



HOUSING COMMISSION AGENDA

Regular Meeting: May 10, 2017

Time: 8:00 a.m.

HACA Board Room, 22941 Atherton Street, Hayward, CA 94541

The public is welcome at all Housing Commission meetings. If you wish to speak on a matter NOT on the Agenda, please file a Public Comment card with the Commission Clerk. Upon recognition by the Chairperson during Public Comment, state your name, comments and/or questions. Anyone wishing to address the Commission on an agenda item or on business introduced by the Housing Commission may do so when the Chairperson calls for comments on the agenda item. Please be brief and limit your comments to the specific subject under discussion. NOTE: Only matters within the Housing Commission's jurisdiction may be addressed.

To allow the opportunity for all to speak, a time limit of 3 minutes has been set for public speakers wishing to address the Housing Commission. The Chairperson has the discretion to further limit this time if warranted by the number of speakers.

The Housing Commission Secretary of the Housing Authority of the County of Alameda has, on Thursday, May 4, 2017 duly distributed this Agenda to the Clerk of the Board of Supervisors for posting in the office of the Alameda County Administration Building and has posted it on the bulletin board of the Housing Authority of the County of Alameda.

AMERICANS WITH DISABILITIES: In compliance with the Americans with Disabilities Act, if special assistance to participate in this meeting is needed, please contact the Housing Authority office at (510) 727-8511. Notification at least 48 hours prior to the meeting will enable the Housing Authority to make reasonable arrangements.

1. CALL TO ORDER / ROLL CALL		
2. APPROVAL OF THE MINUTES OF THE APRIL 12, 2017 MEETING	ACTION	2
3. PUBLIC COMMENT - On matters not on the Agenda		
4. NEW BUSINESS		
4-1. Audit for the Fiscal Year Ending June 30, 2016	ACTION	8
4-2. Resolution Confirming and Certifying Completion of All Public Housing Program Closeout Requirements and Approving Termination of All Annual Contributions Contracts	ACTION	16
4-3. Section 8 Shortfall Update	INFORMATION	20
4-4. Budget Status Report	INFORMATION	22
4-5. Program Activity Report	INFORMATION	24
5. COMMITTEE REPORTS		
6. COMMISSIONER REPORTS		
7. COMMUNICATIONS		
8. ADJOURNMENT		

MINUTES
April 12, 2017



**HOUSING COMMISSION MINUTES
REGULAR MEETING: APRIL 12, 2017
HACA BOARD ROOM, 22941 ATHERTON STREET, HAYWARD, CA 94541**

SUMMARY ACTION MINUTES

1. CALL TO ORDER/ROLL CALL

Call to Order

Chairperson Gacoscos called the meeting to order at 8:00 a.m.

Roll Call

Present: Cmr. Bacon, Biddle, Buckholz, Gacoscos, Gerry, Hannon, Maass, Peixoto and Steiner

Excused: Cmr. Cox

2. CLOSED SESSION

CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION – 1 CASE

*Philadelphia Indemnity Insurance Co. v. Housing Authority of the County of Alameda,
San Francisco Superior Court, Case No. CGC-16-555946*

The Housing Commission entered into a closed session at 8:01 a.m. and reconvened in open session at 8:38 a.m. Chairperson Gacoscos reported that no reportable actions were taken in the closed session.

3. ACTION: APPROVAL OF THE MINUTES OF THE MARCH 8, 2017 HOUSING COMMISSION MEETING

Recommendation: Approve the minute of the March 8, 2017 Housing Commission meeting as presented.

Motion/Second: Bacon/Steiner

8 ayes; 1 abstention: Cmr. Gerry. Motion passed. **APPROVED AS RECOMMENDED.**

4. PUBLIC COMMENT – ON MATTERS NOT ON THE AGENDA

None.

5. NEW BUSINESS

5-1. RESOLUTION NO. 04-17: APPROVING UPDATE TO HACA’S UTILITY ALLOWANCE SCHEDULE

Christine Gouig, Executive Director, presented the staff report. Ms. Gouig reported that staff completed an analysis of the utility rates and that some rates have increased by at least 10%, which is the threshold for an update to HACA’s Utility Allowance Schedule. She summarized some of the changes in the utility rates and explained that the proposed updates reflect these changes.

Recommendation: Adopt Resolution No. 04-17 approving an update to HACA’s Utility Allowance Schedule.

Commission Discussion: Commissioner Biddle noted that the analysis can get very complicated because there are different utility companies that provide water and garbage service in Alameda County.

Motion/Second: Biddle/Steiner.

Ayes: All. Motion passed. **APPROVED AS RECOMMENDED.**

5-2. ACTION: AWARD CONTRACT FOR LEGAL SERVICES TO LIEBERT CASSIDY WHITMORE

Christine Gouig introduced this item and provided a brief summary of HACA's Procurement Policy with regard to procurement actions costing between \$25,000 and \$150,000. Beverly Brewer, Procurement Analyst, presented the staff report. Ms. Brewer reported that on February 2, 2017 staff issued Request for Proposals (RFP) for legal services for labor relations and employment law. She described the criteria that staff used to evaluate each of the firms that responded to the RFP and the final ratings. Ms. Brewer recommended that the Commission award the contract to Liebert Cassidy Whitmore.

Recommendation: Award a contract to Liebert Cassidy Whitmore for legal services for labor negotiations, labor relations, employment law legal services and training and authorize the Executive Director to execute the contract and any ancillary documents that may be required.

Commission Discussion: Cmr. Steiner expressed her support for staff's recommendation. Cmr. Bacon commented that the rates offered by Liebert Cassidy Whitmore appear to be reasonable.

Motion/Second: Steiner/Bacon.

Ayes: All. Motion passed. **APPROVED AS RECOMMENDED.**

5-3. ACTION: BUDGET/AUDIT/NEGOTIATIONS COMMITTEE APPOINTMENT

Christine Gouig presented the staff report. The Commission discussed appointments to the Budget/Audit/Negotiations (BAN) Committee for the fiscal year July 1, 2017 – June 30, 2018. Cmr. Biddle, Buckholz, Gerry, Hannon and Steiner volunteered to serve on the BAN Committee.

Recommendation: Appoint Cmr. Biddle, Buckholz, Gerry, Hannon and Steiner to the Budget/Audit/Negotiations Committee for the Fiscal Year 2017-2018.

Commission Discussion: None.

Motion/Second: Maas/Bacon.

Ayes: All. Motion passed. **APPROVED AS RECOMMENDED.**

5-4. INFORMATION: UPDATE ON HUD FUNDING SHORTFALL

Christine Gouig presented the staff report. Ms. Gouig reported that the federal government does not have a budget in place for the 2017 federal fiscal year and is currently operating under a Continuing Resolution that funds HACA's programs at the same level as last year. She explained that at this level of funding, HACA will not have sufficient Housing Assistance Payments (HAP) funds to complete the year and is now in what HUD calls "shortfall" status.

Ms. Gouig described the factors that contributed to the shortfall status and the approach that staff expects HUD to take. She indicated that staff will provide a report to the Commission at each monthly meeting on the status of the shortfall process.

Commission Discussion: Cmr. Steiner indicated that a reporter from The Independent is interested in finding out more about affordable housing issues. Cmr. Maas asked how much money the agency will save by putting HUD's shortfall process recommendations in place and Ms. Gouig indicated that an analysis is underway. Cmr. Buckholz and Ms. Gouig discussed the impact that this could have on seniors. Cmr. Peixoto and Ms. Gouig discussed portability and the impact that this will have on the program participants that port in to HACA's jurisdiction. Cmr. Hannon asked if Alameda County or any cities can help to cover the funding shortfall and Ms. Gouig explained that the shortfall will be covered by HUD. Cmr. Bacon commented on the proposed revisions to the federal budget and the impact that they have had on affordable housing projects in Fremont. He indicated that the city of Fremont received assistance for a housing project that was in jeopardy from Alameda County's Measure A bond. Cmr. Cmr. Peixoto and Ms. Gouig discussed the potential funding cuts to the CDBG program. Cmr. Steiner urged the Housing Commissioners to contact their elected representatives. Chairperson Gacoscos recommended that staff provide the Commission with an update at each monthly meeting.

5-5. INFORMATION: BUDGET STATUS REPORT

Cathy Leoncio, Finance Director, presented the staff report. Report received with no questions or comments from the Housing Commission.

5-6. INFORMATION: PROGRAM ACTIVITY REPORT

Daniel Taylor, Special Programs Manager, presented the staff report. In response to a question from the last Commission meeting Mr. Taylor explained why the Alameda County Board of Supervisors is named as a party in the MOU with the Alameda County Workforce Development Board. He also reported on the Family Self-Sufficiency (FSS) Program's activities for the month of March.

Ms. Gouig reported that the quarterly report on HACA's Housing Quality Standards (HQS) inspections was included in the Program Activity Report.

Commission Discussion: Cmr. Gerry asked for a copy of HACA's inspection checklist. Cmr. Hannon thanked staff for reporting the inspections data. He commented on the recent Ghost Ship fire in Oakland and stated that he wanted to ensure that HACA is not subsidizing rents for any units that are uninhabitable. Ms. Gouig stated that staff will include a copy of the HQS inspection checklist in the next meeting packet.

6. COMMITTEE REPORTS

None.

7. COMMISSIONER REPORTS

Cmr. Steiner reported on her attendance at the 2017 NAHRO Washington Conference. She announced that Ms. Gouig was awarded the Mary K. Nenno award for her work in legislative advocacy. The California Association of Housing Authorities (CAHA) Legislative Paper was distributed to the Commission and to the public. Cmr. Gerry reported on his attendance at the

NAHRO Washington Conference. He acknowledged Ms. Gouig for her work and commented that she is highly regarded. The Housing Commission applauded Ms. Gouig. Both Cmr. Steiner and Gerry recommended that the Commissioners attend this conference when the opportunity arises.

Cmr. Bacon reported on his attendance at a state-wide conference of the local government commission. He commented that the high cost of housing and cost of living is not just a Bay Area issue but a statewide issue. He discussed the increase in the number of people who are moving out of California because they simply cannot afford to live in this state.

Cmr. Peixoto and Cmr. Bacon discussed state Senator Bob Wieckowski’s bill regarding accessory dwelling units and the impact that this could have on the quality of life of residents who are already in place in a community.

Cmr. Biddle reported on the League of Cities conference that he attended recently.

8. COMMUNICATIONS

Ms. Gouig reported that the appointments for the new commissioners from Emeryville and San Leandro will be approved in time for the May meeting and indicated that staff will hold an orientation for the new commissioners.

Cmr. Steiner asked the Commission to sign a card for former Deputy Director of Programs, Ron Dion, who retired on March 30 and reported that she attended Mr. Dion’s retirement celebration.

Cmr. Gerry invited the Housing Commissioners to a fundraising event hosted by the HARD Foundation (Hayward Area Recreation & Parks) on June 16. He stated that the proceeds from this event will benefit Mia’s Dream, a park that is being planned for children with special needs and disabilities.

9. ADJOURNMENT

There being no further business to discuss, Chairperson Gacoscos adjourned the meeting at 9:50 a.m.

Respectfully Submitted,

Melissa Taesali
Executive Assistant

Christine Gouig
Executive Director/Housing Commission Secretary

Approved:

Pat Gacoscos
Housing Commission Chairperson

NEW BUSINESS

May 10, 2017

HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA

AGENDA STATEMENT

Meeting: May 10, 2017

Subject: Audit for the Fiscal Year Ending June 30, 2016

Exhibits Attached: - Patel & Associates Letter to the Commission
 - Attachment A: Audit Report

Recommendation: Accept Reports

Financial Statement: None

BACKGROUND

The Housing Authority's (HACA) audit for the fiscal year ending June 30, 2016, was completed by the auditors, Patel & Associates, LLP, on March 17, 2017.

Patel & Associates, LLP performed a "single audit," as HACA received over \$750,000 of federal funding during the fiscal year. The audit was designed and conducted in the areas of financial operation, internal control and OMB Circular A-133 compliance.

Included in the audit report is HACA's non-profit component unit, Preserving Alameda County Housing, Inc. (PACH).

DISCUSSION and ANALYSIS

Independent Auditor's Report (pages 1-4)

In the independent auditor's report addressed to the Board of Commissioners, Patel & Associates, LLP opines that HACA's financial statements at the fiscal year ending June 30, 2016 were stated fairly in all material respects.

Management's Discussion and Analysis (MD&A) (pages 5-11)

The MD&A serves as an introduction to the agency wide financial statements and is an overview of HACA's financial activity. It highlights changes in our financial position as well as identifies significant financial and individual fund issues. It also discusses the current year's results in comparison to the prior year's, with emphasis on the current year.

The *Statement of Net Position* presents information about HACA's financial and capital resources (assets) and its obligations to creditors (liabilities), and is similar to a balance sheet. The *Authority-Wide Statement of Net Position* is shown on Table 1, page 7.

- ❖ Total assets and deferred outflow of resources was \$44.77 million.
- ❖ Total liabilities and deferred inflow of resources was \$12.49 million.
- ❖ Total assets exceeded total liabilities by \$32.28 million (net position) and consist of the following:
 - \$14.78 million are invested in capital assets. This includes land, buildings and improvements, and furniture and equipment net of accumulated depreciation.
 - \$14.24 million are restricted net position and consist of restricted monies received from the net proceeds of the disposition of Arroyo Vista that was loaned to the redeveloper of the site, plus accrued interest, and restricted monies for PACH replacement (capital) reserves of \$2.33 million.
 - \$3.26 million are unrestricted net position and include the Housing Development Fund, Park Terrace (Hayward), Ocean Avenue (Emeryville), and Public Housing and Housing Choice Voucher (HCV) reserves.

Total assets and deferred outflow of resources increased by approximately \$2.82 million due to non-current assets and deferred outflow of resources. Non-current assets changed from last year due to interest accrued on the Notes Receivable from Eden Dougherty, LLP, for a total amount of \$11.91 million and also because of the PACH restricted replacement reserve balance.

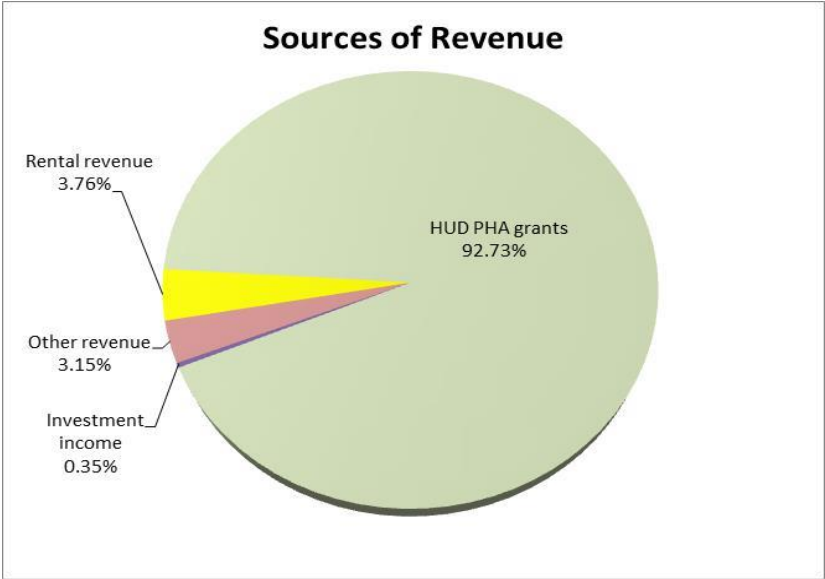
Total liabilities increased by approximately \$2.52 million, primarily due to net pension liability recorded. Please refer to Notes 1(d) (e), and 6 on pages 18-19 and pages 28-36 for more information.

Total net position increased by \$0.30 million and was \$32.28 million in 2016 and \$31.98 million in 2015.

