects.
  - There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

#### **Information Provided**

- We have provided you with:
  - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been or will be recorded in the accounting records and are reflected in the financial statements in all material respects.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that occurred or is suspected to have occurred on or after July 1, 2015 that affects the entity and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, that occurred or is suspected or alleged to have occurred on or after July 1, 2015 affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We are not aware of any pending or threatened litigation and claims whose effects should be disclosed or reported when preparing the financial statements, except as already disclosed or reported therein.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- Except as disclosed to you, there have been no communications from regulatory agencies concerning

- noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- HR/FHC has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
  - We have disclosed to you all guarantees, whether written or oral, under which HR/FHC is contingently liable.
  - We have disclosed to you any nonexchange financial guarantees, under which we are obligated and have declared liabilities and disclosed properly in accordance with GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, for those guarantees where it is more likely than not that the entity will make a payment on any guarantee.
  - For nonexchange financial guarantees where we have declared liabilities, the amount of the liability recognized is the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. Where there was no best estimate but a range of estimated future outflows has been established, we have recognized the minimum amount within the range.
  - We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
  - We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
  - Except as disclosed to you, there are no:
    - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
    - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
    - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62
    - Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).
  - HR/FHC has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
  - Except as disclosed to you, we have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
  - Notes 2 and 9 to the financial statements discloses all the material matters of which we are aware that are relevant to the entity's ability to continue as a going concern, including significant conditions and events, and management's plans to dissolve operations of the Commission.

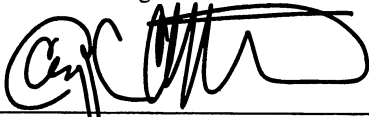
To the best of our knowledge and belief, no events have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements, other than those already disclosed.

  
\_\_\_\_\_  
John Colville, Executive Director

The below signature of Craig Collins, CPA, Contract Accountant, is provided subject to the following limitations:

- Craig D. Collins, CPA and Collins Accountancy Company have undertaken certain specific responsibilities pursuant to an engagement letter with the Human Rights/Fair Housing Commission and, notwithstanding the content of this letter, do not undertake any responsibilities or warrant anything other than what has been previously agreed to.
- Craig D. Collins, CPA and Collins Accountancy Company have not audited the financial statements and are not

independent of the Human Rights/Fair Housing Commission because of our involvement in day-to-day accounting and administration and in the preparation of journal entries.

A handwritten signature in black ink, appearing to read 'Craig D. Collins', is written over a horizontal line.

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Craig D. Collins, CPA, Contract Accountant

# REGIONAL HUMAN RIGHTS/FAIR HOUSING COMMISSION

## Governing Board Members

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Councilmember Steve Hansen

Councilmember Larry Carr

Vice-Chair

### County of Sacramento

Supervisor Don Nottoli

Supervisor Patrick Kennedy

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## Executive Director

John Colville

915 I Street, 3rd Floor

Sacramento, CA 95814

(916) 808-8297

May 10, 2017

JJACPA, Inc.

7080 Donlon Way, Suite 204

Dublin, CA 94568

This representation letter is provided in connection with your audit of the basic financial statements of the Regional Human Rights/Fair Housing Commission (HR/FHC) as of June 30, 2016 and for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the various opinion units of HR/FHC in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of May 10, 2017:

## **Financial Statements**

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated April 10, 2017 for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- We acknowledge our responsibility for 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed, in all material respects.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- All component units, as well as joint ventures with an equity interest, if any, are included and other joint ventures and related organizations are properly disclosed.
- All funds and activities are properly classified, in all material respects.
- All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No.



65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.