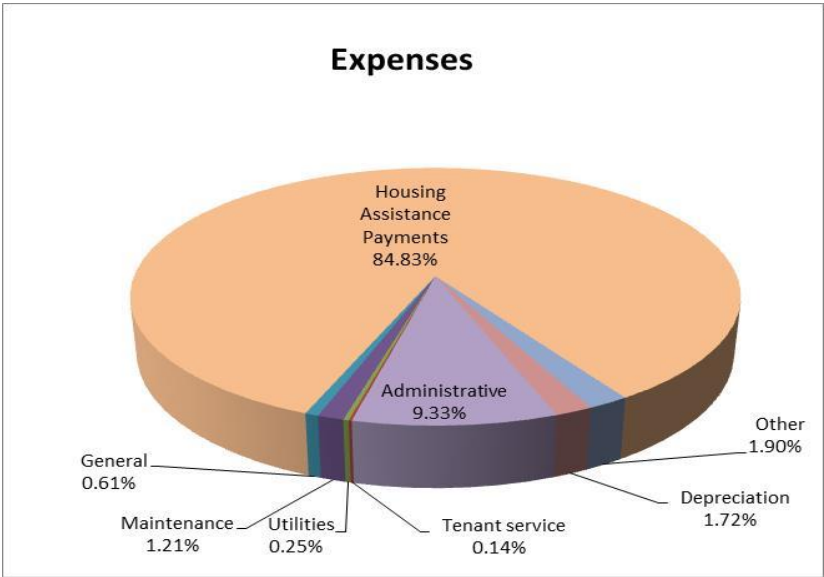
The *Statement of Revenues, Expenses and Changes in Net Position* reports HACA's revenues by source and type and its expenses by category to substantiate the change in net position (similar to net income or loss) for the fiscal year.

- ❖ Table 2 on page 8 shows total revenue (excluding Housing Assistance Payments-Portability in) of \$99.62 million compared to \$85.53 million in 2015, an increase of \$14.09 million.
 - HUD provided the majority of HACA's total revenue (\$92.38 million) so changes in HUD funding greatly impact operating results. The HCV program received \$89.39 million in funding, which was \$12.29 million more than the previous year. The Low Rent Public Housing program received \$1.26 million more in capital and Replacement Housing Factor grants due to the Rental Assistance Demonstration (RAD) conversion.

- Rental revenue increased by 15% from the previous year, mainly due to the change in the contract rents for the 158 former public housing units disposed of to PACH and converted to Section 8 project-based vouchers.



- Total expenses were \$99.30 million compared to \$91.74 million in 2015, an increase of \$7.56 million. The largest program expenditure as reflected in the chart was for HAP.



Audited Financial Statements (pages 12-14 and 44-47)

Patel & Associates, LLP conducted an audit of the financial statements of each of the programs administered by HACA. Each program is considered a separate accounting entity with its own assets, liabilities, net position, revenues and expenses.

Page 12 shows the *Statement of Net Position* for all programs. Page 45 shows the individual funds that make up the total.

The Low Rent Public Housing program has total net position of \$12.26 million, which includes net restricted position of \$11.91 million and net unrestricted position of \$134,379.

The Housing Choice Voucher program has total net position of -\$5.22 million.

The Housing Development Fund has a total net position balance of \$11.58 million.

In March 2016, HACA completed the RAD conversion and sold its remaining 72 units of Public Housing to PACH. For FY 2016, PACH had total assets of \$11.91 million, total liabilities of \$0.72 million and net position of \$11.19 million. It had total revenues of \$5.31 million and expenses of \$1.99 million. PACH's total net position increased by \$5.58 million, \$2.33 million of which is restricted for replacement reserve funding. See also Note 7 on page 37.

Park Terrace has a net position balance of \$1.50 million and Ocean Avenue has \$0.82 million.

Pages 13 and 45 show the *Statement of Revenues, Expenses and Changes in Net Position*. As your Commission will note, the change in net position includes depreciation expense. While depreciation is treated as an expense that reduces the results of operations, it does not have an impact on restricted or unrestricted net position. When the depreciation expense and, in some instances, changes due to acquisitions, dispositions and improvements of capital assets are excluded, the change in net position balances shows the actual operating income or loss for the year.

HACA's Low Rent Public Housing program had operating *loss* of \$1.327 million primarily due to the RAD conversion transactions.

The Housing Choice Voucher program had a net operating *loss* of \$1.39 million.

The Housing Development Fund had a net operating *loss* of \$230,368.

PACH had a net operating income of \$1.36 million.

Ocean Avenue had a net operating income of \$26,670.

Park Terrace had a net operating income of \$59,764.

Summary of Auditor's Reports

In the *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 and the Independent Auditor's Report on Compliance for each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133 (pages 51-54)*, the following were reported:

- No material weaknesses or significant deficiencies were identified from the testing and evaluation of HACA's internal control system.
- In testing HACA's compliance with certain provisions and requirements applicable to the programs it administered, the auditors did not identify any instances of noncompliance with program requirements.

Schedule of Findings and Questioned Costs

Section 1 – *Summary of Auditor's Results* (page 55)

Patel & Associates, LLP issued an unmodified opinion on HACA's financial statements. This means that HACA complied with Generally Accepted Accounting Principles (GAAP) and that our financial statements were presented, in all material aspects, appropriately and fairly. HACA is considered a low-risk auditee based on past experience and overall evaluation of its operations and because a single audit has been conducted in prior years where there were no material weaknesses identified.

Sections II and III (page 56-57) – There were no financial statement findings or non-compliance issues identified in this and the prior fiscal year.

Capital and Replacement Housing Factor Funds

Every year, HUD provides Capital Funds to housing authorities for the development, financing, and modernization of public housing developments and for management improvements. Upon expenditure of all funds for a given grant year, a housing authority must submit to HUD an audited Actual Modernization Cost Certificate (AMCC-HUD form 53001) for review and approval for audit. After audit verification, HUD approves the AMCC.

The Capital Fund grants awarded to HACA for calendar year 2015 were reviewed by Patel & Associates, LLP as part of the audit. The auditor determined that the total cost was \$186,197, that all costs have been paid and liabilities discharged and that HACA did not incur any budget overruns. The work funded was completed within the fiscal year and the grant is closed.

In addition, as part of the RAD conversion, HACA received Replacement Housing Factor funds awarded in the years 2012 to 2016 totaling \$1,171,784. The monies were used to fund the HUD-required initial deposit to the Emery Glen and Mission View replacement reserve accounts.

RECOMMENDATION

Staff recommends that your Commission accept the audited financial statements and reports for all HACA programs for the fiscal year ended June 30, 2016.



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The Board of Commissioners
Housing Authority of the County of Alameda
Alameda, California

We have audited the financial statements of the business-type activities of the Housing Authority of the County of Alameda (the "Authority") for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 23, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2016, except as mentioned below. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

The Authority has implemented the requirements of GASB No. 72, Fair Value Measurement and Application, which is effective for periods beginning after June 15, 2015. This statement provides guidance for determining fair value measurement for financial reporting purposes and for applying fair value to certain investments, and requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Governments should organize these disclosures by type of asset or liability reported at fair value and disclose investments in certain entities that calculate net asset value per share (or its equivalent).

Estimates: Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 significantly from those expected. The most sensitive estimates affecting the financial statements are:

- Management's estimate of the useful lives of fixed assets have been estimated based on the intended use and are within generally accepted accounting principles guideline.
- Management's estimate of fair value of Note and accounts receivable and consideration of provision of bad debt allowance.
- Management's estimate of pension liability, accrued and other liabilities.

We evaluated the key factors and assumptions used to develop the estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Disclosures: Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosure of pension plan and liability in Note 6.
- The disclosure of note receivable in the amount of \$11 million from Eden Dougherty, LLP in Note 13.
- The disclosure of the blended component unit in Note 14.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit:

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements:

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 17, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual enterprise fund by fund source and Schedule of Expenditures of Federal Awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Patel & Associates, LLP
Oakland, California
March 17, 2017

HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA

AGENDA STATEMENT

Meeting: May 10, 2017

Subject:	Resolution Confirming and Certifying Completion of All Public Housing Program Closeout Requirements and Approving Termination of All Annual Contribution Contracts
Exhibits:	Resolution No. 05-17
Recommendation:	Adopt the Resolution
Financial Impact:	None

BACKGROUND

Beginning in 2009, with the submission to HUD of an application to “dispose of” (i.e., remove from the Public Housing Program) HACA’s scattered-site public housing units, all located in Union City, HACA has executed multi-year strategies to convert all 230 of its public housing units to other, more viable, forms of assisted housing. HACA, similar to other housing authorities across the nation, had found it impossible to consistently operate its public housing in the black and maintain the assets at the level necessary to preserve their long-term viability. The combination of tenant rents, HUD Operating Subsidy and HUD Capital Fund Program funding was simply inadequate to do so. In HACA’s case, Public Housing Program Fiscal Years 2002, and 2006 through 2015 all ended in deficits and reserves were dwindling as they were used to fund the deficits.

In 2016, HACA converted the last of its public housing units (the 36-unit Emery Glen development in Emeryville and the 36-unit Mission View development in Union City) to HUD’s Rental Assistance Demonstration Program (RAD). In February 2017, HACA removed from its Public Housing Program its non-dwelling assets-- HACA’s maintenance facility and a currently vacant office building that HACA has been attempting to lease. Now that HACA has disposed of all its Public Housing dwelling units and Non-dwelling Public Housing Real Property to HACA’s instrumentality, Preserving Alameda County Housing, Inc. (PACH), HACA may terminate all of its Annual Contribution Contracts (ACCs) with HUD and close out its Public Housing Program.

DISCUSSION and ANALYSIS

In order for HACA to terminate all of its ACCs with HUD and close out its Public Housing program, HACA must provide HUD with a resolution adopted by your Commission indicating HACA’s desire to terminate the Public Housing ACCs and confirming that HACA has followed all closeout requirements of HUD Notice PIH 2016-23 (HA), the ACCs, the U.S. Housing Act of 1937, and 2 CFR part 200.

Below is a chart of the closeout requirements and their status:

	Closeout Requirement	Completed by HACA
1.	Quarterly Federal Financial Reports	X
2.	Disposition of Non-Dwelling Public Housing Real Property	X
3.	Public Housing Personal Property Statement <ul style="list-style-type: none"> • All Public Housing Personal Property is being used by HACA for other housing activities supported by HUD 	X
4.	Determination of Impact on Cooperative Agreements and Local Government <ul style="list-style-type: none"> • No Impact 	X
5.	Review of Outstanding Litigation, Claims, Audits and Civil Rights Matters <ul style="list-style-type: none"> • None 	X
6.	Ensure Closeout of All Public Housing Grants and HUD Approvals	X
7.	Capital Fund Grant Closeout	X
8.	Final Public Housing Audit	X
9.	Legal Opinion indicating HACA retains no Public Housing Property; has no outstanding litigation, claims, audits, debt obligations or civil rights matters; has adequate assurances in place to ensure compliance with prior HUD approvals	X
10.	Reconciliation of Public Housing Funds	X

As HACA has disposed of all its Public Housing dwelling units and Non-dwelling Public Housing Real Property and has followed all Public Housing closeout requirements, staff recommends your Commission adopt the Resolution presented at this meeting and authorize the Executive Director to submit it to HUD as well as any other information or documentation that HUD may require to complete the close out.

HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA

RESOLUTION NO. 05-17

CONFIRMING AND CERTIFYING COMPLETION OF ALL PUBLIC HOUSING PROGRAM CLOSEOUT REQUIREMENTS AND APPROVING TERMINATION OF ALL ANNUAL CONTRIBUTION CONTRACTS

WHEREAS, the U. S. Department of Housing and Urban Development (hereinafter “HUD”) and the Housing Authority of the County of Alameda (hereinafter “HACA”) have entered into the following Annual Contribution Contracts (hereinafter “the ACCs”) to evidence the development and operation of HACA’s Public Housing Program:

- CA39P067501-12
- CA39P067501-13
- CA39P067501-14
- CA39P067501-15
- CA39P067501-16; and

WHEREAS, HACA has, with HUD approval, disposed of all its Public Housing dwelling units and Non-dwelling Public Housing Real Property through either Section 18 of the United States Housing Act of 1937 (hereinafter the “1937 Act”) or the Rental Assistance Demonstration (RAD) program; and

WHEREAS, HACA hereby confirms to the best of its knowledge that it has followed all closeout requirements of:

- Notice PIH 2016-23 (HA), issued December 7, 2016
- The ACCs
- The 1937 Act
- 2 CFR part 200; and

WHEREAS, HACA now desires to terminate all of the ACCs;

NOW, THEREFORE, BE IT RESOLVED, that the Housing Commission of the Housing Authority of the County of Alameda does hereby adopt Resolution 05-17 confirming and certifying, to the best of its knowledge, completion of all applicable closeout requirements and approving termination of all its Public Housing Annual Contribution Contracts.

Housing Authority of the County of Alameda

Resolution No: 05-17: Confirming and Certifying Completion of All Public Housing Program Closeout Requirements and Approving Termination of All Annual Contribution Contracts

May 10, 2017

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BE IT FURTHER RESOLVED, that the Executive Director of HACA, or her designee, is hereby authorized to submit this Resolution to HUD along with any and all other information, certifications or documentation that HUD may require to close out HACA’s Public Housing Program.

PASSED, APPROVED AND ADOPTED by the Housing Commission of the Housing Authority of the County of Alameda on May 10, 2017, by the following vote:

AYES:

NAYS:

ABSTAIN:

EXCUSED:

ABSENT:

_____ Pat
Gacoscos
Housing Commission Chairperson

Attest:

Christine Gouig
Executive Director/Housing Commission Secretary

Adopted: _____

HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA

AGENDA STATEMENT

Meeting: May 10, 2017

Subject: HUD Funding Shortfall – Update on Action Plan

Exhibits: None

Recommendation: Receive Report

BACKGROUND

At your April 2017 meeting, staff provided you with an update on HACA’s HUD funding shortfall. As explained at your April meeting, the three contributing factors to this shortfall are 1) the way in which HUD calculates the amount of funding for housing authorities, 2) the fact that the Continuing Resolution gives us only 94 percent of the HAP amount needed to keep all Section 8 tenants housed and 3) the exceedingly high rents in our area. As was also explained at your April meeting, HUD’s approach is to have shortfall housing authorities reduce their HAP costs as much as possible before funding the shortfall and, jointly with the housing authority, develops an Action Plan to accomplish this.

On April 26, 2017, HUD issued Notice PIH 2017-07, providing guidance related to eligibility for shortfall funding in calendar year 2017. In order for a housing authority to be eligible for shortfall funding it must:

1. Continue to work with HUD to provide information and data to assist in determining if a shortfall is imminent
2. Cease issuing vouchers to applicants except:
 - a. Families that are current participants and were issued a voucher to move to a different unit
 - b. Families receiving tenant protection vouchers, or
 - c. Families assisted through the HUD-VASH program
3. Rescind any vouchers remaining on the street that were issued to applicant families except those listed in 2. above
4. Cease absorbing portable vouchers, and
5. Cease issuing tenant-based vouchers to project-based voucher (PBV) families that want to voluntarily move with tenant-based assistance.

DISCUSSION and ANALYSIS

HACA has received its initial Action Plan from HUD. Below is a chart of the required actions outlined in the Plan, the requirements of HUD Notice PIH 2017-07, and the status of each item:

Required Action	Action Required By:	Status
1. Continue to work with HUD to assist in determining if a shortfall is imminent.	PIH 2017-07	HACA's next call with HUD's shortfall team is May 11, 2017.
2. Cease issuing vouchers to new applicants and pull back (rescind) outstanding vouchers on the street.	Action Plan PIH 2017-07	The last time HACA issued vouchers to new applicants was January 31, 2017. Effective May 1, 2017, any voucher holder who had either not found a unit or whose unit did not pass inspection by May 1, 2017, had their voucher rescinded and was returned to the wait list. (25 households) These applicants will be served before other applicants on the wait list when we again issue vouchers.
3. Stop absorbing new portable families and bill the originating housing authority until further notice by HUD.	Action Plan PIH 2017-07	HACA began billing all new incoming portable families as of April 10, 2017. (11 ports under contract and 11 looking for housing. Billing a total of 148.)
4. Deny portability move-outs or movers wishing to rent in higher-cost areas, unless the receiving housing authority will absorb the family.	Action Plan	Beginning May 1, 2017, HACA ceased allowing portability move-outs to higher-cost areas. Discussion with HUD re: movers on May 11.
5. Utilize a HUD-provided report to search for possible cost savings.	Action Plan	HACA has and continues to review the HUD-provided report to search for possible cost savings (e.g., over-vouchered households, households with unreported income).
6. Send a letter to all participants reminding them of their responsibility to report all income and household members.	Action Plan	Letter sent last week.
7. Cease issuing vouchers to PBV families that want to voluntarily move with tenant-based assistance.	PIH 2017-07	The last time HACA issued a tenant-based voucher to a PBV family was January 10, 2017. HACA is maintaining a wait list of PBV families wishing to move with a tenant-based voucher.

BUDGET STATUS **REPORT**

**Housing Authority of Alameda County
HOUSING CHOICE VOUCHER
Administrative Budget Status Report FYE June 30, 2017
March 2017**

FY 2017 - HCV OPERATING BUDGET	Budgeted @ 3/31/2017	Actual @ 3/31/2017	OVER (UNDER)	PROJECTED TO 6/30/17	SCH. NO.	2016 BUDGET	2017 BUDGET	DIFFERENCE
INCOME								
Investment Income	375	0	(375)	0	A1	735	500	(235)
Misc. Income	244,500	294,133	49,633	359,177	A1	323,698	326,000	2,302
Administrative Fee Income	5,232,176	5,240,943	8,767	6,937,390	A	6,447,189	6,976,234	529,045
TOTAL INCOME	5,477,051	5,535,075	58,024	7,296,567		6,771,622	7,302,735	531,113
EXPENSES								
Administration								
Salaries	(3,083,050)	(2,773,996)	309,055	(3,895,994)	B-1& 2	(3,794,397)	(4,110,734)	(316,337)
Other Admin.	(1,172,818)	(1,029,897)	142,921	(1,505,911)	C-1&2	(1,538,303)	(1,563,758)	(25,455)
Total	(4,255,869)	(3,803,893)	451,976	(5,401,905)		(5,332,700)	(5,674,492)	(341,791)
General								
Insurance	(169,822)	(161,615)	8,207	(215,487)	E	(203,970)	(226,429)	(22,459)
Employee Benefits	(1,680,262)	(1,578,440)	101,823	(2,290,350)		(2,124,862)	(2,240,350)	(115,488)
Miscellaneous	0	0	0	0		0	0	0
Total	(1,850,084)	(1,740,055)	110,030	(2,505,837)		(2,328,832)	(2,466,779)	(137,947)
Total Routine Expenses	(6,105,953)	(5,543,947)	562,006	(7,907,741)		(7,661,532)	(8,141,271)	(479,739)
Capital Expenditures	0	0	0	0	D2	0	0	0
TOTAL EXPENSES	(6,105,953)	(5,543,947)	562,006	(7,907,741)		(7,661,532)	(8,141,271)	(479,739)
NET INCOME (DEFICIT)	(628,902)	(8,872)	620,030	(611,174)		(889,910)	(838,536)	51,374

Unrestricted Net Position @ 6/30/16 (Unaudited)
 Projected Income (Deficit) @ 6/30/17
 Projected Unrestricted Net Position @ 6/30/17

\$ (5,223,545)
 (611,174)
\$ (5,834,719)

PROGRAM ACTIVITY **REPORT**

HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA

AGENDA STATEMENT

Meeting: May 10, 2017

Subject: Programs Activity Report

Exhibits Attached: Section 8 and Housing Assistance Payments (HAP) Report; Section 8 Average Contract Rent Report; Fraud Payments Report; Landlord Rental Listing Report; FSS Program Monthly Report

Recommendation: Receive Report

Financial Statement: None

SECTION 8 HOUSING CHOICE VOUCHERS

- **Lease-Up:** As of May 1, 2017, the Section 8 Housing Choice Voucher program had 6,258 units under contract. The fiscal year-to-date lease-up average is 97.21% units as of May 1, 2017. The budget authority use average through March 2017 is 110%.
- **Program Utilization:** As of May 1, 2017, the average HAP subsidy was \$1,351 and the average tenant-paid rent portion was \$468 for an average Contract Rent of \$1,782. Amounts vary by \$1 due to rounding.
 - ❖ As of May 1, 2017, HACA had 94 outgoing billed portability contracts (i.e., HACA voucher holders who are housed in another housing authority's jurisdiction).
 - ❖ As of May 1, 2017, HACA billed other housing authorities for 148 incoming portability contracts.
 - ❖ 227 of PACH's 230 project-based voucher (PBV) units are leased. These are HACA's former public housing units converted under HUD's Section 18 or Rental Assistance Demonstration programs and transferred to PACH, HACA's instrumentality.
- **Section 8 Contract Report:** A copy of the Contract Report is attached.
- **Fraud / Debt Recovery:** HACA retained \$91,341.98 for the month of April. A total of \$178,727.32 was retained over this fiscal year.
- **Landlord Rental Listings:** As of May 1, 2017, there were 810 landlords with properties in HACA's jurisdiction utilizing the *GoSection8* rental listing service. There were five new landlords added to the Section 8 program in April. There were 26 active properties listed as of May 1, 2017.

FAMILY SELF SUFFICIENCY (FSS)

In April, the FSS Department held a roundtable discussion with the Alameda County Department of Child Support Services where FSS participants learned the various stages of, and requirements for, obtaining and maintaining child support.

The FSS Department also held a workshop featuring various employers from the Bay Area including Apple One, BART, Alameda County Social Services and Eden Area One Stop. The workshop was very informative for job seekers and was well received.

HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA
Section 8 Contract and HAP Report for the Month of April 2017

City	Certificates		Vouchers		APRIL 2017 TOTAL		APRIL 2016	APRIL 2015
	Number	HAP*	Number	HAP**	Number	HAP		
Albany	0	\$0	23	\$32,591	23	\$32,591	26	28
Castro Valley	11	\$13,398	199	\$281,983	210	\$295,381	209	218
Dublin	3	\$3,654	349	\$494,533	352	\$498,187	354	351
Emeryville	5	\$6,090	150	\$212,550	155	\$218,640	129	125
Fremont	21	\$25,578	1,048	\$1,485,016	1,069	\$1,510,594	1,062	1,138
Hayward	87	\$105,966	1,919	\$2,719,223	2,006	\$2,825,189	2,017	2,195
Newark	6	\$7,308	207	\$293,319	213	\$300,627	220	233
Pleasanton	3	\$3,654	114	\$161,538	117	\$165,192	112	115
San Leandro	16	\$19,488	1,399	\$1,982,383	1,415	\$2,001,871	1,460	1,512
San Lorenzo	1	\$1,218	203	\$287,651	204	\$288,869	197	220
Union City	3	\$3,654	740	\$1,048,580	743	\$1,052,234	727	768
TOTALS	156	\$190,008.00	6,351	\$8,999,367.00	6,507	\$9,189,375.00	6,513	6,903

*Based on an average April Housing Assistance Payment (HAP) of \$1218 per voucher contract

**Based on an average April Housing Assistance Payment (HAP) of \$1417 per voucher contract

HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA

Section 8 Average Contract Rent Report for the Month of April 2016

City	Number of HAP Contracts	Average Contract Rent	Average HAP Paid by HACA	Average Rent Paid by Family	Average Family-Paid Rent as a Percentage of Average Contract Rent
Albany	23	\$1,531	\$1,283	\$248	16%
Castro Valley	177	\$1,801	\$1,377	\$424	24%
Dublin	270	\$1,949	\$1,515	\$434	22%
Emeryville	114	\$1,579	\$1,132	\$447	28%
Fremont	989	\$2,013	\$1,543	\$470	23%
Hayward	1,858	\$1,780	\$1,331	\$449	25%
Newark	206	\$2,267	\$1,682	\$585	26%
Pleasanton	114	\$1,676	\$1,260	\$417	25%
San Leandro	1,388	\$1,780	\$1,305	\$474	27%
San Lorenzo	201	\$2,074	\$1,588	\$486	23%
Union City	522	\$2,164	\$1,646	\$518	24%

*Some rents may vary by \$1 due to rounding

DEBT COLLECTIONS

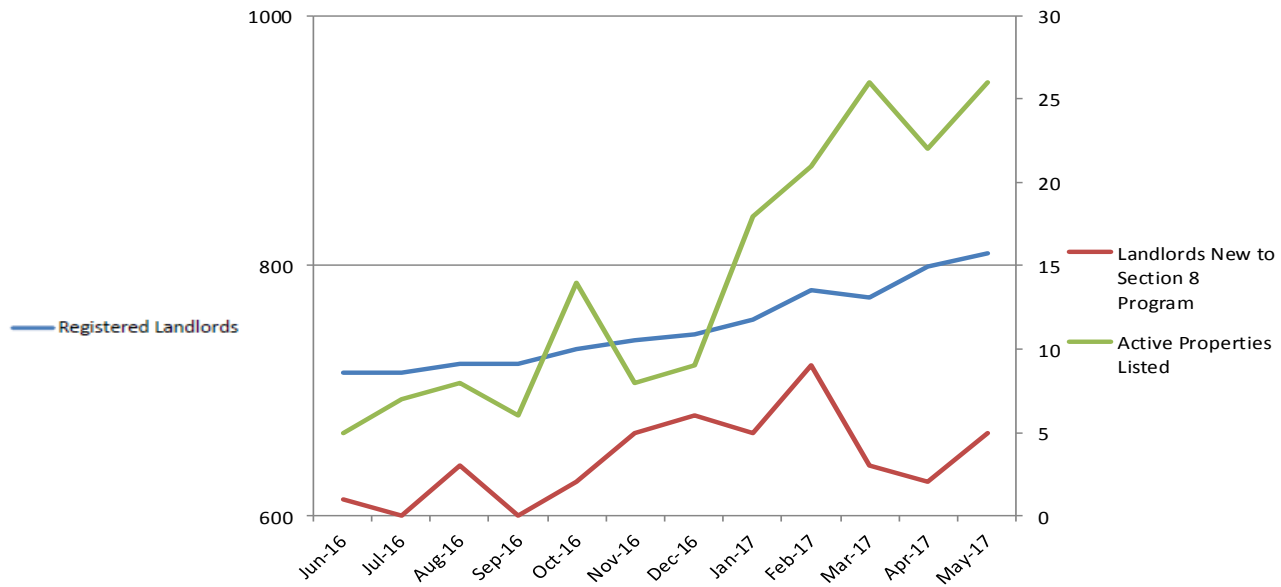
2016-2017
 FYE 06/30/17

	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY '17	FEBRUARY	MARCH	APRIL	MAY	JUNE	GRAND TOTALS
<i>DAMAGE CLAIMS</i>	\$0.00	\$408.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$408.00
<i>FRAUD REPAYMENTS</i>	\$3,786.89	\$10,046.44	\$11,177.70	\$15,073.00	\$10,643.05	\$9,952.98	\$11,546.31	\$7,569.73	\$7,589.24	\$91,341.98			\$178,727.32
TOTALS	\$3,786.89	\$10,454.44	\$11,177.70	\$15,073.00	\$10,643.05	\$9,952.98	\$11,546.31	\$7,569.73	\$7,589.24	\$91,341.98	\$0.00	\$0.00	\$179,135.32

Landlord Rental Listing Report

Monthly

	6/1/2016	7/5/2016	8/1/2016	9/1/2016	10/3/2016	11/1/2016	12/1/2016	1/3/2017	2/1/2017	3/1/2017	4/3/2017	5/1/2017
Registered Landlords	714	715	722	722	733	740	745	757	780	775	799	810
Landlords New to Section 8 Program	1	0	3	0	2	5	6	5	9	3	2	5
Active Properties Listed	5	7	8	6	14	8	9	18	21	26	22	26





To: Christine Gouig, Executive Director
From: Daniel Taylor, Special Programs Manager
Re: **FSS Program Summary**
CC: Linda Evans, Phyllis Harrison, Mary Sturges, Danielle Roundtree
Date: April 28, 2017

Program Summary	April 2017
Total Clients Under Contract:	156
MDRC:	100
Graduates:	1
Escrow Disbursed:	\$0
Ports In:	0
Ports Out:	1
Terminations:	0
New Contracts:	3

FSS PROGRAM NEWS:

On Thursday, April 20, 2017, the Alameda County Department of Child Support Services held a roundtable discussion at the Housing Authority. FSS participants were provided with information on the following topics:

- Opening a child support case
- Establishing paternity
- Child support calculations
- Court date documents
- Delinquent child support accounts
- Reviews and adjustments of court orders

On Wednesday, April 26, 2017, the FSS team hosted an employment workshop featuring various employers from the Bay Area. The employers in attendance were:

- Apple One (employment and temp services)
- Bay Area Rapid Transit (BART)
- Alameda County Social Services
- Eden Area One Stop

It was a very informative workshop. All of the presenters offered a wealth of information regarding their organizations and hiring practices. We have received very positive feedback from both participants and employers.

Case Management Referrals = 29
Job Lead Referrals = 112

ATTACHMENT A

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA

JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Housing Authority of the County of Alameda
Hayward, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Housing Authority of the County of Alameda (the Authority), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Authority as of June 30, 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11, Schedule of Proportionate Share of the Net Pension Liability on page 49 and Schedule of Pension Contributions on page 50 be presented to supplement the basic financial statements. Such information, although not a part of 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The combining and individual enterprise fund financial statements including the schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual enterprise fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual enterprise fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2017, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Patel & Associates, LLP

Oakland, California

March 17, 2017

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2016**

The Housing Authority of the County of Alameda (the Authority) primarily provides housing assistance to low income individuals and families. Its primary sources of funding are through grants received from the U.S. Department of Housing and Urban Development (HUD) and rents collected from the properties it owns.

The Authority's Management's Discussion and Analysis (MD&A) is designed to:

- provide an overview of the Authority's financial activity,
- identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges),
- assist the reader in focusing on significant financial issues, and
- identify individual fund issues or concerns.

Since the MD&A is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the attached financial statements.

FINANCIAL HIGHLIGHTS

Total assets and deferred outflow of resources of the Authority was \$44.77 million and total liabilities and deferred inflow of resources was \$12.49 million.

The assets of the Authority exceeded its liabilities at the close of the fiscal year (FY) by \$32.28 million (net position). Of that amount, \$14.78 million was invested in capital assets; \$14.24 million was considered restricted and \$3.26 million was considered unrestricted and may be used to meet the Authority's ongoing obligations. The Authority's FY 2016 total net position increased by \$0.30 million (1%) compared to the FY 2015 balance of \$31.98 million.

Total revenues, excluding Housing Assistance Payments-Portability in, increased by approximately \$14.09 million (16%) during 2016, and were \$99.62 million and \$85.53 million for 2016 and 2015, respectively. The increase was primarily due to funding provided by HUD.

Total expenses, excluding Housing Assistance Payments-Portability in, increased by approximately \$7.56 million (8%). Total expenses were \$99.30 million and \$91.74 million for 2016 and 2015, respectively.

The Authority's component unit, Preserving Alameda County Housing, Inc. (PACH), was formed in March 2011. The Authority is the managing agent for the properties owned by PACH. In March 2016, HACA completed the Rental Assistance Demonstration (RAD) conversion and sold its remaining 72 units of Public Housing to PACH. For FY 2016, PACH had total assets of \$11.91 million, total liabilities of \$0.72 million and net position of \$11.19 million. It had total revenues of \$5.31 million and expenses of \$1.99 million. PACH's total net position increased by \$3.32 million.

AUTHORITY-WIDE FINANCIAL STATEMENTS

The Authority-wide financial statements are designed to provide readers with a broad overview of the Authority's finances in a manner similar to a private-sector business in that all enterprise fund type activities are consolidated into columns, which add to a total for the entire Authority. The Authority-wide financial statements report information on the Authority as a whole, net of inter-fund activity.

The *Statement of Net Position* is similar to a Balance Sheet. The Statement of Net Position provides information about the Authority's financial and capital resources (assets) and its obligations to creditors (liabilities). Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year) and "Non-current." The statement is presented in the format where assets minus liabilities equal "Net Position," formerly known as Net Assets.