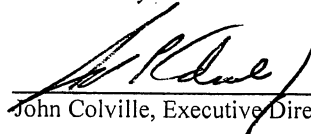
- All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
- All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal, in all material respects.
- All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- All interfund and intra-entity transactions and balances have been properly classified and reported.
- Special items and extraordinary items have been properly classified and reported, if any.
- Deposit and investment risks have been properly and fully disclosed.
- Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated, in all material respects.
- All required supplementary information is measured and presented materially within the prescribed guidelines.
- With regard to investments and other instruments reported at fair value:
  - The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - The disclosures related to fair values are complete, adequate, and in accordance with U.S. GAAP in all material respects.
  - There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

#### **Information Provided**

- We have provided you with:
  - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been or will be recorded in the accounting records and are reflected in the financial statements in all material respects.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that occurred or is suspected to have occurred on or after July 1, 2015 that affects the entity and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, that occurred or is suspected or alleged to have occurred on or after July 1, 2015 affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We are not aware of any pending or threatened litigation and claims whose effects should be disclosed or reported when preparing the financial statements, except as already disclosed or reported therein.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- Except as disclosed to you, there have been no communications from regulatory agencies concerning

- noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- HR/FHC has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
  - We have disclosed to you all guarantees, whether written or oral, under which HR/FHC is contingently liable.
  - We have disclosed to you any nonexchange financial guarantees, under which we are obligated and have declared liabilities and disclosed properly in accordance with GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, for those guarantees where it is more likely than not that the entity will make a payment on any guarantee.
  - For nonexchange financial guarantees where we have declared liabilities, the amount of the liability recognized is the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. Where there was no best estimate but a range of estimated future outflows has been established, we have recognized the minimum amount within the range.
  - We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
  - We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
  - Except as disclosed to you, there are no:
    - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
    - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
    - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62
    - Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).
  - HR/FHC has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
  - Except as disclosed to you, we have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
  - Notes 2 and 9 to the financial statements discloses all the material matters of which we are aware that are relevant to the entity's ability to continue as a going concern, including significant conditions and events, and management's plans to dissolve operations of the Commission.

To the best of our knowledge and belief, no events have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements, other than those already disclosed.

  
\_\_\_\_\_  
John Colville, Executive Director

The below signature of Craig Collins, CPA, Contract Accountant, is provided subject to the following limitations:

- Craig D. Collins, CPA and Collins Accountancy Company have undertaken certain specific responsibilities pursuant to an engagement letter with the Human Rights/Fair Housing Commission and, notwithstanding the content of this letter, do not undertake any responsibilities or warrant anything other than what has been previously agreed to.
- Craig D. Collins, CPA and Collins Accountancy Company have not audited the financial statements and are not

independent of the Human Rights/Fair Housing Commission because of our involvement in day-to-day accounting and administration and in the preparation of journal entries.

A handwritten signature in black ink, appearing to read 'Craig D. Collins', written over a horizontal line.

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Craig D. Collins, CPA, Contract Accountant

# REGIONAL HUMAN RIGHTS/FAIR HOUSING COMMISSION

## Governing Board Members

### City of Sacramento

Councilmember Steve Hansen

Councilmember Larry Carr,  
Vice Chair

### County of Sacramento

Supervisor Don Nottoli

Supervisor Patrick Kennedy,  
Chair

Supervisor Sue Frost,  
Alternate member

### Executive Director

John Colville

915 I Street, 3rd Floor  
Sacramento, CA 95814  
(916) 808-8297

**APPROVED**

BOARD OF DIRECTORS

By Resolution No. 2017-1  
**JUN 12 2017**

By Gueryne Dewhirst  
Deputy Clerk of the Board

**Agenda Item:** 5.  
**For the Agenda of:** June 12, 2017  
**Subject:** APPROVAL OF FISCAL YEAR 2017-18 ANNUAL BUDGET

**Report Type:** Action  
**Contact:** John Colville, Executive Director, (916) 808-8297  
**Overview:** The 2017-18 Annual Budget includes costs for the Commission's outstanding retirement liability payments and residual wind down expenses.

**Recommendation:** Adopt the attached Resolution approving the Fiscal Year (FY) 2017-18 Annual Budget (ATT 1)

**Background:** Since most of the wind down activities of the Commission have been completed, the FY 2017-18 Annual Budget anticipates \$63,000 in funding to address anticipated expenditures. There is \$22,500 remaining in the budget from prior years' that can be used for FY 2017-18 expenses. Given that in the past, Sacramento County funded the Commission, staff recommends the residual funds be used to offset the County's contributions to the FY 2017-18 Annual Budget. Therefore, the anticipated revenue from the County is \$15,500 while the anticipated revenue from the City of Sacramento is \$31,500.