Net Position (formerly Net Assets) is reported in three broad categories:

- Net Position, Invested in Capital Assets, Net of Related Debt: This component of Net Position consists of all capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted Net Position: This component of Net Position consists of restricted assets, when constraints are placed on the asset by creditors (such as security deposits, debt covenants), grantors, contributors, laws, regulations, etc.
- Unrestricted Net Position: Consists of Net Position that does not meet the definition of "Net Position Invested in Capital Assets, Net of Related Debt," or "Restricted Net Position." It represents the net available liquid assets, net of liabilities, for the entire Authority.

Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Fund Net Position* is similar to an Income Statement. This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative costs, utilities, maintenance, depreciation, and Non-Operating Revenue & Expenses, such as grant revenue, investment income and interest expense. The focus of this statement is the "Change in Net Position," which is similar to Net Income or Loss.

The *Statement of Cash Flows* discloses net cash provided by or used for operating activities, investing activities, non-capital financing activities, and from capital and related financing activities. This statement provides answers to questions of where cash came from, what cash was used for and what caused changes in cash for the fiscal year.

The accompanying *Notes to Financial Statements* provide additional information that is essential to a full understanding of the data provided in the financial statements.

FUND FINANCIAL STATEMENTS

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is now on fund types. The Authority consists of exclusively Enterprise Funds. The Enterprise method of accounting is similar to accounting utilized by the private sector where the determination of net income is necessary or useful to sound financial administration.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using grants and other monies. They are reported using the full accrual method of accounting.

The Department of Housing and Urban Development (HUD) requires the Authority to maintain many of the funds. Others are segregated to enhance accountability and control.

FINANCIAL ANALYSIS
TABLE 1
STATEMENT OF NET POSITION
(in millions)

	The Authority		PACH		TOTAL		Change	%
	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015		
Current and other assets	\$ 8.00	\$ 10.66	\$ 3.56	\$ 1.67	\$ 11.56	\$ 12.33	\$ (0.77)	-6%
Non-current assets	12.34	11.50	2.45	0.08	14.79	11.58	3.21	28%
Capital assets	8.88	11.63	5.90	4.01	14.78	15.64	(0.86)	-5%
Deferred inflow of resources	3.64	2.40	-	-	3.64	2.40	1.24	100%
Total assets and deferred outflow of resources	32.86	36.19	11.91	5.76	44.77	41.95	2.82	7%
Current liabilities	1.19	1.43	0.72	0.15	1.91	1.58	0.33	21%
Noncurrent liabilities	9.88	7.67	-	-	9.88	7.67	2.21	100%
Deferred inflow of resources	0.70	0.72	-	-	0.70	0.72	(0.02)	100%
Total liabilities and deferred inflow of resources	11.77	9.82	0.72	0.15	12.49	9.97	2.52	25%
Net position:								
Invested in capital assets	8.88	11.63	5.90	4.01	14.78	15.64	(0.86)	-5%
Restricted	11.91	11.58	2.33	-	14.24	11.58	2.66	23%
Unrestricted	0.30	3.16	2.96	1.60	3.26	4.76	(1.50)	-32%
Total net position	\$ 21.09	\$ 26.37	\$ 11.19	\$ 5.61	\$ 32.28	\$ 31.98	\$ 0.30	1%

Major Factors Affecting the Statement of Net Position (Table 1)

Current and other assets increased by approximately \$2.82 million because of non-current assets and deferred inflow of resources.

Non-current assets changed from last year due to interest accrued on the Notes Receivable from Eden Dougherty, LLP for a total amount of \$11.91 million. The HUD disposition approval imposed that the net proceeds were to be loaned to the redeveloper of the former Arroyo Vista public housing site, to use for the development of new low-income family and elderly housing units. Non-current assets also increased because of the PACH restricted replacement reserve balance.

Total liabilities increased by approximately \$2.54 million primarily due to net pension liability recorded.

Total net position increased by \$0.30 million (1%) and was \$32.28 million and \$31.98 million in 2016 and 2015, respectively. Table 2 presents details on the change in Net Position.

Net Position Invested in Capital Assets (e.g., land, buildings and improvements, furniture and equipment) decreased by approximately \$0.86 million, net of depreciation, and was \$14.78 million

and \$15.64 million in 2016 and 2015, respectively.

Restricted Net Position balance increased by approximately \$2.26 million and was \$14.24 million and \$11.58 million in 2016 and 2015, respectively. The balance includes \$11.91 million of restricted monies received, plus accrued interest, from the net proceeds of the disposition of Arroyo Vista public housing which was loaned out to Eden Dougherty, LLC.

Unrestricted Net Position decreased by \$1.50 million and was \$3.26 million as of June 30, 2016.

TABLE 2
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
(in millions)

	The Authority		PACH		TOTAL		Change	%
	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015		
Revenues								
Rental revenue - tenants	\$ 0.55	\$ 0.59	\$ 3.20	\$ 2.67	\$ 3.75	\$ 3.26	\$ 0.49	15%
HUD PHA grants	92.38	78.78	-	-	92.38	78.78	13.60	17%
Other revenue	1.04	3.14	2.10	-	3.14	3.14	-	0%
Investment income	0.34	0.34	0.01	0.01	0.35	0.35	-	0%
Sub-Total	94.31	82.85	5.31	2.68	99.62	85.53	14.09	16%
Housing assistance payments-Portability-in	7.56	13.32	-	-	7.56	13.32	(5.76)	-43%
Total revenues	101.87	96.17	5.31	2.68	107.18	98.85	8.33	8%
Expenses								
Administrative	8.64	9.20	0.62	0.56	9.26	9.76	(0.50)	-5%
Tenant service	0.14	0.14	-	-	0.14	0.14	-	0%
Utilities	0.12	0.16	0.13	0.12	0.25	0.28	(0.03)	-11%
Ordinary maintenance and operations	0.60	0.49	0.60	0.53	1.20	1.02	0.18	18%
General expenses	0.58	0.63	0.03	0.04	0.61	0.67	(0.06)	-9%
Depreciation	1.10	0.82	0.61	0.44	1.71	1.26	0.45	36%
Housing Assistance Payments	84.24	76.74	-	-	84.24	76.74	7.50	10%
Other expenses	1.89	1.87	-	-	1.89	1.87	0.02	1%
Sub-Total	97.31	90.05	1.99	1.69	99.30	91.74	7.56	8%
Housing Assistance Payments-Portability in	7.29	13.32	-	-	7.29	13.32	(6.03)	-45%
Total expenses	104.60	103.37	1.99	1.69	106.59	105.06	1.53	1%
Net Income (Loss) – Change in Net Position	\$ (2.73)	\$ (7.20)	\$ 3.32	\$ 0.99	\$ 0.59	\$ (6.21)	\$ 6.80	-110%

Major Factors Affecting the Statement of Revenue, Expenses and Changes in Net Position (Table 2)

Total revenues increased by approximately \$14.09 million (16%) and total expenses increased by approximately \$7.56 million from a year ago.

HUD provided 94% of the Authority's revenue in 2016. The Housing Choice Voucher (HCV) program represents the majority of the Authority's total operating subsidies and grants revenue. Changes in HUD funding directly impact the Authority's operating results. Operating subsidies and grants increased by \$13.60 million from the previous year.

Rental revenue increased by 15% compared to the previous year. Total expenses increased by 1%.

The component unit, PACH, started operations in September 2011. Revenue and expenses account for the 12-month leasing operations for 158 units and 3-month leasing operations for 72 units. Expenses include administration (management fees and contracted services), utilities, maintenance and depreciation.

CAPITAL ASSETS AND DEBT ADMINISTRATION**Capital Assets (Table 3)**

In the fiscal year ended June 30, 2016, the Authority had \$14.79 million invested in a variety of capital assets as reflected in the following table, which represents a net increase (addition, deductions (disposition and depreciation) of approximately \$0.85 million or 5% from the end of last year.

TABLE 3
CAPITAL ASSETS AND DEBT ADMINISTRATION
(in millions)

	The Authority		PACH		TOTAL		Change	%
	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2015</u>		
Land and land rights	1.39	2.17	2.20	1.42	\$ 3.59	\$ 3.59	\$ -	0%
Buildings and improvements	10.84	15.95	16.33	10.46	27.17	26.41	(0.76)	-3%
Furniture and equipment	2.54	2.68	0.48	0.24	3.02	2.92	(0.10)	-3%
Construction in progress	-	-	-	-	-	-	-	n/a
Accumulated depreciation	(5.88)	(9.16)	(13.11)	(8.12)	(18.99)	(17.28)	1.71	-10%
Total	\$ 8.89	\$ 11.64	\$ 5.90	\$ 4.00	\$ 14.79	\$ 15.64	\$ 0.85	5%

The following reconciliation summarizes the change in capital assets, which is presented in detail in the notes to the financial statements.

TABLE 4
CHANGE IN CAPITAL ASSETS
(in millions)

	<u>The</u> <u>Authority</u>		<u>PACH</u>		<u>TOTAL</u>
Beginning balance, July 1, 2015	\$ 11.64	\$	4.00	\$	15.64
Additions	0.46		0.40		0.86
Deductions (disposition)	-		-		-
Depreciation expense	(1.27)		(0.44)		(1.71)
Total	\$ <u>10.83</u>	\$	<u>3.96</u>	\$	<u>14.79</u>

Debt Outstanding

As of year-end, the Authority and its component unit, PACH had no debt (bonds, notes, etc.) outstanding.

ECONOMIC FACTORS

The Authority continues to be dependent on funding from HUD for the administration of its Public Housing and Housing Choice Voucher programs.

The need for affordable housing in Alameda County has historically been, and will continue to be, very high. The number of people served and the level of service the Authority provide are constrained only by the amount of funds available for those services. The Authority is primarily dependent upon HUD for the funding of operations; therefore, it is affected more by the Federal budget than by local economic conditions. For several years, funding from HUD has been insufficient to cover housing assistance payments, capital improvements, operating and administrative expenses. The Authority continues to be challenged with unpredictable and reduced HUD funding levels to administer federal housing programs. The reduction has required the Authority's management to implement a comprehensive strategy to find new ways of assisting its participants while reducing costs, and continuing to comply with regulatory requirements. The Authority continues to look for ways to improve the efficiency, effectiveness and economy of its programs and administration. It is anticipated that most programs will continue to receive renewal funding.

The Authority continues to be challenged by other significant external and economic factors beyond its control which includes the following:

- Local labor supplies and demand, which can affect salary and wage rates
- Local inflationary, economic and employment trends that can affect resident incomes and therefore impact the amount of rental income
- Inflationary pressure on utility rates, supplies and other costs
- Supply of affordable housing
- Restructuring of the financial and health insurance industries
- Increasing pension liabilities

FINANCIAL CONTACT

This financial report is designed to provide a general financial overview of the Authority. The individual to be contacted regarding this report is Cathy Leoncio, Finance Director, at (510) 727-8521. Specific requests may be submitted to the Housing Authority of the County of Alameda, 22941 Atherton Street, Hayward, California 94541.

HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Primary Government Business-Type Activities</u>
ASSETS:	
Current assets:	
Cash and cash equivalents (Note 2)	\$ 3,682,072
Short term investments (Note 2)	7,052,494
Accounts receivable - HUD	182,191
Accounts receivable - other	615,636
Prepaid and other assets	28,404
Total current assets	<u>11,560,797</u>
Restricted assets:	
Cash and cash equivalents (Note 2)	2,878,326
Note receivable (Note 13)	11,911,116
Total restricted assets	<u>14,789,442</u>
Capital assets (Note 4)	
Less accumulated depreciation (Note 4)	(18,990,089)
Capital assets, net	<u>14,784,658</u>
Total assets	41,134,897
Deferred outflow of resources	<u>3,640,417</u>
Total assets and deferred outflow of resources	<u><u>44,775,314</u></u>
LIABILITIES:	
Current liabilities:	
Accounts payable	966,024
Accounts payable - HUD	10,875
Accrued compensated absences (Note 1)	150,634
Unearned revenue (Note 10)	28,265
Tenants security deposits	129,744
Family self sufficiency escrows - current portion	198,340
Accrued liabilities	413,748
Other liabilities	12,133
Total current liabilities	<u>1,909,763</u>
Noncurrent liabilities:	
Net pension liability (Note 6)	9,644,104
Family self sufficiency escrows - noncurrent portion	198,341
Accrued compensated absences - noncurrent portion (Note 1)	40,059
Total liabilities	<u><u>11,792,267</u></u>
Deferred inflow of resources	701,777
Net position:	
Investment in capital assets	14,784,658
Restricted	14,241,116
Unrestricted	3,255,496
Total net position	<u><u>\$ 32,281,270</u></u>

The accompanying notes are an integral part of these financial statements

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016**

Operating revenues

Rental revenue - tenants	\$ 3,747,325
Other revenue - tenants	36,855
HUD PHA grants	92,387,373
Housing assistance payments-Portability-in	<u>7,287,333</u>
Total operating revenues	<u>103,458,886</u>

Operating expenses

Administration	9,258,846
Tenant service	139,876
Utilities	249,659
Ordinary maintenance and operations	1,198,046
General expenses	611,185
Depreciation	1,712,208
Housing assistance payments-Portability-in	7,287,333
Housing assistance payments	84,242,604
Other expenses	<u>1,887,699</u>
Total operating expenses	<u>106,587,456</u>

Operating loss	<u>(3,128,570)</u>
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Non-operating revenues

Other revenue	3,079,749
Investment income	<u>351,415</u>
Total non-operating revenues	<u>3,431,164</u>

Change in net position	302,594
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Net position at the beginning of year	31,980,373
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Transfers	<u>(1,697)</u>
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Net position, end of the year	<u>\$ 32,281,270</u>
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The accompanying notes are an integral part of these financial statements

ATTACHMENT A
HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

AGENDA ITEM NO.: 4-1.

Cash flows from operating activities:	
Cash collected from:	
Dwelling rental	\$ 3,724,937
Security deposit	41,520
Other operating revenue	36,855
HUD PHA grants received	92,476,234
Housing assistance payments-Portability-in	7,421,786
Cash paid for:	
Housing assistance payments	(84,131,035)
Housing assistance payments-Portability-in	(7,287,333)
Security deposit	(38,698)
Administrative expenses	(8,322,103)
Tenant services	(139,876)
Utility expenses	(249,659)
Maintenance expenses	(969,147)
General expenses	(611,185)
Other expenses	(1,887,699)
Net cash provided by operating activities	<u>64,597</u>
Cash flows from non capital & related financing activities:	
Other revenue received	3,079,546
Interfund payments	(2,465,369)
Interfund receipts	1,823,106
Net cash provided by non capital financing activities	<u>2,437,283</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets, net	(215,576)
Proceeds from sale of capital assets	2
Net cash used by capital and related financing activities	<u>(215,574)</u>
Cash flows from investing activities:	
Proceeds from investment maturities	2,733,786
Purchase of investments	(525,272)
Interest received from investments less accrued interest	21,415
Net cash provided by investing activities	<u>2,229,929</u>
Net increase in cash and cash equivalents	4,516,235
Cash and cash equivalents at the beginning of the year	<u>2,044,163</u>
Cash and cash equivalents at the end of the year	<u>\$ 6,560,398</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (3,128,570)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	1,712,208
(Increase)/Decrease in accounts receivable - HUD	98,933
(Increase)/Decrease in in accounts receivable - other project	16,118
(Increase)/Decrease in in accounts receivable - other	(2,704)
(Increase)/Decrease in in accounts receivable - other government	23,883
(Increase)/Decrease in accounts receivable - tenants	(17,844)
(Increase)/Decrease in prepaid expenses	35,004
(Increase)/Decrease in inter program-due from	(228,882)
(Increase)/Decrease in deferred outflow of resources	(1,243,477)
Increase/(Decrease) in deferred inflow of resources	(19,455)
Increase/(Decrease) in accounts payable	72,217
Increase/(Decrease) in wages/payroll taxes payable	(4,752)
Increase/(Decrease) in accounts payable - HUD	(10,072)
Increase/(Decrease) in inter program-due to	287,146
Increase/(Decrease) in accounts payable - other project	118,335
Increase/(Decrease) in accrued compensated absences	(20,931)
Increase/(Decrease) in accrued compensated absences-noncurrent	(12,807)
Increase/(Decrease) in deferred revenue	(22,160)
Increase/(Decrease) in FSS escrow	35,733
Increase/(Decrease) in FSS escrow-non current	35,733
Increase/(Decrease) in other current liabilities	9,850
Increase/(Decrease) in accrued liabilities	139,500
Increase/(Decrease) in accrued pension and OPEB liability	2,188,769
Increase/(Decrease) in tenant security deposit	2,822
Net cash provided by operating activities	<u>\$ 64,597</u>

The accompanying notes are an integral part of these financial statements

HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Financial Reporting Entity

The Housing Authority of the County of Alameda (the Authority) was established by the Alameda County Board of Supervisors on December 3, 1968. It is funded primarily by the Department of Housing and Urban Development (HUD) by means of Annual Contribution Contracts.

The Authority provides housing assistance to low and moderate-income families at rents they can afford. Eligibility is determined by family composition, income and residency in areas served by the Authority.

The accompanying financial statements are those of the Low Rent Public Housing Program, the Housing Choice Voucher Program, the existing Moderate Rehabilitation programs, the Authority-administered Continuum of Care program and the Housing Development Fund. A summary of the programs administered by the Authority is provided below to assist the reader in interpreting such financial statements.

The Authority has one component unit in accordance with statement No. 61 Government Accounting Standards Board ("GASB"). The Authority's financial statements include those of Preserving Alameda County Housing, Inc. (PACH), which is a blended component unit that meets both of the following criteria under GASB 61:

1. The Authority and PACH have substantively the same governing body.
2. Management of the Authority has operational responsibility for the activities of PACH.

(b) Basis of Presentation

The Authority's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the USA.

Government-wide Statements: The statement of net position and the statement of activities display information about the Authority. These statements include the financial activities of the overall Authority.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Authority's 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 (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues are presented as general revenues.

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as grants and investment earnings, result from nonexchange transactions or ancillary activities.

(c) **Business –type Activities**

Low Rent Public Housing - Under the Low Rent Public Housing Program (LRPH), the Authority rents units that it owns to low-income households. The LRPH Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy to enable the Authority to provide housing at a rent that is based upon 30% of a household's adjusted gross income. The LRPH Program also includes the Capital Fund Program (CFP), which is the primary funding source for physical and management improvements to the Authority's properties.

Housing Choice Voucher Program - Under the Housing Choice Voucher Program (HCV), the Authority administers contracts with independent landlords that own properties. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an ACC with HUD. HUD provides Annual Contributions funding to enable the Authority to set the participant's share of the rent at 30% of adjusted gross income. The HCV program also provides rental assistance for homeless veterans through the Veterans Affairs Supportive Housing (VASH) program. Support services are provided by the Department of Veterans Affairs (VA). The VA provides these services for participating veterans at VA medical centers (VAMC's) and community-based outreach clinics.

Housing Development Fund - The Authority maintains a Local Fund for low-income housing development and management improvements.

Moderate Rehabilitation Programs - A form of the Section 8 Rental Assistance program in which the rental assistance is "tied" to the rental unit rather than to the family. The Authority has 96 units under this program.

Preserving Alameda County Housing, Inc. - PACH leases, rehabilitates and operates affordable housing units and serves as a support corporation for the Authority. The Authority acts as the agent for the management of the properties owned by PACH.

Continuum of Care Program - This program provides rental assistance and supportive services for homeless individuals who have long-term disabilities resulting mainly from serious mental illness, alcohol and drug abuse, or an HIV positive medical condition. It is funded through the Alameda County Housing and Community Development Agency, for which the Authority is a contractor to provide the housing subsidy administration.

Other Business Activities - The Authority owns non-assisted units in Hayward known as Park Terrace (9 units) and in Emeryville known as Ocean Avenue (6 units) that are rented to low-income families. The Authority owns land in Union City to be developed for low-income housing.

HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

The Authority also manages, for a fee, 1 house owned by the City of Union City, which is rented to low-income families. In December 2009, the Authority also established the CHOICES program with the Alameda County Behavioral Health Care Services Department (BHCS). The program provides a monthly housing subsidy for designated BHCS clients with serious mental health issues. On October 1, 2012, the Memorandum of Understanding (MOU) with BHCS was amended to include the Forensic Assertive Community Treatment (FACT) program.

(d) Basis of Accounting

The basic accounting and reporting entity is a “fund”. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts, recording resources, related liabilities, obligations, reserves and equities segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

“Basis of accounting” refers to when revenues and expenses are recognized in the accounts and reported in the basic financial statements. Specifically, it relates to the timing of the measurements made, regardless of the nature of the measurement.

The Authority is accounted for as an enterprise fund, which is used to account for operations similar to a private business enterprise where the intent of the Authority is that the costs and expenses, including depreciation, of providing services to the members on a continuing basis be financed or recorded primarily through user charges.

As an enterprise fund, the Authority uses the full accrual basis of accounting. With the economic resources measurement focus, all assets and all liabilities of the enterprise are recorded on its Statement of Net Position, all revenues are recognized when earned, and all expenses, including depreciation, are recognized when incurred. Enterprise Fund Net Position includes Investment in Capital Assets, Restricted Net Position, and Unrestricted Net Position.

The Authority considers all of its funds to be proprietary. An emphasis is placed on major funds. A fund is considered major if it is the primary operating fund of the Authority or if total assets, liabilities, revenues, or expenses of the individual fund are at least 10 percent of the Authority-wide total. The Authority considers all of its activity to be housing related and therefore, considers all the financial activity of the Authority to be one major fund.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

The statement of position presents the Authority’s assets, deferred outflows, liabilities and deferred inflows, with the difference reported as net position. Net position is reported in three categories.

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Invested in capital assets, net of related debt – This component of net position consists of capital assets, including restricted capital assets net of accumulated depreciation, and is reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or law or regulations of other governments. It also pertains to constraints imposed by law or constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of net position that does not meet the definition of “invested in capital assets, net of related debt” or “restricted.”

Statement of Revenues, Expenses, and Changes in Net Position – The Statement of Revenues, Expenses, and Changes in Net Position is the operating statement for the enterprise fund. Revenues are reported by major source. This statement distinguishes between operating and non-operating revenues and expenses and presents a separate subtotal for operating revenues, operating expenses, and operating income.

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 and so will not be recognized as an expense or expenditure until then. The Authority has an item that meets this criterion, contributions that were made to the pension plan subsequent to the measurement date. 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 and so will not be recognized as revenue until then. The Authority has an item that meets the criterion for this category, deferrals of pension expense that result from the implementation of GASB Statement 68 relating to the difference between actual and expected rate of return on investment of the pension plan.

(f) Measurement Focus

“Measurement Focus” refers to what is being measured; “basis of accounting” refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The proprietary fund types are accounted for on an “income determination” or “cost of services” measurement focus. Accordingly, all assets and liabilities are included on the statement of net position, and the reported net position provides an indication of the historical net worth of the fund. Operating statements for proprietary fund types report increases (revenues) and decreases (expenses) in total historical net worth.

Proprietary funds use the accrual basis of accounting, i.e., revenues are recognized in the period earned and expenses are recognized in the period incurred.

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses result from providing goods and services related to the fund's ongoing operations. The principal operating revenue of the Authority's enterprise funds is dwelling rental income. Operating expenses include the cost of services provided, administrative expenses and depreciation on fixed assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

(g) Cash, Cash Equivalents and Investments

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and highly liquid investments. For purposes of the Statement of Cash Flows, cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents also represent the proprietary funds' share in the cash and investment pool of the Authority. Cash equivalents have an original maturity date of three months or less from the date of purchase.

The Authority pools cash and investments of all funds. Each fund's share in this pool is displayed in the accompanying financial statements as *cash* and *investments*. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance.

Investments are reported at fair value in accordance with GASB Statement No. 31, Accounting and Financial Reporting for certain investments and for External Investment Pools.

(h) Capital Assets

The Authority's established capitalization policy requires that all acquisitions of property and equipment in excess of \$3,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets be capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed on a straight-line basis over the useful lives of the assets generally as follows:

	<u>Years</u>
Furniture and equipment	5
Building improvements	10
Buildings	27.5

(i) Accounts Receivable

Receivables are principally amounts due from other governments and tenants. Allowance for doubtful accounts has been provided based on the likelihood of the recoverability.

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

(j) Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

(k) Accrued Compensated Absences

Accumulated vacation benefits are recorded as liabilities on the books of the Authority. The total liability for the Authority is \$190,693 based on year-end hourly rates, of which \$150,634 is current.

(l) Net Position

Net Position consists of investment in capital assets, restricted net position, and unrestricted net position. Unrestricted net position is designated for use for expenditures in future periods. Restricted net position is designated for tenant security deposits, family self-sufficiency escrow deposits, capital fund program and HAP equity.

(m) Taxes

The Authority is exempt from federal and state income taxes. The Authority is also exempt from property taxes but makes payments in lieu of taxes on owned public housing.

(n) Unearned Revenues

Unearned revenues represent funds received that have not yet been earned. As the funds are earned, the liability is reduced.

(o) GASB New and Forthcoming Statements

New effective statements:

- GASBS No. 72, Fair Value Measurement and Application, which is effective for periods beginning after June 15, 2015:
This statement provides guidance for determining fair value measurement for financial reporting purposes and for applying fair value to certain investments, and requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Governments should organize these disclosures by type of asset or liability reported at fair value and disclose investments in certain entities that calculate net asset value per share (or its equivalent).
- GASBS No. 73 - Amendments to Certain Provisions of GASB Statements 67 and 68. It amends certain provisions of GASBS Nos. 67 and 68 effective for fiscal years beginning after June 15, 2015.
- GASBS No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which is effective for periods beginning after June 15, 2015.

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- GASBS No. 77, Tax Abatement Disclosures, which is effective for periods beginning after December 15, 2015.
- GASBS No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, which is effective for reporting periods beginning after December 15, 2015, with earlier application encouraged.
- GASBS No. 79, Certain External Investment Pools and Pool Participants, which is generally effective for reporting periods beginning after June 15, 2015. Certain provisions relating to portfolio quality, custodial credit risk, and shadow pricing are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.
- The Authority reviewed its accounting practices with the new statements requirements and determined no material impact on the current financial statements.

Forthcoming statements:

- In June 2015 GASB issued Statement No. 74, Financial Reporting for Postemployment Benefits Plans other than Pension Plans, and Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions. Both statements replace the requirements of GASB statements related to postemployment benefits other than pensions (OPEB) and parallel Statement No. 67 and replace Statement No. 43. This statement is effective for the Authority's fiscal year ending June 30, 2017.
- GASBS No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), which is effective for fiscal years beginning after June 15, 2016, with earlier implementation encouraged. This statement is intended to make the OPEB accounting and financial reporting consistent with the pension standards outlined in Statement No. 67.
- GASBS No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), which is effective for fiscal years beginning after June 15, 2017, with earlier implementation encouraged. This statement is intended to make OPEB accounting and financial reporting consistent with the pension standards outlined in Statement No. 68. This will include recognizing a net OPEB liability in accrual basis financial statements. It applies to government employers who provide OPEB plans to their employees. It parallels Statement No. 68 and replaces Statement No. 45.
- GASBS No. 80, Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14, which is effective for reporting periods beginning after June 15, 2016, with earlier implementation encouraged. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units.

The Authority is currently analyzing its accounting practices to determine the potential impact on the financial statements for the forthcoming GASB Statements.

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NOTE 2: CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments as of June 30, 2016, are classified on the Statement of Net Position as follows:

Unrestricted - cash, cash equivalents and investments:

Deposits and placements with financial institution	\$	3,681,722
Short term investments		7,052,494
Cash on hand		350

Restricted cash, cash equivalents and investments for tenant security deposits, family self-sufficiency escrow, and capital fund program:

Deposits and placements with financial institution	548,326
Commercial papers	<u>2,330,000</u>

Total cash, cash equivalents and investments	\$	<u><u>13,612,892</u></u>
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The Authority had the following cash, cash equivalents and investments at June 30, 2016:

Cash on hand and demand deposits with financial institution	\$	4,418,792
Money market accounts		183,026
State of California Local Agency Investment Fund (LAIF)		3,732,274
Commercial papers		<u>5,278,800</u>
Total investment accounts		<u>9,194,100</u>
Total cash, cash equivalents and investments	\$	<u><u>13,612,892</u></u>

A. Deposits and Placements with Financial Institution

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside entity.

Generally, credit risk is the risk that an issuer will not be able to fulfill its obligation to the holder of the investment. All time and savings deposits (which include money market deposit accounts and other interest-bearing checking accounts) are maintained in an insured depository institution insured up to \$250,000 per bank by the Federal Deposit Insurance Corporation (FDIC) depending upon the type of deposit and the location of the insured depository institution.

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These accounts are held with a single financial institution. In addition to the insurance coverage provided by the financial institution, the Authority purchased unlimited insurance coverage for all the bank deposits. At June 30, 2016, no cash deposited with a financial institution was exposed to credit risk.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. 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 LAIF.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will affect the fair value of an investment. In general, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market rates. The Authority considers the investments in LAIF to be highly liquid as deposits can be converted to cash within twenty-four hours without loss of interest or principal. The full faith and credit of the State of California secure investments in LAIF. At June 30, 2016, an account was maintained in the name of the Authority for \$3,732,274, its fair value.

B. Investments and Concentration

The Authority is authorized by State statutes and in accordance with the Authority's Investment Policy (Policy) to invest in the following:

- Securities issued or guaranteed by the Federal Government or its agencies
- State of California Local Agency Investment Fund (LAIF)
- Insured and/or collateralized certificates of deposit

The Policy, in addition to State statutes, establishes that funds on deposit in banks must be federally insured or collateralized and investments shall (1) have maximum maturity not to exceed five years, (2) be laddered and based on cash flow forecasts; and (3) be subject to limitations to a certain percent of the portfolio for each of the authorized investments. The Authority's investments comply with the established policy.

Investments Authorized by the California Government Code and the Authority's Investment Policy

The California Government Code allows the Authority to invest in the following and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code:

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<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Specified Percentage of Portfolio</u>	<u>Minimum Credit Quality</u>
Local agency bonds	5 years	None	None
U.S. treasury obligations	5 years	None	None
State of California obligations	5 years	None	None
CA Local agency obligations	5 years	None	None
U.S. agencies	5 years	None	None
Banker's acceptances	180 days	40%	A1/P1
Commercial paper – select agencies	270 days	40%	A1/P1
Commercial paper – other agencies	270 days	25%	None
Negotiable certificates of deposit	5 years	30%	None
Repurchase agreements	1 year	None	None
Reverse repurchase agreements and Securities lending agreements	92 days	20%	None
Medium-term notes	5 years	30%	A
Mutual funds	N/A	20%	Multiple
Money market mutual funds	N/A	20%	Multiple
Collateralized bank deposits	5 years	None	None
Mortgage pass-through securities	5 years	20%	AA
Time deposits	5 years	None	None
County pooled investment funds	N/A	None	None
Local agency investment fund (LAIF)	N/A	None	None

There are no restrictions on the maximum amount invested in each security type or maximum that can be invested in any one issuer.

The Authority does not have reverse repurchase agreements.

C. Fair Value Measurement:

GASB No. 72 defines the fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Also, GASB No. 72 establishes a hierarchy of inputs used to measure fair value that prioritizes the inputs into three categories; Level 1, Level 2 and Level 3 inputs, considering the relative reliability of the inputs. The level is determined based on the lowest level of input significant to the measurement in its entirety.

Level 1 Inputs:

Inputs at Level 1 are quoted (unadjusted) prices in active markets for identical assets or liabilities that the government can access at the measurement date. Observable markets include exchange markets, dealer markets, brokered markets and principal-to-principal markets.

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Level 2 Inputs:

These are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs are derived from or corroborated by observable market data through correlation or by other means, e.g., “market-corroborated” inputs.