The FY 2017-18 Annual Budget includes costs for the retirement liability payment (\$63,000), costs associated with required accounting and audit functions (\$4,000) to meet requirements resulting from continuing the organization in existence, and a contingency appropriation (\$2,500).

**Attachments:** RESOLUTION  
ATT 1 – Fiscal Year 2016-17 Annual Budget

# REGIONAL HUMAN RIGHTS/FAIR HOUSING COMMISSION

## RESOLUTION NO. 2017-1

### ADOPTING THE FISCAL YEAR 2017-18 FINAL BUDGET OF THE REGIONAL HUMAN RIGHTS/FAIR HOUSING COMMISSION

WHEREAS, the Regional Human Rights/Fair Housing Commission discontinued providing services as of October 31, 2014 and Governing Board is overseeing the wind down of the organization, reimbursement of residual balances, and payment for retirement benefits for the prior Commission employees.

THEREFORE, IT IS HEREBY RESOLVED, the final budget for the Fiscal Year 2017-18 is hereby adopted in accordance with the following categories:

(1)	Salaries and Employees benefits	\$ 63,000
(2)	Services and Supplies	4,000
(3)	Other Charges	--
(4)	Fixed Assets	
	(A) Land	--
	(B) Structures and improvements	--
	(C) Equipment	--
(5)	Expenditure transfers	--
(6)	Contingencies	2,500
(7)	Provision for reserve increases	--
	TOTAL BUDGET REQUIREMENTS\$	<u>69,500</u>

BE IT FURTHER RESOLVED that means for financing the expenditures will be by monies derived from Revenue and Fund Balance.

BE IT FURTHER RESOLVED that the budget is hereby adopted in accordance with the attachment that shows in detail the approved appropriations and revenues and methods of financing.

Resolution Adopting the Fiscal Year 2017-18 Final Budget of the Regional Human Rights/Fair Housing Commission

Page 2

On a motion by Director Don Nottoli, seconded by Director Larry Carr, the foregoing Resolution was passed and adopted by the Board of Directors of the Regional Human Rights/Fair Housing Commission, this 12th day of June 2017, by the following vote, to wit:

AYES: Directors Carr, Kennedy, Nottoli

NOES: (None)

ABSENT: Director Hansen

ABSTAIN: (None)



By: \_\_\_\_\_

Vice Chair, Board of Directors

ATTEST: Wayne Dewlenica

Deputy Clerk, Board of Directors

Attachments:

Exhibit 1 – FY 2017-18 Commission Budget

REGIONAL HUMAN RIGHTS/FAIR HOUSING COMMISSION			
Special District 96		FINAL BUDGET 2017-2018	
	Sac City	Sac County	TOTALS
<b>FUND CENTER -----&gt;</b>	<b>6266265</b>	<b>6266268</b>	
<b>SALARIES</b>			
10111000 - Regular Employees	-	-	-
<b>TAXES/BENEFITS</b>			
10121000 - Retirement	31,500	31,500	63,000
<b>SERVICES/SUPPLIES</b>			
20250500 - Accounting	-	4,000	4,000
<b>CONTINGENCY</b>			
79790100 - Contingency Appropriation	-	2,500	2,500
<b>Total Expenditures</b>	<b>31,500</b>	<b>38,000</b>	<b>69,500</b>
<b>REVENUE</b>			
95953100 - Intergovernment Revenue	31,500	15,500	47,000
<b>FUND BALANCE</b>			
74000000-Fund Balance	-	22,500	22,500
<b>Total Financing</b>	<b>31,500</b>	<b>38,000</b>	<b>69,500</b>

**REGIONAL HUMAN RIGHTS/FAIR  
HOUSING COMMISSION**

**NO BOARD ACTION MEMO**

**DATE:** JUNE 12, 2017

**SUBJECT:** GENERAL PUBLIC COMMENTS

**BOARD ACTION:** NO BOARD ACTION – NO PUBLIC  
COMMENTS WERE MADE



**REGIONAL HUMAN RIGHTS/FAIR  
HOUSING COMMISSION**

**NO BOARD ACTION MEMO**

**DATE:** JUNE 12, 2017

**SUBJECT:** ADJOURNMENT

**BOARD ACTION:** NO BOARD ACTION – MEETING  
ADJOURNED