Inputs at Level 2 include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability, such as: interest rates and yield curves observable at commonly quoted intervals, implied volatilities, and credit spreads.
- Market-corroborated inputs

Level 3 Inputs:

These are unobservable inputs for the asset or liability; they should be used only when relevant Level 1 and Level 2 inputs are unavailable. Governments may use their own data to develop unobservable inputs if there is no information available without undue cost and effort.

Fair value hierarchy of the Authority’s investments is as follows:

	Total	Fair Value Measurement Using		
		Quoted Prices in Active Market for Identical Asset (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market accounts	\$ 183,026	\$ 183,026		
LAIF	3,732,274	3,732,274		
Commercial papers	5,278,800	5,278,800		
Total	\$ 9,194,100	\$ 9,194,100		

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA
NOTES TO FINANCIAL STATEMENTS
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NOTE 3: INTERFUND BALANCES

Interfund balances are as follows:

	<u>Due From</u>	<u>Due To</u>
Public Housing	\$ 81,270	\$ 57,796
Housing Choice Voucher	568,381	316,766
Continuum of Care		539,877
Moderate Rehabilitation	2,962	27,822
Choices/ FACTS	24,064	
PACH	263,626	109,607
Ocean Avenue	129	1,975
Housing Development Fund	114,304	4,844
Park Terrace	2,898	2,964
Other State and Local	4,357	340
	<u>\$ 1,061,991</u>	<u>\$ 1,061,991</u>

Interfund receipt and spending activity between fund entities is reported in self-balancing "Due To/Due From" memorandum accounts. For reporting purposes these balances are eliminated in supplementary combining schedules of net assets and not shown in the basic financial statements. However, Interfund balances are included in the presentation of the supplementary information's Financial Data Schedule.

NOTE 4: CAPITAL ASSETS

A summary of enterprise funds capital assets at June 30, 2016 is shown below:

Capital Assets

Land and land rights	\$ 3,588,497
Buildings and improvements	27,167,862
Furniture and equipment	<u>3,018,386</u>
Total capital assets	33,774,745
Less: Accumulated depreciation	<u>(18,990,087)</u>
Net capital assets	<u>\$ 14,784,658</u>

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Capital asset activities for the year ended June 30, 2016 were as follows:

	Balance at June 30, 2015	Increases	Decreases	Balance at June 30, 2016
Capital assets not being depreciated:				
Land and land rights	\$ 3,588,497	\$	\$	3,588,497
Construction in progress				
Total capital assets not being depreciated	<u>3,588,497</u>			<u>3,588,497</u>
Capital assets being depreciated:				
Buildings and improvements	26,405,476	762,386		27,167,862
Furniture and equipment	2,923,339	95,047		3,018,386
Total capital assets being depreciated	<u>29,328,815</u>	<u>857,433</u>		<u>30,186,248</u>
Less: accumulated depreciation for:				
Buildings and improvements	(16,021,492)	(1,343,960)		(17,365,452)
Furniture and equipment	(1,256,387)	(368,248)		(1,624,635)
Total accumulated depreciation	<u>(17,277,879)</u>	<u>(1,712,208)</u>		<u>(18,990,087)</u>
Total capital assets being depreciated, net	<u>12,050,936</u>	<u>(854,775)</u>		<u>11,196,161</u>
Total capital assets, net	<u>\$ 15,639,433</u>	<u>\$ (854,775)</u>	<u>\$</u>	<u>\$ 14,784,658</u>
Depreciation expense for the year ended June 30, 2016 was \$1,712,208.				

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NOTE 5: PAYMENT IN LIEU OF TAXES

In connection with the Low Rent Public Housing Program, the Authority is obligated to make annual payments in lieu of property taxes based on the lesser of assessable value of owned housing times the current tax rate or 10% of the dwelling rents net utilities expense. For the year ended June 30, 2016, the Authority incurred \$27,357 for payment in lieu of taxes.

NOTE 6: PENSION PLAN

A- Plan Description

The Authority provides retirement benefits for all its full-time employees through the Alameda County Employees Retirement Association (ACERA). The Alameda County Employees' Retirement Association (ACERA) was established by the Alameda County Board of Supervisors in 1947. ACERA is administered by the Board of Retirement and governed by the County Employees' Retirement Law of 1937 (California Government Code Section 31450 et. seq.).

ACERA is a cost-sharing, multiple employer, defined benefit, public employee retirement system whose main function is to provide service retirement, disability, death, and survivor benefits to the General and Safety members employed by the County of Alameda. ACERA also provides retirement benefits to the employee members of First 5 Alameda County, Housing Authority of the County of Alameda, Alameda Health System, Livermore Area Recreation and Park District (LARPD), Superior Court of California, County of Alameda, and Alameda County Office of Education.

ACERA provides service and disability retirement benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit and contribution provisions are established by State Law and are subject to amendment only by an act of the State of California legislature. Alternative benefit and contribution schedules are permissible with the Board of Supervisors' approval. All risks and costs, including benefit costs, are shared by the participating entities. An actuarial valuation is performed annually for the system as a whole.

ACERA's financial statements and required supplementary information are audited annually by independent auditors. The audit report and December 31, 2015 financial statements may be obtained by writing to Alameda County Employees' Retirement Association, 475 14th Street, Suite 1000, Oakland, CA 94612.

B- Plan membership

At December 31, 2015, pension plan membership consisted of the following:

Retired members or beneficiaries currently receiving benefits	8,990
Vested terminated members entitled to, but not yet receiving benefits*	2,027
Active members	11,071
Total	<u>22,088</u>

* Includes terminated members due a refund of member contributions.

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C- Pension Benefits

ACERA provides service retirement, disability, death, and survivor benefits to eligible employees. The ACERA's membership for the Authority's employees is effective on the first day of employee's hire in an ACERA covered position. The first date of employment is the date of entry into ACERA membership. As of this date of entry, payroll deductions for retirement contributions begin and service credit for each hour work is earned.

There are separate retirement benefits for General and Safety members. Safety membership is extended to those involved in active law enforcement, deferred firefighters, or positions that have been designated as Safety by the Board of Retirement (e.g. Juvenile Hall Group Counselor, Probation Officer, etc.). All other employees are classified as General members. These benefits include supplemental cost of living adjustment (COLA) and retired member death benefit. The supplemental COLA is to maintain each retiree's purchasing power at no less than 85% of the purchasing power of the original benefit. The retired member death benefit is a one-time \$1,000 lump sum payment to the beneficiary of a retiree.

Any new member who becomes a member on or after January 1, 2013 is placed into Tier 4 and is subject to the provisions of California Public Employees' Pension Reform Act of 2013 (PEPRA), California Government Code 7522 et seq. and Assembly Bill (AB) 197.

General members enrolled in Tiers 1, 2, or 3 are eligible to retire once they attain the age of 70 regardless of years of service or at age 50 with five or more years of retirement service credit and a total of 10 years of qualifying membership. A non-Tier 4 General member with 30 years of service is eligible to retire regardless of age. General members enrolled in Tier 4 are eligible to retire once they have attained the age of 52 and have acquired five years of retirement service credit, or at age 70 regardless of service.

The retirement benefit the member will receive is based upon age at retirement, final average compensation, years of retirement service credit and retirement plan and tier. All Authority's employees are General members. The tiers and their basic provisions are listed below:

Tier Name	Service Retirement Governing Code Section	Effective Date	Basic Provisions	Final Average Salary Period
General Tier 1	§31676.12	Various	2.0% at 57; maximum 3% COLA	Highest 1-year
General Tier 2	§31676.1	June 30, 1983*	2.0% at 61; maximum 2% COLA	Highest 3-years
General Tier 3	§31676.18	October 1, 2008	2.5% at 55; maximum 3% COLA	Highest 1-year
General Tier 4	§7522.20(a)	January 1, 2013	2.5% at 67; maximum 2% COLA	Highest 3-years

* For Housing Authority members, the effective date is September 30, 2011.

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For members enrolled in Tiers 1, 2, or 3 the maximum monthly retirement allowance is 100% of final compensation. There is no maximum for members enrolled in Tier 4. The member may elect an unmodified retirement allowance, or choose an optional retirement allowance. The unmodified retirement allowance provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse or domestic partner. An eligible surviving spouse or domestic partner is one married to or registered with the member one year prior to the effective retirement date. There are four optional retirement allowances the member may choose. Each of the optional retirement allowances requires a reduction in the unmodified retirement allowance in order to allow the member the ability to provide certain benefits to a surviving spouse, domestic partner, or named beneficiary having an insurable interest in the life of the member.

ACERA provides an annual cost-of-living benefit to all retirees. The cost-of-living adjustment, based upon the Consumer Price Index for the San Francisco-Oakland-San Jose Area (with 1982-84 as the base period), is capped at 3.0% for General Tiers 1 and 3 and Safety Tier 1, and at 2.0% for General Tiers 2 and 4 and Safety Tiers 2, 2C, 2D, and 4.

D- Plan Contributions

The Authority contributes to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from ACERA's actuary after the completion of the annual actuarial valuation. The average employer contribution rate as of December 31, 2015, for 2015 (based on the December 31, 2013 valuation for the second half of 2014/2015 and on the December 31, 2014 valuation for the first half of 2015/2016) was 23.75% of compensation.

The Authority is required to make contributions to ACERA regardless of the retirement plan or tier in which they are included. The average member contribution rate as of December 31, 2015, for 2015 (based on the December 31, 2013 valuation for the second half of 2014 / 2015 and on the December 31, 2014 valuation for the first half of 2015/2016) was 8.77% of compensation.

The Authority's proportionate share in the actual contributions has been determined for the periods from January 1 to December 31 as follows:

2015 (measurement period)	\$1,056,709
2014	\$1,004,394

For the year ended June 30, 2016, the Authority made contributions of \$2,016,010 to ACERA.

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E- Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2016, the Authority reported net pension liabilities of \$9,644,104 for its proportionate shares of the net pension liability of the Plan.

Reporting Date for Employer under GASB 68	June 30, 2016
Measurement Date for Employer under GASB 68	December 31, 2015
Beginning net pension liability	\$ <u>\$7,455,335</u>
Pension expense	1,982,546
Employer Contributions	(1,056,709)
New net deferred inflows / outflows	1,535,801
New net Deferred Flows due to change in proportion	76,163
Recognition of prior deferred inflows / outflows	-0-
Change in prior deferred allocation	33,666
Recognition of Prior Deferred Flows	(449,453)
Recognition of Prior Deferred Flows Due to Change in Proportion	<u>66,755</u>
Ending net pension liability	\$ <u><u>\$9,644,104</u></u>

The Net Pension Liability (NPL) for each membership class is the Total Pension Liability (TPL) minus the Plan Fiduciary Net Position (plan assets). The Total Pension Liability for each membership class is obtained from internal valuation results. The Plan Fiduciary Net Position for each membership class was estimated by adjusting the valuation value of assets for each membership class by the ratio of the total ACERA Plan Fiduciary Net Position to total ACERA valuation value of assets.

The Authority's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The reporting date for the Authority under GASB 68 is June 30, 2016. The reporting date and the measurement date for the plan under GASB 67 is December 31, 2015. Consistent with the provisions of GASB 68, the assets and liabilities measured as of December 31, 2015, are not adjusted or "rolled forward" to the June 30, 2016 reporting date. Other results, such as the total deferred inflows and outflows, would also be allocated based on the same proportionate share.

The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Authority's proportionate share of the net pension liability for the Plan as of June 30, 2016, and 2015 was as follows:

	<u>Amount</u>
Proportion – June 30, 2016	\$ 9,644,104
Proportion – June 30, 2015	\$ 7,455,335

For the year ended June 30, 2016, the Authority recognized pension expense of \$1,982,546.

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At June 30, 2016, the Authority 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
Net difference between projected and actual earnings on pension plan investments	\$ 2,025,255	\$
Changes in proportion and differences between employer's contributions and proportionate share of contributions	76,163	245,656
Change of assumptions or other inputs	1,538,999	
Difference between expected and actual experience in the total pension liability		456,121
	<u>\$ 3,640,417</u>	<u>\$ 701,777</u>

Deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year ended June 30</u>	Deferred Outflows/(Inflows) of Resources
2016	N/A
2017	787,519
2018	787,519
2019	787,519
2020	583,403
2021	-7,320
Thereafter	-0-

There are changes in each employer's proportionate share of the total Net Pension Liability during the measurement period ended December 31, 2015.

The net effect of the change on the employer's proportionate share of the collective Net Pension Liability and collective deferred outflows of resources and deferred inflows of resources is recognized over the average of the expected remaining service lives of all employees that are provided with pensions through ACERA, which is 5.64 years determined as of December 31, 2014 (the beginning of the measurement period ending December 31, 2015). The measurement of the pension expense is as follows:

Reporting Date for Employer under GASB 68	June 30, 2016
Measurement Date for Employer under GASB 68	December 31, 2015

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Components of Pension Expense:

Service cost	\$ 913,395
Interest on the Total Pension Liability	3,032,169
Expensed portion of current-period changes in proportion and differences between employer's contributions and proportionate share of contributions	16,415
Expensed portion of current-period benefit changes	-0-
Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability	-27,847
Expensed portion of current-period changes of assumptions or other inputs	-0-
Member contributions	-390,250
Projected earnings on plan investments	-2,438,561
Expensed portion of current-period differences between actual and projected earnings on plan investments	416,253
Administrative expense	78,274
Other	-0-
Recognition of beginning of year deferred outflows of resources as pension expense	538,287
Recognition of beginning of year deferred inflows of resources as pension expense	-88,834
Net amortization of deferred amounts from changes in proportion and differences between employer's contributions and proportionate share of contributions	<u>-66,755</u>
Pension Expense	<u>\$ 1,982,546</u>

In addition, the difference between the actual employer contributions and the proportionate share of the employer contributions during the measurement period ended December 31, 2015 is recognized over the same period.

The average of the expected service lives of all employees is determined by:

- Calculating each active employee's expected remaining service life as the present value of \$1 per year of future service at zero percent interest.
- Setting the remaining service life to zero for each non-active or retired member.
- Dividing the sum of the above amounts by the total number of active employee, non-active and retired members.

F- Actuarial Methods and Assumptions

An actuarial valuation is performed for the pension plan on annual basis. ACERA retains an independent actuarial firm to conduct actuarial valuations and to establish the contribution rate requirements for the plan.

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The components of the collective net pension liability of the plan as of December 31, 2015 and December 31, 2014 are as follows:

<i>(Dollars in thousands)</i>	<u>2015</u>	<u>2014</u>
Total Pension Liability	\$ 7,971,890,739	\$ 7,653,068,752
Less: Plan Fiduciary Net Position	<u>5,853,442,721</u>	<u>5,912,426,212</u>
Net Pension Liability	<u>\$ 2,118,448,018</u>	<u>\$ 1,740,642,540</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	<u>73.43%</u>	<u>77.26%</u>

The Net Pension Liability was measured as of December 31, 2015, and 2014. Plan Fiduciary Net Position (plan assets) was valued as of the measurement date while the Total Pension Liability (TPL) was determined based upon rolling forward the Total Pension Liability from actuarial valuations as of December 31, 2014 and 2013, respectively.

The total pension liability and fiduciary net position include liabilities and assets for non-health postemployment benefits (non-OPEB). The assets for non-OPEB are held in the SRBR to pay non-vested Supplemental COLA and the retiree death benefit. The liability and assets associated with the OPEB component of the SRBR have been excluded from the total pension liability and the fiduciary net position reported above.

The actuarial assumptions used to develop the December 31, 2015 and December 31, 2014 total pension liability are the same assumptions used in the December 31, 2015 and 2014 funding valuations for ACERA, while the actuarial assumptions used to develop the December 31, 2014 total pension liability are based on the new assumptions adopted by the Retirement Board for use in the December 31, 2014 funding valuation. These assumptions were applied to all periods included in the measurement:

<u>Valuation Date</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Inflation	3.25%	3.25%
Salary Increases	4.15% to 7.45% vary by service, including inflation	4.15% to 7.45% vary by service, including inflation
Investment Rate of Return	7.60%, net of pension plan investment expense, including inflation	7.60%, net of pension plan investment expense, including inflation

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Mortality Tables	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, adjusted for future mortality improvements based on a review of the mortality experience in the December 1, 2010 - November 30, 2013 Actuarial Experience Study.	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, adjusted for future mortality improvements based on a review of the mortality experience in the December 1, 2010 - November 30, 2013 Actuarial Experience Study.
Date of Experience Study	December 1, 2010 through November 30, 2013	December 1, 2010 through November 30, 2013

Discount Rate

The discount rate used to measure the total pension liability was 7.60% as of December 31, 2015 and December 31, 2014. In order to reflect the provisions of Article 5.5 of the Statute, future allocations of 50% excess earnings to the Supplemental Retiree Benefit Reserve (SRBR) have been treated as an additional outflow against the plan's fiduciary net position in the Governmental Accounting Standards Board (GASB) crossover test. It is estimated that the additional outflow would average approximately 0.75% of assets over time, based on the results of the actuary's stochastic modeling of the 50% allocation of future excess earnings to the SRBR.

The projection of cash flows used to determine the discount rate assumes plan member contributions will be made at the current member contribution rates, and that employer contributions will be made at rates equal to the actuarially determined contributions rates plus additional future contributions that would follow from the allocation of excess earnings to the SRBR. Projected employer contributions that are intended to fund the service cost for the future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of December 31, 2015 and December 31, 2014.

G- Additional Financial and Actuarial Information

Additional financial and actuarial information supporting the schedules of employer allocations and schedule of pension amounts by employer can be obtained from ACERA's Comprehensive Annual Financial Report for the year ended December 31, 2015, and ACERA's GASB 68 Actuarial Valuation Based on December 31, 2015 Measurement Date for Employer Reporting as of June 30, 2016.

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

H- Target Asset Allocation

The long-term expected rate of return on pension plan investments for funding valuation purposes was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. This information is combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation, and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term (Arithmetic) Expected Real Rate of Return</u>
Domestic Large Cap Equity	25.60%	5.91%
Domestic Small Cap Equity	6.40%	6.47%
Developed International Equity	20.25%	6.88%
Emerging Market Equity	6.75%	8.24%
U.S. Core Fixed Income	11.25%	0.73%
High Yield Bonds	1.50%	2.67%
International Bonds	2.25%	0.42%
Real Estate	6.00%	4.95%
Commodities	2.00%	4.25%
Absolute Return (Hedge Fund)	7.50%	3.17%
Real Return	3.00%	0.70%
Private Equity	7.50%	11.94%
Total	<u>100.00%</u>	

I- Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability/(asset) of the Plan as of December 31, 2015 (the measurement date), calculated using the discount rate of 7.60 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.60 percent) or 1 percentage-point higher (8.60 percent) than the current rate:

	1% Decrease <u>(6.60%)</u>	Current Discount Rate <u>(7.60%)</u>	1% Increase <u>(8.60%)</u>
Plan's Net Pension Liability/(Asset)	\$ 14,634,931	\$ 9,644,104	\$ 5,417,857

HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 7: RENTAL ASSISTANCE DEMONSTRATION

In the year ended June 30, 2016, the Authority closed out a Rental Assistance Demonstration (“RAD”) conversion commitment and executed a Housing Assistance Payment (“HAP”) contract for its owned two public housing properties of 72 units; Mission View in Union City and Emery Glen in Emeryville with HUD under HUD’s RAD program. Through the RAD program, HUD provides rental subsidies to the owners of properties pursuant to the HAP contract. Under the RAD Program, units move to a Section 8 funding source from Low Rent Public Housing.

As part of the RAD conversion the Authority sold the aforesaid two properties to its blended component unit Preserving Alameda County Housing, Inc. (PACH) in the value of \$2 as of the date of closing March 29, 2016. As a result of such sale, the Authority and PACH recognized \$2,089,637 a special item (gain (loss) on disposition of assets). This item has been eliminated in the basic financial statements.

The net assets as of the closing date in the amount of \$2,231,079 was transferred from the public housing fund to PACH.

NOTE 8: CONTINGENCIES

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

The Authority is involved in lawsuits and claims which arise out of the normal course of its activities such as contracts with others. The Authority’s management believes based on the opinions of its legal counsel, the ultimate outcomes of such matters will not have a material adverse effect on the financial position of the Authority as of June 30, 2016.

NOTE 9: RISK MANAGEMENT

The Authority is exposed to all common perils associated with the ownership and rental of real estate properties. A risk management pool has been established to minimize loss occurrence and to transfer risk through various levels of insurance. Property, casualty, employee dishonesty and public official’s liability forms are used to cover the respective perils. Insurance for these perils is underwritten by a housing authority insurance pool: Housing Authorities Risk Retention Pool (HARRP).

HARRP is a Joint Powers Authority organized under the intergovernmental cooperation laws of the states of Washington, Oregon, California, and Nevada, to manage the self-insurance program of housing authorities. The relationship between the Authority and HARRP is such that HARRP is not a component unit of the Authority for financial reporting purposes. Through HARRP, the Authority currently maintains general liability coverage for claims up to \$2 million and property insurance for claims up to \$2 million and also business auto, fidelity bonds and errors and omission coverages.

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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

Total assets	\$ <u>32,284,389</u>
Total liabilities	9,566,890
Member's equity	<u>22,717,499</u>
Total liabilities and equity	\$ <u><u>32,284,389</u></u>
Total revenues	\$ 10,720,477
Total expenses	<u>8,529,678</u>
Change in member's equity	2,190,799
Member's equity at beginning of year	<u>20,526,700</u>
Member's equity at end of year	\$ <u><u>22,717,499</u></u>

NOTE 10: UNEARNED REVENUE

The changes in the Authority's unearned revenue account for the year ended June 30, 2016, were as follows:

Balance at the beginning of year	\$ 63,313
Decrease	<u>(35,048)</u>
Balance at the end of the year	\$ <u><u>28,265</u></u>

NOTE 11: RESTRICTED CASH AND INVESTMENTS

The Authority reports amounts as restricted cash for any security deposits received from tenants at the time of move-in. Those monies will be returned to the tenant upon move-out after all outstanding costs have been deducted. Also, the Authority reports amounts as restricted cash for FSS Escrow balances which are maintained in a separate bank account for tenants who participate in the Family Self Sufficiency Program. These monies are given to the tenant upon graduation from the program or are forfeited by the tenant if they do not graduate. The Authority also restricts net HAP assets in line with HUD requirements. All of these monies are restricted because they can not be used for the day-to-day operations of the Authority.

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 12: JOINT POWERS AGREEMENT

The Authority participates in a joint venture under a joint powers agreement (JPA) with the California Housing Workers' Compensation Authority (CHWCA). CHWCA was formed to provide workers' compensation insurance coverage for member housing authorities. At December 31, 2014, there were thirty-three members. The relationship between the Authority and CHWCA is such that CHWCA is not a component unit of the Authority for financial reporting purposes.

Condensed audited financial information as of and for the year ended December 31, 2014, is as follows:

Total assets	\$	<u>24,496,334</u>
Total liabilities		16,484,222
Net position		<u>8,012,112</u>
Total liabilities and net position	\$	<u><u>24,496,334</u></u>
Operating revenues and non-operating revenues	\$	4,702,889
Operating expenses		<u>3,894,815</u>
Net decrease in net position		808,074
Net position, beginning of year		<u>7,204,038</u>
Net position, end of year	\$	<u><u>8,012,112</u></u>

The Authority's share of year end assets, liabilities, or retained earnings has not been calculated. The Authority's annual premium is based on covered payroll. The premium paid for the fiscal year ended June 30, 2016 was approximately \$154,013. CHWCA issues a separate comprehensive annual financial report. Copies of this report may be obtained by contacting Bickmore Risk Services, 1750 Creekside Oaks Drive, Suite 200, Sacramento, California, 95833.

NOTE 13: NOTE RECEIVABLE

On March 4, 2011, pursuant to the disposition and development agreement dated June 25, 2007 and with HUD disposition approval, the Dublin Housing Authority (DHA) disposed of all of its public housing units to the Authority which in turn, sold them to Eden Housing, Inc. and Citation Homes. The HUD disposition approval also imposed restrictions on the use of the net proceeds from the disposition. Net proceeds of \$11 million were to be loaned to Eden Dougherty, LLP, the developer of the former Arroyo Vista public housing site, to use for the development of new low-income family and elderly housing units on the site.

On March 4, 2011, the Authority entered into a construction permanent note agreement in the amount of \$11,000,000 with Eden Dougherty, LLP. (the Borrower), which will use the funds on the redevelopment project.

HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

The loan is evidenced by the Note, secured by the Regulatory Agreement and the Deed of Trust that encumbers the project to secure repayment of the loan in the form provided by the Authority. The Deed of Trust and the Regulatory Agreement have been recorded against the property in the Office of the Recorder of the County of Alameda. The Note has a term that expires on the date 55 years from the date of project completion, which is determined by the date of issuance of a certificate of occupancy or equivalent. The Borrower shall use Residual Receipts generated by the project to repay the note every 1st of June following the completion of project construction. The note bears no interest until the earlier of i) the permanent loan conversion or ii) the third anniversary of the note closing; thereafter, the note shall bear simple annual interest rate not to exceed 3%. The conversion to the permanent loan occurred on September 27, 2013. At June 30, 2016, the Authority had note receivable and accrued interest receivable from the Borrower in the amount of \$11,000,000 and \$911,116, respectively.

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 14: BLENDED COMPONENT UNIT

On March 23, 2011, the Authority established under the Nonprofit Public Corporation Law Preserving Alameda County Housing, Inc. (PACH), a not-for-profit instrumentality of the Authority for the purpose of acquiring, owning, leasing, rehabilitating and operating affordable housing units and to serve as a support corporation for the Authority.

With HUD approval, PACH acquired 230 disposed units from the Authority between September 2011 and April 2016. The following financial statement of PACH is included in the Authority's basic financial statements for fiscal year ended June 30, 2016.

BLENDED COMPONENT UNIT – STATEMENT OF NET POSITION

ASSETS

Current Assets:

Cash and cash equivalents	\$ 1,463,910
Restricted cash	2,448,268
Short term investments	1,799,268
Accounts receivable, net	21,626
Prepaid expenses and other current assets	7,793
Due from other funds	<u>263,626</u>
Total current assets	<u>6,004,491</u>

Noncurrent Assets:

Capital assets, net of accumulated depreciation	<u>5,897,842</u>
Total noncurrent assets	<u>5,897,842</u>
Total assets	<u><u>11,902,333</u></u>

LIABILITIES

Current Liabilities:

Accounts payable and accrued liabilities	495,020
Tenant security deposits	118,268
Due to other funds	<u>109,607</u>
Total current liabilities	<u>722,895</u>
Total liabilities	<u>722,895</u>

NET POSITION

Invested in capital assets	5,897,842
Restricted net position	2,330,000
Unrestricted net position	<u>2,951,596</u>
Total net position	<u>\$ 11,179,438</u>

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

**BLENDED COMPONENT UNIT – STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION**

OPERATING REVENUES

Tenant rental income	\$ 3,195,018
Other revenue	<u>35,403</u>
Total operating revenue	<u>3,230,421</u>

OPERATING EXPENSES

Administration	615,350
Tenant services	2,427
Utilities	126,445
Repairs and maintenance	602,941
General expenses	28,886
Depreciation expense	<u>611,633</u>
Total operating expenses	<u>1,987,682</u>

OPERATING INCOME

1,242,739

NONOPERATING REVENUES (EXPENSES)

Other revenue (expenses)	11,214
Interest and investment revenue (net)	<u>2,167</u>
Total non-operating revenues	<u>13,381</u>

Income/(loss) before transfers and special items	1,256,120
Special item	2,089,637
Equity transfer from other funds	<u>2,231,079</u>
Change in net position	5,576,836
Total Net Position – beginning of year	<u>5,602,602</u>
Total Net Position – end of year	<u>\$ 11,179,438</u>

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 15: EVALUATION OF SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through March 17, 2017, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2016

Assets	Low Rent Public Housing	Housing Choice Vouchers	Housing Development Fund	Continuum of Care	Mod Rehab	PACH	Ocean Avenue	Choice	Park Terrace	Business Activities	Interfund Elimination	Total
Current assets:												
Cash and cash equivalents (Note 2)	\$ 127,543	\$ 1,607,829	\$ 311,240	\$ -	\$ -	\$ 1,463,910	\$ 29,298	\$ -	\$ 142,252	\$ -	\$ -	\$ 3,682,072
Short term investments (Note 2)	-	366,343	3,737,351	-	-	1,799,268	149,939	-	999,593	-	-	7,052,494
Accounts receivable - HUD	-	152,160	-	-	30,031	-	-	-	-	-	-	182,191
Accounts receivable - other	-	16,349	20,865	548,970	-	21,626	56	4,201	3,569	-	-	615,636
Prepaid and other assets	-	20,611	-	-	-	7,793	-	-	-	-	-	28,404
Due from other funds (Note 3)	81,270	568,381	114,304	-	2,962	263,626	129	24,064	2,898	4,357	(1,061,991)	-
Total current assets	208,813	2,731,673	4,183,760	548,970	32,993	3,556,223	179,422	28,265	1,148,312	4,357	(1,061,991)	11,560,797
Restricted assets:												
Cash and cash equivalents and investments (Note 2)	-	418,582	-	-	-	2,448,268	6,152	-	5,324	-	-	2,878,326
Note receivable (Note 14)	11,911,116	418,582	-	-	-	-	-	-	-	-	-	11,911,116
Total restricted assets	11,911,116	418,582	-	-	-	2,448,268	6,152	-	5,324	-	-	14,789,442
Capital assets (Note 4)	755,713	86,431	11,468,210	-	-	19,007,976	1,382,985	-	903,432	170,000	-	33,774,747
Less accumulated depreciation (Note 4)	(543,946)	(86,431)	(3,964,093)	-	-	(13,110,134)	(741,053)	-	(544,432)	-	-	(18,990,089)
Capital assets, net	211,767	-	7,504,117	-	-	5,897,842	641,932	-	359,000	170,000	-	14,784,658
Total assets	12,331,696	3,150,255	11,687,877	548,970	32,993	11,902,333	827,506	28,265	1,512,636	174,357	(1,061,991)	41,134,897
Deferred outflow of resources	-	3,579,143	61,274	-	-	-	-	-	-	-	-	3,640,417
Total assets and deferred outflow of resources	12,331,696	6,729,398	11,749,151	548,970	32,993	11,902,333	827,506	28,265	1,512,636	174,357	(1,061,991)	44,775,314
Liabilities												
Current liabilities:												
Accounts payable	-	698,840	6,654	9,093	2,221	248,862	221	-	133	-	-	966,024
Accounts payable - HUD	-	7,925	-	-	2,950	-	-	-	-	-	-	10,875
Accrued compensated absences - current portion (Note 1)	-	150,634	-	-	-	-	-	-	-	-	-	150,634
Unearned revenue (Note 9)	-	-	-	-	-	-	-	28,265	-	-	-	28,265
Tenants security deposits	-	-	-	-	-	118,268	4,052	-	5,324	2,100	-	129,744
Family self sufficiency escrows - current portion	-	198,340	-	-	-	-	-	-	-	-	-	198,340
Accrued liabilities	16,638	137,126	10,396	-	-	246,158	210	-	3,000	220	-	413,748
Other liabilities	-	5,876	4,410	-	-	-	150	-	-	1,697	-	12,133
Due to other funds (Note 3)	57,796	316,766	4,844	539,877	27,822	109,607	1,975	-	2,964	340	(1,061,991)	-
Total current liabilities	74,434	1,515,507	26,304	548,970	32,993	722,895	6,608	28,265	11,421	4,357	(1,061,991)	1,909,763
Noncurrent liabilities:												
Net pension liability (Note 6)	-	9,503,887	140,217	-	-	-	-	-	-	-	-	9,644,104
Family self sufficiency escrows - noncurrent portion	-	198,341	-	-	-	-	-	-	-	-	-	198,341
Accrued compensated absences - noncurrent portion (Note 1)	-	40,059	-	-	-	-	-	-	-	-	-	40,059
Total liabilities	74,434	11,257,794	166,521	548,970	32,993	722,895	6,608	28,265	11,421	4,357	(1,061,991)	11,792,267
Deferred inflow of resources	-	695,148	6,629	-	-	-	-	-	-	-	-	701,777
Net position:												
Investment in capital assets	211,767	-	7,504,117	-	-	5,897,842	641,932	-	359,000	170,000	-	14,784,658
Restricted	11,911,116	-	-	-	-	2,300,000	-	-	-	-	-	14,241,116
Unrestricted	134,379	(5,223,544)	4,071,884	-	-	2,951,596	178,966	-	1,142,215	-	-	3,255,496
Total net position	12,257,262	(5,223,544)	11,576,001	-	-	11,179,438	820,898	-	1,501,215	170,000	-	32,281,270

The accompanying notes are an integral part of these financial statements

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016**

	Low Rent Public Housing	Housing Choice Vouchers	Housing Development Fund	Continuum of Care	Mod Rehab	PACH	Ocean Avenue	Choice	Park Terrace	Business Activities	Interfund Elimination	Total
Operating revenues												
Rental revenue - tenants	\$ 317,947	\$ -	\$ 143,000	\$ -	\$ -	\$ 3,195,018	\$ 77,160	\$ -	\$ 144,600	\$ 12,600	\$ (143,000)	\$ 3,747,325
Other revenues - tenants	1,297	-	-	-	-	35,403	155	-	-	-	-	36,855
HUD PHA grants	1,831,805	89,394,130	-	-	1,161,438	-	-	-	-	-	-	92,587,373
Housing assistance payments-Portability-in	-	7,287,333	-	-	-	-	-	-	-	-	-	7,287,333
Total operating revenues	2,151,049	96,681,463	143,000	-	1,161,438	3,230,421	77,315	-	144,600	12,600	(143,000)	103,458,886
Operating expenses												
Administration	507,227	7,906,917	57,761	81,842	128,885	615,350	25,278	37,325	37,181	4,080	(143,000)	9,258,846
Tenant service	600	136,849	-	-	-	2,427	-	-	-	-	-	139,876
Utilities	54,084	-	59,253	-	-	126,445	7,167	-	-	2,710	-	249,659
Ordinary maintenance and operations	366,969	-	157,552	-	-	602,941	17,833	-	48,638	4,113	-	1,198,046
General expenses	63,594	511,366	5,649	-	-	28,886	965	-	725	-	-	611,185
Depreciation	31,881	2,269	988,014	-	-	611,633	43,383	-	35,028	-	-	1,712,208
Housing assistance payments-Portability-in	79,200	7,287,333	-	-	-	-	-	-	-	-	-	7,287,333
Housing assistance payments	-	83,130,851	-	-	1,032,553	-	-	-	-	-	-	84,242,604
Other expenses	-	-	-	1,546,998	-	-	-	340,701	-	-	-	1,887,699
Total operating expenses	1,103,555	98,975,585	1,268,229	1,628,840	1,161,438	1,987,682	94,626	378,026	121,572	10,903	(143,000)	106,587,456
Operating (loss)/gain	1,047,494	(2,294,122)	(1,125,229)	(1,628,840)	-	(1,242,739)	(17,311)	(378,026)	23,028	1,697	-	(3,128,570)
Non-operating revenues												
Other revenue (expenses)	57,902	896,554	106,555	1,628,840	-	11,214	382	378,026	276	-	-	3,079,749
Investment income	331,124	611	15,866	-	-	2,167	216	-	1,431	-	-	351,415
Total non-operating revenues	389,026	897,165	122,421	1,628,840	-	13,381	598	378,026	1,707	-	-	3,431,164
Income/(loss) before transfers and special items	1,436,520	(1,396,957)	(1,002,808)	-	-	1,256,120	(16,713)	-	24,735	1,697	-	302,594
Special item- gain (loss) on disposition of assets (Note 7)	(2,089,637)	-	-	-	-	2,089,637	-	-	-	-	-	-
Equity transfer (Note 7)	(2,231,079)	-	-	-	-	2,231,079	-	-	-	(1,697)	-	(1,697)
Change in net position	(2,884,196)	(1,396,957)	(1,002,808)	-	-	5,576,836	(16,713)	-	24,735	-	-	300,897
Net position at the beginning of year	15,141,458	(3,826,587)	12,578,809	-	-	5,602,602	837,611	-	1,476,480	170,000	-	31,980,573
Ending net position	\$ 12,257,262	\$ (5,223,544)	\$ 11,576,001	\$ -	\$ -	\$ 11,179,438	\$ 820,898	\$ -	\$ 1,501,215	\$ 170,000	\$ -	\$ 32,281,270

The accompanying notes are an integral part of these financial statements

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016**

	Low-rent Public Housing	Housing Choice Vouchers	Housing Development Fund	Continuum of Care	Mod Rehab	PACH	Ocean Avenue	Choice	Park Terrace	Other State & Local	Interfund Elimination	Total
Cash flows from operating activities:												
Cash collected from:												
Dwelling rental	\$ 322,785	\$ -	\$ 143,000	\$ -	\$ -	\$ 3,169,371	\$ 77,310	\$ -	\$ 142,871	\$ 12,600	\$ (143,000)	\$ 3,724,937
Security deposit	-	-	-	-	-	41,520	-	-	-	-	-	41,520
Other operating revenue	1,297	-	-	-	-	35,403	155	-	-	-	-	36,855
HUD PHA grants received	1,831,805	89,523,094	-	-	1,121,335	-	-	-	-	-	-	92,476,234
Housing assistance payments-Portability-in	-	7,421,786	-	-	-	-	-	-	-	-	-	7,421,786
Cash paid for:												
Housing assistance payments	(79,200)	(83,059,385)	-	-	(992,450)	-	-	-	-	-	-	(84,131,035)
Housing assistance payments-Portability-in	-	(7,287,333)	-	-	-	-	-	-	-	-	-	(7,287,333)
Security deposit	(38,698)	-	-	-	-	-	-	-	-	-	-	(38,698)
Administrative expenses	(634,503)	(6,946,144)	46,130	(81,842)	(128,885)	(615,995)	(25,278)	(37,325)	(37,181)	(4,080)	143,000	(8,322,103)
Tenant services	(600)	(136,849)	-	-	-	(2,427)	-	-	-	-	-	(139,876)
Utility expenses	(54,084)	-	(59,253)	-	-	(126,445)	(7,167)	-	-	(2,710)	-	(249,659)
Maintenance expenses	(460,916)	-	(157,552)	-	-	(283,259)	(15,909)	-	(45,701)	(5,810)	-	(969,147)
General expenses	(63,594)	(511,366)	(5,649)	-	-	(28,886)	(965)	-	(725)	-	-	(611,185)
Other expenses	-	-	-	(1,546,998)	-	-	-	(340,701)	-	-	-	(1,887,699)
Net cash provided / (used) by operating activities	824,292	(996,197)	(33,324)	(1,628,840)	-	2,189,282	28,146	(378,026)	59,264	-	-	64,597
Cash flows from non capital & related financing activities:												
Other revenue received	57,902	896,554	106,555	1,628,840	-	11,214	382	378,026	73	-	-	3,079,546
Interfund payments	(2,465,369)	-	-	-	-	-	-	-	-	-	-	(2,465,369)
Interfund receipts	-	-	-	-	-	1,823,106	-	-	-	-	-	1,823,106
Net cash (used) / provided by non capital financing activities	(2,407,467)	896,554	106,555	1,628,840	-	1,834,320	382	378,026	73	-	-	2,437,283
Cash flows from capital and related financing activities:												
Acquisition of capital assets, net	-	-	(215,574)	-	-	(2)	-	-	-	-	-	(215,576)
Proceeds from disposition of capital assets, net	2	-	-	-	-	-	-	-	-	-	-	2
Net cash provided / (used) by capital and related financing activities	2	-	(215,574)	-	-	(2)	-	-	-	-	-	(215,574)
Cash flows from investing activities:												
Proceeds from investment maturities	1,599,796	1,133,621	-	-	-	-	-	-	369	-	-	2,733,786
Purchase of investments	-	-	(15,824)	-	-	(499,456)	(9,992)	-	-	-	-	(525,272)
Interest received from investments less accrued interest	1,124	611	15,866	-	-	2,167	216	-	1,431	-	-	21,415
Net cash provided / (used) by investing activities	1,600,920	1,134,232	42	-	-	(497,289)	(9,776)	-	1,800	-	-	2,229,929
Net increase / (decrease) in cash and cash equivalents	17,747	1,034,589	(142,301)	-	-	3,526,311	18,752	-	61,137	-	-	4,516,235
Cash and cash equivalents at the beginning of the year	109,796	991,822	453,541	-	-	385,867	16,698	-	86,439	-	-	2,044,163
Cash and cash equivalents at the end of the year	\$ 127,543	\$ 2,026,411	\$ 311,240	\$ -	\$ -	\$ 3,912,178	\$ 35,450	\$ -	\$ 147,576	\$ -	\$ -	\$ 6,560,398

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016**

	\$ 1,047,494	\$ (2,294,122)	\$ (1,125,229)	\$ (1,628,840)	\$ (17,311)	\$ (378,026)	\$ 23,028	\$ 1,697	\$ -	\$ (3,128,570)
Operating gain (loss)										
Adjustments to reconcile operating loss to net cash used by operating activities:										
Depreciation expense	31,881	2,269	988,014	-	611,633	43,383	35,028	-	-	1,712,208
(Increase)/Decrease in accounts receivable - HUD	-	128,964	-	(30,031)	-	-	-	-	-	98,933
(Increase)/Decrease in in accounts receivable - other project	-	16,118	-	-	-	-	-	-	-	16,118
(Increase)/Decrease in in accounts receivable - other	-	11,369	(11,729)	(3,759)	-	1,415	-	-	-	(2,704)
(Increase)/Decrease in in accounts receivable - other government	-	-	-	(48,307)	-	-	-	72,190	-	23,883
(Increase)/Decrease in accounts receivable - tenants	4,838	-	-	-	(20,953)	-	(1,729)	-	-	(17,844)
(Increase)/Decrease in prepaid expenses	2,702	32,947	-	-	(645)	-	-	-	-	35,004
(Increase)/Decrease in inter program-due from	(65,030)	(22,060)	43,693	-	(212,013)	-	-	(4,344)	-	(228,882)
(Increase)/Decrease in deferred outflow of resources	23,969	(1,206,172)	(61,274)	-	11,923	1,236	20,611	-	-	(1,243,477)
(Increase)/Decrease in deferred inflow of resources	(7,212)	(18,872)	6,629	-	-	-	-	-	-	(19,455)
(Increase)/(Decrease) in accounts payable	(18,733)	(117,757)	(10,283)	(1,158)	358	(1,262)	-	(13)	-	72,217
(Increase)/(Decrease) in wages/payroll taxes payable	-	(4,752)	-	-	-	-	-	-	-	(4,752)
(Increase)/(Decrease) in accounts payable - HUD	31,012	125,576	4,844	53,224	27,822	1,975	2,835	(69,750)	-	287,146
(Increase)/(Decrease) in inter program-due to	-	118,335	-	-	-	-	-	-	-	118,335
(Increase)/(Decrease) in accounts payable - other project	(19,556)	(1,375)	-	-	(10,072)	-	-	-	-	(10,072)
(Increase)/(Decrease) in accrued compensated absences	(6,026)	(6,781)	4,410	-	-	-	-	-	-	(20,931)
(Increase)/(Decrease) in accrued compensated absences-noncurrent	-	-	-	-	-	-	-	-	-	(12,807)
(Increase)/(Decrease) in deferred revenue	-	-	-	-	(4,694)	150	(22,026)	-	-	(22,160)
(Increase)/(Decrease) in FSS escrow	-	35,733	-	-	-	-	-	-	-	35,733
(Increase)/(Decrease) in FSS escrow current	-	-	-	-	-	-	-	-	-	35,733
(Increase)/(Decrease) in other current liabilities	-	13,977	(4,017)	-	-	(110)	-	-	-	9,850
(Increase)/(Decrease) in accrued liabilities	(87,796)	31,568	(8,599)	-	201,022	85	3,000	220	-	139,500
(Increase)/(Decrease) in accrued pension and OPEB liability	(74,553)	2,123,105	140,217	-	-	-	-	-	-	2,188,769
(Increase)/(Decrease) in tenant security deposit	(38,698)	-	-	-	41,520	-	-	-	-	2,822
Net cash (used)/provided by operating activities	\$ 824,292	\$ (996,197)	\$ (33,324)	\$ (1,628,840)	\$ 28,146	\$ (378,026)	\$ 59,264	\$ -	\$ -	\$ 64,597

The accompanying notes are an integral part of these financial statements

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Department of Housing and Urban Development :			
Low Rent Public Housing	14.850		\$ 279,910
Public Housing Capital Fund Program	14.872		1,551,895
Section 8 - Moderate Rehabilitation	14.856		1,161,438
PIH Family Self-Sufficiency Program (Housing Choice Vouchers)	14.896		274,849
Housing Choice Voucher	14.871		<u>89,394,130</u>
Total Department of Housing and Urban Development			<u>92,662,222</u>
Total Expenditures of Federal Awards			<u>\$ 92,662,222</u>

N/A: Not Available

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Housing Authority of the County of Alameda under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Housing Authority of the County of Alameda, it is not intended to and does not present the financial position, changes in net position or cash flows of Housing Authority of the County of Alameda.

Note 2: Summary of Significant Accounting

Summary of significant accounting refers to *when* revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All proprietary funds are accounted for using the accrual basis of accounting. Expenditures of federal awards reported on the schedule are recognized when incurred.

Note 3: Direct and Indirect (Pass-Through) Federal Awards

Federal awards may be granted directly to the Authority by a federal granting agency or may be granted to other government agencies which pass-through federal awards to the Authority. The schedule includes both of these types of federal award programs when they occur.

Note 4: Indirect Cost

Expenditures of Federal Awards reported on the Schedule do not include indirect costs allocated to the federal programs. The Authority neither had an indirect cost rate nor used the de minimis 10% of Modified Total Direct Costs (MTDC).

HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2016

	2016
ACERA - GENERAL PLAN	
The Authority's proportion of the net pension liability	0.723%
The Authority's proportionate share of the net pension liability	\$ 9,644,104
The Authority's covered – employee payroll	\$ 4,272,082
The Authority's proportionate share of the net pension liability as a percentage of its covered – employee payroll	225.75%
Plan fiduciary net position as a percentage of the total pension liability	76.89%

Note: In the future, as data becomes available, ten years of information will be presented.

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA
 SCHEDULE OF PENSION CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2016**

	2016
ACERA - GENERAL PLAN	
Contractually required contribution	\$ 1,056,709
Contributions in relations to the contractually required contribution	1,056,709
Contribution deficiency (excess)	\$
RHA's covered – employee payroll	\$ 4,272,082
Contributions as a percentage of covered – employee payroll	24.74%

Note: In the future, as data becomes available, ten years of information will be presented.



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**INDEPENDENT AUDITOR'S 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**

The Board of Commissioners
Housing Authority of the County of Alameda
Hayward, California

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Housing Authority of the County of Alameda (the Authority) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 17, 2017.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 weakness or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Patel & Associates, LLP

Oakland, California

March 17, 2017



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB UNIFORM GUIDANCE**

The Board of Commissioners
Housing Authority of the County of Alameda
Hayward, California

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the County of Alameda's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2016. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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; and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Patel & Associates, LLP
Oakland, California
March 17, 2017

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	<i>Unmodified</i>
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified not considered being material weakness?	No
Type of auditor's report issued on compliance for major programs:	<i>Unmodified</i>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516 of the Uniform Guidance?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.871	Housing Choice Voucher
14.872	Public Housing Capital Fund Program

Dollar threshold used to distinguish between type A and type B programs:	\$2,779,867
Auditee qualified as low-risk auditee?	Yes

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

No matters were reported